

GUIDELINES, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2016

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Independent Auditors' Report

Board of Directors
Guidelines, Inc.
Mission Viejo, California

We have audited the accompanying financial statements of Guidelines, Inc. (a Colorado not-for-profit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 of 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 auditor's 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 controls 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 on the effectiveness of the entity's internal controls. 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Guidelines, Inc. as of December 31, 2016 and 2015, and the changes in its net 4assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

By: [Signature] Adams, LLC

October 3, 2017
Denver, Colorado

GUIDELINES, INC.
STATEMENTS OF FINANCIAL POSITION

December 31,	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 516,543	\$ 537,633
Prepaid expenses	0	3,418
Book inventory	5,712	8,140
Investments	1,018,183	1,078,753
Other assets	8,235	8,235
Property and equipment - net of accumulated depreciation	<u>13,574</u>	<u>19,224</u>
Total Assets	<u>\$ 1,562,247</u>	<u>\$ 1,655,403</u>
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$ 2,073	\$ 1,285
Philippines agency funds	<u>0</u>	<u>17,336</u>
Total liabilities	<u>2,073</u>	<u>18,621</u>
<u>Net assets</u>		
Unrestricted	1,408,081	1,459,947
Temporarily restricted	<u>152,093</u>	<u>176,835</u>
Total net assets	<u>1,560,174</u>	<u>1,636,782</u>
Total Liabilities and Net Assets	<u>\$ 1,562,247</u>	<u>\$ 1,655,403</u>

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

GUIDELINES, INC.
STATEMENTS OF ACTIVITIES

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>For the Year Ended December 31, 2016:</u>			
<u>Support, Revenue, and Other Gains</u>			
Contributions	\$ 393,247	\$ 372,357	\$ 765,604
Investment income	75,566	0	75,566
Other income	5,093	0	5,093
Net assets released from restrictions	<u>397,099</u>	<u>(397,099)</u>	<u>0</u>
Total support, revenue, and other gains	<u>871,005</u>	<u>(24,742)</u>	<u>846,263</u>
<u>Expenses</u>			
Ministry and missions	758,222		758,222
General and administrative	149,661		149,661
Fundraising	<u>14,988</u>		<u>14,988</u>
Total expenses	<u>922,871</u>		<u>922,871</u>
Changes in net assets	(51,866)	(24,742)	(76,608)
Net assets at beginning of year	<u>1,459,947</u>	<u>176,835</u>	<u>1,636,782</u>
Net assets at end of year	<u>\$ 1,408,081</u>	<u>\$ 152,093</u>	<u>\$ 1,560,174</u>
<u>For the Year Ended December 31, 2015:</u>			
<u>Support, Revenue, and Other Gains</u>			
Contributions	\$ 443,676	\$ 329,394	\$ 773,070
Investment income	(4,223)	0	(4,223)
Other income	30,647	0	30,647
Net assets released from restrictions	<u>239,339</u>	<u>(239,339)</u>	<u>0</u>
Total support, revenue, and other gains	<u>709,439</u>	<u>90,055</u>	<u>799,494</u>
<u>Expenses</u>			
Ministry and missions	662,755		662,755
General and administrative	158,976		158,976
Fundraising	<u>82,136</u>		<u>82,136</u>
Total expenses	<u>903,867</u>		<u>903,867</u>
Changes in net assets	(194,428)	90,055	(104,373)
Net assets at beginning of year	<u>1,654,375</u>	<u>86,780</u>	<u>1,741,155</u>
Net assets at end of year	<u>\$ 1,459,947</u>	<u>\$ 176,835</u>	<u>\$ 1,636,782</u>

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

GUIDELINES, INC.
STATEMENTS OF CASH FLOWS

<u>For the Years Ended December 31,</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Contributions received	\$ 765,604	\$ 773,070
Cash paid to suppliers and employees	(927,923)	(898,161)
Interest and dividends received	34,942	43,985
Miscellaneous receipts	<u>5,093</u>	<u>30,712</u>
Net cash used in operating activities	<u>(122,284)</u>	<u>(50,394)</u>
Cash flows from investing activities		
Sale of investments	235,051	0
Purchase of investments	<u>(133,857)</u>	<u>(159,923)</u>
Net cash provided by (used in) investing activities	<u>101,194</u>	<u>(159,923)</u>
Net change in cash and cash equivalents	(21,090)	(210,317)
Cash and cash equivalents at beginning of year	<u>537,633</u>	<u>747,950</u>
Cash and cash equivalents at end of year	<u>\$ 516,543</u>	<u>\$ 537,633</u>
Reconciliation of changes in net assets to net cash used in operating activities:		
Change in net assets	\$ (76,608)	\$ (104,373)
Reconciling adjustments		
Depreciation	5,650	6,407
Investment (gain) loss	(40,624)	48,208
Change in operating assets and liabilities:		
Inventory and other assets	5,846	(1,772)
Accounts payable and accrued liabilities	<u>(16,548)</u>	<u>1,136</u>
Net cash used in operating activities	<u>\$ (122,284)</u>	<u>\$ (50,394)</u>

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

GUIDELINES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Guidelines, Inc. (Organization) is incorporated as a not-for-profit corporation in the State of Colorado. The Organization operates in Mission Viejo, California and provides Christian broadcasting ministries and missions throughout the world.

No provision for income taxes has been made in the accompanying financial statements. Guidelines, Inc. is exempt from income tax under Section 501(c)(3) of the U. S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. Guidelines, Inc. has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Organization's open Internal Revenue Service audit periods are for the years 2013 through 2016. The Organization did not have any material unrelated business income tax liability or significant uncertain tax positions for the years ended December 31, 2016 and 2015.

The significant accounting policies are described below.

Basis of Presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Inventories

Inventories are stated at lower of cost or market value. Cost is determined by the first-in-first-out method, and market value represents the lower of replacement cost or estimated net realized value.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 restrictions.

GUIDELINES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of services shall be recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Capital Assets

Expenditures for property and equipment of \$500 or more are recorded at cost, if purchased, or at fair value on the date of the gift if donated. Depreciation of buildings and equipment is provided using the straight line method over the estimated useful lives of the assets.

Cash Deposits in Excess of Federally Insured Limits

Guidelines, Inc. has determined that current operational cash needs will occasionally result in cash balances in excess of insured limits.

Allocation of Expenses

The costs of providing the various programs and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting activities.

Subsequent Events

The Organization's financial statements were available to be issued on October 3, 2017 and this is the date through which subsequent events were evaluated. Management did not identify any subsequent events requiring disclosure.

NOTE 2 - INVESTMENTS

Other investments are carried at fair value, which is based on quoted market prices as of December 31:

	<u>2016</u>	<u>2015</u>
Money market (Level 1)	\$ 328,672	\$ 63,607
Certificates of deposit	0	125,000
Corporate equities (Level 1)	689,511	890,146
	<u>\$ 1,018,183</u>	<u>\$ 1,078,753</u>

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

	<u>2016</u>	<u>2015</u>
Composition of investment return:		
Interest and dividends	\$ 34,942	\$ 43,985
Gain (loss) on investments	40,624	(48,208)
	<u>\$ 75,566</u>	<u>\$ (4,223)</u>

GUIDELINES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - PROPERTY AND EQUIPMENT

	2016	2015
Furniture and equipment	\$ 36,129	\$ 36,129
Accumulated depreciation	(22,555)	(16,905)
	\$ 13,574	\$ 19,224

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restrictions incurring expenses satisfying the restricted purposes as follows:

	2016	2015
Missionaries and staff	\$ 161,285	\$ 128,404
Special projects	235,814	110,935
	\$ 397,099	\$ 239,339

Temporarily restricted net assets are available for the following purposes at December 31:

	2016	2015
Missionaries	\$ 1,424	\$ 23,024
Special projects	150,669	153,811
	\$ 152,093	\$ 176,835

NOTE 5 - OPERATING LEASES

The Organization has entered into an operating lease commitment for office space expiring in February 2020. Lease expense for the years ended December 31, 2016 and 2015, was \$43,182 and \$42,274. Future minimum lease commitments for the years succeeding December 31, 2016, are as follows:

2017	\$ 40,170
2018	40,440
2019	40,440
2020	6,740

NOTE 6 - ENDOWMENTS

The Organization has several term-endowments related to its mission projects. As required by the generally accepted accounting principles, net assets associated with the endowment funds, including term-endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted and temporarily restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift

GUIDELINES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6- ENDOWMENTS (CONTINUED)

instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted and term-endowment funds:

1. The duration and preservation of the fund.
2. The purpose of the Organization and the donor restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

The Organization does not currently possess any permanent endowments. Changes in term-endowments for the years ended December 31, 2016 and 2015, are reflected in the statements of activities.