MUELLER & CO., LLP

Certified Public Accountants ~ Business Advisors

ASSURANCE

INTERNATIONAL TEAMS

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

MUELLER

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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, 2017 and 2016, 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.

Certified Public Accountants ■ Business Advisors
Offices in Elgin and Chicago

Auditors' Responsibility, Continued

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, 2017 and 2016, 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.

Mueller & Co., LLP

Elgin, Illinois
October 27, 2017

INTERNATIONAL TEAMS

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

ASSETS

		2017	2016
Cash and cash equivalents	$	1,100,773	955,343
Prepaid expenses and other assets		147,958	173,419
Due from affiliates		7,499	366
Note receivable		89,800	92,000
Land, buildings and equipment, net		4,039,845	4,258,477
		5,385,875	5,479,605

LIABILITIES AND NET ASSETS

		2017	2016
Liabilities:			
Accounts payable and accrued expenses		172,046	152,373
Due to affiliates		74,376	81,813
Mortgage note payable		2,074,710	2,148,248
Tenant liabilities		18,163	17,768
		2,339,295	2,400,202
Net assets:			
Unrestricted		1,674,816	1,813,485
Temporarily restricted		1,202,264	1,096,418
Permanently restricted		169,500	169,500
		3,046,580	3,079,403
	$	5,385,875	5,479,605

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

INTERNATIONAL TEAMS

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2017 AND 2016

	2017				2016			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Support and revenue:								
Contributions	$ 9,468,925	1,445,004	-	10,913,929	9,530,062	1,772,975	-	11,303,037
Rental and other income	240,199	28,613	-	268,812	235,714	15,278	-	250,992
Gain on disposal of assets	-	-	-	-	7,832	-	-	7,832
	9,709,124	1,473,617	-	11,182,741	9,773,608	1,788,253	-	11,561,861
Net assets released from restrictions -								
Satisfaction of purpose restrictions	1,367,771	(1,367,771)	-	-	1,663,146	(1,663,146)	-	-
Total support and revenue	11,076,895	105,846	-	11,182,741	11,436,754	125,107	-	11,561,861
Expenses:								
Program activities:								
Ministry activities	7,812,880	-	-	7,812,880	8,087,780	-	-	8,087,780
Awareness and education	1,000,504	-	-	1,000,504	1,024,474	-	-	1,024,474
Training	331,882	-	-	331,882	271,345	-	-	271,345
	9,145,266	-	-	9,145,266	9,383,599	-	-	9,383,599
Supporting activities:								
Management and general	1,508,472	-	-	1,508,472	1,491,486	-	-	1,491,486
Fundraising	561,826	-	-	561,826	565,958	-	-	565,958
	2,070,298	-	-	2,070,298	2,057,444	-	-	2,057,444
Total expenses	11,215,564	-	-	11,215,564	11,441,043	-	-	11,441,043
Change in net assets	(138,669)	105,846	-	(32,823)	(4,289)	125,107	-	120,818
Net assets, beginning of year	1,813,485	1,096,418	169,500	3,079,403	1,817,774	971,311	169,500	2,958,585
Net assets, end of year	$ 1,674,816	1,202,264	169,500	3,046,580	1,813,485	1,096,418	169,500	3,079,403

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

INTERNATIONAL TEAMS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	PROGRAM ACTIVITIES				SUPPORT ACTIVITIES			
	MINISTRY ACTIVITIES	AWARENESS AND EDUCATION	TRAINING	TOTAL PROGRAM ACTIVITIES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL SUPPORTING ACTIVITIES	TOTAL
Salaries	$ 4,355,269	680,122	185,374	5,220,765	761,745	393,702	1,155,447	6,376,212
Other employee benefits	403,476	74,680	17,909	496,065	108,599	41,560	150,159	646,224
Payroll taxes	300,613	37,734	9,144	347,491	42,548	23,723	66,271	413,762
	5,059,358	792,536	212,427	6,064,321	912,892	458,985	1,371,877	7,436,198
Travel	497,849	53,480	19,180	570,509	24,098	39,637	63,735	634,244
Contributions to other affiliates	996,534	-	-	996,534	-	-	-	996,534
Depreciation and amortization	-	39,897	39,897	79,794	186,187	-	186,187	265,981
Ministry expenses	104,335	7,213	4,249	115,797	4,567	4,973	9,540	125,337
Grants	803,419	-	-	803,419	-	-	-	803,419
Interest	-	-	-	-	74,042	-	74,042	74,042
Occupancy	49,799	38,564	22,562	110,925	70,874	4,622	75,496	186,421
Office expenses	126,804	26,596	6,503	159,903	13,822	16,948	30,770	190,673
Professional development	86,605	16,354	11,156	114,115	35,363	9,420	44,783	158,898
Printing and publications	15,188	3,606	1,723	20,517	9,343	3,368	12,711	33,228
Insurance	601	51	3,948	4,600	35,544	33	35,577	40,177
Advertising	170	8,761	1,084	10,015	2,173	10,142	12,315	22,330
Information technology	9,284	3,237	2,363	14,884	19,106	546	19,652	34,536
Professional services	-	-	3,940	3,940	39,112	-	39,112	43,052
Bank fees	-	-	-	-	66,318	-	66,318	66,318
Miscellaneous expenses	62,934	10,209	2,850	75,993	15,031	13,152	28,183	104,176
	$ 7,812,880	1,000,504	331,882	9,145,266	1,508,472	561,826	2,070,298	11,215,564

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
Bank fees	-	-	-	-	63,885	-	63,885	63,885
Miscellaneous expenses	53,505	8,046	2,096	63,647	12,964	8,611	21,575	85,222
	$ 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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

		2017	2016
Cash provided by (applied to) operating activities:			
Change in net assets	$	(32,823)	120,818
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:			
Depreciation and amortization		265,981	267,110
Gain on disposal of fixed asset		-	(7,832)
Changes in:			
Contributions receivable		-	33,602
Prepaid expenses and other assets		6,480	24,787
Due from affiliates		(7,133)	(17)
Accounts payable and accrued expenses		19,673	11,107
Due to affiliates		(7,437)	520
Tenant liabilities		395	2,334
		245,136	452,429
Cash provided by (applied to) investing activities:			
Advance on note receivable		(36,061)	(69,576)
Payments on note receivable		38,261	18,701
Proceeds from sales of equipment		-	9,500
Purchases of land, buildings and equipment		(28,368)	(10,879)
		(26,168)	(52,254)
Cash applied to financing activities:			
Payments on mortgage note payable		(73,538)	(69,612)
Principal payments on note payable		-	(101,400)
		(73,538)	(171,012)
Increase in cash and cash equivalents		145,430	229,163
Cash and cash equivalents, beginning of year		955,343	726,180
Cash and cash equivalents, end of year	$	1,100,773	955,343
Supplemental disclosure of cash flow information -			
Interest paid	$	74,042	70,208

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 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.

Cash and Cash Equivalents

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Land, Buildings and Equipment

Land, buildings and equipment purchased at a cost in excess of $2,500 with a useful life in excess of one year are reviewed to see if they should be capitalized 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2017 and 2016, the Organization had no taxable unrelated business income.

The Organization has evaluated its tax positions taken for all open tax years. Currently, the 2013, 2014, and 2015 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.

Adoption of Accounting Policy – Going Concern Evaluation

In August 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40). ASU No. 2014-15 is effective for the Organization for annual periods ending after December 15, 2016. In the 2017 financial statements, the Organization adopted ASU No. 2014-15, which requires management to assess, for each interim and annual reporting period, whether adverse conditions or events, considered in the aggregate, raise substantial doubt about the Organization's ability to continue as a going concern for the one-year period the date the financial statements are available to be issued. In addition, management is required to consider whether it is probable that their plans intended to mitigate any adverse conditions or events that they identify will be effectively implemented and whether it is probable that, if implemented, their plans will mitigate the identified conditions or events that raised substantial doubt. ASU No. 2014-15 also prescribes the disclosures required to be made in periods when substantial doubt is raised and certain disclosures are required in such periods irrespective of whether it is probable that substantial doubt is alleviated by the effective implementation of management's plans. Management's assessment did not identify any conditions or events raising substantial doubt about the Organization's ability to continue as a going concern for the period from October 27, 2017 to October 27, 2018.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

New Accounting Standard – Revenue from Contracts

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification 605, Revenue Recognition. ASU No. 2014-09 provides for a single five-step model to be applied to all revenue contracts with customers. ASU No. 2014-09 also requires additional financial statement disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted for annual reporting periods beginning after December 15, 2016. The Organization is currently evaluating the methods of adoption allowed by ASU No. 2014-09 and the effect that ASU No. 2014-09 is expected to have on its financial position, results of operations, and cash flows and related disclosures.

New Accounting Standard – Leases

In February 2016, FASB issued ASU No. 2016-02, Leases, which is intended to improve financial reporting about leasing transactions. ASU No. 2016-02 requires that leased assets be recognized as assets on the balance sheet and the liabilities for the obligations under the lease also be recognized on the balance sheet. ASU No. 2016-02 requires disclosures to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. The required disclosures include qualitative and quantitative requirements. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted. ASU No. 2016-02 must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. The Organization is currently evaluating the methods of adoption allowed by ASU No. 2016-02 and the effect that ASU No. 2016-02 is expected to have on its financial position, results of operations, and cash flows and related disclosures.

New Accounting Standard – Presentation of Financial Statements

In August 2016, FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958). ASU No. 2016-14 is intended to simplify how the Organization classifies its net assets, and also improve the information it presents in the financial statements and notes about liquidity, financial performance and cash flows. ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods with fiscal years beginning after December 15, 2018. The Organization is currently evaluating the methods of adoption allowed by ASU No. 2016-14 and the effect that ASU No. 2016-14 is expected to have on its financial position, results of operations and cash flows and related disclosures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Subsequent Events

The Organization has evaluated subsequent events for potential recognition and/or disclosure through October 27, 2017, the date the financial statements were available to be issued.

The Organization entered into a contract to sell their main operating facility. The sale of the building is not yet final as of 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:

		2017	2016
Land and land improvements	$	471,716	471,716
Buildings and building improvements		7,636,299	7,609,773
Office furniture and equipment		319,314	330,031
Website		-	5,578
Apartment furniture		164,518	164,981
Computer equipment		93,333	100,102
		8,685,180	8,682,181
Less accumulated depreciation		(4,645,335)	(4,423,704)
	$	4,039,845	4,258,477

Depreciation expense for the years ended June 30, 2017 and 2016 was $247,000 and $248,129, respectively.

NOTE 4 - MORTGAGE NOTE PAYABLE AND NOTE PAYABLE

The Organization has the following mortgage note payable:

		2017	2016
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, 3.91% at June 30, 2017.	$	2,074,710	2,148,248

The Organization has the following note payable:

		2017	2016
Line of credit of $150,000 maturing on March 15, 2018, 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, 3.91% at June 30, 2017.	$	-	-

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

2018	$	77,687
2019		1,997,023

Interest expense for the years ended June 30, 2017 and 2016 was $74,042 and $70,208, respectively.

NOTE 5 - RESTRICTION ON NET ASSETS

Temporarily restricted net assets as of June 30, 2017 and 2016 are available for the following purposes or periods:

		2017	2016
Program and project activities	$	1,202,264	1,096,418

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 of Directors 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 Directors of the Organization has interpreted 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. 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 $194,462 and $191,108 were composed totally of donor-restricted funds at June 30, 2017 and 2016, 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, 2017 and 2016.

NOTE 6 - ENDOWMENT FUNDS, CONTINUED

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, 2017 and 2016.

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, 2017 were as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, June 30, 2016	$ -	21,608	169,500	191,108
Investment return – interest and dividends	-	3,354	-	3,354
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets June 30, 2017	-	24,962	169,500	194,462
Donor restricted endowment funds	$ -	24,962	169,500	194,462

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

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 2017 and 2016, the Organization received $123,723 and $122,112, respectively, from affiliated organizations which is included in contribution income, and transferred $996,534 and $1,073,812, respectively, to affiliated organizations which is primarily reflected as program expense for joint ministry activities. At June 30, 2017 and 2016, the Organization owed $74,376 and $81,813, respectively, to the affiliated organizations. At June 30, 2017 and 2016, the affiliated organizations owed $7,499 and $366, respectively, to the Organization.

NOTE 8 - RECLASSIFICATIONS

Certain amounts in the 2016 financial statements have been reclassified to conform with the year 2017 presentation.