



**FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT**

December 31, 2014



Clothier & Company CPA's P.C.

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Golden Rule Industries of Muskogee, Inc.
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December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Golden Rule Industries of Muskogee, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Golden Rule Industries of Muskogee, Inc. (Golden Rule) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statement of activities, and cash flows for the year 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 audit. We conducted our audit 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 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 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.

Opinion

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 9 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion of the financial statements as a whole. The budgetary comparison on pages 16-17 and the schedule of revenues and expenses on pages 18-19 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such Information is the responsibility of management and the schedule of revenues and expenses was derived from information received directly from management. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In Accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2015, on our consideration of Golden Rule's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Golden Rule's internal control over financial reporting and compliance.



Clothier & Company CPA's
August 4, 2015

Golden Rule Industries of Muskogee, Inc.
Statement of Financial Position
December 31, 2014

ASSETS

Current Assets:

Cash and cash equivalents	\$ 105,292
Accounts receivable	196,815
Prepaid expenses	11,628
Total Current Assets	<u>313,735</u>

Fixed Assets:

Land and building	1,826,173
Furniture and fixtures	289,082
Vehicles	144,826
Total Property and Equipment	<u>2,260,081</u>
Less: Accumulated Depreciation	<u>1,014,295</u>
Total Fixed Assets	<u>1,245,786</u>
Total Assets	<u><u>\$ 1,559,521</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 42,960
Accrued vacation	28,563
Accrued salaries and wages	22,719
Total Current Liabilities	<u>94,242</u>

Long Term Liabilities:

Notes Payable	0
Total Liabilities	<u>94,242</u>

Net Assets:

Permanently restricted	0
Temporarily restricted	0
Unrestricted	1,465,279
Net Assets	<u>1,465,279</u>

Total Liabilities and Net Assets	<u><u>\$ 1,559,521</u></u>
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See accompanying footnotes and independent auditors' report.

Golden Rule Industries of Muskogee, Inc.
Statement of Activities
December 31, 2014

SUPPORT AND REVENUE

Revenue:

Assembly contracts	\$ 31,351
Custodial contracts	504,722
Other income	81,763
Lawn care/landscaping	11,598
Interest income	230
Grant income	0
Retail store sales	417,950
Vocational contracts	560,405
Total Support	<u>1,608,019</u>

EXPENSES

Program services	1,786,990
Administrative Services	114,063
Total Expenses	<u>1,901,053</u>

Other Revenue/(Expenses)

Gain on sale of assets	<u>164,225</u>
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Change in Permanently Restricted Net Assets	0
Changes in Restricted Net Assets	0
Changes in Unrestricted Net Assets	(128,809)
Net Assets, Beginning of Year	<u>1,594,088</u>
Net Asset, End of Year	<u><u>\$ 1,465,279</u></u>

See accompanying footnotes and independent auditors' report.

Golden Rule Industries of Muskogee, Inc.
Statement of Cash Flows
December 31, 2014

Cash Flows From Operating Activities:

Increase (Decrease) in Net Assets	\$ (128,809)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	90,265
Decrease/(Increase) in:	
Accounts receivable	(95,266)
Prepaid expense	(629)
Increase/(Decrease) in:	
Accounts payable	11,327
Accrued expenses	(9,741)
Net Cash Provided by Operating Activities	<u>(132,853)</u>

Cash Flows From Investing Activities:

Fixed asset additions	(73,670)
Sale of fixed assets	254,941
Net Cash Used by Investing Activities	<u>181,271</u>

Cash Flows From Financing Activities:

Proceeds from borrowings	0
Payments on borrowings	0
Net Cash Used by Financing Activities	<u>0</u>

Net Increase/(Decrease) in Cash and Cash Equivalents 48,418

Cash Balance, December 31, 2013 56,874

Cash Balance, December 31, 2014 \$ 105,292

Supplemental Disclosure of Cash Flow Information:

Cash paid for interest expense	<u><u>\$ 0</u></u>
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Golden Rule Industries of Muskogee, Inc.
Schedule of Functional Expenses
December 31, 2014

	Program Services	Administrative Services	Total
Occupancy & maintenance	\$ 50,430	\$ 3,219	\$ 53,649
Insurance	30,967	1,977	32,944
Equipment repair	5,895	376	6,271
Utilities	73,575	4,696	78,271
Grounds/lawn supplies	415	27	442
Custodial supplies	49,408	3,154	52,562
Administrative/office expense	40,744	2,601	43,345
Insurance	18,996	1,212	20,208
Memberships & dues	2,250	144	2,394
Meals & board development	3,839	245	4,084
Telephone	11,719	748	12,467
Miscellaneous	3,735	238	3,973
Furniture restoration supplies	6,246	399	6,645
Salaries/wages	954,379	60,918	1,015,297
Payroll taxes	89,100	5,687	94,787
Staff Training	2,471	158	2,629
Employee insurance/retirement	172,685	11,022	183,707
Payroll processing fee	24,809	1,584	26,393
Vehicle expenses	41,879	2,673	44,552
Local travel/mileage	12,117	773	12,890
Contractual services	101,476	6,477	107,953
Mission development	5,006	320	5,325
Depreciation expense	84,849	5,416	90,265
Totals	\$ 1,786,990	\$ 114,063	\$ 1,901,053

See accompanying footnotes and independent auditors' report.

1. SIGNIFICANT ACCOUNTING POLICIES

Golden Rule Industries of Muskogee, Inc. (Golden Rule) is incorporated under the laws of the state of Oklahoma. The Golden Rule is organized and operated for charitable and educational purposes in connection with rehabilitation of people with disabilities.

Basis of Accounting

The accompanying financial statements of Golden Rule have been prepared on an accrual basis of accounting.

Cash and Cash Equivalents

For the purpose of reporting cash flows, Golden Rule considers all cash in hand and cash in bank to be cash, and all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Inventory

Merchandise inventory is stated at \$1. Inventory items are received through public contributions and the cost of restoration is charged to expense in the period incurred.

Fixed Assets

Property and equipment, (Fixed Assets), are capitalized at their historical cost and depreciated over their useful lives using the straight line method. Expenditures for maintenance and repairs are charged to expenses as incurred. The capitalization threshold has been set at \$100.

Expenditures for physical properties are stated at cost. Donated assets are recorded at their estimated fair market values at dates of contribution.

Depreciation of physical properties is computed on the straight-line method over the estimated useful lives of the related assets. Expenditures for maintenance and repairs are charged to expenses as incurred. Additions to plant and equipment with a useful life of more than one year and a cost of more than \$500.00 are capitalized.

When assets are retired or otherwise disposed of, the assets and related allowances for depreciation are eliminated from the accounts.

Allocation of Supporting Services Expenditures

For financial statement purposes Golden Rule allocates its expenses between those directly attributable to programs and administrative expenses. The allocation of each expense is made on the basis considered most appropriate for that element of cost.

Golden Rule Industries of Muskogee, Inc.

Compensated Absences

Golden Rule allows employees to take annual vacation leave after one year of full-time employment. The vacation payable is included as an accrued liability in the financial statements.

Income Taxes

Golden Rule is a non-profit organization generally exempt from income taxes under Internal Revenue Code Section 501(c)(3), and is not a private foundation.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2012, 2013 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

2. CASH

At December 31, 2014, the cash balance was \$105,292, which is insured by the Federal Deposit Insurance Corporation. Golden Rule has no uninsured funds at December 31, 2014.

3. ACCOUNTS RECEIVABLE

As of December 31, 2014 Golden Rule's accounts receivable over 60 days was only 1.47% of the customer receivable balance.

Customer Accounts Receivable	\$	160,271
Other Receivables		<u>36,544</u>
Total Accounts Receivable	\$	<u><u>196,815</u></u>

The Other Receivables consist of \$35,000 in escrow for quiet title for the Main Street property and \$1,544 in payroll tax reimbursement from ADP payroll service provider. The \$35,000 was refunded April 29, 2015.

4. FIXED ASSETS

The following is a summary of the property, plant and equipment accounts at December 31, 2014:

	Balance 12/31/13	Additions/ Deletions	Accumulated Depreciation	Balance 12/31/14
Land	\$111,000	\$0	\$0	\$111,000
Building/Improvements	2,097,434	(382,261)	(674,893)	1,040,280
Equipment	289,082	0	(256,245)	32,837
Vehicles	127,037	17,789	(83,157)	61,669
Totals	<u>\$2,624,553</u>	<u>(\$364,472)</u>	<u>(\$1,014,295)</u>	<u>\$1,245,786</u>

Golden Rule sold their mini storage facility on February 24, 2014 for \$198,000 and the main street store December 17, 2014 for \$250,000.

Golden Rule Industries of Muskogee, Inc.

5. MANAGEMENT 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 those estimates.

6. SUBSEQUENT EVENTS

The management of Golden Rule has evaluated subsequent events through the date of these financial statements and no events have occurred that will effect these financial statements.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Board of Directors of
Golden Rule Industries of Muskogee, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of Golden Rule Industries of Muskogee, Inc. (Golden Rule) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 4, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Golden Rule's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Golden Rule's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Golden Rule's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. According, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Clothier & Company CPA's".

Clothier & Company, CPA's, P.C.
August 4, 2015

SUPPLEMENTAL INFORMATION

Golden Rule Industries of Muskogee, Inc.
Budgetary Comparison
For the Year Ending December 31, 2014

	ORIGINAL	FINAL	ACTUAL	VARIANCE
Revenue				
Assembly Contracts	\$37,000	\$37,000	\$31,351	\$5,649
Custodial Contracts	494,840	494,840	504,722	(9,882)
Investment Income	0	0	230	(230)
Gain on Sale of Assets	0	0	164,225	(164,225)
Tender Touch Auto	12,000	12,000	2,750	9,250
Lawn care/Landscaping	15,100	15,100	11,598	3,502
Mixed Textile Sales	110,500	110,500	66,452	44,048
Public Support	19,000	19,000	4,131	14,869
Miscellaneous	240	240	8,430	(8,190)
Retail Store Sales	668,500	668,500	417,950	250,550
Vocational Contracts	627,325	627,325	560,405	66,920
Total Revenue	1,984,505	1,984,505	1,772,244	212,261
Expenses				
Contract Services	111,565	111,565	107,953	3,612
Building Maintenance	18,000	18,000	53,649	(35,649)
Insurance	35,375	35,375	32,944	2,431
Equipment Repair	3,600	3,600	6,271	(2,671)
Utilities	87,600	87,600	78,271	9,329
Administrative/Office	34,820	34,820	43,345	(8,525)
Insurance	18,277	18,277	20,208	(1,931)
Memberships & dues	3,050	3,050	2,394	656
Meals & board develop.	1,200	1,200	4,084	(2,884)
Telephone/cell	11,650	11,650	12,467	(817)
Office equipment maint.	3,000	3,000	443	2,557
Miscellaneous	3,000	3,000	3,000	0
Salary & wages	1,090,791	1,090,791	1,015,297	75,494
Payroll taxes	107,383	107,383	94,787	12,596
Payroll processing fees	30,000	30,000	26,393	3,607
Insurance	177,156	177,156	183,315	(6,159)
Staff training	3,900	3,900	2,629	1,271
Retirement	17,411	17,411	392	17,019
Vehicle expenses	35,400	35,400	44,552	(9,152)
Conference/meetings	4,500	4,500	0	4,500
Local travel/mileage	11,300	11,300	12,890	(1,590)
Custodial Supplies	45,150	45,150	53,004	(7,854)

See accompanying notes and independent auditors' report.

Golden Rule Industries of Muskogee, Inc.
Budgetary Comparison Continued

Other Expenses	2,550	2,550	530	2,020
Furniture Restoration	3,500	3,500	6,645	(3,145)
Mission Development	7,500	7,500	5,325	2,175
Depreciation Expense	0	0	90,265	(90,265)
	<hr/>			
Total Expenses	1,867,678	1,867,678	1,901,053	(33,375)
	<hr/>			
Income/(Loss)	\$116,827	\$116,827	(\$128,809)	\$245,636
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See accompanying notes and independent auditors' report.

GOLDEN RULE INDUSTRIES OF MUSKOGEE, INC.
SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES-UNAUDITED
December 31, 2014

	Employment & Vocational Training Services	Sheltered Workshop	Community Intergrated Employment	Non DHS	Total
REVENUES					
Vocational Services:					
T2015U1	\$ 24,083	\$ 0	\$ 0	\$ 0	\$ 24,083
T2015TG	2,007	0	0	0	2,007
T2015TF	131,493	0	0	0	131,493
T2015	18,010	0	0	0	18,010
T2019TF	153,326	0	0	0	153,326
T2019TG	100,502	0	0	0	100,502
T2019U4	57,480	0	0	0	57,480
Community Integrated Emp. - CIE	0	0	55,811	0	55,811
Sheltered Workshop - SW	0	22,303	0	0	22,303
Custodial Contracts	0	0	0	504,722	504,722
Operations	0	0	0	116,201	116,201
Donated Goods	0	0	0	417,950	417,950
Contributions	0	0	0	4,131	4,131
Gain of Sale of Assets	0	0	0	164,225	164,225
Total Revenues	<u>486,901</u>	<u>22,303</u>	<u>55,811</u>	<u>1,207,229</u>	<u>1,772,244</u>
EXPENSES:					
Non-Administrative Labor:					
Support Staff Supervisors	148,386	43,097	0	102,337	293,820
Support Staff-Job Coaches	226,944	0	23,408	0	250,352
Working Partners-Furniture	6,255	0	0	0	6,255
Working Partners-Janitorial Svs	29,475	2,876	10,049	24,229	66,629
Working Partners-Thrift Stores	49,911	1,752	0	293,458	345,121
Working Partners-Workshop	16,830	7,211	0	0	24,041
Payroll Taxes/Processing Fee	47,446	5,455	3,322	64,957	121,180
Administrative/Other Labor	0	0	0	29,079	29,079
Program Costs:					
Occupancy & Maintenance	0	0	0	56,325	56,325
Utilities	33,626	15,864	0	24,085	73,575
Contract Services	1,768	9,267	0	90,441	101,476
Grounds/Lawn Supplies	0	0	0	415	415
Custodial Supplies	0	0	0	49,408	49,408
Office Expense	0	0	0	40,744	40,744
Memberships & Dues	0	0	0	2,250	2,250
Meals & Board Development	0	0	0	3,839	3,839
Telephone	0	0	0	11,719	11,719
Miscellaneous	0	0	0	3,735	3,735

See accompanying notes and independent auditors' report.

Golden Rule Industries of Muskogee, Inc.
Supplemental Schedule - Continued

	EVT	SW	CIE	Non DHS	Total
Staff Training	0	0	0	2,471	2,471
Employee Insurance	0	0	0	172,583	172,583
Vehicle Expense	25,891	9,164	2,325	4,499	41,879
Local Travel/Mileage/Meetings	0	0	0	12,117	12,117
Mission Development	0	0	0	5,006	5,006
Insurance	0	0	0	49,963	49,963
Furniture Restoration Supplies	0	0	0	6,645	6,645
Administrative Costs:					
Repairs & Maintenance	0	0	0	6,749	6,749
Utilities	0	0	0	4,696	4,696
Grounds/Lawn Supplies	0	0	0	27	27
Office Expense	0	0	0	2,601	2,601
Memberships & Dues	0	0	0	245	245
Meals & Board Development	0	0	0	245	245
Telephone	0	0	0	748	748
Miscellaneous	0	0	0	238	238
Staff Training	0	0	0	158	158
Employee Insurance	0	0	0	11,022	11,022
Vehicle Expense	0	0	0	2,673	2,673
Local Travel/Mileage/Meetings	0	0	0	773	773
Contract Services	0	0	0	6,477	6,477
Mission Development	0	0	0	320	320
Insurance	0	0	0	3,189	3,189
Depreciation	0	0	0	90,265	90,265
Total Expenses	586,532	94,686	39,104	1,180,731	1,901,053
Change in Net Assets	\$ (99,631)	\$ (72,383)	\$ 16,707	\$ 26,498	\$ (128,809)
Unites of Service Provided	EVT	SW	CIE		
T2015U1	4,975.75				
T2015TG	164.50				
T2015TF	13,583.97				
T2015	1,394.00				
T2019TF	11,867.37				
T2019TG	6,682.32				
T2019U4	3,341.84	Days	Hours		
Total Untits of Service Provided	42,009.75	986.00	2,305.25		
Number of Individuals Served (unduplicated count)	EVT	SW	CIE		
T2015U1	5				
T2015TG	1				
T2015TF	12				
T2015	1				
T2019TF	21				
T2019TG	10				
T2019U4	4				
Total #Individuals Served	54	8	6		

See accompanying notes and independent auditors' report.