

CHILDREN OF THE NATIONS

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2014 & 2013

Gintz Warner, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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GINTZ WARNER PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Children of the Nations

Report on the Financial Statements

We have audited the accompanying statements of financial position of Children of the Nations (a nonprofit organization) as of December 31, 2014 and 2013 and the related statements of activities, functional expenses 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.

Auditor's 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 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 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 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 on 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children of the Nations as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gintz Warner, PLLC

Gintz Warner, PLLC
August 13, 2015

CHILDREN OF THE NATIONS
STATEMENTS OF FINANCIAL POSITION

ASSETS

| | December 31, | |
|---|---------------------|---------------------|
| | 2014 | 2013 |
| CURRENT ASSETS | | |
| Cash (Note 2) | \$ 2,045,005 | \$ 1,956,237 |
| Pledges receivable (Note 3) | 816,894 | 740,258 |
| Inventory (Note 1) | 54,227 | 71,460 |
| TOTAL CURRENT ASSETS | 2,916,126 | 2,767,955 |
| PROPERTY AND EQUIPMENT (Notes 1 and 7) | | |
| Land | 75,000 | 75,000 |
| Buildings | 486,117 | 478,302 |
| Equipment | 46,495 | 44,651 |
| Vehicles | 47,208 | 53,388 |
| | 654,820 | 651,341 |
| Less accumulated depreciation | (155,492) | (137,449) |
| NET PROPERTY AND EQUIPMENT | 499,328 | 513,892 |
| TOTAL ASSETS | \$ 3,415,454 | \$ 3,281,847 |

See Independent Auditor's Report and Notes to Financial Statements.

CHILDREN OF THE NATIONS
STATEMENTS OF FINANCIAL POSITION
LIABILITIES AND NET ASSETS

| | December 31, | |
|--|---------------------|---------------------|
| | 2014 | 2013 |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 81,599 | \$ 27,290 |
| Accrued payroll and payroll taxes | 31,025 | 15,354 |
| Current portion of long-term debt (Note 4) | - | 16,959 |
| TOTAL CURRENT LIABILITIES | 112,624 | 59,603 |
| LONG-TERM LIABILITIES | | |
| Notes payable, net of current portion (Note 4) | - | 409,048 |
| NET ASSETS | | |
| Unrestricted | 1,956,531 | 1,538,817 |
| Temporarily restricted (Note 5) | 1,321,299 | 1,249,379 |
| Permanently restricted | 25,000 | 25,000 |
| TOTAL NET ASSETS | 3,302,830 | 2,813,196 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 3,415,454 | \$ 3,281,847 |

See Independent Auditor's Report and Notes to Financial Statements.

CHILDREN OF THE NATIONS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|---------------------------|---------------------------|---------------------|
| CONTRIBUTIONS AND OTHER REVENUES | | | | |
| Contributions | | | | |
| General support | \$ 1,316,668 | \$ 2,797,166 | \$ - | \$ 4,113,834 |
| Sierra Leone support | | 962,054 | | 962,054 |
| Malawi support | | 928,617 | | 928,617 |
| In-kind equipment and supplies | | 859,850 | | 859,850 |
| Dominican Republic support | | 837,447 | | 837,447 |
| Contributed skilled services | | 569,217 | | 569,217 |
| Uganda support | | 532,625 | | 532,625 |
| Feeding support | | 19,536 | | 19,536 |
| Interest | 419 | | | 419 |
| Reclassifications | | | | |
| Satisfaction of purpose restrictions | 7,434,592 | (7,434,592) | | - |
| TOTAL CONTRIBUTIONS AND OTHER REVENUES | 8,751,679 | 71,920 | - | 8,823,599 |
| EXPENSES | | | | |
| Program services | | | | |
| International support | 3,000,485 | | | \$ 3,000,485 |
| Sierra Leone | 1,243,017 | | | 1,243,017 |
| Dominican Republic | 1,190,454 | | | 1,190,454 |
| Malawi | 1,123,340 | | | 1,123,340 |
| Uganda | 693,538 | | | 693,538 |
| Supporting services | | | | |
| Management and general | 620,348 | | | 620,348 |
| Fundraising | 462,783 | | | 462,783 |
| TOTAL EXPENSES | 8,333,965 | - | - | 8,333,965 |
| CHANGE IN NET ASSETS | 417,714 | 71,920 | - | 489,634 |
| NET ASSETS AT BEGINNING OF YEAR | 1,538,817 | 1,249,379 | 25,000 | 2,813,196 |
| NET ASSETS AT END OF YEAR | \$ 1,956,531 | \$ 1,321,299 | \$ 25,000 | \$ 3,302,830 |

See Independent Auditor's Report and Notes to Financial Statements.

CHILDREN OF THE NATIONS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|---------------------------|---------------------------|---------------------|
| CONTRIBUTIONS AND OTHER REVENUES | | | | |
| Contributions | | | | |
| General support | \$ 1,260,277 | \$ 3,067,207 | \$ - | \$ 4,327,484 |
| Malawi support | | 902,892 | | 902,892 |
| Dominican Republic support | | 831,436 | | 831,436 |
| Contributed skilled services | | 671,730 | | 671,730 |
| In-kind equipment and supplies | | 656,372 | | 656,372 |
| Sierra Leone support | | 626,785 | | 626,785 |
| Uganda support | | 622,319 | | 622,319 |
| Feeding support | | 12,198 | | 12,198 |
| Interest | 315 | | | 315 |
| Reclassifications | | | | |
| Satisfaction of purpose restrictions | 7,361,770 | (7,361,770) | | - |
| TOTAL CONTRIBUTIONS AND OTHER REVENUES | 8,622,362 | 29,169 | - | 8,651,531 |
| EXPENSES | | | | |
| Program services | | | | |
| International support | 3,188,187 | | | 3,188,187 |
| Malawi | 1,316,303 | | | 1,316,303 |
| Dominican Republic | 1,172,908 | | | 1,172,908 |
| Sierra Leone | 958,041 | | | 958,041 |
| Uganda | 566,382 | | | 566,382 |
| Supporting services | | | | |
| Management and general | 462,787 | | | 462,787 |
| Fundraising | 360,380 | | | 360,380 |
| TOTAL EXPENSES | 8,024,988 | - | - | 8,024,988 |
| CHANGE IN NET ASSETS | 597,374 | 29,169 | - | 626,543 |
| NET ASSETS AT BEGINNING OF YEAR | 941,443 | 1,220,210 | 25,000 | 2,186,653 |
| NET ASSETS AT END OF YEAR | \$ 1,538,817 | \$ 1,249,379 | \$ 25,000 | \$ 2,813,196 |

CHILDREN OF THE NATIONS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

| | PROGRAM SERVICES | | | | | SUPPORTING SERVICES | | | Total | |
|------------------------------|-----------------------|---------------------|---------------------|---------------------|-------------------|---------------------|------------------------|-------------------|---------------------|---------------------|
| | International Support | Dominican Republic | Malawi | Sierra Leone | Uganda | Total | Management and General | Fundraising | | Total |
| Salaries, taxes & benefits | \$ 1,461,253 | \$ - | \$ - | \$ - | \$ - | \$ 1,461,253 | \$ 287,068 | \$ 167,893 | \$ 454,961 | \$ 1,916,214 |
| International projects | | | | | | | | | | |
| Administrative | | 200,208 | 201,524 | 138,171 | 181,473 | 721,376 | | | - | 721,376 |
| Children's homes | | | 220,656 | 77,124 | 32,292 | 330,072 | | | - | 330,072 |
| Clinic | | 32,091 | | | | 32,091 | | | - | 32,091 |
| Communications | 11,046 | | | | | 11,046 | 5,523 | 12,292 | 17,815 | 28,861 |
| Contributed skilled services | 101,510 | 230,224 | 47,840 | 143,840 | 14,165 | 537,579 | 28,438 | | 28,438 | 566,017 |
| Depreciation | 8,840 | | | | | 8,840 | 16,870 | | 16,870 | 25,710 |
| Education | 22,569 | 49,389 | 121,752 | 186,762 | 100,239 | 480,711 | | | - | 480,711 |
| Evangelism | - | 6,550 | 12,000 | 7,408 | 9,240 | 35,198 | | | - | 35,198 |
| Farm | | | | 12,275 | | 12,275 | | | - | 12,275 |
| Interest | | | | | | - | 6,351 | | 6,351 | 6,351 |
| Other expenses | 438,806 | 213,413 | 118,828 | 304,938 | 100,852 | 1,176,837 | 104,755 | 199,159 | 303,914 | 1,480,751 |
| Other projects | 255,419 | 3,428 | 66,242 | 172,846 | 197,091 | 695,026 | | | - | 695,026 |
| Printing and publications | | | | | | - | | 61,472 | 61,472 | 61,472 |
| Professional fees | | | | | | - | 29,953 | | 29,953 | 29,953 |
| Program facilities | 79,611 | | | | | 79,611 | 21,753 | | 21,753 | 101,364 |
| Supplies | | | | | | - | 61,773 | 3,302 | 65,075 | 65,075 |
| Travel and conferences | 69,478 | | | | | 69,478 | 57,864 | 18,665 | 76,529 | 146,007 |
| Vehicles | | 9,000 | 15,336 | 29,906 | | 54,242 | | | - | 54,242 |
| Venture teams | 551,953 | 214,099 | 182,620 | 40,645 | 48,276 | 1,037,593 | | | - | 1,037,593 |
| Villages | | 232,052 | 136,542 | 129,102 | 9,910 | 507,606 | | | - | 507,606 |
| TOTAL EXPENSES | \$ 3,000,485 | \$ 1,190,454 | \$ 1,123,340 | \$ 1,243,017 | \$ 693,538 | \$ 7,250,834 | \$ 620,348 | \$ 462,783 | \$ 1,083,131 | \$ 8,333,965 |

See Independent Auditor's Report and Notes to Financial Statements.

CHILDREN OF THE NATIONS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

| | PROGRAM SERVICES | | | | | SUPPORTING SERVICES | | | Total | |
|------------------------------|-----------------------|---------------------|---------------------|-------------------|-------------------|---------------------|------------------------|-------------------|-------------------|---------------------|
| | International Support | Dominican Republic | Malawi | Sierra Leone | Uganda | Total | Management and General | Fundraising | | Total |
| Salaries, taxes & benefits | \$ 1,295,784 | \$ - | \$ - | \$ - | \$ - | \$ 1,295,784 | \$ 210,205 | \$ 120,925 | \$ 331,130 | \$ 1,626,914 |
| International projects | | | | | | | | | | |
| Administrative | | 174,942 | 229,217 | 145,363 | 138,935 | 688,457 | | | - | 688,457 |
| Children's homes | | | 304,615 | 76,081 | 36,419 | 417,115 | | | | 417,115 |
| Clinic | | 30,044 | | | | 30,044 | | | - | 30,044 |
| Communications | 12,187 | | | | | 12,187 | 6,093 | 22,464 | 28,557 | 40,744 |
| Contributed skilled services | 91,640 | 206,100 | 113,192 | 172,000 | 30,088 | 613,020 | 35,935 | | 35,935 | 648,955 |
| Depreciation | 6,258 | | | | | 6,258 | 16,031 | | 16,031 | 22,289 |
| Education | 36,536 | 41,803 | 122,193 | 18,320 | 74,880 | 293,732 | | | | 293,732 |
| Evangelism | 592 | 72 | 12,000 | 7,973 | 9,240 | 29,877 | | | - | 29,877 |
| Farm | | | | 11,065 | | 11,065 | | | - | 11,065 |
| Interest | | | | | | - | 21,592 | | 21,592 | 21,592 |
| Other expenses | 417,992 | 218,904 | 164,669 | 165,484 | 4,337 | 971,386 | 84,725 | 167,525 | 252,250 | 1,223,636 |
| Other projects | 294,272 | 51,583 | 50,626 | 123,770 | 130,494 | 650,745 | | | - | 650,745 |
| Printing and publications | | | | | | - | | 37,538 | 37,538 | 37,538 |
| Professional fees | | | | | | - | 16,918 | | 16,918 | 16,918 |
| Program facilities | 96,702 | | | | | 96,702 | 12,481 | | 12,481 | 109,183 |
| Supplies | | | | | | - | 40,145 | 6,235 | 46,380 | 46,380 |
| Travel and conferences | 67,700 | | | | | 67,700 | 18,662 | 5,693 | 24,355 | 92,055 |
| Vehicles | | | 15,603 | 30,852 | | 46,455 | | | - | 46,455 |
| Venture teams | 868,524 | 217,439 | 149,575 | 89,816 | 134,429 | 1,459,783 | | | - | 1,459,783 |
| Villages | | 232,021 | 154,613 | 117,317 | 7,560 | 511,511 | | | - | 511,511 |
| TOTAL EXPENSES | \$ 3,188,187 | \$ 1,172,908 | \$ 1,316,303 | \$ 958,041 | \$ 566,382 | \$ 7,201,821 | \$ 462,787 | \$ 360,380 | \$ 823,167 | \$ 8,024,988 |

See Independent Auditor's Report and Notes to Financial Statements.

CHILDREN OF THE NATIONS
STATEMENTS OF CASH FLOWS

| | December 31, | |
|---|---------------------|---------------------|
| | 2014 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 489,634 | \$ 626,543 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 25,710 | 22,289 |
| (Increase) decrease in assets: | | |
| Pledges receivable | (76,636) | 272,772 |
| Inventory | 17,233 | 55,263 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 54,309 | (6,690) |
| Accrued payroll and payroll taxes | 15,671 | 2,049 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 525,921 | 972,226 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment in property and equipment | (28,646) | (66,526) |
| Proceeds from sale of asset | 17,500 | - |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | (11,146) | (66,526) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of principal on note payable | (426,007) | (15,808) |
| NET CHANGE IN CASH | 88,768 | 889,892 |
| CASH, BEGINNING OF YEAR | 1,956,237 | 1,066,345 |
| CASH, END OF YEAR | \$ 2,045,005 | \$ 1,956,237 |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Cash paid for interest expense | \$ 6,351 | \$ 21,592 |

See Independent Auditor's Report and Notes to Financial Statements.

**CHILDREN OF THE NATIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 1

NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations

Children of the Nations (the Organization) is incorporated as a non-profit corporation. Its mission statement is to partner with nationals to provide holistic Christ-centered care for orphaned and destitute children, enabling them to create positive and lasting change in their nations. The locations of operations include the headquarters in Silverdale, Washington and offices in Seattle, California, Oregon, Oklahoma, Florida, Massachusetts, Ohio, Colorado and Nebraska.

The organization directly supports, through financial and organizational resources, foreign aid non-governmental organizations (NGOs) in the Dominican Republic, Malawi, Sierra Leone and Uganda. These organizations are separate legal entities from Children of the Nations (USA) with separate audited financial statements and are registered in their respective countries. The organization has applied for NGO status in Haiti but is still waiting for approval from the country.

Basis of Accounting

The Organization has adopted a policy of preparing its financial statements in accordance with generally accepted accounting principles. The financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117 (ASC 958), "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117 (ASC 958), the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

Unrestricted net assets include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operations of the Organization and include both internally designated and undesignated resources.

Temporarily restricted net assets include revenue and contributions subject to donor-imposed restrictions that will be met by the actions of the Organization and/or the passage of time. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as "Satisfaction of purpose restrictions".

Permanently restricted net assets include contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.

**CHILDREN OF THE NATIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 1

**NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Use of Estimates

The preparation of financial statements in accordance with 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.

Inventory

The Organization receives donations of food, equipment and supplies, which are recognized in the financial statements as in-kind contributions in accordance with SFAS No. 116 (ASC 958), "Accounting for Contributions Received and Contributions Made". Additionally as required, donated inventory consisting of food, equipment and supplies are valued in the financial statements at their estimated value, which was \$54,227 at December 31, 2014 and \$71,460 at December 31, 2013.

Food inventory is valued based on an estimate of the number of pounds and an estimated price per pound. Inventory consisting of equipment and supplies is based on an estimated value as determined by management. Purchased inventory is valued at cost.

Property and Equipment

Property and equipment are stated at cost if purchased and fair market value if donated. Vehicles are stated at fair market value if retained by the Organization or subsequent sale price if immediately sold. Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

| | |
|-----------|--------------|
| Buildings | 39 years |
| Equipment | 3 to 7 years |
| Vehicles | 5 years |

Assets constructed or purchased for foreign aid NGOs are not reported as assets of Children of the Nations (USA). Rather, they are listed as expenses of the Organization to support the foreign aid NGOs.

**CHILDREN OF THE NATIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 1

**NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 116 (ASC 958), "Accounting for Contributions Received and Contributions Made". In accordance with SFAS No. 116 (ASC 958), contributions received are recorded as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Donated services are recognized as contributions in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made", if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteers provided general office and administrative support throughout the year that were not recognized as contributions in the financial statements since the recognition criteria under SFAS No. 116 (ASC 958) were not met. The Organization tracks the professional services provided by medical teams, counselors, teachers, construction contractors, lawyers and accountants. The total of these donated services for 2014 was \$569,217 and \$671,730 for 2013.

Functional Allocation of Expenses

The costs of providing the services and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the program and supporting services benefited.

Federal Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as a not for profit organization and is not classified as a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. The Organization's income tax returns are generally subject to review and examination by federal tax authorities for the previous three years.

**CHILDREN OF THE NATIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 2

CONCENTRATION OF CREDIT RISK

The Organization maintains significant cash balances at financial institutions. The FDIC has provided coverage up to \$250,000 per depositor in 2014 and 2013. As a result, the Organization has a concentration of credit risk in the amount of \$1,795,005 as of December 31, 2014 and \$1,706,237 as of December 31, 2013.

NOTE 3

PLEDGES RECEIVABLE

Pledges receivable consist of all pledges outstanding and payable made by individuals or groups to contribute a certain amount of money for child sponsorship to the Organization. The Organization's policy is to record as pledges all recurring sponsorship commitments that will occur during the following year. All pledges receivable are considered to be collectible and receivable within one year.

**CHILDREN OF THE NATIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 4

NOTES PAYABLE

| December 31, | |
|--------------|------|
| 2014 | 2013 |

The Organization established a line of credit with Bank of America on March 3, 2005 in the amount of \$300,000 in order to help finance the construction of the new warehouse in Silverdale. On December 10, 2005, the line of credit was converted to a note payable with an interest rate of 5.625%. Principal and interest payments in the amount of \$2,099 began on January 10, 2006 and a balloon payment of \$255,285 was refinanced into a new note on October 18, 2010. The new note in the amount of \$473,425 was established at a rate of 4.9%. Principal and interest payments in the amount of \$3,117 began on November 25, 2010 for 60 months, with a balloon payment of \$396,258. The note is secured by the land and buildings located at the Silverdale headquarters. Interest expense for the years ended December 31, 2014 and 2013 totaled \$6,351 and \$21,592, respectively. The loan was completely paid off in 2014.

| | | | | |
|----------------------|----|---|----|----------|
| | \$ | - | \$ | 426,007 |
| | | - | | 426,007 |
| Less current portion | | - | | (16,959) |
| | \$ | - | \$ | 409,048 |
| | \$ | - | \$ | 409,048 |

**CHILDREN OF THE NATIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 5

TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2014 temporarily restricted net assets consisted of the following:

| | | |
|--------------------------------|----|------------------|
| International support services | \$ | 504,730 |
| Sierra Leone | | 481,920 |
| Dominican Republic | | 166,807 |
| Uganda | | 113,199 |
| Malawi | | 47,126 |
| | | <hr/> |
| | \$ | <u>1,313,782</u> |

NOTE 6

NET ASSETS RELEASED FROM RESTRICTIONS

The following is a summary of net assets that were released from donor restrictions during 2014 by incurring expenses that satisfied the donor-specified restrictions:

| | | |
|--------------------------------|----|------------------|
| International support services | \$ | 2,887,276 |
| Malawi | | 1,024,886 |
| In-kind equipment and supplies | | 859,850 |
| Dominican Republic | | 847,797 |
| Sierra Leone | | 674,562 |
| Uganda | | 578,521 |
| Contributed skilled services | | 569,217 |
| | | <hr/> |
| | \$ | <u>7,442,109</u> |

**CHILDREN OF THE NATIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 7

LAND, BUILDINGS AND EQUIPMENT

Management has determined that the only assets owned and controlled by the Organization are those used by the Organization's United States operations to support the foreign aid NGOs. Any assets purchased or developed on behalf of any foreign aid NGO, residing overseas, are treated as expenses of the Organization to fulfill its mission and purpose. Assets residing overseas are listed as fixed assets on the foreign aid NGO's audited financial statements.

NOTE 8

SUBSEQUENT EVENTS

The Organization has performed an evaluation of subsequent events through August 13, 2015, which is the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure.