MUELLER & CO., LLP
Certified Public Accountants ~ Business Advisors

ASSURANCE

INTERNATIONAL TEAMS

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

John M. Fedus

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INDEPENDENT AUDITORS' REPORT

Board of Directors
International Teams
Elgin, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of International Teams which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 International Teams as of June 30, 2016 and 2015, 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.

Emphasis of Matter

The accompanying financial statements include the financial position and results of International Teams as of and for the years ended June 30, 2016 and 2015. International Teams was the 100% stockholder of Fidelity Holding Company, S.A until June 24, 2015. As a result, the statements of activities and cash flows for the years ended June 30, 2015 include the consolidated activity of Fidelity Holding Company, S.A for the period July 1, 2014 through June 24, 2015. See Notes 1 and 8 for information.

Mueller & Co., LLP

Elgin, Illinois
October 20, 2016

INTERNATIONAL TEAMS

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

ASSETS

	2016	2015
Cash and cash equivalents	$ 955,343	726,180
Contributions receivable	-	33,602
Prepaid expenses and other assets	173,419	217,187
Due from affiliates	366	349
Note receivable	92,000	41,125
Land, buildings and equipment, net	4,258,477	4,497,395
	5,479,605	5,515,838

LIABILITIES AND NET ASSETS

	2016	2015
Liabilities:		
Accounts payable and accrued expenses	152,373	141,266
Due to affiliates	81,813	81,293
Mortgage note payable	2,148,248	2,217,860
Note payable	-	101,400
Tenant liabilities	17,768	15,434
	2,400,202	2,557,253
Net assets:		
Unrestricted	1,813,485	1,817,774
Temporarily restricted	1,096,418	971,311
Permanently restricted	169,500	169,500
	3,079,403	2,958,585
	$ 5,479,605	5,515,838

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

INTERNATIONAL TEAMS

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2016 AND 2015

	2016				2015 (CONSOLIDATED)			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Support and revenue:								
Contributions	$ 9,530,062	1,772,975	-	11,303,037	9,847,960	1,265,891	-	11,113,851
Rental and other income	235,714	15,278	-	250,992	301,172	8,113	-	309,285
Gain on disposal of assets	7,832	-	-	7,832	50,912	-	-	50,912
	9,773,608	1,788,253	-	11,561,861	10,200,044	1,274,004	-	11,474,048
Net assets released from restrictions -								
Satisfaction of purpose restrictions	1,663,146	(1,663,146)	-	-	1,528,199	(1,528,199)	-	-
Total support and revenue	11,436,754	125,107	-	11,561,861	11,728,243	(254,195)	-	11,474,048
Expenses:								
Program activities:								
Ministry activities	8,087,780	-	-	8,087,780	8,984,642	-	-	8,984,642
Awareness and education	1,024,474	-	-	1,024,474	1,424,845	-	-	1,424,845
Training	271,345	-	-	271,345	382,255	-	-	382,255
	9,383,599	-	-	9,383,599	10,791,742	-	-	10,791,742
Supporting activities:								
Management and general	1,491,486	-	-	1,491,486	1,591,417	-	-	1,591,417
Fundraising	565,958	-	-	565,958	723,054	-	-	723,054
	2,057,444	-	-	2,057,444	2,314,471	-	-	2,314,471
Total expenses	11,441,043	-	-	11,441,043	13,106,213	-	-	13,106,213
Change in net assets	(4,289)	125,107	-	120,818	(1,377,970)	(254,195)	-	(1,632,165)
Net assets, beginning of year	1,817,774	971,311	169,500	2,958,585	3,195,744	1,225,506	169,500	4,590,750
Net assets, end of year	$ 1,813,485	1,096,418	169,500	3,079,403	1,817,774	971,311	169,500	2,958,585

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

INTERNATIONAL TEAMS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	PROGRAM ACTIVITIES				SUPPORT ACTIVITIES			
	MINISTRY ACTIVITIES	AWARENESS AND EDUCATION	TRAINING	TOTAL PROGRAM ACTIVITIES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL SUPPORTING ACTIVITIES	TOTAL
Salaries	$ 4,371,972	675,483	143,787	5,191,242	724,140	390,084	1,114,224	6,305,466
Other employee benefits	392,977	75,986	18,510	487,473	114,026	38,054	152,080	639,553
Payroll taxes	293,505	37,822	6,864	338,191	41,946	23,091	65,037	403,228
	5,058,454	789,291	169,161	6,016,906	880,112	451,229	1,331,341	7,348,247
Travel	565,980	67,208	4,140	637,328	25,498	45,780	71,278	708,606
Contributions to other affiliates	1,067,812	-	600	1,068,412	4,200	1,200	5,400	1,073,812
Depreciation and amortization	-	40,066	40,066	80,132	186,978	-	186,978	267,110
Ministry expenses	169,145	8,871	469	178,485	3,957	5,524	9,481	187,966
Grants	742,818	-	-	742,818	-	-	-	742,818
Interest	-	-	-	-	70,208	-	70,208	70,208
Occupancy	113,182	43,352	21,689	178,223	69,159	8,524	77,683	255,906
Office expenses	173,867	30,501	5,519	209,887	15,386	20,398	35,784	245,671
Professional development	121,137	18,836	14,513	154,486	36,829	10,169	46,998	201,484
Printing and publications	15,933	4,678	1,597	22,208	9,421	3,425	12,846	35,054
Insurance	20	263	4,237	4,520	37,763	106	37,869	42,389
Advertising	-	9,877	628	10,505	1,255	10,644	11,899	22,404
Information Technology	5,091	3,406	2,905	11,402	23,122	299	23,421	34,823
Professional services	836	79	3,725	4,640	50,749	49	50,798	55,438
Miscellaneous expenses	53,505	8,046	2,096	63,647	76,849	8,611	85,460	149,107
	$ 8,087,780	1,024,474	271,345	9,383,599	1,491,486	565,958	2,057,444	11,441,043

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

INTERNATIONAL TEAMS

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

	PROGRAM ACTIVITIES				SUPPORT ACTIVITIES			
	MINISTRY ACTIVITIES	AWARENESS AND EDUCATION	TRAINING	TOTAL PROGRAM ACTIVITIES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL SUPPORTING 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
	5,303,228	859,147	267,131	6,429,506	968,950	463,777	1,432,727	7,862,233
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
	$ 8,984,642	1,424,845	382,255	10,791,742	1,591,417	723,054	2,314,471	13,106,213

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

INTERNATIONAL TEAMS

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

			CONSOLIDATED
		2016	2015
Cash provided by (applied to) operating activities:			
Change in net assets	$	120,818	(1,632,165)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (applied) to operating activities:			
Depreciation and amortization		267,110	285,048
Gain on disposal of fixed asset		(7,832)	-
Realized gain on disposal of IT Costa Rica assets		-	(50,912)
In-kind contribution to IT Costa Rica		-	821,621
Changes in:			
Contributions receivable		33,602	189,987
Prepaid expenses and other assets		24,787	(1,602)
Due from affiliates		(17)	(289)
Accounts payable and accrued expenses		11,107	(126,055)
Due to affiliates		520	(33,720)
Tenant liabilities		2,334	3,554
		452,429	(544,533)
Cash applied to investing activities:			
Advance on note receivable		(50,875)	(41,125)
Proceeds from sales of equipment		9,500	-
Purchases of land, buildings and equipment		(10,879)	(64,446)
		(52,254)	(105,571)
Cash provided by (applied to) financing activities:			
Payments on mortgage note payable		(69,612)	(65,895)
Principal payments on note payable		(101,400)	(48,600)
Proceeds on note payable		-	150,000
		(171,012)	35,505
Increase (decrease) in cash and cash equivalents		229,163	(614,599)
Cash and cash equivalents, beginning of year		726,180	1,340,779
Cash and cash equivalents, end of year	$	955,343	726,180
Noncash investing transaction -			
In-kind contribution to IT Costa Rica	$	-	821,621
Supplemental disclosure of cash flow information -			
Interest paid	$	70,208	73,040

The accompanying notes are an integral part of the 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.

Basis of Presentation

The accompanying 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 used 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 financial statements include International Teams for the years ended June 30, 2016 and June 30, 2015 and consolidate the activity of 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.

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.

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 (IRC) 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 IRC. During the years ended June 30, 2016 and 2015, the Organization had no taxable unrelated business income.

The Organization has evaluated its tax positions taken for all open tax years. Currently, the 2012, 2013, and 2014 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.

Accounting 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Subsequent Events

The Organization has evaluated subsequent events for potential recognition and/or disclosure through October 20, 2016, the date the 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:

	2016	2015
Land and land improvements	$ 471,716	471,716
Buildings and building improvements	7,609,773	7,598,896
Office furniture and equipment	330,031	330,031
Website	5,578	5,578
Apartment furniture	164,981	164,981
Computer equipment	100,102	100,102
Vehicles	-	40,900
	8,682,181	8,712,204
Less accumulated depreciation	(4,423,704)	(4,214,809)
	$ 4,258,477	4,497,395

Depreciation expense for the years ended June 30, 2016 and 2015 was $248,129 and $266,068, respectively.

NOTE 4 - MORTGAGE NOTE PAYABLE AND NOTE PAYABLE

The Organization has the following mortgage note payable:

		2016	2015
Mortgage note payable of $2,300,000, collateralized by property in Elgin, Illinois, assignments of rents and other assets, maturing on March 15, 2019, principal and interest payable monthly at the 1-month LIBOR rate plus 275 basis points adjusted monthly, 3.19% at June 30, 2016.	$	2,148,248	2,217,860

The Organization has the following note payable:

		2016	2015
Line of credit of $150,000 maturing on June 15, 2017,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, 3.03% at June 30, 2016.	$	-	101,400

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

2017	$	73,539
2018		77,687
2019		1,997,022

Interest expense for the years ended June 30, 2016 and 2015 was $70,208 and $73,040, respectively.

NOTE 5 - RESTRICTION ON NET ASSETS

Temporarily restricted net assets as of June 30, 2016 and 2015 are available for the following purposes or periods:

		2016	2015
Program and project activities	$	1,096,418	971,311

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.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the 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.

NOTE 6 - ENDOWMENT FUNDS, CONTINUED

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 $191,108 and $187,757 were composed totally of donor-restricted funds at June 30, 2016 and 2015, respectively, and are classified as permanently restricted and temporarily restricted in the accompanying financial statements. There were no changes in the permanently restricted endowment net assets for the Organization for the years ended June 30, 2016 and 2015.

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, 2016 and 2015.

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.

NOTE 6 - ENDOWMENT FUNDS, CONTINUED

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

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, June 30, 2015	$ -	18,257	169,500	187,757
Investment return – interest and dividends	-	3,351	-	3,351
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets June 30, 2016	-	21,608	169,500	191,108
Donor restricted endowment funds	$ -	21,608	169,500	191,108

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

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

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.

NOTE 7 - TRANSACTIONS WITH AFFILIATED MINISTRY ORGANIZATIONS, CONTINUED

During 2016 and 2015, the Organization received $122,112 and $136,748, respectively, from affiliated organizations which is included in contribution income, and transferred $1,073,812 and $948,833, respectively, to affiliated organizations which is primarily reflected as program expense for joint ministry activities. At June 30, 2016 and 2015, the Organization owed $81,813 and $81,293, respectively, to the affiliated organizations. At June 30, 2016 and 2015, the affiliated organizations owed $366 and $349, respectively, to the Organization.

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		821,621
	$	855,459

NOTE 9 - MANAGEMENT'S COMMENTS ON 2015 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 was a long standing part of the Organization's strategic plan to transfer ownership of this asset to ITCR. The program and ministries are continuing as planned under the direction of ITCR.

NOTE 9 - MANAGEMENT'S COMMENTS ON 2015 ACTIVITIES, CONTINUED

Another significant factor contributing to the reduction was 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 also resulted as funds were being used to bring people home. As the year was ending, management saw attrition return to more normal levels and recruiting was improving.

NOTE 10 - RECLASSIFICATIONS

Certain amounts in the 2015 financial statements have been reclassified to conform with the year 2016 presentation.