



# MUELLER & CO., LLP

*Certified Public Accountants ~ Business Advisors*

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**INTERNATIONAL TEAMS**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

John Fedus

1707 N. Randall Road, Ste. 200

Elgin, Illinois 60123

## CONTENTS

|   | <u>PAGE</u> |
|---|-------------|
| <b>Consolidated Financial Statements</b>            |             |
| Independent Auditors' Report.....                   | 1-2         |
| Consolidated Statements of Financial Position ..... | 3           |
| Consolidated Statements of Activities .....         | 4           |
| Consolidated Statements of Functional Expenses..... | 5-6         |
| Consolidated Statements of Cash Flows.....          | 7           |
| Notes to Consolidated Financial Statements.....     | 8-18        |



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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
International Teams  
Elgin, Illinois

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of International Teams which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to 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.

### **Auditors' 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 of 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 auditors' 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 entity'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 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 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 International Teams as of June 30, 2015 and 2014, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Muller & Co., LLP*

Elgin, Illinois  
October 16, 2015

**INTERNATIONAL TEAMS**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2015 AND 2014**

**ASSETS**

|                                     | 2015       | 2014      |
|-------------------------------------|------------|-----------|
| Cash and cash equivalents           | \$ 726,180 | 1,340,779 |
| Contributions receivable            | 33,602     | 223,589   |
| Prepaid expenses and other assets   | 217,187    | 234,565   |
| Due from affiliates                 | 349        | 60        |
| Note receivable                     | 41,125     | -         |
| Land, buildings, and equipment, net | 4,497,395  | 5,469,726 |
|                                     | 5,515,838  | 7,268,719 |

**LIABILITIES AND NET ASSETS**

**Liabilities:**

|                                       |           |           |
|---------------------------------------|-----------|-----------|
| Accounts payable and accrued expenses | 141,266   | 267,321   |
| Due to affiliates                     | 81,293    | 115,013   |
| Mortgage note payable                 | 2,217,860 | 2,283,755 |
| Note payable                          | 101,400   | -         |
| Tenant liabilities                    | 15,434    | 11,880    |
|                                       | 2,557,253 | 2,677,969 |

**Net assets:**

|                        |              |           |
|------------------------|--------------|-----------|
| Unrestricted           | 1,817,774    | 3,195,744 |
| Temporarily restricted | 971,311      | 1,225,506 |
| Permanently restricted | 169,500      | 169,500   |
|                        | 2,958,585    | 4,590,750 |
|                        | \$ 5,515,838 | 7,268,719 |

The accompanying notes are an integral part of the consolidated financial statements.

**INTERNATIONAL TEAMS**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

|  | 2015                |                           |                           |                    | 2014              |                           |                           |                   |
|--|---------------------|---------------------------|---------------------------|--------------------|-------------------|---------------------------|---------------------------|-------------------|
|  | UNRESTRICTED        | TEMPORARILY<br>RESTRICTED | PERMANENTLY<br>RESTRICTED | TOTAL              | UNRESTRICTED      | TEMPORARILY<br>RESTRICTED | PERMANENTLY<br>RESTRICTED | TOTAL             |
| <b>Support and revenue:</b>                    |                     |                           |                           |                    |                   |                           |                           |                   |
| Contributions                                  | \$ 9,843,298        | 1,270,553                 | -                         | 11,113,851         | 11,584,997        | 1,572,885                 | -                         | 13,157,882        |
| Rental and other income                        | 305,834             | 3,451                     | -                         | 309,285            | 219,842           | 54,725                    | -                         | 274,567           |
| Gain on disposal of assets                     | 50,912              | -                         | -                         | 50,912             | -                 | -                         | -                         | -                 |
|  | <u>10,200,044</u>   | <u>1,274,004</u>          | <u>-</u>                  | <u>11,474,048</u>  | <u>11,804,839</u> | <u>1,627,610</u>          | <u>-</u>                  | <u>13,432,449</u> |
| <b>Net assets released from restrictions -</b> |                     |                           |                           |                    |                   |                           |                           |                   |
| Satisfaction of purpose restrictions           | 1,528,199           | (1,528,199)               | -                         | -                  | 1,542,327         | (1,542,327)               | -                         | -                 |
| Total support and revenue                      | <u>11,728,243</u>   | <u>(254,195)</u>          | <u>-</u>                  | <u>11,474,048</u>  | <u>13,347,166</u> | <u>85,283</u>             | <u>-</u>                  | <u>13,432,449</u> |
| <b>Expenses:</b>                               |                     |                           |                           |                    |                   |                           |                           |                   |
| Program activities:                            |                     |                           |                           |                    |                   |                           |                           |                   |
| Ministry activities                            | 8,984,642           | -                         | -                         | 8,984,642          | 9,309,143         | -                         | -                         | 9,309,143         |
| Awareness and education                        | 1,424,845           | -                         | -                         | 1,424,845          | 1,292,350         | -                         | -                         | 1,292,350         |
| Training                                       | 382,255             | -                         | -                         | 382,255            | 608,658           | -                         | -                         | 608,658           |
|  | <u>10,791,742</u>   | <u>-</u>                  | <u>-</u>                  | <u>10,791,742</u>  | <u>11,210,151</u> | <u>-</u>                  | <u>-</u>                  | <u>11,210,151</u> |
| Supporting activities:                         |                     |                           |                           |                    |                   |                           |                           |                   |
| Management and general                         | 1,591,417           | -                         | -                         | 1,591,417          | 1,540,406         | -                         | -                         | 1,540,406         |
| Fundraising                                    | 723,054             | -                         | -                         | 723,054            | 677,747           | -                         | -                         | 677,747           |
|  | <u>2,314,471</u>    | <u>-</u>                  | <u>-</u>                  | <u>2,314,471</u>   | <u>2,218,153</u>  | <u>-</u>                  | <u>-</u>                  | <u>2,218,153</u>  |
| Total expenses                                 | <u>13,106,213</u>   | <u>-</u>                  | <u>-</u>                  | <u>13,106,213</u>  | <u>13,428,304</u> | <u>-</u>                  | <u>-</u>                  | <u>13,428,304</u> |
| Change in net assets                           | <u>(1,377,970)</u>  | <u>(254,195)</u>          | <u>-</u>                  | <u>(1,632,165)</u> | <u>(81,138)</u>   | <u>85,283</u>             | <u>-</u>                  | <u>4,145</u>      |
| Net assets, beginning of year                  | <u>3,195,744</u>    | <u>1,225,506</u>          | <u>169,500</u>            | <u>4,590,750</u>   | <u>3,276,882</u>  | <u>1,140,223</u>          | <u>169,500</u>            | <u>4,586,605</u>  |
| Net assets, end of year                        | <u>\$ 1,817,774</u> | <u>971,311</u>            | <u>169,500</u>            | <u>2,958,585</u>   | <u>3,195,744</u>  | <u>1,225,506</u>          | <u>169,500</u>            | <u>4,590,750</u>  |

The accompanying notes are an integral part of the consolidated financial statements.

**INTERNATIONAL TEAMS**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2015**

|                                   | PROGRAM ACTIVITIES     |                               |                |                                | SUPPORT ACTIVITIES           |                |                                   |                   |
|-----------------------------------|------------------------|-------------------------------|----------------|--------------------------------|------------------------------|----------------|-----------------------------------|-------------------|
|                                   | MINISTRY<br>ACTIVITIES | AWARENESS<br>AND<br>EDUCATION | TRAINING       | TOTAL<br>PROGRAM<br>ACTIVITIES | MANAGEMENT<br>AND<br>GENERAL | FUNDRAISING    | TOTAL<br>SUPPORTING<br>ACTIVITIES | TOTAL             |
| Salaries                          | \$ 4,375,908           | 723,675                       | 225,878        | 5,325,461                      | 767,420                      | 388,579        | 1,155,999                         | 6,481,460         |
| Other employee benefits           | 617,591                | 93,938                        | 27,613         | 739,142                        | 151,910                      | 50,645         | 202,555                           | 941,697           |
| Payroll taxes                     | 309,729                | 41,534                        | 13,640         | 364,903                        | 49,620                       | 24,553         | 74,173                            | 439,076           |
|                                   | <u>5,303,228</u>       | <u>859,147</u>                | <u>267,131</u> | <u>6,429,506</u>               | <u>968,950</u>               | <u>463,777</u> | <u>1,432,727</u>                  | <u>7,862,233</u>  |
| Travel                            | 624,957                | 166,039                       | 5,782          | 796,778                        | 35,987                       | 89,267         | 125,254                           | 922,032           |
| Contribution to IT Costa Rica     | 855,459                | -                             | -              | 855,459                        | -                            | -              | -                                 | 855,459           |
| Contributions to other affiliates | 93,374                 | -                             | -              | 93,374                         | -                            | -              | -                                 | 93,374            |
| Depreciation and amortization     | 16,795                 | 40,238                        | 40,238         | 97,271                         | 187,777                      | -              | 187,777                           | 285,048           |
| Ministry expenses                 | 285,232                | 11,857                        | 632            | 297,721                        | 5,025                        | 7,170          | 12,195                            | 309,916           |
| Grants                            | 1,296,316              | -                             | -              | 1,296,316                      | -                            | -              | -                                 | 1,296,316         |
| Interest                          | -                      | -                             | -              | -                              | 73,040                       | -              | 73,040                            | 73,040            |
| Occupancy                         | 123,679                | 45,838                        | 24,644         | 194,161                        | 76,478                       | 8,082          | 84,560                            | 278,721           |
| Office expenses                   | 166,311                | 41,628                        | 6,712          | 214,651                        | 16,526                       | 23,492         | 40,018                            | 254,669           |
| Professional development          | 127,970                | 101,577                       | 18,420         | 247,967                        | 28,293                       | 53,013         | 81,306                            | 329,273           |
| Printing and publications         | 18,356                 | 13,648                        | 1,695          | 33,699                         | 7,746                        | 6,480          | 14,226                            | 47,925            |
| Insurance                         | -                      | -                             | 5,135          | 5,135                          | 46,216                       | -              | 46,216                            | 51,351            |
| Advertising                       | 1,131                  | 78,964                        | 244            | 80,339                         | 514                          | 37,857         | 38,371                            | 118,710           |
| Information Technology            | 2,079                  | 213                           | 2,903          | 5,195                          | 24,302                       | 129            | 24,431                            | 29,626            |
| Professional services             | 2,142                  | 38                            | 5,965          | 8,145                          | 57,793                       | 24             | 57,817                            | 65,962            |
| Miscellaneous expenses            | 67,613                 | 65,658                        | 2,754          | 136,025                        | 62,770                       | 33,763         | 96,533                            | 232,558           |
|                                   | <u>\$ 8,984,642</u>    | <u>1,424,845</u>              | <u>382,255</u> | <u>10,791,742</u>              | <u>1,591,417</u>             | <u>723,054</u> | <u>2,314,471</u>                  | <u>13,106,213</u> |

The accompanying notes are an integral part of the consolidated financial statements.

**INTERNATIONAL TEAMS**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2014**

|                               | PROGRAM ACTIVITIES     |                               |                |                                | SUPPORT ACTIVITIES           |                |                                   |                   |
|-------------------------------|------------------------|-------------------------------|----------------|--------------------------------|------------------------------|----------------|-----------------------------------|-------------------|
|                               | MINISTRY<br>ACTIVITIES | AWARENESS<br>AND<br>EDUCATION | TRAINING       | TOTAL<br>PROGRAM<br>ACTIVITIES | MANAGEMENT<br>AND<br>GENERAL | FUNDRAISING    | TOTAL<br>SUPPORTING<br>ACTIVITIES | TOTAL             |
| Salaries                      | \$ 4,893,048           | 614,380                       | 303,590        | 5,811,018                      | 872,135                      | 288,446        | 1,160,581                         | 6,971,599         |
| Other employee benefits       | 873,121                | 89,216                        | 48,114         | 1,010,451                      | 120,527                      | 47,307         | 167,834                           | 1,178,285         |
| Payroll taxes                 | 313,240                | 33,458                        | 17,456         | 364,154                        | 54,366                       | 16,067         | 70,433                            | 434,587           |
|                               | <u>6,079,409</u>       | <u>737,054</u>                | <u>369,160</u> | <u>7,185,623</u>               | <u>1,047,028</u>             | <u>351,820</u> | <u>1,398,848</u>                  | <u>8,584,471</u>  |
| Travel                        | 766,751                | 164,196                       | 94,658         | 1,025,605                      | 54,519                       | 83,118         | 137,637                           | 1,163,242         |
| Contributions to affiliates   | 945,253                | -                             | -              | 945,253                        | -                            | -              | -                                 | 945,253           |
| Depreciation and amortization | -                      | 40,633                        | 40,633         | 81,266                         | 94,809                       | 94,809         | 189,618                           | 270,884           |
| Ministry expenses             | 330,366                | 7,926                         | 2,600          | 340,892                        | 5,011                        | 4,579          | 9,590                             | 350,482           |
| Grants                        | 718,183                | -                             | -              | 718,183                        | -                            | -              | -                                 | 718,183           |
| Interest                      | -                      | -                             | -              | -                              | 94,072                       | -              | 94,072                            | 94,072            |
| Occupancy                     | 121,888                | 41,692                        | 55,291         | 218,871                        | 48,761                       | 6,228          | 54,989                            | 273,860           |
| Office expenses               | 109,983                | 46,480                        | 15,717         | 172,180                        | 17,084                       | 10,193         | 27,277                            | 199,457           |
| Professional development      | 115,163                | 170,150                       | 13,279         | 298,592                        | 29,195                       | 76,152         | 105,347                           | 403,939           |
| Printing and publications     | 29,562                 | 12,287                        | 1,413          | 43,262                         | 5,768                        | 3,770          | 9,538                             | 52,800            |
| Insurance                     | 585                    | 33                            | 2,858          | 3,476                          | 10,072                       | 1,443          | 11,515                            | 14,991            |
| Advertising                   | 1,366                  | 64,005                        | 65             | 65,436                         | 154                          | 32,427         | 32,581                            | 98,017            |
| Information Technology        | 28,324                 | 1,901                         | 5,619          | 35,844                         | 31,788                       | 3,449          | 35,237                            | 71,081            |
| Professional services         | 816                    | 46                            | 3,169          | 4,031                          | 39,548                       | 28             | 39,576                            | 43,607            |
| Miscellaneous expenses        | 61,494                 | 5,947                         | 4,196          | 71,637                         | 62,597                       | 9,731          | 72,328                            | 143,965           |
|                               | <u>\$ 9,309,143</u>    | <u>1,292,350</u>              | <u>608,658</u> | <u>11,210,151</u>              | <u>1,540,406</u>             | <u>677,747</u> | <u>2,218,153</u>                  | <u>13,428,304</u> |

The accompanying notes are an integral part of the consolidated financial statements.



**INTERNATIONAL TEAMS**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2015 AND 2014**

|   | 2015           | 2014        |
|---|----------------|-------------|
| <b>Cash applied to operating activities:</b>  |                |             |
| Change in net assets  | \$ (1,632,165) | 4,145       |
| Adjustments to reconcile change in net assets to net cash and cash equivalents applied to operating activities: |                |             |
| Depreciation and amortization   | 285,048        | 270,884     |
| Loss on disposal of fixed asset   | -              | 3,375       |
| Realized gain on disposal of IT Costa Rica assets   | (50,912)       | -           |
| In-kind contribution to IT Costa Rica   | 821,621        | -           |
| Changes in:   |                |             |
| Contribution receivable   | 189,987        | (201,589)   |
| Prepaid expenses and other assets   | (1,602)        | (168,119)   |
| Due from affiliates   | (289)          | 40          |
| Accounts payable and accrued expenses   | (126,055)      | 12,439      |
| Due to affiliates   | (33,720)       | 15,691      |
| Tenant liabilities  | 3,554          | (3,568)     |
|   | (544,533)      | (66,702)    |
| <b>Cash applied to investing activities:</b>  |                |             |
| Advance on note receivable  | (41,125)       | -           |
| Purchases of land, buildings and equipment  | (64,446)       | (281,871)   |
|   | (105,571)      | (281,871)   |
| <b>Cash provided by (applied to) financing activities:</b>  |                |             |
| Payments on mortgage note payable   | (65,895)       | (1,984,995) |
| Proceeds on mortgage note payable   | -              | 2,300,000   |
| Principal payments on note payable  | (48,600)       | (34,000)    |
| Proceeds on note payable  | 150,000        | -           |
|   | 35,505         | 281,005     |
| Decrease in cash and cash equivalents   | (614,599)      | (67,568)    |
| Cash and cash equivalents, beginning of year  | 1,340,779      | 1,408,347   |
| Cash and cash equivalents, end of year  | \$ 726,180     | 1,340,779   |
| <b>Noncash investing transaction -</b>  |                |             |
| In-kind contribution to IT Costa Rica   | \$ 821,621     | -           |
| <b>Supplemental disclosure of cash flow information -</b>   |                |             |
| Interest paid   | \$ 73,040      | 94,072      |

The accompanying notes are an integral part of the consolidated financial statements.

## INTERNATIONAL TEAMS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Nature of Activities

International Teams (Organization) is a not-for-profit corporation that began operations in 1961. The Organization works in communities worldwide, including Europe, Latin America, Africa, the Middle East, Asia, and North America. The Organization brings people together to help the oppressed to see lives and communities transformed by the power of God. Churches, businesses, and schools are among their primary partners in working alongside communities to provide access to food, freedom, and forgiveness. The Organization is passionate about delivering a Gospel that fully integrates mission and compassion. Rooted in Jesus' own ministry model, they continue the work that He started in order to meet the spiritual and physical needs of the whole person. The Organization is passionate about being a dynamic global leader fueling a movement to change the future of communities through integrated community transformation. For more information about International Teams, please visit their website at [www.iteams.us](http://www.iteams.us).

##### Basis of Presentation

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

##### Principles of Consolidation

In 2003, the Organization acquired 100% ownership of Fidelity Holding Company, S.A., a Costa Rican corporation. The majority of the assets of the corporation consist of land and buildings in Costa Rica. The Organization is using the property for a Latin American training center. On June 24th, 2015, the Organization transferred 100% of its voting shares of Fidelity Holdings to International Teams Costa Rica.

The accompanying consolidated financial statements include International Teams for the year ended June 30, 2015 and Fidelity Holding Company, S.A for the period July 1, 2014 through June 24, 2015. Intercompany transactions and accounts have been eliminated in consolidation.

##### Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand or in demand deposit accounts and highly liquid investments purchased with an original maturity of three months or less.

##### Contributions Receivable

Contributions receivable consist of unconditional promises to give that are expected to be collected in future years. Contributions receivable are recorded at the present value of their estimated future cash flows.

## INTERNATIONAL TEAMS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

##### Net Assets

The Organization reports information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets* represent resources currently available for ministry purposes, designated by the board for long-term investment, invested in land, building and equipment, or advances to field projects.

*Temporarily restricted net assets* represent resources contributed with donor stipulations for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

*Permanently restricted net assets* represent resources contributed with donor restrictions requiring they be held in perpetuity and are maintained to provide income for recruiting and training new staff and for general use.

##### Land, Buildings, and Equipment

Land, buildings, and equipment in excess of \$2,000 are recorded at cost. Donated items are recorded at their estimated fair value on the date of the gift. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets, ranging from three to thirty-three years. Land, buildings, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

##### Support and Revenue

Contributions and unconditional grants are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction is expired, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. In addition, donor-restricted contributions for general salary and ministry activities whose restrictions are met in the reporting period are reported as unrestricted support on the statements of activities.

The Organization receives indications of intent to support ministries that are commitments to provide monthly, quarterly, or annual gifts of a specific amount. These commitments are open-ended and subject to unilateral change by donor. Because the commitments do not express a term or period, the amount of the commitment is not measurable. Considering these factors, the commitments are not considered to be unconditional promises to give and are not recognized prior to receipt of the contribution.

## INTERNATIONAL TEAMS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

##### Support and Revenue, Continued

Gifts of land, buildings, and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support until the long-lived assets are acquired. Non-cash gifts are recorded at estimated fair value.

##### Functional Allocation of Expenses

The cost of providing the various programs and supporting activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting activities benefited.

##### Income Taxes

The Organization, an Illinois not-for-profit corporation, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and applicable state law, except for taxes pertaining to unrelated business income, if any. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. During the years ended June 30, 2015 and 2014, the Organization had no taxable unrelated business income.

The Organization has evaluated its tax positions taken for all open tax years. Currently, the 2011, 2012, and 2013 fiscal year end tax years are open and subject to examination by the Internal Revenue Service and the Illinois Department of Revenue; however, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

##### Reclassifications

Certain account balances have been reclassified in the 2014 consolidated financial statements to conform to 2015 presentation.

## INTERNATIONAL TEAMS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

##### Subsequent Events

The Organization has evaluated subsequent events for potential recognition and/or disclosure through October 16, 2015, the date the consolidated financial statements were available to be issued.

#### NOTE 2 - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash accounts in several financial institutions. The accounts in each institution are insured up to the applicable Federal Deposit Insurance Corporation limit. The Organization periodically has deposits in certain institutions in excess of the federal insured limits. The Organization has not experienced any losses in such accounts. The Organization does not believe it is exposed to any significant risk for cash.

#### NOTE 3 - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consist of the following:

|                                     | <u>2015</u>         | <u>2014</u>         |
|-------------------------------------|---------------------|---------------------|
| Land and land improvements          | \$ 471,716          | 886,235             |
| Buildings and building improvements | 7,598,896           | 8,020,536           |
| Office furniture and equipment      | 330,031             | 373,425             |
| Website                             | 5,578               | 5,578               |
| Apartment furniture                 | 164,981             | 164,981             |
| Computer equipment                  | 100,102             | 100,102             |
| Vehicles                            | <u>40,900</u>       | <u>40,900</u>       |
|                                     | 8,712,204           | 9,591,757           |
| Less accumulated depreciation       | <u>( 4,214,809)</u> | <u>( 4,122,031)</u> |
|                                     | <u>\$ 4,497,395</u> | <u>5,469,726</u>    |

Depreciation expense for the years ended June 30, 2015 and 2014 was \$266,068 and \$264,557, respectively.

**INTERNATIONAL TEAMS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 4 - MORTGAGE NOTE PAYABLE AND NOTE PAYABLE**

The Organization has the following mortgage note payable:

|   | 2015                | 2014             |
|---|---------------------|------------------|
| Mortgage note payable of \$2,300,000, collateralized by property in Elgin, Illinois, assignments of rents and other assets, maturing on 3/15/2019, principal and interest payable monthly at the 1-month LIBOR rate plus 275 basis points adjusted monthly, 2.96% at 6/30/2015. | \$ <u>2,217,860</u> | <u>2,283,755</u> |

The Organization has the following note payable:

|   | 2015              | 2014     |
|---|-------------------|----------|
| Line-of-credit of \$150,000 maturing on 3/15/2016, collateralized by property in Elgin, Illinois, interest payable monthly with principal due at maturity, with a variable rate of 3-month LIBOR rate plus 275 basis points adjusted quarterly, 3.04% at 6/30/2015. | \$ <u>101,400</u> | <u>-</u> |

Principal payments on mortgage note payable outstanding are due as follows:

|      |           |
|------|-----------|
| 2016 | 69,612    |
| 2017 | 73,539    |
| 2018 | 77,687    |
| 2019 | 1,997,022 |

Interest expense for the years ended June 30, 2015 and 2014 was \$73,040 and \$94,072, respectively.

The Organization borrowed on its line-of-credit during the year ended June 30, 2015 in order to assure that operations would continue uninterrupted should unexpected expenses arise. The Organization is making principal payments on the line-of-credit of \$11,300 per month and management is planning to pay off the remaining principal balance in full on or before February 2016.

**INTERNATIONAL TEAMS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 5 - RESTRICTION ON NET ASSETS**

Temporarily restricted net assets as of June 30, 2015 and 2014 are available for the following purposes or periods:

|                                | <u>2015</u>       | <u>2014</u>      |
|--------------------------------|-------------------|------------------|
| Program and project activities | \$ <u>971,311</u> | <u>1,225,506</u> |

**NOTE 6 - ENDOWMENT FUNDS**

The Organization's endowment consists of assets contributed with donor restrictions requiring they be held in perpetuity and are maintained to provide income for recruiting and training new field staff, and general purposes. Its endowment includes donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

On June 30, 2009, the Governor of the State of Illinois signed into law the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA differs from previous laws in a few key areas. It eliminates the historic dollar value rule with respect to endowment fund spending, it updates the prudence standard for the management and investment of charitable funds, and it amends the provisions governing the release and modification of restrictions on charitable funds.

Effective January 1, 2009, the Organization adopted the provisions of guidance on Endowments of Not-for-Profit Organizations: Net Assets Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for all Endowment Funds. In accordance with the provisions of this guidance and the change in the state of Illinois laws as described above, reclassification of certain net assets between restriction categories of unrestricted, temporarily, and permanently restricted may have been required. There was no impact on the net asset categories of the Organization.

## INTERNATIONAL TEAMS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### NOTE 6 - ENDOWMENT FUNDS, CONTINUED

##### Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Illinois Prudent Uniform 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. As a result of this interpretation, the Organization classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulated earnings on donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purpose of the Organization and 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; and
7. The investment policies of the Organization.

The Organization's endowment net assets of \$187,757 and \$184,792 were composed totally of donor-restricted funds at June 30, 2015 and 2014, respectively, and are classified as permanently restricted and temporarily restricted in the accompanying consolidated financial statements. There were no changes in the permanently restricted endowment net assets for the Organization for the years ended June 30, 2015 and 2014.

##### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of Illinois UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies for the years ended June 30, 2015 and 2014.



**INTERNATIONAL TEAMS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 6 - ENDOWMENT FUNDS, CONTINUED**

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 programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve principal to produce results that reflect an average money market fund rate while assuming a conservative level of investment risk.

Strategies Employed For Achieving Objectives

To satisfy long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through current yield (interest). Endowment funds assets are included with the Organization's cash and cash equivalents.

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

|  | <u>UNRESTRICTED</u> | TEMPORARILY<br><u>RESTRICTED</u> | PERMANENTLY<br><u>RESTRICTED</u> | <u>TOTAL</u>   |
|--|---------------------|----------------------------------|----------------------------------|----------------|
| Endowment net assets,<br>June 30, 2014               | \$ -                | 15,292                           | 169,500                          | 184,792        |
| Investment return –<br>interest and dividends        | -                   | 2,965                            | -                                | 2,965          |
| Appropriation of endowment<br>assets for expenditure | -                   | -                                | -                                | -              |
| Endowment net assets<br>June 30, 2015                | <u>-</u>            | <u>18,257</u>                    | <u>169,500</u>                   | <u>187,757</u> |
| Donor restricted<br>endowment funds                  | \$ <u>-</u>         | <u>18,257</u>                    | <u>169,500</u>                   | <u>187,757</u> |

**INTERNATIONAL TEAMS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 6 - ENDOWMENT FUNDS, CONTINUED**

Changes in endowment net assets for the year ended June 30, 2014 were as follows:

|  | <u>UNRESTRICTED</u> | <u>TEMPORARILY<br/>RESTRICTED</u> | <u>PERMANENTLY<br/>RESTRICTED</u> | <u>TOTAL</u>   |
|--|---------------------|-----------------------------------|-----------------------------------|----------------|
| Endowment net assets,<br>June 30, 2013               | \$ -                | 12,010                            | 169,500                           | 181,510        |
| Investment return –<br>interest and dividends        | -                   | 3,282                             | -                                 | 3,282          |
| Appropriation of endowment<br>assets for expenditure | -                   | -                                 | -                                 | -              |
| Endowment net assets<br>June 30, 2014                | <u>-</u>            | <u>15,292</u>                     | <u>169,500</u>                    | <u>184,792</u> |
| Donor restricted<br>endowment funds                  | \$ <u>-</u>         | <u>15,292</u>                     | <u>169,500</u>                    | <u>184,792</u> |

**NOTE 7 - TRANSACTIONS WITH AFFILIATED MINISTRY ORGANIZATIONS**

The Organization and affiliated organizations in the Netherlands, Canada, Costa Rica, Australia, Austria, Russia, Ukraine, the Philippines, and the United Kingdom have entered into a joint ministry agreement in order to formalize a structure through which each organization can participate in agreed-upon joint ministry projects. No single organization maintains control and each organization has agreed to provide funds and other resources as may be agreed-upon to the joint ministry from time to time to enable ministry.

During 2015 and 2014, the Organization received \$136,748 and \$258,908, respectively, from affiliated organizations which is included in contribution income, and transferred \$948,833 and \$945,253, respectively, to affiliated organizations which is primarily reflected as program expense for joint ministry activities. At June 30, 2015 and 2014, the Organization owed \$81,293 and \$115,013, respectively, to the affiliated organizations. At June 30, 2015 and 2014, the affiliated organizations owed \$349 and \$60, respectively, to the Organization.

**INTERNATIONAL TEAMS**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)**

**NOTE 8 - FIDELITY HOLDINGS TRANSACTION**

As discussed in Note 1, during 2003 the Organization acquired 100% ownership of Fidelity Holding Company, S.A. (Fidelity), a Costa Rican corporation. Fidelity held property in Costa Rica on which the Latin American Multiplication and Training Center was built. Since the Organization acquired Fidelity, it intended to give the property over to an affiliated entity, International Teams Costa Rica (ITCR), at the right time. During 2015, the Organization's Board of Directors voted to transfer the ownership of Fidelity to ITCR. On June 24, 2015, the voting shares of Fidelity, including the related land and property owned by Fidelity, were transferred to ITCR. The value of the assets transferred totaled \$855,459, of which \$821,621 was noncash. The \$855,459 transfer is included as Contributions to ITCR on the Statement of Functional Expenses for the year ended June 30, 2015. The fair market value of the assets transferred to ITCR as of the date of the transfer was \$50,912 greater than book value, resulting in a gain on the disposal of the assets. The following table details the fair market value of the asset transferred to ITCR as of June 24, 2015:

|                   |    |                       |
|-------------------|----|-----------------------|
| Cash              | \$ | 33,838                |
| Land and property |    | <u>821,621</u>        |
|                   | \$ | <u><u>855,459</u></u> |

**NOTE 9 - NOTE RECEIVABLE**

The Organization has made an investment in Beto's Coffee Co. (Beto's) in Masatepe, Nicaragua in the form of a note. The note is for \$41,125 as of June 30, 2015 (to increase to a total of \$60,000 by September 1, 2015) has a term ending December 31, 2019 at which time it is to be repaid in full, with interest. The interest rate for the first two years is 0% and 5% for the remaining three years. Beto's is a for-profit business that not only provides a base and some funding for integrated community transformation work in Masatepe, but it is also employing those we are there to serve. 50% of the profits each year will be used to retire this debt, and the other 50% will be used for further ministry in Masatepe. Once the note is fully retired, the total of \$60,000 will once again be available for similar investments or project funding in Masatepe.

## INTERNATIONAL TEAMS

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### **NOTE 10 - MANAGEMENT'S COMMENTS ON ACTIVITIES**

The Organization incurred a reduction in unrestricted net assets for the year ended June 30, 2015 in the amount of \$1,377,970. A significant factor of this reduction was the contribution of \$855,459 of assets to ITCR. As described in Note 8, it has long been part of the Organization's strategic plan to transfer ownership of this asset to ITCR. The program and ministries will continue under the direction of ITCR.

Another significant factor contributing to the reduction is the result of the Organization's change from a values-driven organization to a vision-driven organization. While the Organization expected some loss of contributions during the change process due to a short-term increase in employee attrition, the loss was greater than expected as the higher rate of employee attrition was not offset by planned gains in recruiting. Higher expenses have also resulted as funds are being used to bring people home. In recent months, management has seen attrition return to more normal levels and recruiting is improving.

In response to these changes, management has created a conservative, balanced budget for the year ended June 30, 2016 in order to assure the financial health of the Organization going forward.