Outreach International and Subsidiary

Consolidated Financial Report
September 30, 2019

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Contents

Independent Auditor's Report

Board of Directors
Outreach International

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Outreach International and Subsidiary, which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, 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 (collectively, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit 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 Outreach International and Subsidiary as of September 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As described in Note 1 to the financial statements, Outreach International and Subsidiary adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the current year. The new standard changes presentation and disclosure requirements with the intention of helping not-for-profits provide more relevant information about their resources to donors, grantors, creditors and other financial statement users. The adoption was retrospectively applied to September 30, 2018, the earliest year presented. Our opinion is not modified with respect to this matter.

RSM US LLP

Kansas City, Missouri
February 24, 2020

Outreach International and Subsidiary

Consolidated Statements of Financial Position
September 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	**$ 25,380**	$ 366,839
Prepaid expenses and other assets	**43,515**	13,871
Other receivables	**200,000**	-
Total current assets	**268,895**	380,710
Investments:		
Investments (Note 3)	**919,449**	1,124,643
Total investments	**919,449**	1,124,643
Building and equipment:		
Land and building	**770,379**	770,379
Building improvements	**1,338,510**	1,310,510
Furniture and equipment	**207,889**	89,683
Accumulated depreciation	**(194,953)**	(70,800)
Total building and equipment, net	**2,121,825**	2,099,772
Construction in process:		
Building improvements	**-**	-
Total construction in process	**-**	-
Other assets:		
Mineral rights (Note 3)	**38,483**	38,483
Bequests—wills and trust, net (Note 4)	**-**	-
Total other assets	**38,483**	38,483
Total assets	**$ 3,348,652**	$ 3,643,608

See notes to consolidated financial statements.

	2019	2018
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 4,750**	$ 81,047
Accrued expenses and other liabilities	**43,209**	72,621
Current portion of capital lease obligation (Note 5)	**4,510**	4,355
Line of credit	**50,000**	-
Total current liabilities	**102,469**	158,023
Long-term liabilities:		
Deferred compensation	**73,504**	72,002
Capital lease obligation, less current portion (Note 5)	**4,325**	8,835
Total long-term liabilities	**77,829**	80,837
Total liabilities	**180,298**	238,860
Net assets (Notes 6 and 8):		
Without donor restrictions:		
General operating	**252,707**	581,215
Board designated	**1,484,237**	1,411,883
Total without donor restrictions net assets	**1,736,944**	1,993,098
With donor restrictions	**1,431,410**	1,411,650
Total net assets	**3,168,354**	3,404,748
Total liabilities and net assets	**$ 3,348,652**	$ 3,643,608

Outreach International and Subsidiary

Consolidated Statements of Activities and Changes in Net Assets
Years Ended September 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, losses and other support:						
Contributions	**$ 3,158,375**	**$ 166,486**	**$ 3,324,861**	$ 3,586,061	$ 226,291	$ 3,812,352
Gifts-in-kind	**-**	**249,879**	**249,879**	-	542,106	542,106
Other revenue:						
Investment income (Note 3)	**49,813**	**-**	**49,813**	104,700	-	104,700
Provision for loss on beneficial interest (Note 4)	**-**	**-**	**-**	(750,000)	-	(750,000)
Other income	**2,754**	**-**	**2,754**	74,200	-	74,200
Net assets released from restrictions:						
Program use restrictions satisfied (Note 7)	**396,605**	**(396,605)**	**-**	783,750	(783,750)	-
Total revenues, gains, losses and other support	**3,607,547**	**19,760**	**3,627,307**	3,798,711	(15,353)	3,783,358
Expenses:						
Program services:						
Community development initiatives	**2,695,022**	**-**	**2,695,022**	2,828,198	-	2,828,198
Advocacy and development education	**581,883**	**-**	**581,883**	692,180	-	692,180
Total program services	**3,276,905**	**-**	**3,276,905**	3,520,378	-	3,520,378
Supporting services:						
Fundraising	**337,231**	**-**	**337,231**	312,251	-	312,251
Administration	**249,565**	**-**	**249,565**	256,289	-	256,289
Total supporting services	**586,796**	**-**	**586,796**	568,540	-	568,540
Total expenses	**3,863,701**	**-**	**3,863,701**	4,088,918	-	4,088,918
Changes in net assets	**(256,154)**	**19,760**	**(236,394)**	(290,207)	(15,353)	(305,560)
Net assets, beginning of year	**1,993,098**	**1,411,650**	**3,404,748**	2,283,305	1,427,003	3,710,308
Net assets, end of year	**$ 1,736,944**	**$ 1,431,410**	**$ 3,168,354**	$ 1,993,098	$ 1,411,650	$ 3,404,748

See notes to consolidated financial statements.

Outreach International and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended September 30, 2019

	Program Services			Supporting Services			
	Community Development Initiatives	Advocacy and Development Education	Total Program Services	Fundraising	Administration	Total Supporting Services	Total Expenses
Salaries and wages	$ 128,337	$ 228,407	$ 356,744	$ 142,644	$ 124,140	$ 266,784	$ 623,528
Payroll taxes and fees	9,561	14,028	23,589	9,181	8,538	17,719	41,308
Benefits	24,880	54,055	78,935	32,423	36,764	69,187	148,122
Other personnel	2,947	1,458	4,405	1,533	3,123	4,656	9,061
Professional fees	17,778	9,701	27,479	6,889	8,510	15,399	42,878
Advertising and promotion	7,740	7,785	15,525	11,514	4,389	15,903	31,428
Office supplies and printing	17,508	9,750	27,258	7,135	5,045	12,180	39,438
Information technology	30,365	16,432	46,797	11,401	8,387	19,788	66,585
Travel	2,553	3,464	6,017	3,402	4,127	7,529	13,546
Conferences, conventions and meetings	176	212	388	252	210	462	850
Interest	668	370	1,038	277	639	916	1,954
Depreciation and amortization	43,484	36,029	79,513	23,606	21,121	44,727	124,240
Insurance	11,313	6,222	17,535	4,511	3,566	8,077	25,612
Resource development	60,234	179,362	239,596	76,901	855	77,756	317,352
Equipment and maintenance	5,657	3,112	8,769	2,217	1,701	3,918	12,687
Field support	454,150	-	454,150	-	-	-	454,150
Field operations	1,454,769	-	1,454,769	-	-	-	1,454,769
Community development projects	402,481	-	402,481	-	-	-	402,481
Site visits and mission trips	12,388	6,926	19,314	-	-	-	19,314
Credit card fees	733	409	1,142	307	16,508	16,815	17,957
Miscellaneous	7,300	4,161	11,461	3,038	1,942	4,980	16,441
Total	$ 2,695,022	$ 581,883	$ 3,276,905	$ 337,231	$ 249,565	$ 586,796	$ 3,863,701

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 Supporting Services	Total Expenses
Salaries and wages	$ 161,269	$ 238,444	$ 399,713	$ 125,986	$ 104,738	$ 230,724	$ 630,437
Payroll taxes and fees	8,302	13,436	21,738	6,929	6,015	12,944	34,682
Benefits	38,997	70,512	109,509	40,010	36,602	76,612	186,121
Other personnel	116	362	478	837	1,852	2,689	3,167
Professional fees	20,549	10,593	31,142	6,888	7,550	14,438	45,580
Advertising and promotion	5,082	6,620	11,702	5,292	4,450	9,742	21,444
Office supplies and printing	27,218	20,758	47,976	11,324	1,680	13,004	60,980
Information technology	35,224	19,352	54,576	12,588	9,366	21,954	76,530
Occupancy	17,648	7,800	25,448	4,924	3,754	8,678	34,126
Travel	3,452	4,570	8,022	4,067	2,759	6,826	14,848
Conferences, conventions and meetings	321	411	732	481	401	882	1,614
Interest	-	-	-	-	542	542	542
Depreciation and amortization	-	-	-	-	46,679	46,679	46,679
Insurance	3,239	1,603	4,842	1,068	780	1,848	6,690
Resource development	8,331	279,729	288,060	81,394	11,832	93,226	381,286
Equipment and maintenance	2,470	1,382	3,852	1,164	602	1,766	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	-	6,299	12,704
Credit card fees	1,583	778	2,361	496	15,391	15,887	18,248
Miscellaneous	6,906	3,708	10,614	2,504	1,296	3,800	14,414
Total	$ 2,828,198	$ 692,180	$ 3,520,378	$ 312,251	$ 256,289	$ 568,540	$ 4,088,918

See notes to consolidated financial statements.

Outreach International and Subsidiary

Consolidated Statements of Cash Flows
Years Ended September 30, 2019 and 2018

		2019		2018
Cash flows from operating activities:				
Changes in net assets	**$**	**(236,394)**	$	(305,560)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:				
Cash provided by operating activities:				
Depreciation and amortization		**124,240**		46,679
Realized and unrealized gain on investments		**(49,813)**		(104,700)
Contributed property and equipment		**(31,300)**		(239,110)
Effects of changes in operating assets and liabilities:				
Other receivables		**(200,000)**		105,412
Prepaid expenses and other assets		**(29,644)**		34,988
Provision for loss on beneficial interest		**-**		750,000
Accounts payable		**(76,297)**		(18,319)
Accrued expenses, deferred compensation and other liabilities		**(27,910)**		(3,237)
Net cash provided by (used in) operating activities		**(527,118)**		266,153
Cash flows from investing activities:				
Purchase of investments		**(980,000)**		(2,259,950)
Proceeds from sale of investments		**1,235,007**		1,335,071
Purchase of building, equipment and building improvements		**(114,993)**		(1,141,434)
Net cash provided by (used in) investing activities		**140,014**		(2,066,313)
Cash flows from financing activities:				
Proceeds from line of credit		**550,000**		-
Payments on line of credit		**(500,000)**		-
Principal payments on capital lease obligation		**(4,355)**		(4,205)
Net cash provided by (used in) financing activities		**45,645**		(4,205)
Net decrease in cash and cash equivalents		**(341,459)**		(1,804,365)
Cash and cash equivalents, beginning of year		**366,839**		2,171,204
Cash and cash equivalents, end of year	**$**	**25,380**	$	366,839
Supplemental disclosures of cash flow information:				
Cash paid during the year for interest	**$**	**1,954**	$	542

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:

Programs: The Organization operates the following programs:

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. The Organization legally dissolved the Headquarters entity in October 2018.

Principles of consolidation: The 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: 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 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.

Financial statement presentation: The accompanying financial statements are presented using the accrual basis of accounting in accordance with U.S. GAAP. In 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 985): 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 asset classes from three to two. The new classes are net assets without donor restrictions and net assets with donor restrictions. The changes in this standard have been reflected in the financial statements for all years presented.

Net assets without donor restrictions: Net assets are not subject to donor-imposed restrictions but may be subject to designation by the Board for the Organization's mission in specific countries.

Net assets with donor restrictions: Net assets are subject to donor-imposed restrictions that may or will be met either by the passage of time or by actions of the Organization. Some net assets are purpose-restricted by donors to a particular geographic region for direct program or mission expenses. Other 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, 2019 and 2018.

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 donor restricted support and increase that net asset class. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 3 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, 2019 and 2018.

Building and equipment: 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, 2019 and 2018.

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.

Line of credit: On October 17, 2018, the Organization entered into a revolving bank line of credit for $500,000 with a variable interest rate. The line of credit requires monthly interest payments with principal balance due at maturity on October 17, 2020. The line is secured by the Organizations securities. As of September 30, 2019, the line of credit had an interest rate of 4.5% and an outstanding balance of $50,000. In December 2019, the line of credit was paid down to $0.

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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* which 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 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 financial statements.

Note 2. Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of September 30, 2019, the following financial assets are available to meet annual operating needs of the 2020 fiscal year:

Cash and cash equivalents	$ 25,380
Other receivables	200,000
Investments	919,449
	1,144,829
Less donor-restricted funds	(637,010)
Financial assets available to meet cash needs	$ 507,819

Note 3. 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.

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.

Note 3. Investments and Fair Value of Financial Instruments (Continued)

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: 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. 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.

The following tables summarize assets and liabilities measured on a recurring basis as of September 30, 2019 and 2018, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	September 30, 2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds:				
Flexible premium variable annuity	$ 73,542	$ -	$ -	$ 73,542
Foreign large blend	73,564	-	-	73,564
Foreign small blend	36,451	-	-	36,451
Domestic small growth	114,450	-	-	114,450
Domestic large growth	173,650	-	-	173,650
Domestic large blend	66,008	-	-	66,008
Diversified emerging markets	35,818	-	-	35,818
Real estate	75,274	-	-	75,274
Bond funds	224,146	-	-	224,146
Money market	46,186	-	-	46,186
Other:				
Mineral rights	-	-	38,483	38,483
Alternative investment:				
Oikocredit capital shares	-	-	360	360
Total investments	$ 919,089	$ -	$ 38,843	$ 957,932

Note 3. Investments and Fair Value of Financial Instruments (Continued)

	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

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, 2019 and 2018:

	Oikocredit Caption Shares	Mineral Rights	Total
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
Contributions	-	-	-
Withdrawals	-	-	-
Changes in fair market value	-	-	-
Balance, September 30, 2019	$ 360	$ 38,483	$ 38,843

Investment return for the years ended September 30, 2019 and 2018, was $49,813 and $104,700, respectively.

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.

Note 4. Bequests Receivable—Wills and Trusts (Continued)

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 for both September 30, 2019 and 2018. 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 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 continued leasing the space month to month until the final payment was made in April 2018. Rental expense was $0 for the year ended September 30, 2019, and $34,126 for the year ended September 30, 2018. In addition, the Organization leases office equipment under a capital lease that expires July 31, 2021.

At September 30, 2019, office equipment includes the following amounts related to a capital lease:

Office equipment	$	22,183
Accumulated depreciation		(14,049)
	$	8,134

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:		
2020	$	4,747
2021		4,401
Total minimum lease payments		9,148
Less amount related to interest		(313)
		8,835
Less current maturities		(4,510)
	$	4,325

Note 6. Composition of Net Assets

The Board of Directors designate excess funds raised throughout the year to the endowment for future operational use as needed. The remaining Board-designated net assets without donor restrictions for these purposes is $1,484,237 and $1,411,883 as of September 30, 2019 and 2018, respectively.

Note 7. Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses or satisfying the restricted purpose specified by donors during the years ended September 30, 2019 and 2018, as follows:

	2019	2018
Allocated support	$ 230,760	$ 513,650
Advocacy	-	12,100
Community development	165,845	258,000
	$ 396,605	$ 783,750

Note 8. Endowments

In June 1983, an endowment fund was established as a donor restricted fund to support the Organization’s program services. 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 net assets with donor restrictions as:

- The original value of gifts donated to the restricted endowment, and

- The original value of subsequent gifts to the restricted endowment.

The remaining portion of the donor-restricted endowment fund, is classified as net assets with donor restrictions 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.

Note 8. Endowments (Continued)

Spending policy: The Organization has a policy of appropriating, for distribution, each year 5% 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, 2019, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$ 728,653	$ 255,793	$ 984,446
Investment return:			
Investment income	40,562	-	40,562
Contribution	-	550	550
Appropriation of endowment assets for expenditure	(200,000)	(48,091)	(248,091)
Net assets, end of year	$ 569,215	$ 208,252	$ 777,467

Changes in endowment net assets for the fiscal year ended September 30, 2018, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$ 869,668	$ 294,636	$ 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	$ 255,793	$ 984,446

Note 9. Employee Benefit Plans

The Organization has adopted a simplified employee pension plan. The plan is employer-funded with an amount equal to 13% 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 $108,857 and $114,623 to the plan for the years ended September 30, 2019 and 2018, 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 $73,504 and $72,002 at September 30, 2019 and 2018, respectively.

Note 10. 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 11. 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, 2019 and 2018, totaled $133,000 and $205,696, 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, 2019 and 2018, the Organization paid the Church $19,216 and $63,939, 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 as of September 30, 2019 and 2018.

Note 12. Subsequent Events

In December 2019, the Organization received a $1,000,000 unrestricted contribution, similar to prior years.

Management has evaluated and disclosed subsequent events up to and including February 24, 2020.