Report of Independent Auditors on the Financial Statements of

ORPHANAGE OUTREACH, INC.
DBA OUTREACH360

December 31, 2014

Metz & Associates PLLC

ORPHANAGE OUTREACH, INC. DBA OUTREACH360
REPORT OF INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Orphanage Outreach, Inc. dba Outreach360

We have audited the accompanying statement of financial position of Orphanage Outreach, Inc. dba Outreach360, as of December 31, 2014, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America: this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Orphanage Outreach, Inc. dba Outreach360 as of December 31, 2014, and the statements of activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Metz & Associates PLLC

Phoenix, Arizona
March 10, 2015

ORPHANAGE OUTREACH, INC. DBA OUTREACH360
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2014

Assets

Current assets:		
Cash and cash equivalents	$	88,585
Prepaid expenses		10,354
Total current assets		98,939
Land, buildings and equipment		983,926
Less: accumulated depreciation		(214,901)
Net property and equipment		769,025
Total assets	$	867,964

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued expenses	$	20,471
Loans from officers		197,345
Short term debt		3,000
Current portion of note payable		20,000
Total current liabilities		240,816
Note payable, net of current portion		120,000
Total liabilities		360,816
Net Assets:		
Unrestricted net assets		507,148
Total net assets		507,148
Total liabilities and net assets	$	867,964

The accompanying notes are an integral part of these financial statements.

ORPHANAGE OUTREACH, INC. DBA OUTREACH360
STATEMENTS OF ACTIVITIES
Year Ended December 31, 2014

Changes in unrestricted net assets:	
Revenue and support:	
Donations	$ 29,236
Scholarship gifts	73,532
University gifts	300
Store income	4,026
Volunteer income	1,144,477
Inkind donations	90,000
Other income	3,441
Loss on currency exchange	(677)
Total unrestricted revenue and support	1,344,335
Expenses:	
Program services	1,088,798
Management and general	149,190
Fundraising	34,214
Total expenses	1,272,202
Increase in net assets	72,133
Net Assets, Beginning of Year	435,015
Net Assets, End of Year	$ 507,148

The accompanying notes are an integral part of these financial statements.

ORPHANAGE OUTREACH, INC. DBA OUTREACH360
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	Program Services	Management and General	Fundraising	Total
Salaries and wages	$ 288,005	$ 67,742	$ 28,934	$ 384,681
Payroll tax	23,740	5,480	2,333	31,553
Employee benefits	20,629	5,894	2,947	29,470
Total personnel	332,374	79,116	34,214	445,704
Direct assistance	548,972	–	–	548,972
Professional fees	33,401	16,950	–	50,351
Advertising and marketing	9,205	1,830	–	11,035
Office expenses	22,565	12,743	–	35,308
Information technology	11,780	15,346	–	27,126
Travel	18,889	–	–	18,889
Conferences	950	–	–	950
Interest	5,587	–	–	5,587
Depreciation	26,145	–	–	26,145
Insurance	51,385	11,205	–	62,590
Bank and Paypal fees	25,598	–	–	25,598
Storage rent	–	12,000	–	12,000
Training	1,167	–	–	1,167
Miscellaneous	780	–	–	780
Total expenses	$ 1,088,798	$ 149,190	$ 34,214	$ 1,272,202

The accompanying notes are an integral part of these financial statements.

ORPHANAGE OUTREACH, INC. DBA OUTREACH360
STATEMENTS OF CASH FLOWS
Year Ended December 31, 2014

Reconciliation of Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Change in net assets	$	72,133
Depreciation		26,145
(Increase) decrease in:		
Prepaid expenses		(10,354)
Increase (decrease) in:		
Accounts payable and accrued expenses		(30,168)
Net Cash Provided by Operating Activities		57,756
Cash Flows from Financing Activities:		
Proceeds from loans from officers		60,000
Payments on loans from officers		(50,158)
Payments on short term debt		(42,000)
Payments on long term debt		(20,000)
Net Cash Used by Financing Activities		(52,158)
Increase in Cash and Cash Equivalents		5,598
Cash and Cash Equivalents, Beginning of Year		82,987
Cash and Cash Equivalents, End of Year	$	88,585

SUPPLEMENTAL DISCLOSURE OF CASH FLOW

Cash paid for interest during the year ended December 31, 2014	$	5,587

The accompanying notes are an integral part of these financial statements.

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Orphanage Outreach, Inc. dba Outreach360 (the Organization); an Arizona nonprofit public benefit organization, was founded in 1995 to transform individuals, families, communities, countries, and the world through the education and development of disadvantaged children in Nicaragua and the Dominican Republic.

Basis of Accounting – The accounts of the Organization are maintained, and the financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation – In accordance with generally accepted accounting principles, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2014, there were no temporarily or permanently restricted net assets.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. Actual results may differ from those estimates.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk – Financial instruments which potentially subject the Organization to concentrations of credit risk include cash deposits and investments maintained in excess of Federal Deposit Insurance Corporation (“FDIC”) and Securities Investor Protection Corporation (“SIPC”) limits throughout the year. At December 31, 2014, the Organization did not have any balances on deposit in excess of federally insured limits.

Foreign Currency Risk – Operations outside the United States are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange.

Land, Buildings and Equipment – Land, buildings and equipment are recorded at cost; donated assets are capitalized at fair value at the date of receipt. Repairs, maintenance, and minor replacements are expensed as incurred. For financial reporting purposes, depreciation is computed using the straight line method over the estimated useful lives of the assets, which range from five to thirty-nine years. The Organization capitalizes its property and equipment in excess of $5,000.

Impairment of Long-Lived Assets – The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated absences – The Organization allows full-time employees to receive compensation for vacation and sick leave. Compensated absences for vacation and sick pay have not been accrued since they cannot be carried forward from year to year, but are expensed as incurred.

Donated Assets and Services – Donated non-cash assets are recorded as contributions at their estimated fair values at the date of donation. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Support and Revenue – Contributions are recognized as support when received or unconditionally promised. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence of any donor-imposed restrictions. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Functional Allocation of Expenses – Expenses are charged to programs and supporting services on the basis of periodic time and expense studies as well as estimates made by the Organization's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising Cost – The Organization expenses advertising and marketing costs as incurred. Advertising and marketing expense was $11,035 for the year ended December 31, 2014.

Foreign Currency – Results of operations for the Organization's foreign operations are translated from the local (functional) currency to the U.S. dollar using average exchange rates during the period, while assets and liabilities are translated at the exchange rate in effect at the reporting date. Resulting gains or losses from translating foreign currency financial statements are included in earnings. As a result, the transactions of those operations that are denominated in foreign currencies are remeasured into U.S. dollars, and any resulting gains or losses are included in earnings. The Company experienced a net foreign currency transaction loss of $677 in 2014.

Excise Tax – The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code (IRC) and is classified as a public charity as described in section 509(a)1 and 170(b)(1)(A)(vi) of the IRC. The Organization is not subject to the two percent (one percent if certain criteria are met) federal excise tax on net investment income, including realized gains, as defined by the IRC.

NOTE B – FAIR VALUE ESTIMATES

Generally accepted accounting principles provide a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

NOTE B – FAIR VALUE ESTIMATES (Continued)

Assets and liabilities that are required to be recorded at fair value in the balance sheet are categorized based on the inputs to valuation techniques as follows:

Level 1. These assets and liabilities are where values are based on unadjusted quoted prices for identical assets in an active market the Organization has the ability to access.

Level 2. These are assets and liabilities where values are based on the following inputs:
- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs which are derived principally from or corroborated by observable market data by correlation or other means.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

As of December 31, 2014, the Organization had no assets or liabilities that were required to be valued using the fair value hierarchy. The carrying amounts reflected in the balance sheet for cash and cash equivalents, certificates of deposit, accounts receivable, and accounts payable, approximate the respective fair values due to the short maturities of those instruments.

NOTE C – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of the following at December 31, 2014:

	2014	Estimated Useful Lives
Land	$ 85,000	Permanent
Buildings and improvements	760,000	39 years
Vehicles	138,926	5 years
	$ 983,926	

Depreciation charged to income was $26,145 for the year ended December 31, 2014.

NOTE D – SHORT TERM DEBT

In June 2014, the Organization purchased land in Nicaragua for $45,000 by signing a short term note to be paid in January 2015. The balance outstanding at December 31, 2014 is $3,000.

NOTE E – LOANS FROM OFFICERS

In 2007, the Organization purchased property in the Dominican Republic for $300,000, paying $20,000 and signing a note payable for the remaining balance due $20,000 a year for fourteen years. The balance outstanding at December 31, 2014 is $140,000. Maturities of the principal portion of loans payable are as follows:

Year ending December 31,		
2015	$	20,000
2016		20,000
2017		20,000
2018		20,000
2019		20,000
Thereafter		40,000
	$	140,000

NOTE F – IN-KIND CONTRIBUTIONS

In-kind contributions received during the year consist of clothing and other supplies brought by volunteers upon their trips to assist in the Organization's mission. The Organization estimates the value of the items donated and records the value in the financial statements at their fair market value. In-kind contributions received by the Organization for the year ended totaled $90,000 for the year ended December 31, 2014.

In addition, many individuals have donated significant amounts of their time in organizational governance, program services and resource development efforts. No amounts have been reflected in the statements for these donated services as they did not meet the accounting principles criteria for recognition.

NOTE G – RELATED PARTY TRANSACTIONS

The Organization has entered into an agreement for a loan payable to two officers totaling $197,345 at December 31, 2014. The amount is noninterest bearing and is expected to be paid in full no later than February 1, 2016.

NOTE H – UNCERTAIN TAX POSITIONS

The Organization has implemented *ASC 740-10,* the generally accepted accounting guidance for uncertainty in income taxes. As of December 31, 2014, the Organization had made no changes in the purpose, character or method of operations, and therefore there were no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2013, 2012 and 2011 are subject to examination by the IRS, generally for three years after they were filed.

NOTE I – RISKS AND UNCERTAINTIES

The Organization's investments are exposed to various risks such as interest rate, market and credit due to the level of risk associated with these investments and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the Organization's investment account balances and the amounts reported in the accompanying financial statements.

NOTE J – SUBSEQUENT EVENTS

The Organization evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Management has determined that there were no events that occurred that require additional disclosure. Subsequent events have been evaluated through March 10, 2015, which is the date the financial statements were available to be issued.

Metz & Associates PLLC

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