

PULSE OUTREACH
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

**PULSE OUTREACH
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YEARS ENDED JUNE 30, 2014 AND 2013**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
PULSE Outreach
Minneapolis, Minnesota

We have audited the accompanying financial statements of PULSE Outreach (a nonprofit corporation), which comprise the statements of financial position as of June 30, 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.

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 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 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.

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

Board of Directors
PULSE Outreach

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PULSE Outreach as of June 30, 2014 and 2013, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 24, 2014

**PULSE OUTREACH
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,644,485	\$ 509,785
Pledges Receivable, Net	248,739	355,205
Inventory	1,678	2,226
Prepaid Expenses and Other Current Assets	<u>40,339</u>	<u>-</u>
Total Current Assets	1,935,241	867,216
FURNITURE AND EQUIPMENT		
Furniture and Equipment	116,774	94,283
Accumulated Depreciation	<u>(57,196)</u>	<u>(36,730)</u>
Total Furniture and Equipment	59,578	57,553
Total Assets	<u><u>\$ 1,994,819</u></u>	<u><u>\$ 924,769</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 46,617	\$ 13,810
Accrued Expenses	<u>48,423</u>	<u>35,775</u>
Total Current Liabilities	95,040	49,585
NET ASSETS		
Unrestricted	1,585,503	407,282
Temporarily Restricted	<u>314,276</u>	<u>467,902</u>
Total Net Assets	1,899,779	875,184
Total Liabilities and Net Assets	<u><u>\$ 1,994,819</u></u>	<u><u>\$ 924,769</u></u>

See accompanying Notes to Financial Statements.

**PULSE OUTREACH
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2014 AND 2013**

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Support:						
Pledges and Contributions (Including In-Kind Contributions of \$2,436 and \$39,532, Respectively)	\$ 3,492,027	\$ 741,198	\$ 4,233,225	\$ 1,383,093	\$ 659,911	\$ 2,043,004
Honorariums	102,923	-	102,923	110,222	-	110,222
Other Support	6,163	-	6,163	-	-	-
Total Support	3,601,113	741,198	4,342,311	1,493,315	659,911	2,153,226
Revenue:						
Investment Income	1,893	-	1,893	219	-	219
Ticket and Merchandise Sales (Net of Cost of Goods Sold of \$7,939 and \$15,986, Respectively)	182,479	-	182,479	99,267	-	99,267
Total Revenue	184,372	-	184,372	99,486	-	99,486
Net Assets Released from Restriction	894,824	(894,824)	-	199,529	(199,529)	-
Total Support and Revenue	4,680,309	(153,626)	4,526,683	1,792,330	460,382	2,252,712
EXPENSES						
Program Service	2,326,718	-	2,326,718	1,096,997	-	1,096,997
Support Service:						
Management and General	383,760	-	383,760	260,179	-	260,179
Fundraising	791,610	-	791,610	240,936	-	240,936
Total Support Service	1,175,370	-	1,175,370	501,115	-	501,115
Total Expenses	3,502,088	-	3,502,088	1,598,112	-	1,598,112
CHANGE IN NET ASSETS	1,178,221	(153,626)	1,024,595	194,218	460,382	654,600
Net Assets - Beginning of Year	407,282	467,902	875,184	213,064	7,520	220,584
NET ASSETS - END OF YEAR	<u>\$ 1,585,503</u>	<u>\$ 314,276</u>	<u>\$ 1,899,779</u>	<u>\$ 407,282</u>	<u>\$ 467,902</u>	<u>\$ 875,184</u>

See accompanying Notes to Financial Statements.

**PULSE OUTREACH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014**

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and Wages	\$ 415,385	\$ 263,237	\$ 251,128	\$ 514,365	\$ 929,750
Employee Benefits	47,601	2,533	14,238	16,771	64,372
Payroll Taxes	27,431	17,384	16,584	33,968	61,399
Total Personnel Costs	490,417	283,154	281,950	565,104	1,055,521
Advertising	49,407	-	-	-	49,407
Professional Fees/Talent - Events	604,509	-	108,222	108,222	712,731
Professional Fees - Operations	70,955	39,366	83,229	122,595	193,550
Supplies	432	4,818	548	5,366	5,798
Telephone/Internet/Media	164,285	16,477	31,556	48,033	212,318
Postage and Shipping	20,841	762	8,150	8,912	29,753
Occupancy	17,781	1,052	3,631	4,683	22,464
Printing and Publications	78,154	1,546	28,842	30,388	108,542
Travel and Lodging	213,438	4,107	153,847	157,954	371,392
Conferences and Meetings	4,105	7,589	12,768	20,357	24,462
Venue Costs (Rent, Catering, Etc.)	564,381	-	71,351	71,351	635,732
Insurance	10,933	5,640	4,849	10,489	21,422
Miscellaneous	15,560	1,723	6	1,729	17,289
Bank Charges and Fees	195	9,654	16	9,670	9,865
Continuing Education and Literature	5,056	5,031	1,287	6,318	11,374
Bad Debt	-	-	-	-	-
Depreciation	16,269	2,841	1,358	4,199	20,468
Total Expenses	<u>\$ 2,326,718</u>	<u>\$ 383,760</u>	<u>\$ 791,610</u>	<u>\$ 1,175,370</u>	<u>\$ 3,502,088</u>

See accompanying Notes to Financial Statements.

PULSE OUTREACH
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and Wages	\$ 326,714	\$ 126,414	\$ 139,013	\$ 265,427	\$ 592,141
Employee Benefits	40,246	16,800	1,650	18,450	58,696
Payroll Taxes	25,050	13,404	11,192	24,596	49,646
Total Personnel Costs	392,010	156,618	151,855	308,473	700,483
Advertising	30,566	-	-	-	30,566
Professional Fees/Talent - Events	171,807	-	2,200	2,200	174,007
Professional Fees - Operations	6,208	18,818	1,854	20,672	26,880
Supplies	5,903	7,235	3,187	10,422	16,325
Telephone/Internet/Media	111,242	5,909	16,230	22,139	133,381
Postage and Shipping	14,148	574	4,835	5,409	19,557
Occupancy	10,971	4,245	-	4,245	15,216
Printing and Publications	23,114	1,631	27,087	28,718	51,832
Travel and Lodging	111,844	2,012	6,145	8,157	120,001
Conferences and Meetings	3,005	848	1,458	2,306	5,311
Venue Costs (Rent, Catering, Etc.)	171,350	1,259	19,065	20,324	191,674
Insurance	11,847	7,908	250	8,158	20,005
Miscellaneous	24,823	24,626	1,744	26,370	51,193
Bank Charges and Fees	-	1,791	-	1,791	1,791
Continuing Education and Literature	380	-	1,716	1,716	2,096
Bad Debt	-	23,695	-	23,695	23,695
Depreciation	7,779	3,010	3,310	6,320	14,099
Total Expenses	<u>\$ 1,096,997</u>	<u>\$ 260,179</u>	<u>\$ 240,936</u>	<u>\$ 501,115</u>	<u>\$ 1,598,112</u>

See accompanying Notes to Financial Statements.

**PULSE OUTREACH
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,024,595	\$ 654,600
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided by Operating Activities:		
Depreciation Expense	20,468	14,099
Donated Assets	-	(39,427)
(Increase) Decrease in Assets:		
Pledges Receivable	106,466	(339,205)
Inventory	548	4,850
Prepaid Expense and Other Current Assets	(40,339)	13,451
Increase in Liabilities:		
Accounts Payable	32,807	7,334
Accrued Expenses	12,648	11,940
Net Cash Provided by Operating Activities	<u>1,157,193</u>	<u>327,642</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Paid for the Purchases of Furniture and Equipment	<u>(22,493)</u>	<u>(11,507)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,134,700	316,135
Cash and Cash Equivalents - Beginning of Year	<u>509,785</u>	<u>193,650</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,644,485</u></u>	<u><u>\$ 509,785</u></u>
SUPPLEMENTAL INFORMATION		
Donated Goods and Services	<u><u>\$ 2,436</u></u>	<u><u>\$ 39,532</u></u>

See accompanying Notes to Financial Statements.

**PULSE OUTREACH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

PULSE Outreach (the Organization) was incorporated on August 23, 2006 as a nonprofit corporation. PULSE exists to awaken culture to the reality of Jesus. The Organization relies on contributions from the public to fulfill its mission.

Today's students are hurting. News of bullying continues to spike. One in four students struggle with drug or alcohol abuse and suicide is the third leading cause of death. Launched as a student-led movement in North Dakota six years ago, PULSE exists to awaken culture to the reality of Jesus, combating harmful trends with the timeless truth of the Gospel.

At the forefront of PULSE is evangelist Nick Hall. At 32 years old, God is using Nick to call the youth of America back to Jesus. He speaks to hundreds of thousands each year and is regularly utilized by the Billy Graham and Luis Palau Associations. As a voice of the next generation, Nick serves on the executive board for the U.S. Lausanne Committee and the Proclamation Evangelism Network. He has earned a Masters Degree from Bethel Seminary in Christian Thought with an emphasis in Transformational Leadership. PULSE was launched through an English paper Nick wrote at North Dakota State University in 2004. The movement has since spread to more than thirty universities, becoming the fastest growing student-led prayer and outreach movement in America today.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Unrestricted Net Assets – Resources over which the board of directors has discretionary control.

Temporarily Restricted Net Assets – Resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Permanently Restricted – Resources subject to a donor-imposed restriction that they be maintained permanently by the Organization.

At June 30, 2014 and 2013, the Organization has only unrestricted and temporarily restricted net assets.

**PULSE OUTREACH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

All highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

Concentrations of Credit Risk

The Organization maintains cash balances with banks insured by the Federal Deposit Insurance Corporation (FDIC). These deposits may, from time to time, exceed the balances insured by the FDIC.

Pledges Receivable

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional pledges are not included as support until such time as the conditions are substantially met. Pledges that are expected to be collected in future years are recorded at the present value of the amount expected to be collected using a discount rate of 0.47% at June 30, 2014. Pledges that are considered uncollectible are provided for based on the allowance method based on management's evaluation of outstanding pledges receivables at the end of each year. At June 30, 2014 and 2013, an allowance in the amount of \$13,190 and \$18,695 was recorded, respectively.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents and pledges receivable to be received in less than one year approximate fair value because of the short maturity of those financial instruments.

Inventory

Inventories consist of t-shirts and small promotional items stated at the lower of cost or market using the average cost method.

Property and Equipment

Property and equipment are presented at cost or donated (appraised) value. The Organization generally capitalizes all assets over \$500. Depreciation is computed on the straight-line basis over the estimated useful lives, currently three to seven years.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any restrictions. Contributions, including unconditional promises to give, are recorded as made. Unconditional promises to give due in subsequent years are recorded at their net realizable value.

**PULSE OUTREACH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods and Services

The Organization receives donated goods and services during the year. The donated goods and services are valued at fair value on the date of the donation. During the year ended June 30, 2014, the Organization received various donated items valued at \$2,436. During the year ended June 30, 2013, the Organization received a donated vehicle in the amount of \$39,532.

Additionally, the Organization has a large and dedicated team of volunteers that perform a variety of tasks that assist the Organization with specific programs and supporting services. These services are not recognized in the financial statements since the criteria for recording the services were not met.

Ticket and Merchandise Sales

During the years ended June 30, 2014 and 2013, the Organization hosts various concerts for which attendees are charged for admission and various merchandise. The revenue earned on the concerts and merchandise sales is recorded in the year the concert took place or the merchandise sales occurred.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs incurred were \$49,407 and \$30,566 for the years ended June 30, 2014 and 2013, respectively.

Expense Allocation

Salaries and related expenses are allocated based on job descriptions and management estimates. Expenses, other than salaries and related payroll expenses, that are not directly identifiable by program or support service, are allocated based on management estimates.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect certain reported amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from these estimates.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05. Because the Organization is a public charity, contributions to it may be deductible for income tax purposes.

Management believes that it is not reasonably possible for any tax position benefits to increase or decrease significantly over the next 12 months. As of June 30, 2014 and 2013, there was no income tax related accrued interest or penalties recognized in either the statements of financial position or the statements of activities.

**PULSE OUTREACH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Company files information returns in the U.S. federal jurisdiction, and in the Minnesota, North Dakota and Wisconsin state jurisdictions. U.S. federal returns and state returns prior to fiscal year 2010 are closed. No returns are currently under examination in any tax jurisdiction.

Reclassifications

Certain reclassifications have been made to the June 30, 2013 financial statements in order to present them in conformity with the June 30, 2014 financial statements. These reclassifications had no effect on net assets as previously reported.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 24, 2014, the date the financial statements were available to be issued.

NOTE 2 PLEDGES RECEIVABLE

Pledges receivables consist of the following at June 30:

	2014	2013
Total Pledges Receivable	\$ 263,800	\$ 373,900
Less: Present Value Discount	(1,871)	-
Less: Reserve for Uncollectible Pledges	(13,190)	(18,695)
Net Pledges Receivable	<u>\$ 248,739</u>	<u>\$ 355,205</u>

At June 30, 2014, \$63,800 of pledges receivable is expected to be received within one year, and the remainder is expected to be received within two years.

**PULSE OUTREACH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 3 TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2014 and 2013, temporarily restricted net assets consisted of the following:

	2014	2013
Temporarily Restricted:		
Administrative	\$ 2,825	\$ 2,825
Office Space	-	13,715
RESET Movement	14,465	63,347
Audit Fund	-	4,700
Rural Community Fund	2,000	1,000
Video Production	-	6,220
Time Restricted	263,800	372,900
North Dakota	29,390	-
Other	1,796	3,195
Total Temporarily Restricted	<u>\$ 314,276</u>	<u>\$ 467,902</u>

NOTE 4 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes or by occurrence of other events specified by donors. For the years ended June 30, 2014 and 2013, temporarily restricted net assets were released as follows:

	2014	2013
Administrative	\$ -	\$ 20,000
Branding	30,000	-
Office Space	13,715	1,285
Program	-	1,350
NDOP Unite	27,827	5,470
RESET Movement	199,562	36,654
The Reason Tour	41,145	53,528
University of Wisconsin Stout	-	20,067
Western North Dakota Outreach	-	33,795
Audit Fund	4,700	1,800
Video Production	16,320	25,580
Major Events	116,501	-
North Dakota	17,377	-
International	500	-
NYU Event	10,210	-
Time Restricted	375,765	-
Other	41,202	-
Total Temporarily Restricted	<u>\$ 894,824</u>	<u>\$ 199,529</u>

**PULSE OUTREACH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 5 OPERATING LEASES

Prior to year-end, the Organization entered into an office space lease in Minneapolis for 38 months. The lease is being treated as an operating lease and future payments under the lease are anticipated as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 48,243
2016	58,856
2017	60,033
2018	10,038
Total	<u>\$ 177,170</u>

NOTE 6 BOARD GENEROSITY

Members of the Organization's Board of Directors comprised approximately 11% and 18% of total contribution revenue for the years ended June 30, 2014 and 2013, respectively. Pledges receivable from members of the Organization's Board of Directors comprised approximately 79% of total pledge receivables for the year ended June 30, 2014.

NOTE 7 FUNCTIONAL EXPENSES

The shift in the functional expense ratio during fiscal year 2013 has been due to accelerating growth of the Organization, development of infrastructure and controls, as well as the planned relocation of our Minneapolis office early in fiscal year 2015. The three-year running average of program expenses is 74%, using fiscal years 2011, 2013, and 2014. The omission of fiscal year 2012 is due to the change in fiscal year-end, creating a shortened fiscal year 2012.