Outreach International and Subsidiary

Consolidated Financial Report
September 30, 2018

Contents

Independent Auditor's Report

To the Board of Directors
Outreach International

Report on the 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, 2018 and 2017, 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 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, 2018 and 2017, 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
February 8, 2019

Outreach International and Subsidiary

Consolidated Statements of Financial Position
September 30, 2018 and 2017

		2018		2017
Assets				
Current assets:				
Cash and cash equivalents	**$**	**366,839**	$	2,171,204
Prepaid expenses and other assets		**13,871**		48,859
Other receivables		**-**		105,412
Total current assets		**380,710**		2,325,475
Investments:				
Investments (Note 2)		**1,124,643**		95,064
Total investments		**1,124,643**		95,064
Building and equipment:				
Land and building		**770,379**		700,379
Building improvements		**1,310,510**		-
Furniture and equipment		**89,683**		105,973
Accumulated depreciation		**(70,800)**		(86,897)
Total building and equipment, net		**2,099,772**		719,455
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 3)		**-**		750,000
Total other assets		**38,483**		788,483
Total assets	**$**	**3,643,608**	$	3,974,929
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	**$**	**81,047**	$	99,366
Accrued expenses and other liabilities		**72,621**		93,496
Current portion of capital lease obligation (Note 4)		**4,355**		4,205
Total current liabilities		**158,023**		197,067
Long-term liabilities:				
Deferred compensation		**72,002**		54,364
Capital lease obligation, less current portion (Note 4)		**8,835**		13,190
Total long-term liabilities		**80,837**		67,554
Total liabilities		**238,860**		264,621
Net assets (Notes 5 and 6):				
Unrestricted:				
General operating		**581,215**		1,258,493
Board designated		**1,411,883**		1,024,812
Total unrestricted net assets		**1,993,098**		2,283,305
Temporarily restricted		**1,103,047**		1,119,000
Permanently restricted		**308,603**		308,003
Total net assets		**3,404,748**		3,710,308
Total liabilities and net assets	**$**	**3,643,608**	$	3,974,929

See notes to consolidated financial statements.

Outreach International and Subsidiary

Consolidated Statements of Activities and Changes in Net Assets
Years Ended September 30, 2018 and 2017

	2018				2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, losses and other support:								
Contributions	**$ 3,586,061**	**$ 225,691**	**$ 600**	**$ 3,812,352**	$ 3,221,917	$ 337,171	$ 600	$ 3,559,688
Gifts-in-kind	**-**	**542,106**	**-**	**542,106**	132,900	327,609	-	460,509
Other revenue:								
Investment income (Note 2)	**104,700**	**-**	**-**	**104,700**	149,063	-	-	149,063
Provision for loss on beneficial interest (Note 3)	**(750,000)**	**-**	**-**	**(750,000)**	(200,000)	-	-	(200,000)
Other income	**74,200**	**-**	**-**	**74,200**	406	-	-	406
Net assets released from restrictions:								
Program use restrictions satisfied	**783,750**	**(783,750)**	**-**	**-**	426,438	(426,438)	-	-
Total revenues, gains, losses and other support	**3,798,711**	**(15,953)**	**600**	**3,783,358**	3,730,724	238,342	600	3,969,666
Expenses:								
Program services:								
Community development initiatives	**2,828,198**	**-**	**-**	**2,828,198**	2,701,420	-	-	2,701,420
Advocacy and development education	**692,180**	**-**	**-**	**692,180**	762,345	-	-	762,345
Total program services	**3,520,378**	**-**	**-**	**3,520,378**	3,463,765	-	-	3,463,765
Supporting services:								
Fundraising	**312,251**	**-**	**-**	**312,251**	331,713	-	-	331,713
Administration	**256,289**	**-**	**-**	**256,289**	242,192	-	-	242,192
Total supporting services	**568,540**	**-**	**-**	**568,540**	573,905	-	-	573,905
Total expenses	**4,088,918**	**-**	**-**	**4,088,918**	4,037,670	-	-	4,037,670
Changes in net assets	**(290,207)**	**(15,953)**	**600**	**(305,560)**	(306,946)	238,342	600	(68,004)
Net assets, beginning of year	**2,283,305**	**1,119,000**	**308,003**	**3,710,308**	2,590,251	880,658	307,403	3,778,312
Net assets, end of year	**$ 1,993,098**	**$ 1,103,047**	**$ 308,603**	**$ 3,404,748**	$ 2,283,305	$ 1,119,000	$ 308,003	$ 3,710,308

See notes to consolidated financial statements.

Outreach International and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended September 30, 2018

	Program Services			Supporting Services		
	Community Development Initiatives	Advocacy and Development Education	Total Program Services	Fundraising	Administration	Total Expenses
Salaries and wages	$ 161,269	$ 238,444	$ 399,713	$ 125,986	$ 104,738	$ 630,437
Payroll taxes and fees	8,302	13,436	21,738	6,929	6,015	34,682
Benefits	38,997	70,512	109,509	40,010	36,602	186,121
Other personnel	116	362	478	837	1,852	3,167
Professional fees	20,549	10,593	31,142	6,888	7,550	45,580
Advertising and promotion	5,082	6,620	11,702	5,292	4,450	21,444
Office supplies and printing	27,218	20,758	47,976	11,324	1,680	60,980
Information technology	35,224	19,352	54,576	12,588	9,366	76,530
Occupancy	17,648	7,800	25,448	4,924	3,754	34,126
Travel	3,452	4,570	8,022	4,067	2,759	14,848
Conferences, conventions and meeting	321	411	732	481	401	1,614
Interest	-	-	-	-	542	542
Depreciation and amortization	-	-	-	-	46,679	46,679
Insurance	3,239	1,603	4,842	1,068	780	6,690
Resource development	8,331	279,729	288,060	81,394	11,832	381,286
Equipment and maintenance	2,470	1,382	3,852	1,164	602	5,618
Field support	594,559	-	594,559	-	-	594,559
Field operations	1,291,796	-	1,291,796	-	-	1,291,796
Community development projects	601,058	-	601,058	-	-	601,058
Site visits and mission trips	78	5,717	5,795	-	-	5,795
Event coordinator	-	6,405	6,405	6,299	-	12,704
Credit card fees	1,583	778	2,361	496	15,391	18,248
Miscellaneous	6,906	3,708	10,614	2,504	1,296	14,414
Total	$ 2,828,198	$ 692,180	$ 3,520,378	$ 312,251	$ 256,289	$ 4,088,918

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

Consolidated Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Changes in net assets	**$ (305,560)**	$ (68,004)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Cash provided by operating activities:		
Depreciation and amortization	**46,679**	4,937
Realized and unrealized gain on investments	**(104,700)**	(149,063)
Contributed property and equipment	**(239,110)**	-
Effects of changes in operating assets and liabilities:		
Pledges receivable	**-**	189,454
Other receivables	**105,412**	(105,412)
Prepaid expenses and other assets	**34,988**	5,881
Provision for loss on beneficial interest	**750,000**	200,000
Accounts payable	**(18,319)**	(98,493)
Accrued expenses, termination benefits, deferred compensation and other liabilities	**(3,237)**	24,308
Net cash provided by operating activities	**266,153**	3,608
Cash flows from investing activities:		
Purchase of investments	**(2,259,950)**	(6,553)
Proceeds from sale of investments	**1,335,071**	2,474,928
Purchase of building, equipment and building improvements	**(1,141,434)**	(722,584)
Net cash (used in) provided by investing activities	**(2,066,313)**	1,745,791
Cash flows from financing activities:		
Principal payments on capital lease obligation	**(4,205)**	(4,061)
Net cash used in financing activities	**(4,205)**	(4,061)
Net (decrease) increase in cash and cash equivalents	**(1,804,365)**	1,745,338
Cash and cash equivalents, beginning of year	**2,171,204**	425,866
Cash and cash equivalents, end of year	**$ 366,839**	$ 2,171,204
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	**$ 542**	$ 686
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, 2018 and 2017, 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. There were no pledges receivable at September 30, 2018 and 2017.

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 organized as a Missouri nonprofit corporation.

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, 2018 and 2017.

Building, equipment and construction in process: The purchased building and equipment are valued at historical cost less accumulated depreciation. 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 charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building	40 years
Building improvements	15 years
Furniture and equipment	3-5 years

Note 1. Summary of Significant Accounting Policies (Continued)

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. There were no impairments of long-lived assets at September 30, 2018 and 2017.

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.

Reclassifications: Certain prior-year amounts have been reclassified to be consistent with current-year classifications. These reclassifications had no effect on total net assets or changes in net assets.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.* The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018, and interim period within fiscal years beginning after December 15, 2019. Therefore, this ASU will be effective for the Organization on October 1, 2019. The Organization is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

Note 2. Investments and 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.

Note 2. Investments and Fair Value of Financial Instruments (Continued)

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.

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. Investments are carried at fair value and consist of mutual funds and money market funds. Fair value of the mutual funds are based on quoted market prices. The fair value of money market funds approximate cost.

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

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.

Note 2. Investments and Fair Value of Financial Instruments (Continued)

The following tables summarize assets and liabilities measured on a recurring basis as of September 30, 2018 and 2017, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	September 30, 2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds:				
Flexible premium variable annuity	$ 72,002	$ -	$ -	$ 72,002
Foreign large blend	94,532	-	-	94,532
Foreign small blend	46,550	-	-	46,550
Domestic small growth	151,781	-	-	151,781
Domestic large growth	229,243	-	-	229,243
Domestic large blend	64,023	-	-	64,023
Diversified emerging markets	47,155	-	-	47,155
Real estate	92,296	-	-	92,296
Bond funds	279,697	-	-	279,697
Money market	47,004	-	-	47,004
Other:				
Mineral rights	-	-	38,483	38,483
Alternative investment:				
Oikocredit capital shares	-	-	360	360
Total investments	$ 1,124,283	$ -	$ 38,843	$ 1,163,126
Bequests—wills and trusts	$ -	$ -	$ -	$ -

	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. Investments and 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, 2018 and 2017:

	Investments and Cash Fund	Mineral Rights	Total
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
Contributions	-	-	-
Withdrawals	(36,332)	-	(36,332)
Changes in fair market value	360	-	360
Balance, September 30, 2018	$ 360	$ 38,483	$ 38,843

Investment return for the years ended September 30, 2018 and 2017, was $104,700 and $149,063, respectively.

Note 3. 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 consolidated 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. The bequest is being carried at $-0- and $750,000 at September 30, 2018 and 2017, respectively. Per the bequest agreement, the Organization would receive proceeds in excess of $1,000,000. During the year ended September 30, 2018, the remaining balance of the land bequest was written off as the value of the land was sold for less than fair value and thus the Organization received no proceeds.

Note 4. Lease Commitments

The Organization leased office space under a long-term lease that expired on March 31, 2015, and was not renewed. The Organization continued leasing the space month to month until the final payment was made in April 2018. Rental expense was $34,126 for the year ended September 30, 2018, and $58,503 for the year ended September 30, 2017. In addition, the Organization leases office equipment under a capital lease that expires July 31, 2021.

Note 4. Lease Commitments (Continued)

At September 30, 2018, office equipment includes the following amounts related to a capital lease:

Office equipment	$	22,183
Accumulated depreciation		(9,612)
	$	12,571

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:		
2019	$	4,747
2020		4,747
2021		4,401
Total minimum lease payments		13,895
Less amount related to interest		(705)
		13,190
Less current maturities		(4,355)
	$	8,835

Note 5. 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 $308,603 and $308,003 at September 30, 2018 and 2017, respectively.

Note 6. 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.

Note 6. 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, 2018, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 869,668	$ (13,367)	$ 308,003	$ 1,164,304
Investment return:				
Investment income	86,518	-	-	86,518
Contribution	-	-	600	600
Transfers	22,467	-	-	22,467
Appropriation of endowment assets for expenditure	(250,000)	(39,443)	-	(289,443)
Net assets, end of year	$ 728,653	$ (52,810)	$ 308,603	$ 984,446

Note 6. Endowments (Continued)

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

Note 7. 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 $114,623 and $112,455 to the plan for the years ended September 30, 2018 and 2017, 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 section 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 $72,002 and $54,364 at September 30, 2018 and 2017, respectively.

Note 8. 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 9. 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, 2018 and 2017, totaled $205,696 and $233,050, 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, 2018 and 2017, the Organization paid the Church $63,939 and $223,070, 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 $-0- and $24,171 as of September 30, 2018 and 2017, respectively.

Note 10. Subsequent Events

The Organization legally dissolved the Headquarters entity in October 2018.

In October 2018, the Organization obtained a revolving bank line of credit for $500,000. $300,000 in borrowings occurred in November 2018, and was paid down to $-0- within 30 days. The interest rate is variable.

In December 2018, the Organization received a $1,000,000 unrestricted contribution.

Management evaluated subsequent events through February 8, 2019, the date the consolidated financial statements were available to be issued. Events or transactions occurring after September 30, 2018, but prior to February 8, 2019, that provided additional evidence about conditions that existed at September 30, 2018, have been recognized in the consolidated financial statements for the year ended September 30, 2018.