

# Outreach International

Financial Report  
September 30, 2016

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RSM US LLP

## Independent Auditor's Report

To the Board of Directors  
Outreach International  
Independence, Missouri

### Report on the Financial Statements

We have audited the accompanying financial statements of Outreach International (the Organization), which comprise the statements of financial position as of September 30, 2016 and 2015, the related statements of activities and changes in net assets, 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.

### Auditor's 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 auditor's 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 Organization'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 Organization'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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2016 and 2015, and the 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.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of overhead percentage are 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 audits 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.

*RSM US LLP*

Kansas City, Missouri  
March 2, 2017

## Outreach International

### Statements of Financial Position September 30, 2016 and 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 425,866	\$ 68,503
Prepaid expenses and other assets	54,740	2,464
Pledges receivable	189,454	-
<b>Total current assets</b>	<b>670,060</b>	<b>70,967</b>
Investments:		
Investments (Note 2)	2,414,376	1,682,424
Mineral rights (Note 2)	38,483	38,483
<b>Total investments</b>	<b>2,452,859</b>	<b>1,720,907</b>
Equipment:		
Equipment	111,420	86,738
Accumulated depreciation	(87,406)	(85,941)
<b>Total equipment</b>	<b>24,014</b>	<b>797</b>
Intangible and other assets:		
Branding	155,365	155,365
Video	211,551	211,551
Accumulated amortization	(366,916)	(320,163)
Bequests—wills and trust, net (Note 4)	950,000	1,150,000
<b>Total intangible and other assets</b>	<b>950,000</b>	<b>1,196,753</b>
<b>Total assets</b>	<b>\$ 4,096,933</b>	<b>\$ 2,989,424</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 173,613	\$ 41,822
Accrued expenses and other liabilities	64,149	47,503
Current portion of capital lease obligation (Note 5)	4,061	-
<b>Total current liabilities</b>	<b>241,823</b>	<b>89,325</b>
Long-term liabilities:		
Deferred compensation	59,403	56,183
Capital lease obligation, less current portion (Note 5)	17,395	-
<b>Total long-term liabilities</b>	<b>76,798</b>	<b>56,183</b>
<b>Total liabilities</b>	<b>318,621</b>	<b>145,508</b>
Net assets (Notes 6 and 7):		
Unrestricted:		
General operating	1,702,413	1,416,188
Board designated	887,838	399,818
<b>Total unrestricted net assets</b>	<b>2,590,251</b>	<b>1,816,006</b>
Temporarily restricted	880,658	721,107
Permanently restricted	307,403	306,803
<b>Total net assets</b>	<b>3,778,312</b>	<b>2,843,916</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,096,933</b>	<b>\$ 2,989,424</b>

See notes to financial statements.

## Outreach International

### Statements of Activities and Changes in Net Assets Years Ended September 30, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, losses and other support:								
Contributions	\$ 3,568,142	\$ 516,150	\$ 600	\$ 4,084,892	\$ 3,406,955	\$ 466,608	\$ -	\$ 3,873,563
Gifts-in-kind	433,208	-	-	433,208	134,874	-	-	134,874
Other revenue:								
Investment income (Note 2)	94,018	-	-	94,018	9,182	-	-	9,182
Provision for loss on beneficial interest (Note 4)	(200,000)	-	-	(200,000)	(239,996)	-	-	(239,996)
Other income	3,583	-	-	3,583	890	-	-	890
Net assets released from restrictions:								
Program use restrictions satisfied	356,599	(356,599)	-	-	302,609	(302,609)	-	-
<b>Total revenues, gains, losses and other support</b>	<b>4,255,550</b>	<b>159,551</b>	<b>600</b>	<b>4,415,701</b>	<b>3,614,514</b>	<b>163,999</b>	<b>-</b>	<b>3,778,513</b>
Expenses:								
Program services:								
Community development initiatives	1,982,957	-	-	1,982,957	1,684,240	-	-	1,684,240
Advocacy and development education	901,800	-	-	901,800	618,503	-	-	618,503
<b>Total program services</b>	<b>2,884,757</b>	<b>-</b>	<b>-</b>	<b>2,884,757</b>	<b>2,302,743</b>	<b>-</b>	<b>-</b>	<b>2,302,743</b>
Supporting services:								
Fundraising	359,466	-	-	359,466	383,192	-	-	383,192
Administration	237,082	-	-	237,082	218,093	-	-	218,093
<b>Total supporting services</b>	<b>596,548</b>	<b>-</b>	<b>-</b>	<b>596,548</b>	<b>601,285</b>	<b>-</b>	<b>-</b>	<b>601,285</b>
<b>Total expenses</b>	<b>3,481,305</b>	<b>-</b>	<b>-</b>	<b>3,481,305</b>	<b>2,904,028</b>	<b>-</b>	<b>-</b>	<b>2,904,028</b>
<b>Changes in net assets</b>	<b>774,245</b>	<b>159,551</b>	<b>600</b>	<b>934,396</b>	<b>710,486</b>	<b>163,999</b>	<b>-</b>	<b>874,485</b>
Net assets, beginning of year	1,816,006	721,107	306,803	2,843,916	1,105,520	557,108	306,803	1,969,431
Net assets, end of year	\$ 2,590,251	\$ 880,658	\$ 307,403	\$ 3,778,312	\$ 1,816,006	\$ 721,107	\$ 306,803	\$ 2,843,916

See notes to financial statements.

## Outreach International

### Statement of Functional Expenses Year Ended September 30, 2016

	Program Services			Supporting Services		Total Expenses
	Community Development Initiatives	Advocacy and Development Education	Total Program Services	Fundraising	Administration	
Salaries and wages	\$ 143,506	\$ 210,491	\$ 353,997	\$ 112,616	\$ 97,638	\$ 564,251
Payroll taxes and fees	6,880	11,807	18,687	5,675	4,237	28,599
Benefits	40,204	76,451	116,655	45,959	40,383	202,997
Other personnel	502	1,896	2,398	1,789	561	4,748
Professional fees	17,234	10,702	27,936	6,936	13,250	48,122
Advertising and promotion	3,412	5,059	8,471	4,433	4,202	17,106
Office supplies and printing	30,455	19,667	50,122	12,404	5,233	67,759
Information technology	34,046	24,432	58,478	15,817	12,502	86,797
Occupancy	25,546	15,601	41,147	9,994	7,362	58,503
Travel	5,919	8,529	14,448	7,953	4,711	27,112
Conferences, conventions and meetings	211	1,007	1,218	856	2,199	4,273
Interest	-	-	-	-	64	64
Depreciation and amortization	341	18,882	19,223	14,143	14,852	48,218
Insurance	904	523	1,427	332	252	2,011
Resource development	8,684	463,306	471,990	102,614	4,950	579,554
Equipment and maintenance	5,809	3,538	9,347	2,264	1,644	13,255
Field support	460,361	-	460,361	-	-	460,361
Field operations	813,576	-	813,576	-	-	813,576
Community development projects	383,661	-	383,661	-	-	383,661
Site visits and mission trips	-	-	-	250	-	250
Event coordinator	-	27,381	27,381	14,768	-	42,149
Credit card fees	1,663	1,026	2,689	647	22,711	26,047
Miscellaneous	43	277	320	16	-	336
Cost of goods sold	-	1,225	1,225	-	331	1,556
<b>Total</b>	<b>\$ 1,982,957</b>	<b>\$ 901,800</b>	<b>\$ 2,884,757</b>	<b>\$ 359,466</b>	<b>\$ 237,082</b>	<b>\$ 3,481,305</b>

See notes to financial statements.

**Outreach International**

**Statement of Functional Expenses  
Year Ended September 30, 2015**

	Program Services			Supporting Services		Total Expenses
	Community Development Initiatives	Advocacy and Development Education	Total Program Services	Fundraising	Administration	
Salaries and wages	\$ 145,295	\$ 198,013	\$ 343,308	\$ 138,361	\$ 96,980	\$ 578,649
Payroll taxes and fees	4,529	8,236	12,765	9,391	6,002	28,158
Benefits	40,639	55,442	96,081	38,400	23,806	158,287
Other personnel	859	1,551	2,410	868	2,476	5,754
Professional fees	11,678	13,093	24,771	7,564	19,668	52,003
Advertising and promotion	2,538	5,139	7,677	4,733	4,195	16,605
Office supplies and printing	19,036	29,500	48,536	13,309	10,997	72,842
Information technology	24,210	19,490	43,700	11,783	10,875	66,358
Occupancy	18,770	23,498	42,268	6,582	9,653	58,503
Travel	4,032	13,168	17,200	9,809	2,864	29,873
Conferences, conventions and meetings	833	3,191	4,024	1,552	1,437	7,013
Interest	102	137	239	76	97	412
Depreciation and amortization	955	19,360	20,315	28,439	274	49,028
Insurance	368	254	622	149	104	875
Resource development	11,735	198,266	210,001	99,895	6,096	315,992
Equipment and maintenance	3,589	2,890	6,479	1,830	1,375	9,684
Field support	317,425	-	317,425	-	-	317,425
Field operations	1,076,854	-	1,076,854	-	-	1,076,854
Site visits and mission trips	-	17,228	17,228	2,956	-	20,184
Event coordinator	-	9,667	9,667	-	-	9,667
Credit card fees	675	295	970	183	20,328	21,481
Miscellaneous	118	-	118	7,227	-	7,345
Cost of goods sold	-	85	85	85	866	1,036
<b>Total</b>	<b>\$ 1,684,240</b>	<b>\$ 618,503</b>	<b>\$ 2,302,743</b>	<b>\$ 383,192</b>	<b>\$ 218,093</b>	<b>\$ 2,904,028</b>

See notes to financial statements.



## Outreach International

### Statements of Cash Flows Years Ended September 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Changes in net assets	\$ 934,396	\$ 874,485
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Cash provided by operating activities:		
Depreciation	1,465	2,274
Amortization	46,753	46,754
Unrealized gain on investments	(91,388)	(4,660)
Effects of changes in operating assets and liabilities:		
Pledges receivable	(189,454)	-
Prepaid expenses and other assets	(52,276)	9,893
Provision for loss on beneficial interest	200,000	239,996
Accounts payable	131,791	(24,329)
Accrued expenses, termination benefits, deferred compensation and other liabilities	19,866	(12,390)
<b>Net cash provided by operating activities</b>	<b>1,001,153</b>	<b>1,132,023</b>
Cash flows from investing activities:		
Purchase of investments	(1,359,294)	(1,564,036)
Proceeds from sale of investments	718,730	368,574
Purchase of equipment	(2,499)	-
<b>Net cash used in investing activities</b>	<b>(643,063)</b>	<b>(1,195,462)</b>
Cash flows from financing activities:		
Proceeds from line of credit	-	50,000
Payments on line of credit	-	(50,000)
Principal payments on capital lease obligation	(727)	-
<b>Net cash provided by financing activities</b>	<b>(727)</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>357,363</b>	<b>(63,439)</b>
Cash and cash equivalents, beginning of year	68,503	131,942
Cash and cash equivalents, end of year	<b>\$ 425,866</b>	<b>\$ 68,503</b>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 64	\$ 412
Proceeds from capital lease obligation	\$ 22,183	\$ -
Purchase of equipment related to capital lease	\$ (22,183)	\$ -

See notes to financial statements.

## Outreach International

### Notes to Financial Statements

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#### Note 1. Summary Significant Accounting Policies

**Nature of operations:** Outreach International (the Organization) is a nonprofit organization incorporated in the state of Missouri in 1979. Outreach International operates out of an office in Missouri, and has a foreign presence in many countries in the following areas of the world: Asia, Africa, the Caribbean, Haiti, and Central, South and North America. Since 1979, Outreach International has been working with the world's poor to help them build a better life. The mission of the Organization is to create sustainable good and is twofold:

- To help people overcome the devastating effects of poverty and develop the capacity to create a new future for themselves and their communities;
- To provide responsible ways for people with charitable hearts to help the poor to a better life.

The primary programs and activities of the Organization include the following:

**Community development initiatives:** Community development initiatives benefit thousands of children, men and women in poor communities. These initiatives fall into four broad areas: Thriving Children; Building Community; Empowering Families; Nurturing the Environment. Programs in these areas cover a multitude of issues and include child survival, literacy, basic education, sanitation, microenterprise, housing, community governance, nutrition, sustainable agriculture and environmental concerns.

Every program is designed to build the capacity of the people involved. The Organization's experience has taught it that the best way to bring sustainable change among the poor is to build their ability to help themselves. The Organization does this through a process called Participatory Human Development. This grass roots development approach enables communities to act on issues of shared concern and to build accountability and transparency through the involvement of the marginalized poor.

**Advocacy and development education:** As part of the Organization's mission, it works to engage the public in issues of poverty awareness, eradication and understanding the interrelatedness of the global community.

The Organization is accountable to the communities it serves and to its donors. The Organization seeks to encourage lateral relationships, where families in poor communities become teachers, and donors and supporters become learners of the poor. Communication programs with donors enable an exchange of information to support these objectives. The Organization knows from experience that donors who participate in communication programs with communities they serve develop a deeper understanding of the interconnectedness and mutual responsibilities of the global community.

The Organization has pioneered an effective and sustainable approach to building lateral relationships. Reports, updates, stories and other communications are shared through a variety of personalized and public sources, and through various media.

The Organization engages youth and young adults in education and advocacy programs around issues affecting children and communities in the developing world. The Organization seeks to stimulate and enhance the public's understanding of the global conditions and mutual responsibility of all. Web-based initiatives, blogs, youth advocacy programs, educational resources, and young adult events and clubs at universities and in churches are part of this initiative.

## Outreach International

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

Through publications, websites, multimedia, conference presentations, public addresses and classes, the Organization will continue to reach out to various publics. The Organization's experience shows that as people deepen their understanding of the global conditions and how they can act to help the poor, they will act. The Organization's task is both to bring the conditions to light and to offer a way for people to act with purpose and for sustainable results.

**Use of estimates in preparing financial statements:** 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Significant estimates incorporated into the Organization's financial statements include the fair market value of the Organization's interest in certain mineral rights, the timing and discounts for wills and trusts, useful lives of depreciable and amortizable assets, the fair value of certain gifts-in-kind, and the allocations incorporated into the functional allocations. Actual results could differ from those estimates.

**Net assets:** Financial statement presentation follows the recommendations of *FASB Accounting Standards Codification (ASC) 958, Financial Statements of Not-for-Profit Organizations*. Under ASC 958, 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.

**Unrestricted:** Unrestricted net assets include all net assets that are neither temporarily nor permanently restricted.

**Unrestricted, board-designated:** Unrestricted, board-designated net assets include all net assets that are designated by the Board for the Organization's mission in specific countries.

**Temporarily restricted:** Temporarily restricted net assets include contributed net assets for which donor-imposed time and purpose restrictions have not been met, and the ultimate purpose of the contribution is not permanently restricted. At September 30, 2016 and 2015, temporarily restricted net assets were purpose-restricted by donors to a particular geographic region for direct program or mission expenses.

**Permanently restricted:** Permanently restricted net assets include contributed net assets that require, by donor restriction, that the corpus be invested in perpetuity, and only the income be made available for program operations in accordance with donor restrictions.

**Contributions and pledges receivable:** Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Conditional contributions are recorded when the donor's conditions are met. Pledges receivable at September 30, 2016 and 2015, were \$189,454 and \$-0-, respectively. No present value discount or allowance on the pledge exists, as full payment for the pledge was received subsequent to fiscal year-end.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as temporarily restricted or permanently restricted support and increase those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purposes restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

## Outreach International

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Cash and cash equivalents:** Cash and cash equivalents consist of readily liquid accounts that are available for current operations with initial maturities of three months or less.

**Investments:** Investments are recorded at fair value. Fair value of pooled investments is determined by quoted market prices of the underlying investments. Fair value of mutual funds is determined by quoted market prices or the value of the underlying assets within the fund. Fair value of alternative investments is estimated using net asset value per share. See Note 2 for a discussion of fair value measurements.

**Income tax status:** The Organization is tax-exempt under section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private foundation.

Uncertain tax provisions, if any, are recorded in accordance with ASC 740, Income Taxes, which requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standard that the position will be sustained upon examination by taxing authorities. There is no liability for uncertain tax positions recorded at September 30, 2016 and 2015.

**Equipment and intangible assets:** Purchased equipment is valued at historical cost. The Organization follows a policy that only items costing greater than \$1,000 are capitalized. Contributed items are valued at their estimated fair market value at the date of gift. Depreciation is calculated by the straight-line method over the estimated useful lives of the equipment, which are generally three to five years.

Intangible assets consist of branding and advertising materials that have an extended useful life. These items are carried at their historical cost. Intangible assets are amortized over their estimated useful life of three to 10 years.

**Impairment of long-lived assets:** The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

**Bequests:** The Organization records all bequests when the bequest is deemed unconditional. Bequests reported in the financial statements represent land held for future sale for which no sales contract is currently in place. It was recorded at the appraised value on the date of the gift and is measured at the lower of carrying amount, less estimated cost to sell, or fair market value.

**Gifts-in-kind:** The Organization records in-kind support for contributed services if these services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation. Such support could be used in the program activities of the Organization as well as in fundraising and administrative activities. The value of services meeting these requirements, to the extent measurable, is reflected in the accompanying financial statements. The Organization receives a substantial amount of support from nonprofessional volunteers that do not meet the criteria listed above. Nonprofessional volunteers donate services for fundraising, education and administration that are not valued or recorded in the financial statements.

## Outreach International

### Notes to Financial Statements

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#### Note 1. Summary of Significant Accounting Policies (Continued)

**Functional allocation of expenses:** The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited according to formulas developed by management to appropriately reflect actual costs and efforts expended on each program or supporting service.

**Fundraising costs:** The Organization expenses fundraising costs as incurred.

#### Note 2. Fair Value of Financial Instruments

The Fair Value Measurements and Disclosures topic of the ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the topic establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the topic are described below:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.

**Level 2:** Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation of other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair market value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

## Outreach International

### Notes to Financial Statements

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#### Note 2. Fair Value of Financial Instruments (Continued)

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Organization evaluates its hierarchy disclosures based on various factors. It is possible that an asset or liability may be classified differently from year to year. However, the Organization expects that changes between the different levels will be rare.

**Assets recorded at fair value on a recurring basis:** A description of the valuation methodologies used for assets on a recurring basis is set forth below:

**Investments:** Securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Levels 1, 2 and 3 of the valuation hierarchy, as appropriate.

**Pooled investments (Pool A and Pool B):** Value is calculated based on the fair value underlying the portfolio of securities. Pools are invested in cash equivalents, equity securities, fixed-income securities and fund of funds.

**Flexible premium variable annuity:** Value is calculated based on the fair value of the underlying investments.

**Oikocredit capital shares:** Value is calculated based on the underlying portfolio of nonexchangeable registered depository receipts for shares in the capital of Oikocredit.

**Mineral rights:** The fair value measurements for mineral rights are calculated using an industry standard formula based upon the average of the past three years' royalty income times a factor of 10. The factor was obtained from an applicable regional oil and mineral association. The fair value of the mineral rights is classified as Level 3 within the valuation hierarchy.

## Outreach International

### Notes to Financial Statements

#### Note 2. Fair Value of Financial Instruments (Continued)

The following tables summarize assets and liabilities measured on a recurring basis as of September 30, 2016 and 2015, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	September 30, 2016			
	Level 1	Level 2	Level 3	Total
Investments:				
Pooled investments:				
Pool A	\$ -	\$ -	\$ 1,127,213	\$ 1,127,213
Pool B	-	-	1,037,632	1,037,632
Mutual funds:				
Flexible premium variable annuity	42,413	-	-	42,413
Foreign large blend	21,760	-	-	21,760
Foreign large cap	3,694	-	-	3,694
Domestic small growth	13,588	-	-	13,588
Domestic large blend	42,363	-	-	42,363
Domestic moderate growth	13,962	-	-	13,962
Bond funds	59,917	-	-	59,917
Money market	16,208	-	-	16,208
Other:				
Mineral rights	-	-	38,483	38,483
Alternative investment:				
Oikocredit capital shares	-	-	35,626	35,626
Total investments	<u>\$ 213,905</u>	<u>\$ -</u>	<u>\$ 2,238,954</u>	<u>\$ 2,452,859</u>
Bequests—wills and trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 950,000</u>	<u>\$ 950,000</u>
	September 30, 2015			
	Level 1	Level 2	Level 3	Total
Investments:				
Pooled investments:				
Pool A	\$ -	\$ -	\$ 610,590	\$ 610,590
Pool B	-	-	988,878	988,878
Mutual funds:				
Flexible premium variable annuity	32,669	-	-	32,669
Vanguard investment	15,352	-	-	15,352
Other:				
Mineral rights	-	-	38,483	38,483
Alternative investment:				
Oikocredit capital shares	-	-	34,935	34,935
Total investments	<u>\$ 48,021</u>	<u>\$ -</u>	<u>\$ 1,672,886</u>	<u>\$ 1,720,907</u>
Bequests—wills and trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,150,000</u>	<u>\$ 1,150,000</u>

## Outreach International

### Notes to Financial Statements

#### Note 2. Fair Value of Financial Instruments (Continued)

Investment pools have commitment and redemption provisions at September 30, 2016 and 2015, as follows:

	Fair Value		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
	2016	2015			
Pool A	\$ 1,127,213	\$ 610,590	\$ -	No restrictions	None
Pool B	1,037,632	988,878	-	No restrictions	None
	<u>\$ 2,164,845</u>	<u>\$ 1,599,468</u>	<u>\$ -</u>		

The following is a reconciliation of the beginning and ending balances of assets and liabilities, measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended September 30, 2016 and 2015:

	Investments and Cash Fund	Mineral Rights	Total
Balance, September 30, 2014	\$ 454,000	\$ 38,483	\$ 492,483
Contributions	1,550,464	-	1,550,464
Withdrawals	(376,130)	-	(376,130)
Changes in fair market value	6,069	-	6,069
Balance, September 30, 2015	1,634,403	38,483	1,672,886
Contributions	1,359,294	-	1,359,294
Withdrawals	(718,730)	-	(718,730)
Changes in fair market value	(74,496)	-	(74,496)
Balance, September 30, 2016	<u>\$ 2,200,471</u>	<u>\$ 38,483</u>	<u>\$ 2,238,954</u>

#### Note 3. Cash and Investments

Cash and investments at September 30 are as follows:

	2016	2015
Cash in bank—at cost	\$ 425,866	\$ 68,503
Pool A	1,127,213	610,590
Pool B	1,037,632	988,878
Flexible premium variable annuity	42,413	32,669
Vanguard investment	171,492	15,352
Oikocredit capital shares	35,626	34,935
	<u>2,414,376</u>	<u>1,682,424</u>
Total cash and investments	<u>\$ 2,840,242</u>	<u>\$ 1,750,927</u>

The Oikocredit capital shares are maintained in U.S. dollars and are not subject to translation risks.



## Outreach International

### Notes to Financial Statements

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#### Note 3. Cash and Investments (Continued)

The following schedule summarizes the investment return for the years ended September 30, 2016 and 2015:

	2016	2015
Royalties on mineral rights	\$ 830	\$ 2,768
Unrealized gain	91,388	4,660
Interest	1,800	1,754
Net investment gains	<u>\$ 94,018</u>	<u>\$ 9,182</u>

#### Note 4. Bequests Receivable—Wills and Trusts

The Organization has been notified that it is the designated beneficiary of a number of wills and trusts. In most cases, the beneficiary designation is revocable by the donor; accordingly, the gifts are not recognized within the Organization's financial statements due to their conditional nature. The gifts are recognized, and an asset is recorded, when they become irrevocable.

The Organization's interest in one bequest has become irrevocable and was recognized as revenue in a previous year. The underlying value of the bequest is in real estate located in the Cayman Islands. Management, in conjunction with the executors of the bequest, has assessed the value of these properties based upon real estate value and marketability assumptions that it believes to be realistic relative to local conditions. However, it is reasonably possible that, in the foreseeable future, management's assessment could change, resulting in a material adjustment in the timing and carrying value of the bequest. The bequest is being carried at \$950,000 and \$1,150,000 at September 30, 2016 and 2015, respectively.

#### Note 5. Lease Commitments

The Organization leased office space under a long-term lease that expired on March 31, 2015, and was not renewed. The Organization continues leasing the space month to month. During both years ended September 30, 2016 and 2015, rental expense was \$58,503. In addition, the Organization leases office equipment under a capital lease that expires July 31, 2021.

At September 30, 2016, office equipment includes the following amounts related to a capital lease:

Office equipment	\$ 22,183
Accumulated depreciation	(739)
	<u>\$ 21,444</u>

## Outreach International

### Notes to Financial Statements

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#### Note 5. Lease Commitments (Continued)

Future minimum lease payments that have initial or remaining noncancelable lease terms in excess of one year are approximately as follows:

	<u>Capital Lease</u>
Years ending September 30:	
2017	\$ 4,747
2018	4,747
2019	4,747
2020	4,747
2021	4,402
Total minimum lease payments	<u>23,390</u>
Less amount related to interest	<u>(1,934)</u>
	21,456
Less current maturities	<u>(4,061)</u>
	<u>\$ 17,395</u>

#### Note 6. Permanently Restricted Net Assets

In June 1983, an endowment fund was established as a permanently restricted fund to support the Organization's program services. The money is invested within a Community of Christ World Church investment account. Permanently restricted endowment funds totaled \$307,403 and \$306,803 at September 30, 2016 and 2015, respectively.

#### Note 7. Endowments

As required by generally accepted accounting principles, net assets associated with endowment funds, including any funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of relevant law:** The Board of the Organization has interpreted Missouri's enactment of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. Consequently, the Organization classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

## Outreach International

### Notes to Financial Statements

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#### Note 7. Endowments (Continued)

The remaining portion of the donor-restricted endowment fund, not classified as permanently restricted, is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization's Board. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

**Return objectives and risk parameters:** The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce results similar to the S&P index, while assuming a moderate level of investment risk.

**Spending policy:** The Organization has a policy of appropriating for distribution each year 5 percent of its endowment fund's average balance over the prior four years preceding the fiscal year in which the distribution is planned. Because this amount is calculated for the next fiscal year, any amount appropriated for the following fiscal years is added to temporarily restricted net assets in the current year.

In establishing this policy, the Organization considers the greater predictability of spendable income for budgeting purposes and for gradual, steady growth of invested assets for the support of operations. Accordingly, over the long term, the Organization expects the current spending policy will allow its endowment to retain the original corpus of the gift.

**Strategies employed for achieving objectives:** The Organization relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Organization targets a diversified asset allocation that emphasizes fixed-income securities to achieve its long-term objectives within prudent risk constraints.

Changes in endowment net assets for the fiscal year ended September 30, 2016, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ 218,866	\$ 35,309	\$ 306,803	\$ 560,978
Investment return:				
Investment income	52,457	-	-	52,457
Contribution	-	-	600	600
Transfers	479,234	-	-	479,234
Appropriation of endowment assets for expenditure	-	(19,642)	-	(19,642)
Net assets, end of year	<u>\$ 750,557</u>	<u>\$ 15,667</u>	<u>\$ 307,403</u>	<u>\$ 1,073,627</u>

## Outreach International

### Notes to Financial Statements

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#### Note 7. Endowments (Continued)

Changes in endowment net assets for the fiscal year ended September 30, 2015, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	\$ -	\$ 51,555	\$ 306,803	\$ 358,358
Investment return:				
Investment (loss)	(12,184)	-	-	(12,184)
Contribution	231,050	-	-	231,050
Appropriation of endowment assets for expenditure	-	(16,246)	-	(16,246)
Net assets, end of year	<u>\$ 218,866</u>	<u>\$ 35,309</u>	<u>\$ 306,803</u>	<u>\$ 560,978</u>

#### Note 8. Employee Benefit Plans

The Organization has adopted a simplified employee pension plan. The plan is employer-funded with an amount equal to 13 percent of an employee's gross wages being contributed to the plan. All full-time, and some part-time, U.S. employees of the Organization are eligible to participate in the plan. The Organization contributed \$74,086 and \$72,949 to the plan for the years ended September 30, 2016 and 2015, respectively.

The Organization adopted a nonqualified deferred compensation plan for certain key employees during 2009. Under this plan, participants may elect to defer earnings per sections 457(3)(15) of the Internal Revenue Code. The deferred compensation of the participant is held in a trust and administered by an outside entity. The participants are fully vested in the program and have balances of \$42,213 and \$32,659 at September 30, 2016 and 2015, respectively.

#### Note 9. Foreign Currency Translation

Grants made to foreign organizations are stated in U.S. dollars, and the grantee assumes the risk of currency gains or losses. Gains must be used for the grant purpose.

Due to the extensive foreign travel required of Organization employees, some minor risk exists throughout the year related to translation gains and losses. Management does not believe that any such risks have the potential to be significant to the financial statements.

#### Note 10. Related Party

The Organization was originally formed as an affiliate of the Community of Christ World Church (the Church, formerly known as the Reorganized Church of Jesus Christ of Latter Day Saints). In May 1988, the Organization received Internal Revenue Service approval to be recognized as a separate 501(c)(3) tax-exempt entity. The Organization continues to have significant ties to the Church. Grants from the Church for the years ended September 30, 2016 and 2015, totaled \$391,596 and \$266,352, respectively. The Organization participates in and reimburses the Church for various insurance coverages, and also participates in pooled cash investment funds that are maintained by the Church. During the years ended September 30, 2016 and 2015, the Organization paid the Church \$139,448 and \$200,173, respectively, for insurance, payroll and payroll-related expenses. The Organization also had accounts payable to the Church for payroll expenses, termination benefits and insurance coverage, which totaled \$89,283 and \$7,111 as of September 30, 2016 and 2015, respectively.

## **Outreach International**

### **Notes to Financial Statements**

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#### **Note 11. Subsequent Events**

In December 2016, the Organization received a \$1,000,000 unrestricted contribution.

Management evaluated subsequent events through March 2, 2017, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2016, but prior to March 2, 2017, that provided additional evidence about conditions that existed at September 30, 2016, have been recognized in the financial statements for the year ended September 30, 2016.

## **Supplementary Information**

**Outreach International**

**Schedules of Overhead Percentage  
Years Ended September 30, 2016 and 2015**

	2016		2015	
	Amount	Percent of Total	Amount	Percent of Total
Fundraising expenses	\$ 359,466		\$ 383,192	
Less income restricted for fundraising	<u>19,555</u>		<u>31,430</u>	
<b>Net fundraising expenses</b>	<u>339,911</u>	<b>10%</b>	<u>351,762</u>	13%
Administrative expenses	237,082		218,093	
Less income restricted for administration	<u>59,593</u>		<u>79,788</u>	
<b>Net administrative expenses</b>	<u>177,489</u>	<b>5%</b>	<u>138,305</u>	5%
<b>Net nonprogram overhead expenses</b>	<u>\$ 517,400</u>	<b>15%</b>	<u>\$ 490,067</u>	18%
Total expenses	\$ 3,481,305		\$ 2,904,028	
Less restricted income above	<u>79,148</u>		<u>111,218</u>	
<b>Net expenses</b>	<u>\$ 3,402,157</u>	<b>100%</b>	<u>\$ 2,792,810</u>	100%

