Outreach International and Subsidiary

Consolidated Financial Report
September 30, 2017

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Contents

Independent Auditor's Report

To the Board of Directors
Outreach International

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Outreach International and Subsidiary (the Organization), which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2017 and 2016, 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.

RSM US LLP

Kansas City, Missouri
March 1, 2018

Outreach International and Subsidiary

Consolidated Statements of Financial Position
September 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	**$ 2,171,204**	$ 425,866
Prepaid expenses and other assets	**48,859**	54,740
Pledges receivable	**-**	189,454
Other receivables	**105,412**	-
Total current assets	**2,325,475**	670,060
Investments:		
Investments (Note 2)	**95,064**	2,414,376
Total investments	**95,064**	2,414,376
Building and equipment:		
Building	**700,379**	-
Equipment	**105,973**	111,420
Accumulated depreciation	**(86,897)**	(87,406)
Total building and equipment, net	**719,455**	24,014
Construction in process:		
Building improvements	**46,452**	-
Total construction in process	**46,452**	-
Other assets:		
Mineral rights (Note 2)	**38,483**	38,483
Bequests—wills and trust, net (Note 4)	**750,000**	950,000
Total other assets	**788,483**	988,483
Total assets	**$ 3,974,929**	$ 4,096,933
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 99,366**	$ 173,613
Accrued expenses and other liabilities	**85,507**	64,149
Current portion of capital lease obligation (Note 5)	**4,205**	4,061
Total current liabilities	**189,078**	241,823
Long-term liabilities:		
Deferred compensation	**62,353**	59,403
Capital lease obligation, less current portion (Note 5)	**13,190**	17,395
Total long-term liabilities	**75,543**	76,798
Total liabilities	**264,621**	318,621
Net assets (Notes 6 and 7):		
Unrestricted:		
General operating	**1,258,493**	1,702,413
Board designated	**1,024,812**	887,838
Total unrestricted net assets	**2,283,305**	2,590,251
Temporarily restricted	**1,119,000**	880,658
Permanently restricted	**308,003**	307,403
Total net assets	**3,710,308**	3,778,312
Total liabilities and net assets	**$ 3,974,929**	$ 4,096,933

See notes to consolidated financial statements.

Outreach International and Subsidiary

Consolidated Statements of Activities and Changes in Net Assets
Years Ended September 30, 2017 and 2016

	2017				2016			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, losses and other support:								
Contributions	**$ 3,221,917**	**$ 337,171**	**$ 600**	**$ 3,559,688**	$ 3,568,142	$ 516,150	$ 600	$ 4,084,892
Gifts-in-kind	**132,900**	**327,609**	**-**	**460,509**	433,208	-	-	433,208
Other revenue:								
Investment income (Note 2)	**149,063**	**-**	**-**	**149,063**	94,018	-	-	94,018
Provision for loss on beneficial interest (Note 4)	**(200,000)**	**-**	**-**	**(200,000)**	(200,000)	-	-	(200,000)
Other income	**406**	**-**	**-**	**406**	3,583	-	-	3,583
Net assets released from restrictions:								
Program use restrictions satisfied	**426,438**	**(426,438)**	**-**	**-**	356,599	(356,599)	-	-
Total revenues, gains, losses and other support	**3,730,724**	**238,342**	**600**	**3,969,666**	4,255,550	159,551	600	4,415,701
Expenses:								
Program services:								
Community development initiatives	**2,701,420**	**-**	**-**	**2,701,420**	1,982,957	-	-	1,982,957
Advocacy and development education	**762,345**	**-**	**-**	**762,345**	901,800	-	-	901,800
Total program services	**3,463,765**	**-**	**-**	**3,463,765**	2,884,757	-	-	2,884,757
Supporting services:								
Fundraising	**331,713**	**-**	**-**	**331,713**	359,466	-	-	359,466
Administration	**242,192**	**-**	**-**	**242,192**	237,082	-	-	237,082
Total supporting services	**573,905**	**-**	**-**	**573,905**	596,548	-	-	596,548
Total expenses	**4,037,670**	**-**	**-**	**4,037,670**	3,481,305	-	-	3,481,305
Changes in net assets	**(306,946)**	**238,342**	**600**	**(68,004)**	774,245	159,551	600	934,396
Net assets, beginning of year	**2,590,251**	**880,658**	**307,403**	**3,778,312**	1,816,006	721,107	306,803	2,843,916
Net assets, end of year	**$ 2,283,305**	**$ 1,119,000**	**$ 308,003**	**$ 3,710,308**	$ 2,590,251	$ 880,658	$ 307,403	$ 3,778,312

See notes to consolidated financial statements.

Outreach International and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended September 30, 2017

	Program Services			Supporting Services		
	Community Development Initiatives	Advocacy and Development Education	Total Program Services	Fundraising	Administration	Total Expenses
Salaries and wages	$ 146,509	$ 218,782	$ 365,291	$ 111,823	$ 98,752	$ 575,866
Payroll taxes and fees	6,988	12,147	19,135	5,953	5,454	30,542
Benefits	43,294	72,591	115,885	38,150	35,145	189,180
Other personnel	1,961	1,823	3,784	1,664	1,454	6,902
Professional fees	20,001	10,960	30,961	6,858	9,837	47,656
Advertising and promotion	4,470	5,575	10,045	4,894	4,365	19,304
Office supplies and printing	26,718	14,208	40,926	9,301	1,703	51,930
Information technology	38,092	18,732	56,824	12,237	11,152	80,213
Occupancy	28,374	14,187	42,561	9,068	6,874	58,503
Travel	6,974	9,917	16,891	4,687	2,884	24,462
Interest	-	-	-	-	686	686
Depreciation and amortization	-	-	-	-	4,937	4,937
Insurance	540	274	814	175	132	1,121
Resource development	98,900	344,072	442,972	112,149	18,933	574,054
Equipment and maintenance	4,212	3,722	7,934	2,984	993	11,911
Field support	613,182	-	613,182	-	-	613,182
Field operations	1,061,838	-	1,061,838	-	-	1,061,838
Community development projects	596,696	-	596,696	-	-	596,696
Site visits and mission trips	-	23,611	23,611	1,832	-	25,443
Event coordinator	-	9,352	9,352	8,011	-	17,363
Credit card fees	1,652	840	2,492	537	17,460	20,489
Miscellaneous	1,019	447	1,466	285	17,856	19,607
Cost of goods sold	-	1,105	1,105	1,105	3,575	5,785
Total	$ 2,701,420	$ 762,345	$ 3,463,765	$ 331,713	$ 242,192	$ 4,037,670

See notes to consolidated financial statements.

Outreach International and Subsidiary

Statement of Functional Expenses
Year Ended September 30, 2016

	Program Services			Supporting Services		
	Community Development Initiatives	Advocacy and Development Education	Total Program Services	Fundraising	Administration	Total Expenses
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
Total	$ 1,982,957	$ 901,800	$ 2,884,757	$ 359,466	$ 237,082	$ 3,481,305

See notes to consolidated financial statements.

Outreach International and Subsidiary

Consolidated Statements of Cash Flows
Years Ended September 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Changes in net assets	**$ (68,004)**	$ 934,396
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Cash provided by operating activities:		
Depreciation	**4,937**	1,465
Amortization	**-**	46,753
Unrealized gain on investments	**(141,590)**	(91,388)
Effects of changes in operating assets and liabilities:		
Pledges receivable	**189,454**	(189,454)
Other receivables	**(105,412)**	-
Prepaid expenses and other assets	**5,881**	(52,276)
Provision for loss on beneficial interest	**200,000**	200,000
Accounts payable	**(98,493)**	131,791
Accrued expenses, termination benefits, deferred compensation and other liabilities	**24,308**	19,866
Net cash provided by operating activities	**11,081**	1,001,153
Cash flows from investing activities:		
Purchase of investments	**(6,553)**	(1,359,294)
Proceeds from sale of investments	**2,467,455**	718,730
Purchase of building, equipment and building improvements	**(722,584)**	(2,499)
Net cash provided by (used in) investing activities	**1,738,318**	(643,063)
Cash flows from financing activities:		
Principal payments on capital lease obligation	**(4,061)**	(727)
Net cash used in financing activities	**(4,061)**	(727)
Net increase in cash and cash equivalents	**1,745,338**	357,363
Cash and cash equivalents, beginning of year	**425,866**	68,503
Cash and cash equivalents, end of year	**$ 2,171,204**	$ 425,866
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	**$ 686**	$ 64
Proceeds from capital lease obligation	**$ -**	$ 22,183
Purchase of equipment related to capital lease	**$ -**	$ (22,183)
Accounts payable in construction in process	**$ 24,246**	$ -

See notes to consolidated financial statements.

Note 1. Summary of 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 and 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 grassroots 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.

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.

During 2017, Outreach International Headquarters Building Corporation (the Headquarters) was legally formed as a Missouri nonprofit corporation with Outreach International as the sole member. Outreach International Headquarters Building Corporation was created for the purchase, renovation, maintenance and operation of the new headquarters building purchased in May 2017.

Principles of consolidation: The consolidated financial statements include the accounts of Outreach International and its subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

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 (U.S. GAAP) 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 consolidated 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) Topic 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 four classes of net assets: unrestricted net assets; unrestricted, board-designated 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, 2017 and 2016, 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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, 2017 and 2016, were $-0- and $189,454, respectively. No present value discount or allowance on the pledge existed, as full payment for the pledge was expected within the next fiscal year and was subsequently received.

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 consolidated statements of activities and changes in net assets as net assets released from restrictions.

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.

Concentration of credit risk: The Organization at times maintains deposits with banks in excess of the insured limits. The Organization has not experienced any losses in such accounts.

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. The Headquarters is a Missouri nonprofit corporation with a tax status yet to be determined as of the time of issuance of these financial statements.

Uncertain tax provisions, if any, are recorded in accordance with ASC Topic 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, 2017 and 2016.

Building, equipment and construction in process: The purchased building and equipment are 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 asset, which is generally three to five years for equipment and 50 years for the building.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Bequests: The Organization records all bequests when the bequest is deemed unconditional. Bequests reported in the consolidated 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 consolidated 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 consolidated financial statements.

Functional allocation of expenses: The costs of providing the Organization’s various programs and activities have been summarized on a functional basis in the consolidated 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.

Recently issued accounting pronouncements: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new standard changes presentation and disclosure requirements with the intention of helping nonprofits provide more relevant information about their resources to donors, grantors, creditors and other financial statement users. This pronouncement decreases the number of net assets classes from three to two. The new classes will be net assets with donor restrictions and net assets without donor restrictions. The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Therefore, this ASU will be effective for the Organization’s fiscal year ending September 30, 2019. Management is in the process of evaluating the impact of this new guidance.

FASB ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This guidance will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard permits the use of either the retrospective or cumulative-effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Organization is evaluating the effect the standard will have on its consolidated financial statements and related disclosures. The Organization has not yet selected a transition method and has not determined the effect of the standard on ongoing financial reporting.

Note 1. Summary of Significant Accounting Policies (Continued)

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 482)*, effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019, for a calendar year entity). Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020, for a calendar year entity), and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted for all public business entities and all nonpublic business entities upon issuance. The Organization intends to comply within the prescribed time frame. The Organization is in the process of evaluating the impact on the Organization's financial position.

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 value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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 recorded on a recurring basis is set forth below:

Investments: *S*ecurities 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.

The following tables summarize assets and liabilities measured on a recurring basis as of September 30, 2017 and 2016, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	September 30, 2017			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds:				
Flexible premium variable annuity	$ 54,363	$ -	$ -	$ 54,363
Money market	4,369	-	-	4,369
Other:				
Mineral rights	-	-	38,483	38,483
Alternative investment:				
Oikocredit capital shares	-	-	36,332	36,332
Total investments	$ 58,732	$ -	$ 74,815	$ 133,547
Bequests—wills and trusts	$ -	$ -	$ 750,000	$ 750,000

Note 2. Fair Value of Financial Instruments (Continued)

	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	$ 213,905	$ -	$ 2,238,954	$ 2,452,859
Bequests—wills and trusts	$ -	$ -	$ 950,000	$ 950,000

Investment pools have commitment and redemption provisions at September 30, 2017 and 2016, as follows:

	Fair Value		Unfunded	Redemption Frequency (If Currently	Redemption
	2017	2016	Commitments	Eligible)	Notice Period
Pool A	$ -	$ 1,127,213	$ -	No restrictions	None
Pool B	-	1,037,632	-	No restrictions	None
	$ -	$ 2,164,845	$ -		

Note 2. Fair Value of Financial Instruments (Continued)

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, 2017 and 2016:

	Investments and Cash Fund	Mineral Rights	Total
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	2,200,471	38,483	2,238,954
Contributions	-	-	-
Withdrawals	(2,300,795)	-	(2,300,795)
Changes in fair market value	136,656	-	136,656
Balance, September 30, 2017	$ 36,332	$ 38,483	$ 74,815

Note 3. Cash and Investments

Cash and investments at September 30, 2017 and 2016, are as follows:

	2017	2016
Cash in bank—at cost	$ 2,171,204	$ 425,866
Pool A	-	1,127,213
Pool B	-	1,037,632
Flexible premium variable annuity	54,363	42,413
Vanguard investment	4,369	171,492
Oikocredit capital shares	36,332	35,626
	95,064	2,414,376
Total cash and investments	$ 2,266,268	$ 2,840,242

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

The following schedule summarizes the investment return for the years ended September 30, 2017 and 2016:

	2017	2016
Royalties on mineral rights	$ 870	$ 830
Unrealized gain	141,590	91,388
Interest	6,603	1,800
Net investment income	$ 149,063	$ 94,018

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 $750,000 and $950,000 at September 30, 2017 and 2016, 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, 2017 and 2016, rental expense was $58,503. In addition, the Organization leases office equipment under a capital lease that expires July 31, 2021.

At September 30, 2017, office equipment includes the following amounts related to a capital lease:

Office equipment	$ 22,183
Accumulated depreciation	(5,176)
	$ 17,007

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

	Capital Lease
Years ending September 30:	
2018	$ 4,747
2019	4,747
2020	4,747
2021	4,402
Total minimum lease payments	18,643
Less amount related to interest	(1,248)
	17,395
Less current maturities	(4,205)
	$ 13,190

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. Permanently restricted endowment funds totaled $308,003 and $307,403 at September 30, 2017 and 2016, 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.

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.

Note 7. Endowments (Continued)

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, 2017, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 750,557	$ 15,667	$ 307,403	$ 1,073,627
Investment return:				
Investment income	119,111	-	-	119,111
Contribution	-	-	600	600
Transfers	-	-	-	-
Appropriation of endowment assets for expenditure	-	(29,034)	-	(29,034)
Net assets, end of year	$ 869,668	$ (13,367)	$ 308,003	$ 1,164,304

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	$ 750,557	$ 15,667	$ 307,403	$ 1,073,627

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 $112,455 and $74,086 to the plan for the years ended September 30, 2017 and 2016, 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 $54,364 and $42,213 at September 30, 2017 and 2016, 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 consolidated 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, 2017 and 2016, totaled $233,050 and $391,596, respectively. The Organization participates in and reimburses the Church for various insurance coverages, and has also participated in pooled cash investment funds that are maintained by the Church. During the years ended September 30, 2017 and 2016, the Organization paid the Church $223,070 and $139,448, 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 $24,171 and $89,283 as of September 30, 2017 and 2016, respectively.

Note 11. Subsequent Events

In December 2017, the Organization received a $1,000,000 unrestricted contribution.

In December 2017, the new headquarters building was transferred from the Headquarters to Outreach International. The Organization intends to legally dissolve the Headquarters entity.

Management evaluated subsequent events through March 1, 2018, the date the consolidated financial statements were available to be issued. Events or transactions occurring after September 30, 2017, but prior to March 1, 2018, that provided additional evidence about conditions that existed at September 30, 2017, have been recognized in the consolidated financial statements for the year ended September 30, 2017.

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