



**FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITORS' REPORT**

**December 31, 2016**



***Clothier & Company CPA's P.C.***

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**Golden Rule Industries of Muskogee, Inc.**  
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**December 31, 2016**

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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, 2016, and the related statement of activities, functional expenses, 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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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, 2016, 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**

### *Supplemental Information*

Our audit was conducted for the purpose of forming an opinion of the financial statements as a whole. The budgetary comparison on page 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In Accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2017, 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

July 12, 2017

**Golden Rule Industries of Muskogee, Inc.**  
**Statement of Financial Position**  
**December 31, 2016**

**ASSETS**

**Current Assets:**

Cash and cash equivalents	\$ 131,419
Accounts receivable	169,978
Prepaid expenses	8,956
<b>Total Current Assets</b>	<b>310,353</b>

**Fixed Assets:**

Land and building	1,914,291
Equipment/fixtures	505,615
<b>Total Property and Equipment</b>	<b>2,419,906</b>
Less: Accumulated Depreciation	1,188,520
<b>Total Fixed Assets</b>	<b>1,231,386</b>
 <b>Total Assets</b>	 <b>\$ 1,541,739</b>

**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Accounts payable	\$ 11,061
Accrued absences	21,790
Current portion long term debt	5,452
<b>Total Current Liabilities</b>	<b>38,303</b>

**Long Term Liabilities:**

Notes Payable	19,989
<b>Total Liabilities</b>	<b>58,292</b>

**Net Assets:**

Permanently restricted	0
Temporarily restricted	0
Unrestricted	1,483,447
<b>Net Assets</b>	<b>1,483,447</b>

<b>Total Liabilities and Net Assets</b>	<b>\$ 1,541,739</b>
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**Golden Rule Industries of Muskgoee, Inc.**  
**Statement of Activities**  
**December 31, 2016**

**SUPPORT AND REVENUE**

**Revenue:**

Assembly contracts	\$ 34,751
Custodial contracts	610,333
Other income	49,964
Retail store sales	237,973
Furniture restoration	2,890
Vocational contracts	827,347
<b>Total Support</b>	<u>1,763,258</u>

**EXPENSES**

Program services	1,555,271
Administrative Services	191,152
<b>Total Expenses</b>	<u>1,746,423</u>

**Other Revenue/(Expenses)**

Gain on sale of assets	<u>0</u>
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**Change in Permanently Restricted Net Assets** 0

**Changes in Restricted Net Assets** 0

**Changes in Unrestricted Net Assets** 16,835

**Net Assets, Beginning of Year** 1,466,612

**Net Asset, End of Year** \$ 1,483,447

**Golden Rule Industries of Muskogee, Inc.**  
**Statement of Cash Flows**  
**December 31, 2016**

**Cash Flows From Operating Activities:**

Increase (Decrease) in Net Assets	\$ 16,835
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	88,847
Decrease/(Increase) in:	
Accounts receivable	15,843
Prepaid expense	965
Increase/(Decrease) in:	
Accounts payable	(19,377)
Accrued expenses	(6,764)
<b>Net Cash Provided by Operating Activities</b>	<b>96,349</b>

**Cash Flows From Investing/Financing Activities:**

Fixed asset additions	(84,154)
Proceeds from borrowings net payments	0
<b>Net Cash Used by Investing Activities</b>	<b>(84,154)</b>

**Net Increase/(Decrease) in Cash and Cash Equivalents** 12,195

**Cash Balance, December 31, 2015** 119,224

**Cash Balance, December 31, 2016** **\$ 131,419**

Supplemental Disclosure of Cash Flow Information:

Cash paid for interest expense	\$ 0
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**Golden Rule Industries of Muskogee, Inc.**  
**Schedule of Functional Expenses**  
**December 31, 2016**

	<b>Program Services</b>	<b>Administrative Services</b>	<b>Total</b>
Occupancy & maintenance	\$ 33,456	\$ 2,136	\$ 35,592
Insurance	27,329	1,744	29,073
Equipment repair	5,153	329	5,482
Utilities	52,144	3,328	55,472
Custodial supplies	51,137	0	51,137
Administrative/office expense	0	95,239	95,239
Furniture restoration supplies	1,489	0	1,489
Salaries/wages	241,414	15,409	256,823
Payroll taxes	21,203	1,353	22,556
Staff Training	3,061	195	3,256
Employee insurance/retirement	67,531	4,311	71,842
Leased employees	709,899	45,313	755,212
Payroll processing fee	137,082	8,750	145,832
Vehicle expenses	22,427	1,432	23,859
Conferences/meetings	5,247	335	5,582
Local travel/mileage	2,658	170	2,828
Contractual services	75,772	4,836	80,608
Mission development	14,752	942	15,694
Depreciation expense	83,516	5,331	88,847
<b>Totals</b>	<b>\$ 1,555,271</b>	<b>\$ 191,152</b>	<b>\$ 1,746,423</b>

See accompanying footnotes and independent auditors' report.

**Golden Rule Industries of Muskogee, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2016

**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.

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.

Compensated Absences

Golden Rule allows full-time employees to accrue vacation leave beginning with the first day of full-time employment at a rate of .02 hours for every eligible hour worked and eligible benefit hour paid (vacation/holiday/personal). A full-time individual working 40 hours a week will accrue five (8hr.) days per year. Employees with 3-5 years of service can earn .039 hours accrued vacation time for every eligible work and benefit hour paid after completing the 3<sup>rd</sup> year. 5+ years of service accrue .058 hours

### **Golden Rule Industries of Muskogee, Inc.**

for every eligible hour worked and benefit hour paid after completing the 5<sup>th</sup> year. Employees are considered eligible to use vacation time upon completion of six months of employment. The vacation payable is included as an accrued liability in the financial statements.

Personal days are accrued beginning with the first day of employment for both full-time and part-time employees are eligible to accrue on a pro-rata basis. Hours accrue on the basis of .02 hours for every eligible hour worked or paid. The personal time is included as an accrued liability in the financial statements with vacation leave.

Accrued vacation leave	\$13,260
Accrued personal days	<u>8,530</u>
Accrued absences	<u>\$21,790</u>

### 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 2014, 2015 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

### **2. CASH**

At December 31, 2016, the cash balance was \$131,419, which is insured by the Federal Deposit Insurance Corporation. Golden Rule has no uninsured funds at December 31, 2016.

### **3. ACCOUNTS RECEIVABLE**

As of December 31, 2016 Golden Rule's accounts receivable over 60 days was only 3.44% of the customer receivable balance.

Customer Accounts Receivable	\$	169,978
Other Receivables		<u>0</u>
Total Accounts Receivable	\$	<u>169,978</u>

### **4. FIXED ASSETS**

The following is a summary of the property, plant and equipment accounts at December 31, 2016:

	Balance 12/31/15	Additions/ Deletions	Accumulated Depreciation	Balance 12/31/16
Land	\$111,000	\$0	\$0	\$111,000
Building/Improvements	1,759,083	44,207	(782,730)	1,020,560
Equipment	295,403	47,861	(283,090)	60,174
Vehicles	144,826	17,525	(122,699)	39,652
Totals	<u>\$2,310,312</u>	<u>\$109,593</u>	<u>(\$1,188,519)</u>	<u>\$1,231,386</u>

## **Golden Rule Industries of Muskogee, Inc.**

### **5. NOTES PAYABLE**

On August 29, 2016 Golden Rule signed an agreement with VIP Technology Solutions Group for a new phone system with wireless capabilities. On October 11, 2016 an agreement was signed for an additional wireless phone. Golden Rule will pay \$431.21 for the two months before signing the second agreement and \$454.30 for the next 58 months. The agreement includes \$770.84 per month for certain managed network services and other services. The balance at December 31, 2016 was \$25,441.

### **6. 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.

### **7. 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, 2016, 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 July 12, 2017

**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.

July 12, 2017

**SUPPLEMENTAL INFORMATION**



**Golden Rule Industries of Muskogee, Inc.**  
**Budgetary Comparison**  
**For the Year Ending December 31, 2016**

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>Revenue</b>				
Assembly Contracts	\$48,000	\$48,000	\$34,751	\$13,249
Custodial Contracts	564,136	564,136	610,333	(46,197)
Public Support	12,000	12,000	6,978	5,022
Jop Placement	22,000	22,000	10,468	11,532
Other Income	0	0	32,373	(32,373)
Interest Income	0	0	145	(145)
Furniture Restoration Rev	6,000	6,000	2,890	3,110
Retail Store Sales	300,000	300,000	237,973	62,027
Vocational Contracts	932,911	932,911	827,347	105,564
<b>Total Revenue</b>	<b>1,885,047</b>	<b>1,885,047</b>	<b>1,763,258</b>	<b>121,789</b>
<b>Expenses</b>				
Contract Services	78,113	78,113	80,608	(2,495)
Occupancy & Maintenance	127,085	127,085	125,619	1,466
Administrative/Office	52,445	52,445	95,239	(42,794)
Payroll Expense	1,404,209	1,404,209	1,255,521	148,688
Transportation/Travel	43,800	43,800	32,269	11,531
Custodial Supplies	68,400	68,400	51,137	17,263
Mission Development	18,000	18,000	15,694	2,306
Furniture Restoration	6,000	6,000	1,489	4,511
Store Fixtures/Supplies	3,000	3,000	0	3,000
Depreciation Expense	0	0	88,847	(88,847)
<b>Total Expenses</b>	<b>1,801,052</b>	<b>1,801,052</b>	<b>1,746,423</b>	<b>54,629</b>
<b>Income/(Loss)</b>	<b>\$83,995</b>	<b>\$83,995</b>	<b>\$16,835</b>	<b>\$67,160</b>

See accompanying notes and independent auditors' report.