

**ISOH/IMPACT**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2008 AND 2007**

*See Independent Auditors' Report*

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**CLARK, KING & ASSOCIATES**

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*Independent Auditors' Report*

The Board of Directors  
ISOH/IMPACT  
Perrysburg, Ohio

We have audited the accompanying statements of financial position of ISOH/IMPACT (an Ohio not-for-profit corporation) as of December 31, 2008 and 2007 and the related statement of activities and change in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the management of ISOH/IMPACT. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ISOH/IMPACT as of December 31, 2008 and 2007, 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.

*Clark, King & Associates*

Toledo, Ohio  
June 2, 2009

ISOH/IMPACT  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2008 AND 2007

**ASSETS**

	<b>2008</b>	<b>2007</b>
Cash and Cash Equivalents	\$ 156,841	\$ 1,332
Promises to Give(Note 1)	95,800	210,000
Property and Equipment		
Land	447,811	446,634
Buildings	596,481	581,950
Vehicles	102,129	99,129
Furnishings	96,626	67,247
Equipment	56,483	47,249
	1,299,530	1,242,209
Less accumulated depreciation	327,338	289,338
Net Property and Equipment	972,192	952,871
Total Assets	\$ 1,224,833	\$ 1,164,203

**LIABILITIES AND NET ASSETS**

Liabilities		
Line of Credit (Note 5)	\$ 60,000	
Long-term Debt (Note 2)	73,143	\$ 78,455
Notes Payable - Related Parties (Note 3)	286,938	273,239
Accrued Payroll	14,300	14,300
Withheld and Accrued Payroll Taxes	2,613	2,062
Total Liabilities	436,994	368,056
Net Assets		
Unrestricted Net Assets	532,815	576,923
Temporarily Restricted Net Assets (Note 6)	255,024	219,224
Total Net Assets	787,839	796,147
Total Liabilities and Net Assets	\$ 1,224,833	\$ 1,164,203

*See Independent Auditors' Report  
and Accompanying Notes*

ISOH/IMPACT  
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 275,979	\$ 85,111	\$ 361,090
Contributions of goods and services	-	6,910,409	6,910,409
Interest income	1,100		1,100
Net assets released from restrictions through satisfaction of restrictions	<u>6,959,720</u>	<u>(6,959,720)</u>	<u>-</u>
Total Support and Revenue	7,236,799	35,800	7,272,599
Expenses			
Program			
Missions effort	3,774,607	-	3,774,607
Medical material and services	3,186,012		3,186,012
Children's medical rehabilitation	<u>74,980</u>	<u>-</u>	<u>74,980</u>
	7,035,599	-	7,035,599
Supporting services			
Management and general	204,122	-	204,122
Fund raising	<u>41,187</u>	<u>-</u>	<u>41,187</u>
	<u>245,309</u>	<u>-</u>	<u>245,309</u>
Total Expenses	<u>7,280,907</u>	<u>-</u>	<u>7,280,907</u>
Change in Net Assets	(44,108)	35,800	(8,308)
Net Assets at Beginning of Year	<u>576,923</u>	<u>219,224</u>	<u>796,147</u>
Net Assets at End of Year	<u>\$ 532,815</u>	<u>\$ 255,024</u>	<u>\$ 787,839</u>

*See Independent Auditors' Report  
and Accompanying Notes*

ISOH/IMPACT  
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 215,228	\$ 434,580	\$ 649,808
Interest income	1,878	-	1,878
Contributions of goods and services	-	6,667,060	6,667,060
Net assets released from restrictions through satisfaction of restrictions	7,026,640	(7,026,640)	-
	<u>7,243,746</u>	<u>75,000</u>	<u>7,318,746</u>
Total Support and Revenue			
Expenses			
Program			
Missions effort	3,580,988	-	3,580,988
Medical material and services	3,130,053	-	3,130,053
Children's medical rehabilitation	80,906	-	80,906
	<u>6,791,947</u>	<u>-</u>	<u>6,791,947</u>
Supporting services			
Management and general	208,393	-	208,393
Fund raising	24,245	-	24,245
	<u>232,638</u>	<u>-</u>	<u>232,638</u>
Total Expenses	<u>7,024,585</u>	<u>-</u>	<u>7,024,585</u>
Change in Net Assets	219,161	75,000	294,161
Net Assets at Beginning of Year	<u>357,762</u>	<u>144,224</u>	<u>501,986</u>
Net Assets at End of Year	<u>\$ 576,923</u>	<u>\$ 219,224</u>	<u>\$ 796,147</u>

*See Independent Auditors' Report  
and Accompanying Notes*

ISOH/IMPACT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Services	Supporting Services		Total
		Management and General	Fund- Raising	
Donated				
Food and commodities	\$ 3,253,921			\$ 3,253,921
Medical supplies	3,009,286			3,009,286
Medical and work team volunteers	176,726			176,726
Shipping expenses	418,617	\$46,513		465,130
Clothing	1,230			1,230
Equipment rental and maintenance	35,731	3,970		39,701
Salaries and wages	9,045	24,874	\$11,306	45,225
Professional fees	-	8,704	2,176	10,880
Mission supplies	24,564			24,564
Utilities	27,981	11,992		39,973
Website and computer costs	14,559	2,912	11,647	29,117
Supplies	8,136	2,034		10,170
Auto	2,982	13,916	2,982	19,880
Travel	9,389	4,024		13,413
Depreciation		38,000		38,000
Insurance	-	26,296		26,296
Meals and entertainment	12,720	8,480		21,201
Interest		8,028		8,028
Fund raising epenses	-	-	9,800	9,800
Payroll taxes	736	2,023	919	3,678
Medical	1,646			1,646
Education	17,595			17,595
Contributions	1,642			1,642
Warehouse expenses	2,026			2,026
Miscellaneous	7,068	2,356	2,356	11,779
<b>Total Expenses</b>	<b>\$ 7,035,599</b>	<b>\$ 204,122</b>	<b>\$ 41,187</b>	<b>\$ 7,280,907</b>

*See Independent Auditors' Report  
and Accompanying Notes*

ISOH/IMPACT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fund- Raising</u>	
Donated				
Food and commodities	\$ 2,986,055	\$ -	\$ -	\$ 2,986,055
Medical supplies	3,046,051	-	-	3,046,051
Medical and work team volunteers	84,002	-	-	84,002
Shipping expenses	524,670	24,627		549,297
Clothing	1,130			1,130
Equipment rental and maintenance	41,280	4,513	-	45,793
Salaries and wages	10,230	25,575	15,345	51,150
Professional fees	-	14,833	897	15,730
Mission supplies	16,734	-	-	16,734
Utilities	18,933	16,766		35,699
Supplies	7,946		2,851	10,797
Auto	3,971	23,544	3,057	30,572
Travel	9,912	4,200		14,112
Depreciation		35,000		35,000
Insurance	-	17,956		17,956
Meals and entertainment	24,337	21,544		45,881
Interest	-	6,421		6,421
Promotional expenses	-		2,095	2,095
Payroll taxes	-	7,024		7,024
Medical	4,738			4,738
Education	2,625			2,625
Contributions	2,872			2,872
Dues and subscriptions	90	90		180
Miscellaneous	6,371	6,300		12,671
	<u>\$ 6,791,947</u>	<u>\$ 208,393</u>	<u>\$ 24,245</u>	<u>\$ 7,024,585</u>

*See Independent Auditors' Report  
and Accompanying Notes*

ISOH/IMPACT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (8,308)	\$ 294,161
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Contribution of land		(150,000)
Depreciation	38,000	35,000
Changes in operating assets and liabilities		
Deposits		
Promises to give	114,200	(210,000)
Accrued liabilities	551	827
	<u>144,443</u>	<u>(30,012)</u>
Net Cash Provided by (Used in) Operating Activities	144,443	(30,012)
Cash Flows from Investing Activities		
Purchase of property and equipment	(57,321)	(161,793)
Cash Flows from Financing Activities		
Net borrowings on line of credit	60,000	
Borrowings on related party note	13,699	57,300
Repayment of bank note payable	(5,312)	
Borrowings on long-term debt		37,614
	<u>68,387</u>	<u>94,914</u>
Net Cash Provided by (Used in) Financing Activities	68,387	94,914
Change in Cash and Cash Equivalents	155,509	(96,891)
Cash and Cash Equivalents at Beginning of Year	<u>1,332</u>	<u>98,223</u>
Cash and Cash Equivalents at End of Year	<u>\$ 156,841</u>	<u>\$ 1,332</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$8,082	\$ 1,458
Contribution of land		\$ 150,000
Purchase of equipment through capital lease		\$ 12,000
Refinancing of long-term debt		\$ 28,841

*See Independent Auditors' Report  
and Accompanying Notes*

ISOH/IMPACT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Organization** - ISOH/IMPACT (ISOH) is incorporated as a not-for-profit, tax exempt organization under the laws of the State of Ohio. ISOH is a non-denominational Christian organization providing spiritual and physical aid to children and their families around the world. Since the consolidation of two organizations in 1991, ISOH has provided services to children and their families who are victims of war, poverty, disease, famine, and natural disasters with the purpose of sharing God's love. ISOH provides services regardless of color, creed or religion.

**Basis of Presentation and Net Asset Classifications** - ISOH 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.

Unrestricted - Net assets are not restricted by donors, or the donor-imposed restrictions have expired. Unrestricted net assets include board designated net assets.

Temporarily Restricted - Net assets are those whose use by ISOH has been limited by donors to a specific time period or purpose. The restrictions are satisfied either by the passage of time or by actions of ISOH. As of December 31, 2008 and 2007 there was \$255,024 and \$219,224 of restricted contributions for use in the construction of the new Disaster Relief Center.

Permanently Restricted - Net assets have been restricted by donors to be maintained by ISOH or a trustee in perpetuity. There were no permanently restricted net assets at December 31, 2008 and 2007.

**Promises to Give** – Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in subsequent years, are reported as temporarily restricted income at their realizable value. All promises to give at December 31, 2008 are due within one year.

*See Independent Auditors' Report*

ISOH/IMPACT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributed Goods and Services** - A substantial number of donors have contributed goods and services to assist ISOH in their ministries. The value of the services donated is determined based on type of service performed at the average fair value of comparable services and is reported both as revenue and expense in the period performed. Donated goods are recorded at fair value and reported as revenue and expense in the period received. During 2008 and 2007, \$176,058 and \$149,075, respectively, of contributed services was received by ISOH. Donations of medical equipment, medical supplies, airfare, shipping and quantities of foodstuffs totaled \$ 6,734,407 in 2008 and \$6,517,985 in 2007.

**Cash and Cash Equivalents** - For purposes of reporting cash flows, cash includes cash on hand and in banks in the form of checking accounts, savings accounts, and certificates of deposit.

**Property and Equipment** - Property and equipment are recorded at cost or fair value if contributed and are depreciated over the estimated useful lives of the assets using the straight-line method. The following estimated useful lives are used:

Buildings and improvements	40 years
Vehicles	5 or 7 years
Office furnishings and equipment	5 or 10 years

**Income Taxes** - ISOH is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been deemed to be a publicly supported organization under Section 509(a)(2) of the Internal Revenue Code.

**Estimates and Assumptions** - 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

*See Independent Auditors' Report*

ISOH/IMPACT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**NOTE 2 – LONG-TERM DEBT**

Long-term debt consists of the following at December 31:

	<b>2008</b>	<b>2007</b>
Note payable to a bank in monthly payments of \$ 682 including interest at 8%. Final maturity will be in July of 2012. Note is secured by the real estate that was purchased with the loan proceeds.	\$ 64,381	\$ 67,026
Capital lease payable to an equipment dealer requiring monthly payments of \$290 for a term of 48 months. Management has recorded this liability by discounting the payments using 8% interest.	<u>8,762</u> <u>\$ 73,143</u>	<u>11,429</u> <u>\$ 78,455</u>

Annual maturities of long-term debt are as follows for the years ending December 31:

2009	\$5,719
2010	6,194
2011	6,083
2012	3,602
2013	3,985
Thereafter	<u>47,560</u>
Total	<u>\$73,143</u>

*See Independent Auditors' Report*

ISOH/IMPACT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**NOTE 2 – LONG-TERM DEBT (CONTINUED)**

The Company acquired equipment under a long-term lease. For financial reporting purposes, the present value of the minimum lease payments has been capitalized. The lease expires in November 2011. As December 31, 2007 the property under this capital lease had a total cost of \$14,000, accumulated depreciation of \$240 and a net book value of \$13,760. The future minimum lease payments under this capital lease at December 31, 2007 are as follows:

December 31,	
2008	
2009	\$ 3,480
2010	3,480
2011	<u>2,610</u>
Total minimum lease payments	9,570
Less amount representing interest	<u>808</u>
Present value of net minimum obligations	<u><u>\$ 8,762</u></u>

**NOTE 3 – NOTES PAYABLE – RELATED PARTIES**

Notes payable – related parties consists of the following at December 31:

	<u>2008</u>	<u>2007</u>
Unsecured notes payable to the CEO and President, no interest. There is currently no expected repayment date on this loan.	\$ 136,938	\$ 123,239
During prior years, the CEO and President contributed \$150,000 to pay for the renovation of the operating facility. As a condition of these contributions, ISOH must repay these contributions in the event that either of the donors are terminated from employment. This agreement has been secured by a mortgage on the property.	<u>150,000</u>	<u>150,000</u>
	<u><u>\$ 286,938</u></u>	<u><u>\$ 273,239</u></u>

*See Independent Auditors' Report*

ISOH/IMPACT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**NOTE 4 – LEASES AND COMMITMENTS**

ISOH leases certain office equipment and vehicles from leasing companies under noncancellable leases expiring at various dates through 2010.

Future minimum lease payments under the noncancellable lease agreements are as follows for the years ending December 31:

2009	11,361
2010	<u>3,200</u>
Total	<u>\$14,561</u>

**NOTE 5 – LINE OF CREDIT**

During January of 2008 ISOH entered into an agreement with a bank to establish a line of credit agreement which allows for advances up to \$75,000 which are payable on demand. The note bears interest of prime plus .25%. The balance outstanding under this agreement was \$60,000 as of 12/31/2008 at an interest rate of 4.25%. This agreement expires in August of 2009.

**NOTE 6 – CONSTRUCTION OF INTERNATIONAL HOPE CENTER**

In 2005, the Board of ISOH/IMPACT approved a plan to construct the International Hope Center to be located in Levis Commons in Perrysburg, Ohio. The International Hope Center, a ministry of ISOH/IMPACT, will be a facility that provides physical and spiritual aid to hurting people around the world, regardless of their religion, race or nationality. This ministry will help meet the needs of people who are victims of war, poverty, natural disaster, disease and famine with the purpose of sharing God's love. The International Hope Center will serve the church worldwide to promote the Gospel of Jesus Christ through a network of community partners. As part of this plan ISOH purchased the land for this building during 2007 for a cost of \$300,000. The developer discounted the price to 50% of the market value as a donation to ISOH. The \$150,000 discount has been recorded as a contribution in 2007.

Management estimates that the cost to complete the project will be \$1,950,000. As of December 31, 2008, restricted contributions related to this project totaled \$255,000. Additional funds are expected to be received from multiple donors to assist in the completion of this facility and its subsequent construction phases.

*See Independent Auditors' Report*