

FINANCIAL STATEMENTS
With Independent Accountant's Compilation Report

DECEMBER 31, 2013 and 2012

HERMANO PABLO MINISTRIES
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HERMANO PABLO MINISTRIES

December 31, 2013 and 2012

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

The Board of Directors
Hermano Pablo Ministries
Costa Mesa, California

We have compiled the accompanying statements of financial position - cash basis of Hermano Pablo Ministries (a nonprofit corporation) as of December 31, 2013 and 2012, and the related statements of activities - cash basis and cash flows - cash basis for the years ended and the accompanying supplementary information contained in the schedules of operating expenses - cash basis which are presented only for supplementary analysis purposes. We have not audited or reviewed the accompanying financial statements and supplementary information and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary schedules are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements and supplementary information in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements and supplementary schedules.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements and supplementary schedules without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements or supplementary schedules.

Folkers, Choi and Associates

Irvine, California
February 18, 2014

HERMANO PABLO MINISTRIES

STATEMENTS OF FINANCIAL POSITION

Cash Basis

December 31, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 16,013	\$ 57,390
Total current assets	<u>16,013</u>	<u>57,390</u>
Property and equipment:		
Land	80,200	80,200
Building	90,786	90,786
Building Improvements	162,985	161,248
Furniture and fixtures	16,270	16,270
Equipments	<u>64,987</u>	<u>62,438</u>
Total property and equipment	415,228	410,942
Less: accumulated depreciation	<u>(245,304)</u>	<u>(239,872)</u>
Net property and equipment	<u>169,924</u>	<u>171,070</u>
Total assets	<u>\$ 185,937</u>	<u>\$ 228,460</u>

LIABILITIES AND NET ASSETS

Net Assets:		
Unrestricted	184,532	228,460
Temporarily restricted	<u>1,405</u>	<u>-</u>
Total net assets	<u>185,937</u>	<u>228,460</u>
Total liabilities and net assets	<u>\$ 185,937</u>	<u>\$ 228,460</u>

See Accompanying Notes and Independent Accountant's Report.

HERMANO PABLO MINISTRIES

STATEMENTS OF ACTIVITIES

Cash Basis

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
Support and revenues:		
Contributions	\$ 188,504	\$ 284,089
Church offerings	44,779	21,964
Rental income	42,000	30,810
Offers income	3,253	6,996
Missions	22,543	27,556
Designated income	-	8,480
Interest income	54	81
Miscellaneous	<u>3,190</u>	<u>4,300</u>
 Total unrestricted support and revenues	<u>304,323</u>	<u>384,276</u>
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>95</u>	<u>-</u>
 Total unrestricted support, revenues and reclassifications	<u>304,418</u>	<u>384,276</u>
 Operating expenses:	<u>348,346</u>	<u>361,450</u>
 (Decrease) increase in unrestricted net assets	<u>(43,928)</u>	<u>22,826</u>
 TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,500	-
Net assets released from restrictions	<u>(95)</u>	<u>-</u>
 Increase in temporarily restricted net assets	<u>1,405</u>	<u>-</u>
 (Decrease) increase in net assets	<u>(42,523)</u>	<u>22,826</u>
 NET ASSETS, at beginning of year	<u>228,460</u>	<u>205,634</u>
 NET ASSETS, at end of year	<u>\$ 185,937</u>	<u>\$ 228,460</u>

See Accompanying Notes and Independent Accountant's Report.

HERMANO PABLO MINISTRIES

STATEMENTS OF CASH FLOWS

Cash Basis

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Decrease) increase in net assets	\$ (42,523)	\$ 22,826
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	<u>5,432</u>	<u>9,165</u>
Net cash flows (used) provided by operating activities	<u>(37,091)</u>	<u>31,991</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition cost of property and equipment	<u>(4,286)</u>	<u>-</u>
Net cash flows used by investing activities	<u>(4,286)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Reduction in line-of-credit	<u>-</u>	<u>(14,000)</u>
Net cash flows used by financing activities	<u>-</u>	<u>(14,000)</u>
Net (decrease) increase in cash and cash equivalents	(41,377)	17,991
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>57,390</u>	<u>39,399</u>
End of year	<u>\$ 16,013</u>	<u>\$ 57,390</u>

See Accompanying Notes and Independent Accountant's Report.

HERMANO PABLO MINISTRIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

Note 1 – Nature of Organization

Hermano Pablo Ministries (the Organization) is a nonprofit corporation, incorporated under the laws of the State of California. The Organization operates a Christian radio ministry and broadcasts worldwide.

Note 2 - Summary of Significant Accounting Policies

The financial statements have been prepared on the cash basis of accounting. Under this basis, revenues are recognized when collected rather than when earned, and expenses are generally recognized when paid rather than when incurred. This method includes the depreciation of capitalized assets and transactions related to term receivables and long-term debt. A summary of significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The financial statement presentation follows the recommendations of Financial Accounting Standards Board ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under this accounting standard, the Organization is required to report 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. During the years ended December 31, 2013 and 2012 there were no net assets or activities classified as permanently restricted.

Income Taxes

The Organization is exempt from federal and state income tax under Internal Revenue Code Section 501(c)(3). The Organization is subject to federal and state income tax on unrelated business income as stipulated in Internal Revenue Code Section 511. During the years ended December 31, 2013 and 2012, the Organization had no activities unrelated to its exempt purpose and therefore incurred no tax liability due to unrelated business income.

Financial Accounting Standards Board ASC 740-10-25, *Income Taxes*, prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization has evaluated its uncertain tax positions and related income tax contingencies, and does not believe that any material uncertain tax positions exist. The Organization's information returns are subject to examination by federal taxing authorities for a period of three years from the date they are filed and a period of four years for state taxing authorities.

HERMANO PABLO MINISTRIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies - (continued)

Cash and Cash Equivalents

Cash and cash equivalents include all moneys held in banks as well as all highly liquid investments with a maturity date of three months or less.

Property and Equipment

Property and equipment are stated at cost, and depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Maintenance, repairs, and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. The Organization has elected to capitalize all property and equipment expenditures greater than \$1,000. Depreciation expense for the years ended December 31, 2013 and 2012 was \$5,432 and \$9,165, respectively, and is included in the schedules of functional expenses.

Revenue Recognition

As required by generally accepted accounting principles, the Organization has adopted Financial Accounting Standards Board ASC 958-605-25, *Not-for-Profit Entities – Revenue Recognition*, for the years ended December 31, 2013 and 2012. Under this accounting standard, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

All donor-restricted net assets are reported as an increase in temporarily restricted 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 the purpose of the 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. During the years ended December 31, 2013 and 2012, there were no activities affecting permanently restricted net assets.

Contributed Services

Financial Accounting Standards Board ASC 958-605-25-16, *Not-for-Profit Entities – Revenue Recognition – Contributed Services*, requires recording the value of donated services that create or enhance non-financial assets or require specialized skills. Volunteers have contributed significant amounts of their time to the activities of the Organization; however, since the above requirements were not met, the value of the contributed services has not been recorded in the financial statements.

HERMANO PABLO MINISTRIES

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies - (continued)

Advertising and Promotional Expenses

The Organization expenses the cost of advertising and promotional expenditures when incurred.

Concentration of Credit Risk

Cash accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances in these accounts may, at times, exceed federally insured limits. Management does not believe that it is exposed to significant credit risk in connection with cash and cash equivalents.

Use of Estimates

The preparation of financial statements in conformity 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 these estimates.

Note 3 - Retirement Plan

The Organization has established a retirement plan under Internal Revenue Code Section 403(b) for employees that work 20 hours or more and have completed two years of employment. Employees that participate in the plan can contribute up to \$17,500 each year (\$23,000 for participants age 50 or older). Employer contributions and employee elective contributions per employee are limited to 100% of wages up to a maximum of \$51,000 for 2013. The employer contributions into the Plan for the years ended December 31, 2013 and 2012 were \$5,500 and \$7,200, respectively.

Note 4 – Subsequent Events

The management of the Organization has reviewed the results of operations and evaluated subsequent events for the period of time from its year end December 31, 2013 through February 18, 2014, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

SUPPLEMENTARY INFORMATION

HERMANO PABLO MINISTRIES

SCHEDULES OF OPERATING EXPENSES

Cash Basis

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Auto expense	\$ 252	\$ 471
Bank charges	1,539	2,341
Benevolence	10	115
Building security service	915	663
Business meals and entertainment	247	1,024
Computer software	3,800	4,660
Conventions and seminars	204	543
Depreciation	5,432	9,165
Dues and subscriptions	205	165
Equipment expense	447	-
Films and tapes	11,472	20,707
Health and dental insurance	12,894	15,206
Housing allowance	-	3,000
Insurance - building	4,502	4,025
Insurance - workers' compensation	1,741	1,012
Interest	171	130
Management fees	4,199	-
Ministry support	-	1,285
Miscellaneous	742	524
Offers	204	-
Office supplies	1,094	1,357
Outside services	11,326	9,700
Paper supplies	1,568	1,598
Payroll taxes	15,066	10,376
Postage and delivery	19,743	25,396
Printing	7,332	2,575
Production - on location	-	8,665
Professional services	3,072	3,606
Promotional expense	-	200
Property taxes	4,195	4,942
Publications and books	-	422
Repairs and maintenance	6,487	9,219
Retirement plan	5,500	7,200
Salaries and wages	196,940	183,636

See Independent Accountant's Report.

HERMANO PABLO MINISTRIES

SCHEDULES OF OPERATING EXPENSES

Cash Basis

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Shipping supplies	1,366	3,069
Telephone	8,313	8,008
Travel and meal expenses	85	1,769
Utilities	9,805	10,154
Volunteers	1,182	1,592
Web expenses	<u>6,296</u>	<u>2,930</u>
 Total operating expenses	 <u>\$ 348,346</u>	 <u>\$ 361,450</u>

See Independent Accountant's Report.