THE VOICE AND HANDS OF JESUS. TOGETHER.

World Radio Missionary Fellowship, Inc. and Affiliate, dba Reach Beyond

Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015

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CAPINCROUSE LLP

INDEPENDENT AUDITORS' REPORT

Board of Trustees
World Radio Missionary Fellowship, Inc.
and Affiliate d.b.a. Reach Beyond
Colorado Springs, Colorado

We have audited the accompanying consolidated financial statements of World Radio Missionary Fellowship, Inc. and Affiliate d.b.a. Reach Beyond (Reach Beyond), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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Board of Trustees
World Radio Missionary Fellowship, Inc.
and Affiliate d.b.a. Reach Beyond
Colorado Springs, Colorado

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of World Radio Missionary Fellowship, Inc. and Affiliate d.b.a. Reach Beyond as of December 31, 2016 and 2015, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustment
As described in note 24 to the financial statements, Reach Beyond identified reclassifications in net assets categories. Accordingly, the 2015 financial statements have been reclassified including the beginning net asset categories as of January 1, 2015 to correct this error. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Colorado Springs, Colorado
May 1, 2017

Consolidated Statements of Financial Position

December 31, 2016 and 2015

	2016	2015
Assets:		
Cash and cash equivalents	$ 3,452,615	$ 3,776,533
Accounts receivable – net	1,977,252	2,274,734
Inventory	803,393	895,714
Prepayments and other assets	1,057,768	1,195,800
Interest receivable	421,617	463,756
Investments	6,194,518	5,989,595
Investments – other	946,890	421,379
Property receivable in exchange	–	535,905
Notes receivable	6,483,924	7,274,605
Property and equipment – net	7,253,823	6,980,869
Assets under gift annuity and trust agreements	4,533,643	4,687,370
Total assets	$ 33,125,443	$ 34,496,260
Liabilities and net assets:		
Liabilities:		
Accounts payable and accrued expenses	$ 3,842,991	$ 3,154,965
Contributions payable	470,564	2,069,046
Contingent liability	1,307,713	60,000
Retirement benefits	4,015,002	3,524,126
Deferred gain on sale of property	2,933,976	3,291,759
Liabilities under gift annuity and trust agreements	2,907,129	3,241,344
Total liabilities	15,477,375	15,341,240
Net assets:		
Unrestricted:		
Designated – annuity reserves	1,621,798	1,440,695
Equity in property and equipment	7,253,823	6,980,869
Operating	2,855,535	4,250,082
Total unrestricted net assets	11,731,156	12,671,646
Temporarily restricted:		
Missionary support	2,995,079	2,893,324
Projects	2,917,117	3,584,719
Irrevocable charitable remainder trusts	4,716	5,331
Total temporarily restricted net assets	5,916,912	6,483,374
Total net assets	17,648,068	19,155,020
Total liabilities and net assets	$ 33,125,443	$ 34,496,260

Consolidated Statements of Activities
For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Public support:						
Contributions	$ 589,822	$ 9,913,901	$ 10,503,723	$ 802,773	$ 11,724,129	$ 12,526,902
Donated goods and services	895,355	–	895,355	810,051	–	810,051
Total public support	1,485,177	9,913,901	11,399,078	1,612,824	11,724,129	13,336,953
Revenue:						
Medical service income	33,149,823	–	33,149,823	31,176,427	–	31,176,427
Investment income	519,637	–	519,637	(229,245)	–	(229,245)
Radio broadcast fees	146,303	–	146,303	160,025	–	160,025
Change in value of annuities and trusts	168,258	(615)	167,643	(6,440)	175,914	169,474
Interest income	723,362	–	723,362	1,002,244	–	1,002,244
Gain on disposition of assets	645,837	–	645,837	1,109,101	–	1,109,101
Other income	1,739,709	–	1,739,709	785,291	–	785,291
Total revenue	37,092,929	(615)	37,092,314	33,997,403	175,914	34,173,317
Total public support and revenue	38,578,106	9,913,286	48,491,392	35,610,227	11,900,043	47,510,270
Net assets released:						
Purpose restrictions	9,520,994	(9,520,994)	–	10,482,946	(10,482,946)	–
Administrative assessments	958,754	(958,754)	–	888,854	(888,854)	–
Total net assets released	10,479,748	(10,479,748)	–	11,371,800	(11,371,800)	–
Expenses:						
Program services:						
Media	4,642,953	–	4,642,953	8,154,655	–	8,154,655
Healthcare	35,745,987	–	35,745,987	32,248,783	–	32,248,783
Leadership development	2,507,950	–	2,507,950	2,565,498	–	2,565,498
Missions awareness	1,582,640	–	1,582,640	1,756,919	–	1,756,919
Total program services	44,479,530	–	44,479,530	44,725,855	–	44,725,855

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Expenses, continued:						
Supporting activities:						
General and administrative	4,680,345	–	4,680,345	4,427,367	–	4,427,367
Fundraising	838,469	–	838,469	731,281	–	731,281
Total supporting activities	5,518,814	–	5,518,814	5,158,648	–	5,158,648
Total expenses	49,998,344	–	49,998,344	49,884,503	–	49,884,503
Change in net assets	(940,490)	(566,462)	(1,506,952)	(2,902,476)	528,243	(2,374,233)
Net assets, beginning of year	12,671,646	6,483,374	19,155,020	15,574,122	5,955,131	21,529,253
Net assets, end of year	$ 11,731,156	$ 5,916,912	$ 17,648,068	$ 12,671,646	$ 6,483,374	$ 19,155,020

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (1,506,952)	$ (2,374,233)
Adjustments to reconcile change in net assets to net cash provided (used by) operating activities:		
Noncash expenses (revenues):		
Depreciation	351,910	191,454
Loss on property purchase option	–	121,875
Provision for losses on accounts receivable	(31,436)	704,279
Provision for contingent liabilities	1,247,713	(726,850)
Net realized and unrealized losses (gains) on investments	(423,146)	338,891
Reinvested dividends	(7,169)	(52,588)
Gain on sale of property	(645,837)	(1,109,101)
Amortization of rental space	(88,590)	–
Actuarial gain on annuity and trust obligations	(163,742)	(169,878)
Loss (gain) on assets under gift annuity and trust agreements	(205,361)	118,508
Matured gift annuity and trust agreements	(187,628)	(553,718)
Gift annuity and trust assets released from restrictions	–	237,487
Fair market value of noncash assets donated to other organizations	–	1,349,190
Adjustment for period of discontinued operations (Note 10)	1,923,677	–
Changes in operating assets and liabilities:		
Accounts receivable	328,918	1,141,562
Inventory	92,321	(142,767)
Prepayments and other assets	138,032	(401,085)
Interest receivable	42,139	58,244
Net obligations under gift annuity and trust agreements	376,243	424,671
Accounts payable and accrued expenses	688,026	(1,634,940)
Contributions payable	(991,157)	306,666
Deposit	–	(3,040,757)
Retirement benefits	490,876	173,893
Net cash provided (used) by operating activities	1,428,837	(5,039,197)
Cash flows from investing activities:		
Proceeds from sales of property and equipment	13,000	152,000
Purchase of property and equipment	(2,256,317)	(2,238,973)
Principal collected on notes receivable	790,681	725,395
Proceeds from sales of investments	3,598,268	8,505,903
Purchases of investments	(3,898,387)	(4,672,770)
Net cash provided (used) by investing activities	(1,752,755)	2,471,555
Change in cash and cash equivalents	(323,918)	(2,567,642)
Cash and cash equivalents, beginning of year	3,776,533	6,344,175
Cash and cash equivalents, end of year	$ 3,452,615	$ 3,776,533

	2016	2015
Supplemental disclosure of noncash investing activities:		
Increase (decrease) in property and equipment:		
Property donated to HCJB Global Technology Center	$ –	$ (444,530)
Real property donated to English Fellowship Church (Tenplex)	–	(535,905)
Property received from English Fellowship Church (Fourplex)	535,905	
Personal and real property donated to HCJB-EC	(518,735)	
Increase (decrease) in property receivable in exchange:		
Real property to be received from English Fellowship Church (Fourplex)		535,905
Property received from English Fellowship Church (Fourplex)	(535,905)	
(Increase) decrease in contributions payable:		
Property donated to HCJB Global Technology Center		444,530
Personal and real property donated to HCJB-EC	518,735	
Supplemental disclosure of other noncash transactions:		
Inventory donated to HCJB Global Technology Center		289,496
Decrease in inventory		(289,496)

Notes to consolidated financial statements

1 Nature of organization

Reach Beyond (known as HCJB Global until January 2014), is an interdenominational, international Christian mission committed to communicating the gospel of Jesus Christ to all nations via AM/FM radio, satellite, Internet, shortwave radio, television, healthcare, printed materials, and education.

The consolidated financial statements include the assets, liabilities, net assets, public support and revenue, and expenses of World Radio Missionary Fellowship, Inc. (WRMF), a United States nonprofit organization, and The World Radio Missionary Fellowship, Inc. (TWRMF), an Ecuadorian nonprofit organization. WRMF operates a ministry service center in Colorado Springs, Colorado and regional offices serving Europe, North Africa and the Middle East, Sub-Saharan Africa, and Asia-Pacific; TWRMF serves the Latin American Region from its offices in Quito and Shell, Ecuador. TWRMF, although a separate legal entity, is controlled by WRMF and the two organizations comprise the worldwide ministry known as Reach Beyond. Reach Beyond is governed by the WRMF board of trustees which meets regularly to set policies and direct the work of the mission. Reach Beyond’s mission is “Empowering dynamic media and healthcare ministries that declare and demonstrate Jesus Christ.”

Reach Beyond is affiliated with entities in the United Kingdom, Sweden, Switzerland, Netherlands, Canada, New Zealand and Australia. The financial position and results of operations of these affiliates are not included in the consolidated financial statements as these entities are not controlled by Reach Beyond.

Reach Beyond is a faith mission, depending on God to prompt interested individuals, local churches, and other organizations to meet financial needs. Strict fiscal integrity is maintained. Reach Beyond is a charter member of the Evangelical Council for Financial Accountability (ECFA) and *Missio Nexus*.

Since 1931 Reach Beyond’s passion has been to make disciples of Jesus Christ. Through the practical tools of media (Reach Beyond Voice) and healthcare (Reach Beyond Hands), the mission is touching lives and empowering the voice and hands of believers around the world. Local believers are being equipped to change their communities and the world as missionaries, pastors, broadcasters, and healthcare providers. Working together with partners, Reach Beyond has helped establish radio stations in more than 400 communities in more than 100 countries, broadcasting in more than 120 languages and dialects. Christ-centered healthcare through hospitals, clinics, and community development programs is touching thousands of lives.

Reach Beyond exists so that people everywhere may come to Christ, become His disciples, and serve Him as vital parts of the body of Christ. Reach Beyond places priority on multiplying God’s resources by creating sustainable and reproducible ministries. Reach Beyond's vision is to see people everywhere transformed in Christ, engaged in the growing Church, and empowered to ignite reproducing ministries that bring His light to their communities.

1 Nature of organization, continued

Ministries are conducted through the following:

Media — Reach Beyond Voice delivers the gospel through the most effective medium for each audience and culture, whether via FM, AM, shortwave, direct-to-home satellite, television, or the Internet. Reach Beyond missionaries work with local partners to plant radio ministries around the world. Internet chat rooms open doors to people who do not listen to Christian radio, while shortwave and satellite broadcasts reach remote areas or into countries that are closed to missionaries.

Healthcare — Reach Beyond Hands provides a variety of health services, focusing on integrated patient care, medical education, and unmet community needs. Hospital Vozandes-Quito, opened its doors in Ecuador in 1955. Reach Beyond Hands also has satellite clinics in Ecuador and assists rural areas in obtaining clean water and improved sanitation. Mobile medical clinics provide medical and dental treatment to remote areas. Today, Reach Beyond Hands is taking what has been learned at the hospital, neighborhood clinics, mobile medical clinics, and water projects and is helping partner organizations start medical ministries around the world. Also, Reach Beyond Hands partners with other relief organizations by sending emergency medical response teams to crisis areas.

Missions Awareness — Reach Beyond helps mobilize individuals to be involved in worldwide missions through welcoming, praying, giving, and going.

Leadership Development — Reach Beyond trains media personnel, healthcare professionals, and national church leaders to improve people's lives. Reach Beyond operates training programs in each of its five regions, offering education in radio production, communication theory, journalism, station management, technical maintenance, promotion, and cooperation. A teaching hospital in Quito trains national medical professionals as externs and interns as well as offering ophthalmology, family practice, and ear-nose-throat residencies. The Quito hospital is affiliated with five Ecuadorian universities for medical, nursing, paramedical, and ear-nose-throat education. The *Apoyo* program trains national pastors and leaders. *Corrientes* is a training program to mobilize and equip Latin American believers to go where God has called them as part of the Great Commission.

The Community Health Intercultural Learning Initiative (CHILI) started in the fall of 2016. The program is designed for young men and women willing to make a two year commitment to help communities in areas of the world that are unreached and resistant to the gospel. The first six months is training in Reach Beyond's field office in Shell Ecuador and includes four areas:

- Community development — participants are taught practical skills and how to use skills that they already possess to help others and to be a witness to them of Christ's love.
- Spiritual development — participants are encouraged to try new things to improve their spiritual routines.
- Personal development — learning tools to enhance mental and physical wellbeing and help participants reach their full potential.
- Team development — learning to work effectively with others

After training, participants are assigned to teams and are sent to serve in another country. For the next eighteen months teams are prayed for and mentored as they are given progressively more responsibility and freedom to serve. A second group is scheduled to launch in September 2017.

2 Summary of significant accounting policies

2.1 Basis of accounting

Reach Beyond prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

2.2 Principles of consolidation

Reach Beyond maintains a hospital, broadcasting stations, and support facilities in Ecuador and other foreign countries. The consolidated financial statements include the assets, liabilities, net assets, public support and revenues, and expenses of Reach Beyond's worldwide operations; all inter-office transactions have been eliminated. All balances and transactions are reflected in the consolidated financial statements in United States dollars.

2.3 Cash and cash equivalents

Cash and cash equivalents include checking accounts, savings accounts, money market accounts, and certificates of deposit with an original maturity of three months or less. Cash and cash equivalents are carried at cost, which approximates fair value. At times these accounts may exceed insured limits. Management reviews balances monthly and does not believe Reach Beyond is exposed to significant risk of loss.

2.4 Receivables

Accounts receivable — Reach Beyond grants credit to patients, customers, and other entities in the normal course of providing services. Payment is due at the time the product or service is rendered. Receivables are past due when they exceed their contractual due date. Reach Beyond does not accrue interest on past due receivables and accounts are written off after all collection efforts have been exhausted. A reserve for uncollectible accounts is established that management believes is adequate to absorb possible losses. The reserve is based upon an evaluation of receivables and includes, but is not limited to, historical collection experience, general economic conditions, and the financial condition and specific circumstances of individual creditors. Changes in estimates are recorded in the reserve with a corresponding current year charge or credit to expense.

Notes receivable — Reach Beyond may finance the sale of surplus real property. Notes receivable are carried at the lower of fair value or amortized cost. Amortized cost is the outstanding balance on the note after allocating payments received to principal and interest based on contractual terms using the effective interest method of recognizing interest income. The carrying value is evaluated annually based on the adequacy of collateral, collection experience, current economic conditions, and other internal metrics. If a receivable becomes uncollectible Reach Beyond ceases to accrue interest and writes off the remaining balance.

2.5 Inventory

Inventory is stated at the lower of cost or market using the weighted-average method.

2.6 Investments

Investments are recorded at fair value which entails adjusting the carrying value and recognizing unrealized gains or losses. Donated securities are recorded at fair value on the date of the gift and are sold as soon as is practical. Realized and unrealized gains and losses are reported in the consolidated statements of activities in the year in which they occur. Cash held by a custodian temporarily for investment purposes is included in investments.

2 Summary of significant accounting policies, continued

2.7 Investments – other

Certificates of deposit with maturities of more than three months are carried at cost. Because of their maturity, these investments do not meet the definition of cash equivalents. Certificates of deposits are not securities and are not subject to fair value disclosures for investments.

2.8 Property and equipment

Expenditures for property and equipment in excess of $5,000 are capitalized at cost, including costs directly attributable to putting them in service. Donated assets are capitalized at their fair value on the date of donation. Plant and equipment is subsequently valued using cost less depreciation and impairment losses. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets (16–25 years for buildings, and 5–15 years for furniture and equipment). If the value of property and equipment is impaired prior to the end of its estimated useful life, its carrying value is reduced with a charge to expense. The last analysis was completed at December 31, 2016, and resulted in no impairment.

Gains or losses from the sale of property and equipment are determined by the difference between the disposal proceeds and the carrying amount of the assets. Gains and losses from the exchange or donation of assets are determined by the difference between the fair value of the assets and their carrying amounts. Gains or losses are reported in the revenue section of the consolidated statement of activities.

2.9 Contributions receivable and payable

When another organization has made an unconditional promise to give assets to Reach Beyond, revenue is recognized in the year the promise is made and a receivable is recorded in the assets section of the statement of financial position.

Unconditional promises to give to other organizations are recognized as an expense in the year the promise is made and as a contribution payable in the liability section of the statement of financial position.

2.10 Sales of real property

Sales of real property are generally reported on the full accrual basis, even if part of the consideration for the sale is not received until a future date. Gain is recognized in full when real estate is sold, provided that collecting the sales price is reasonably assured and that Reach Beyond is not obliged to perform significant activities after the sale. However, there are three other methods of reporting real property transactions that delay the recognition of gain:

The deposit method of accounting is used until a sale has been consummated. A sale is not considered consummated until all parties are bound by the terms of a contract, all consideration has been exchanged, pertinent financing has been arranged, and all conditions precedent to closing have been performed. Under the deposit method of accounting no revenue is recognized and amounts received are recorded as a liability.

The installment method of accounting is used if the sale does not meet the criteria for the full accrual basis and the recovery of the cost of the property is reasonably assured if the buyer defaults. Under the installment method the gain on the sale is deferred until the receipt of cash. As cash is collected, deferred gain is recognized proportional to the amount of cash received.

The cost recovery method is used if the recovery of the cost of the property is not reasonably assured if the buyer defaults or if the cost has already been recovered and collection of additional amounts is uncertain. Under the cost recovery method, cash collections first reduce the carrying value of the property. After the cost is fully recovered, cash collected is recognized as income.

2 Summary of significant accounting policies, continued

2.11 Annuities payable

Reach Beyond has established a charitable gift annuity plan that allows donors to contribute assets to Reach Beyond in exchange for the right to receive a fixed monthly payment during their lifetimes. The annuity liability is valued annually using actuarially computed present values based on the Annuity 2000 gender-based mortality table and a discount rate of 6%. Once received, the assets are unrestricted and the required payments to the donor are general obligations of Reach Beyond.

Certain states in which annuities are issued require that Reach Beyond follow investment guidelines and maintain minimum reserves. As of December 31, 2016, Reach Beyond was in compliance with each state's requirements.

2.12 Trust liabilities

Reach Beyond administers irrevocable charitable remainder trusts which provide lifetime distributions to the grantor or other designated beneficiaries. Upon receipt of trust assets, the actuarially determined present value of future payments is recorded as a liability and the remaining portion of trust assets attributable to Reach Beyond's future interest is recorded in the consolidated statement of activities as temporarily restricted contributions.

2.13 Net assets

Temporarily restricted net assets are resources with donor stipulations with respect to purpose or time and include missionary funds, work team funds, and contributions earmarked for specific projects. Temporarily restricted net assets also include Reach Beyond's irrevocable interest in charitable remainder trusts and resources with lifetime beneficiary interests.

Unrestricted net assets are all resources which are not restricted and include resources without donor stipulations, resources designated by the board for specific uses, resources invested in property and equipment, and required annuity reserves.

2.14 Other revenue recognition principles

Contributions are recorded as revenue when received or when unconditionally promised, whichever comes first. Donations are reported as temporarily restricted if they are received with stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Noncash donations are valued at their fair market value at the date of donation, or if more readily determinable, at the cost to acquire comparable assets.

Radio broadcast fees consist of production and airing revenues, and are recorded when the services have been provided.

2 Summary of significant accounting policies, continued

2.14 Other revenue recognition principles, continued

Hospital and medical service income is recorded when earned which is when products or services have been provided to the patient. Revenue is reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Estimates for retroactive adjustments are considered in the recognition of revenue in the period the services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. The Ecuadorian government is a significant third-party payer and has complicated rules and procedures. In addition, it has been slow both to review submitted services and to pay for services after approval. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount.

Uncompensated medical care is provided at a discounted rate to patients who meet certain criteria under its charity fund. Because Reach Beyond does not pursue collections from charity patients, such amounts are not reported in total public support and revenue. Costs incurred related to services excluded from revenue under Reach Beyond's uncompensated care policy were $8,512 and $5,408 for the years ended December 31, 2016 and 2015, respectively.

2.15 Functional allocation of expenses

The costs of providing programs and supporting activities are presented on a functional basis in the consolidated statement of activities; expenses such as depreciation and certain payroll costs have been allocated among the program services and supporting activities benefited.

2.16 Employee benefit plans

Retirement benefits for Ecuadorian employees are expensed in full as determined by annual actuarial valuations.

Termination benefits for Ecuadorian employees are not reasonably estimable therefore no liability is recorded in the consolidated statement of financial position.

Retirement benefits for missionaries and Ministry Service Center employees are based on a defined contribution plan and expenses are recorded in the same period as the corresponding employee compensation.

Medical benefits for missionaries and Ministry Service Center employees were provided through a grantor trust funded by Reach Beyond through December 31, 2015. Payments to the trust, consisting of employer and employee contributions, were remitted monthly; employer payments were recognized as an expense when paid. Beginning January 1, 2016, medical benefits were provided via third-party insurance companies and premiums were expensed in the same period as the corresponding employee compensation.

2.17 Seconded services

Reach Beyond has secondment agreements with various nonprofit organizations. A seconded employee is a missionary assigned to work for another organization. Seconded individuals are directed and perform services for another organization but their salaries and related benefits are paid by the first organization. Reach Beyond is both the recipient and grantor of seconded services. When Reach Beyond is the recipient, the services are valued using comparable missionary compensation or externally published rates for professional services.

2 Summary of significant accounting policies, continued

2.18 Income taxes

Reach Beyond is a nonprofit corporation established in 1931 in Ohio with subsequent incorporation as a Florida charitable corporation in 1976. Reach Beyond is recognized as a church by the Internal Revenue Service and is exempt from income taxation under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) and comparable state laws. Reach Beyond is classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code. Contributions to Reach Beyond qualify for the charitable contribution deduction under Code Section 170(b)(1)(A).

2.19 Uncertain tax positions

The financial statement effects of a tax position are recognized in the consolidated financial statements when it is more likely than not that the position will be sustained upon examination by tax authorities. Recognition includes interest and penalties, if any.

2.20 Management estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the amount of public support, revenues, and expenses reported. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be different from estimates.

Significant estimates and assumptions in the financial statements include the allowance for doubtful accounts, the collectability of notes receivable, potential impairment of long-lived assets, useful lives for depreciation and amortization, future obligations under annuity and trust agreements, retirement benefits, and contingencies.

2.21 Subsequent events

Management has evaluated subsequent events for recognition and disclosure through the report date, which represents the date the consolidated financial statements were available to be issued.

3 Accounts receivable

	At December 31	
	2016	2015
Medical services	$ 3,426,529	$ 3,629,267
Missionary and employee advances	246,272	156,099
Broadcast fees and other	147,749	363,505
	3,820,550	4,148,871
Allowance for doubtful accounts	(1,843,298)	(1,874,137)
Total	$ 1,977,252	$ 2,274,734

Hospital and medical services receivables are for services performed in Ecuador. The Ecuadorian government accounted for $1,836,698 and $2,197,958 of receivables and $1,722,856 and $1,731,467 of the allowance for doubtful accounts at December 31, 2016 and 2015, respectively.

4 Inventory

	At December 31	
	2016	2015
Medical supplies	$ 387,589	$ 443,781
Medicines	394,107	434,213
Other	21,697	17,720
Total	$ 803,393	$ 895,714

Management believes that the realizable values of items in inventory exceed their book values.

5 Prepayments and other assets

	At December 31	
	2016	2015
Value added tax - credit	$ 751,590	$ 338,470
Real estate held for sale	114,434	114,434
Prepaid expenses	191,744	173,863
Deposits	30,000	569,033
	$ 1,057,768	$ 1,195,800

Ecuador has a 14% value added tax (VAT) which is levied on non-exempt purchases. The World Radio Missionary Fellowship, Inc. (TWRMF) collects a portion of this tax on non-exempt sales and services and remits it to the Ecuadorian government on behalf of the purchaser. Although most medical services, including the purchase of medical equipment, are exempt, TWRMF must pay a portion of the VAT to the vendor on all purchases. These transactions create a credit which is applied against future amounts payable to the Ecuadorian government.

TWRMF has real property in Ecuador that is no longer needed for operations. These properties are non-depreciable and are classified separately from property and equipment used in operations.

6 Fair value of financial instruments

Financial instruments are cash, equity instruments of other entities, and contractual rights to receive or deliver cash or another financial instrument. Reach Beyond’s financial instruments include cash, government securities such as treasury bills, corporate bonds, stocks, mutual funds, mortgage-backed securities, and contractual obligations under charitable gift annuities and charitable remainder trusts.

Reach Beyond values and discloses information related to other financial instruments based on a “fair value hierarchy.” The fair value hierarchy has three levels of assets and liabilities:

Level 1 assets and liabilities are valued according to quoted market prices.

Level 2 assets and liabilities do not have regular quoted market prices but their fair value can be determined based on other data or market prices of similar assets and liabilities.

Level 3 assets and liabilities are valued based on unobservable inputs such as management’s estimates or pricing models.

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to these risks, it is possible that the value of Reach Beyond's investments could fluctuate materially.

6 Fair value of financial instruments, continued

From time to time, financial instruments may be recorded at fair value on a non-recurring basis. Non-recurring fair value adjustments typically are a result of a write-down due to a specific event or the difficulty or cost of valuing a certain investment. For 2016 and 2015, all investments were measured on a recurring basis. Bond ratings are per Moody's Investors Service.

Fair value of investments at December 31, 2016:

	Total	Level 1	Level 2
Mutual funds:			
Blended	$ 1,123,284	$ 1,123,284	$ –
Commodities	171,816	171,816	–
Fixed income	1,250,775	1,250,775	–
Foreign	452,106	452,106	–
Growth	703,289	703,289	–
Real estate	55,058	55,058	–
Value	615,269	615,269	–
	4,371,597	4,371,597	–
Common stocks:			
Consumer goods	126,120	126,120	–
Energy	27,131	27,131	–
Financial	90,488	90,488	–
Healthcare	72,180	72,180	–
Industrials	68,041	68,041	–
Technology	105,615	105,615	–
International	145,740	145,740	–
Real estate	536,147	536,147	–
Telecommunications	28,531	28,531	–
Utilities	26,890	23,890	–
	1,226,883	1,226,883	–
Corporate bonds:			
A1credit rating	87,249	–	87,249
A2 credit rating	60,043	–	60,043
A3 credit rating	66,741	–	66,741
Baa1 credit rating	45,224	–	45,224
Baa2 credit rating	9,999	–	9,999
	269,256	–	269,256
Government bonds:			
Aaa credit rating	326,782	326,782	–
Total investments at fair value	$ 6,194,518	$ 5,925,262	$ 269,256

6 Fair value of financial instruments, continued

Fair value of financial instruments at December 31, 2016, continued:

Assets under gift annuities and trust agreements:

	Total	Level 1	Level 2
Mutual funds:			
Blended	$ 133,400	$ 133,400	$ –
Corporate bonds	663,843	663,843	–
Foreign	456,000	456,000	–
Growth	628,166	628,166	–
Natural resources	24,213	24,213	–
Real estate	148,723	148,723	–
U.S. government	236,549	236,549	–
U.S. government agency	136,657	136,657	–
Value	810,103	810,103	–
	3,237,654	3,237,654	–
Common stocks:			
Consumer discretionary	8,623	8,623	–
Energy	56,889	56,889	–
Natural resources	9,043	9,043	–
Real estate	90,883	90,883	–
Telecommunications	52,996	52,996	–
Utilities	13,718	13,718	–
	232,152	232,152	–
Corporate bonds:			
Aaa credit rating	15,351	–	15,351
Aa2 credit rating	24,580	–	24,580
Aa3 credit rating	24,032	–	24,032
A1 credit rating	11,289	–	11,289
A2 credit rating	32,368	–	32,368
A3 credit rating	48,316	–	48,316
Baa1credit rating	132,254	–	132,254
Baa2 credit rating	69,497	–	69,497
Baa3 credit rating	31,379	–	31,379
Ba2 credit rating	2,065	–	2,065
	391,131	–	391,131
Government bonds:			
Aaa credit rating	86,545	86,544	–
Total assets at fair value	3,947,482	$ 3,556,351	$ 391,131
Assets not at fair value:			
Certificates of deposit	141,320		
Cash and cash equivalents	444,841		
Total assets held under gift annuities and trust agreements	$ 4,533,643		

6 Fair value of financial instruments, continued

Fair value of financial instruments at December 31, 2015:

Investments:

	Total	Level 1	Level 2
Mutual funds:			
Blended funds	$ 1,491,451	$ 1,491,451	$ –
Fixed income funds	1,439,772	1,439,772	–
Growth funds	621,551	621,551	–
Value funds	639,221	639,221	–
	4,191,995	4,191,995	–
Common stocks:			
Commodities	465,502	465,502	–
Real estate	1,213,742	1,213,742	–
	1,679,244	1,679,244	–
Corporate bonds:			
A credit rating	118,356	–	118,356
Total investments at fair value	$ 5,989,595	$ 5,871,239	$ 118,356

6 Fair value of financial instruments, continued

Fair value of financial instruments at December 31, 2015, continued:

Assets held under gift annuities and trust agreements:

	Total	Level 1	Level 2
Mutual funds:			
Growth	$ 1,036,298	$ 1,036,298	$ –
Fixed income	831,059	831,059	–
Foreign	797,082	797,082	–
Value	150,081	150,081	–
Real estate	148,187	148,187	–
	2,962,707	2,962,707	–
Common stocks:			
Real estate	192,375	192,375	–
Utilities	80,356	80,356	–
Materials	38,387	38,387	–
Telecommunications	33,293	33,293	–
Technology	32,587	32,587	–
Industrials	10,805	10,805	–
	387,983	387,983	–
Corporate bonds:			
A credit rating	–	–	–
AA credit rating	562,601	–	562,601
	526,601	–	526,601
U.S. government T bills	–	–	–
Mortgage-backed securities	201,376	201,376	
Total assets at fair value	4,078,667	$ 3,552,066	$ 526,601
Assets not at fair value:			
Cash and cash equivalents	608,703		
Total assets held under gift annuities and trust agreements	$ 4,687,370		

7 Investments - other

	At December 31	
Certificates of deposit:	2016	2015
American Express, 1.35%, 10/04/2016	$ –	$ 140,426
Discover Bank, 1.50%, 10/30/2017	140,890	140,448
Goldman Sachs Bank, 1.35%, 10/03/2016	–	140,465
Banco del Pacífico, 5.50%, 04/24/2017	806,000	–
Total	$ 946,890	$ 421,379

8 Property receivable in exchange

On August 21, 2015, Reach Beyond donated property in Quito, Ecuador (the Tenplex) to Iglesia Evangélica Ecuatoriana English Fellowship Church (EFC) in anticipation of a reciprocal donation of property (the Fourplex) by EFC to Reach Beyond. The exchange was for the purpose of resolving a long-standing zoning problem and served the dual purpose of (1) giving clear title and usable space to EFC for two buildings and (2) giving Reach Beyond clear title to a building which can be repurposed or sold as surplus property. The transfer of the Fourplex was not completed until December 14, 2016, therefore the 2015 consolidated financial statements reflect a contribution receivable of $535,905.

9 Notes receivable and deferred gain on installment sales

In 2009, Reach Beyond sold property in Pifo, Ecuador for $8,000,000. Due to uncertainty as to collection, the gain on sale of $3,620,000 is being recognized using the installment method.

	At December 31	
Notes receivable:	2016	2015
Note receivable from an Ecuadorian land trust, annual payments of $1,445,395, including interest at 9%; matures April 2022; secured by a deed of trust	$ 6,483,924	$ 7,274,605

	At December 31	
Deferred gain:	2016	2015
Gross profit 45.25%	$ 2,933,976	$ 3,291,759

At December 31, 2016 and 2015, the note was not on nonaccrual status and was not more than 90 days or more past due, however the land trust was not able to make the payment due on April 10, 2016 and an addendum was signed granting a six month extension. The land trust paid a penalty of $76,741 and the April payment was received on December 9, 2016. The addendum, guaranteed by a principal investor of the land trust, requires future payments to be as originally scheduled.

Future minimum collections for the note receivable:

Year Ended December 31:	
2017	$ 861,842
2018	939,408
2019	1,023,954
2020	1,116,110
2021	1,216,560
2022	1,326,050
	$ 6,483,924

10 Proposed sale of Hospital Vozandes-Quito

In 2012, the board of trustees decided to seek a buyer for Hospital Vozandes-Quito (the hospital). On May 9, 2013, the board approved a letter of intent to transfer the ownership of the hospital effective July 1, 2014, however, the buyer failed to fulfill the terms of the letter of intent and the board terminated the agreement on April 6, 2014. Legal action related to the proposed sale was completed in May 2015 when Reach Beyond returned $2,950,000 of the prospective buyer's deposit.

Management pursued a replacement buyer and signed a non-binding letter of intent on May 25, 2016, to sell the hospital to a group of doctors. However the doctor group was unable to present a workable offer and the board of trustees rescinded the letter of intent on September 29, 2016.

The financial statements for the years 2013, 2014, and 2015 presented the assets and associated liabilities of the hospital as line items in the consolidated statements of financial position and the results of its operations were presented as a line item under the caption discontinued operations in the consolidated statements of activities. Because the hospital was held for sale, no depreciation was recorded on hospital property and equipment.

At December 31, 2016, management had no immediate prospects for a suitable buyer; therefore the assets, liabilities, and operations of the hospital have been reclassified to current operations for all years presented. The reclassification and restatement reduced net assets for 2016 by $1,923,677, representing depreciation not claimed for January 1, 2013 through September 29, 2016 (the date the hospital ceased to meet the criteria as held-for-sale):

2013	$ 534,820
2014	424,127
2015	490,151
January 1 through September 29, 2016	474,579
	$ 1,923,677

11 Property and equipment

	At December 31	
	2016	2015
Land	$ 1,200,369	$ 853,598
Buildings and improvements	12,424,181	11,793,648
Equipment, vehicles, and furniture	13,816,982	14,171,522
Accumulated depreciation	(20,187,709)	(19,837,899)
Total	$ 7,253,823	$ 6,980,869

Depreciation expense, was $351,910 and $191,454 for 2016 and 2015, respectively.

12 Charitable gift annuities and charitable remainder trusts

	At December 31			
Assets:	2016		2015	
Cash and cash equivalents	$	444,842	$	608,703
Common stocks		232,152		387,983
Corporate bonds		618,996		–
Equity mutual funds		2,354,321		2,962,707
Fixed income mutual funds		883,332		727,977
Total	$	4,533,643	$	4,687,370

	At December 31			
Liabilities:	2016		2015	
Amounts payable under charitable gift annuities	$	2,896,025	$	3,229,675
Liabilities under charitable remainder trusts		11,104		11,669
Total	$	2,907,129	$	3,241,344

	For the Year Ended December 31			
Change in value:	2016		2015	
Interest and dividends	$	101,891	$	115,006
Net realized and unrealized gains (losses)		205,361		(118,508)
Custodial and management fees		(39,524)		(42,558)
Actuarial change in projected amounts payable		163,742		169,878
Matured agreements		187,628		553,718
Payments to annuitants		(451,455)		(508,062)
Total	$	167,643	$	169,474

13 Contributions payable

Reach Beyond is transferring the ownership and operation of its Latin American media ministries to an Ecuadorian foundation, Mission HCJB–La Voz de los Andes–Ecuador (Mission HCJB–EC). Mission HCJB–EC is not controlled by Reach Beyond and therefore is not included in Reach Beyond's consolidated financial statements. During 2015, Reach Beyond's Ecuadorian media employees were terminated and some were rehired by Mission HCJB–EC. The consolidated financial statements include contributions payable of $470,564 and $2,069,046 at December 31, 2016 and 2015, respectively, representing the net assets to be donated to Mission HCJB–EC.

Reach Beyond plans on working closely with Mission HCJB–EC as a ministry partner and they signed a memorandum of understanding on February 25, 2016. Future assistance will include the seconding of Reach Beyond missionaries to Mission HCJB–EC and cooperation due to regulatory requirements under Ecuador's communication laws. In 2012 Reach Beyond was granted the rights to the FM frequency used by HCJB 2 (Guayaquil) and these rights will be assigned to Mission HCJB–EC until they are available for renewal in 2022. Quito FM frequencies are in the midst of a process of reassignment; Mission HCJB–EC has submitted a bid to retain 89.3 FM and hopes to be granted a new license to continue the tradition of Reach Beyond's media ministry without the need to switch frequencies.

14 Retirement and termination benefits

The Ecuadorian government requires Reach Beyond to pay a retirement benefit to its Ecuadorian employees who retire with at least 20 years of service. The estimated present value of this liability is determined annually by actuarial valuations.

Under a collective bargaining agreement with its Ecuadorian employees, Reach Beyond pays retirees an additional retirement benefit if they qualify for benefits with the Ecuadorian social security system and they have worked at least 10 years.

	For the Year Ended December 31	
	2016	2015
Number of qualifying employees:		
Hospital Vozandes-Quito	66	62
Other ministries	11	9
Retirement benefits under Ecuadorian law:		
Hospital Vozandes-Quito	$ 2,498,932	$ 1,948,224
Other ministries	307,972	265,530
	2,806,904	2,213,754
Retirement benefits under collective bargaining agreement:		
Hospital Vozandes-Quito	1,174,534	1,269,248
Other ministries	33,564	41,124
	1,208,098	1,310,372
Total retirement benefits	$ 4,015,002	$ 3,524,126

Ecuadorian law requires a severance payment if an employee is fired after two years of service. Severance is calculated based on the employee's monthly pay times 25% times the number of years of service. No liability has been recorded because the potential cost cannot be reasonably estimated.

Reach Beyond's collective bargaining agreement with its Ecuadorian employees requires an additional severance payment equal to one year of salary if an employee is fired after two years of service. No liability has been recorded because the potential cost cannot be reasonably estimated.

15 Employee benefit plans

15.1 Medical benefits

Through December 31, 2015, medical benefits were provided by a grantor trust (World Radio Missionary Fellowship Health Benefits Trust) under a self-insured plan funded by employer contributions. For 2015 Reach Beyond remitted $1,245,126 to the trust and the trust had cash of $703,983 available at December 31, 2015, to cover claims. During 2016 the trust processed all 2015 and prior claims and the trust was liquidated; residual cash of $417,911 was returned to Reach Beyond and recognized as income in the 2016 consolidated statement of activities.

Beginning January 1, 2016, medical benefits for missionaries residing outside of the United States are being provided by United Healthcare Global under a fully insured plan. A fully insured plan transfers all of the risk onto the carrier who charges a flat monthly premium.

Beginning January 1, 2016, medical benefits for missionaries and employees residing in the United States were provided by a level-funded plan with Cigna. A level-funded plan costs the employer the same amount each month; at the end of the plan year the third party administrator compares the fees paid by the employer with the total claims paid by the carrier, and the employer is refunded the difference if the claims paid are less than the plan fees. Stop-loss insurance is activated if a covered employee or dependent exceeds a certain dollar amount in claims or if total claims for the plan exceed a certain dollar amount. At the end of each year, the experience of the plan is reviewed and the fee for the next plan year is negotiated.

Beginning January 1, 2017, medical benefits for missionaries and employees residing in the United States will be provided by United Healthcare Global under a fully insured plan.

15.2 Retirement plan

Reach Beyond offers a 401(k) plan for all missionaries and Ministry Service Center employees. The monthly contribution is $120 for missionaries and full-time employees. Employer contributions for the years ended December 31, 2016 and 2015 were $188,602 and $224,751, respectively.

16 Contingent liabilities

In 2010 the Ecuadorian internal revenue service audited Reach Beyond's 2006 Ecuadorian operations (TWRMF) and assessed a tax deficiency of $580,378 plus interest and penalties. Although TWRMF is an Ecuadorian nonprofit organization, the Ecuadorian internal revenue service ruled that certain TWRMF internal transactions lacked sufficient documentation to preclude a tax liability. TWRMF appealed the ruling, but pending the result of the appeal the 2014 consolidated statement of financial position reflected a contingent liability of $786,850. On April 29, 2016, the Ecuadorian provincial tax court ruled in favor of TWRMF and Reach Beyond eliminated the contingent liability in the 2015 consolidated financial statements by means of a credit to general and administrative expenses. However, on July 22, 2016 the Ecuadorian internal revenue service appealed the decision of the provincial tax court and on January 9, 2017 the national court reinstated the original tax liability, plus interest of $727,335. Pending the results of an appeal on constitutional grounds, the 2016 consolidated financial statements reflect a contingent liability of $1,307,713 and a corresponding charge to general and administrative expenses.

Reach Beyond is subject to claims and lawsuits that arise primarily from the provision of healthcare services in Ecuador. The 2015 consolidated financial statements included a provision of $60,000, however due to a lack of recent litigation and favorable outcomes, management no longer believes this reserve to be necessary.

17 Leases and other commitments

Reach Beyond has licenses for satellite transmission services and leases for office space and office equipment. Expense for satellite transmission services was $53,105 and $58,776 for the years ended December 31, 2016 and 2015, respectively. For the years ended December 31, 2016 and 2015, lease expense was $43,466 and $53,001, respectively. Future minimum payments required under license agreements and non-cancelable operating leases are:

For the Year Ending December 31	Licenses	Leases	Total
2017	$ 58,776	32,533	$ 91,309
2018	29,388	31,400	60,788
2019	–	27,233	27,233
2020	–	15,220	15,220
2021	–	9,000	9,000
Thereafter	–	18,750	18,750
	$ 88,164	$ 134,136	$ 222,300

On November 22, 2016, the hospital signed a $64,617 contract for construction and remodeling of certain consulting rooms. Construction is expected to be completed in early 2017 and $34,617 remained unpaid on the contract at December 31, 2016.

18 Donated goods and services received

	For the Year Ended December 31	
	2016	2015
Donated goods	$ 26,389	$ 16,903
Donated services	868,966	793,148
	$ 895,355	$ 810,051

Donated services primarily consist of services performed by seconded employees.

19 Investment income

	For the Year Ended December 31	
Investments:	2016	2015
Interest and dividends	$ 147,107	$ 132,769
Advisory fees paid	(50,616)	(23,123)
Net realized and unrealized gains (losses)	423,146	(338,891)
Total	$ 519,637	$ (229,245)

20 Other income

	For the Year Ended December 31	
	2016	2015
Project income	$ 67,425	$ 136,234
Rental income	359,395	290,972
Sale of goods and materials	352,811	198,683
Close out medical insurance trust	417,911	–
Expense recovery	208,742	159,402
Insurance settlement	125,000	–
Penalties received	76,741	–
Other	131,684	–
	$ 1,739,709	$ 785,291

21 Administrative assessments and joint costs

21.1 Administrative assessments

Reach Beyond's Ministry Service Center (MSC) in Colorado charges assessments on donor contributions and non-donor income to cover the costs of its Support Ministry Fund (SMF) and Regional Ministry Fund (RMF). The assessments are 2.5%, 10%, 12%, or 24%, depending on the type of income. The funds provided by the assessments are budgeted and administered carefully to ensure good stewardship.

	For the Year Ended December 31	
	2016	2015
Administrative assessments:		
Project donations	$ 700,342	$ 726,441
Missionary donations	565,986	632,018
Total administrative assessments	1,266,328	1,358,459
Administrative assessments on unrestricted donations	(307,574)	(469,605)
Administrative assessments on temporarily restricted donations	$ 958,754	$ 888,854

21.2 Joint costs

Reach Beyond incurs costs that are not readily identifiable with a particular activity. These joint costs, which primarily relate to missionaries on home ministry assignment, have been allocated as follows in the consolidated statement of activities:

	For the Year Ended December 31	
	2016	2015
Program services	$ 83,241	$ 132,762
General and administrative	41,621	66,382
Fundraising	83,241	132,762
	$ 208,103	$ 331,906

22 Foreign operations

Assets, liabilities, and public support and revenue from outside of the United States:

	For the Year Ended December 31	
	2016	2015
Property and equipment	$ 6,843,296	$ 6,537,320
Other assets	13,523,575	15,016,895
Total liabilities	12,297,265	11,969,935
Public support and revenue	36,607,594	35,081,066

Total property and equipment included the following located outside the United States:

	At December 31	
	2016	2015
Land	$ 1,100,369	$ 753,598
Buildings and improvements	11,546,299	10,896,065
Equipment and furniture	13,026,392	13,389,379
Vehicles	312,097	387,401
Computers and software	151,654	10,694
Accumulated depreciation	(19,293,515)	(18,899,817)
Total	$ 6,843,296	$ 6,537,320

The political situation in foreign countries can be unstable. Although management believes that the value of these assets is not currently impaired, circumstances could change which could affect their value.

23 Subsequent events

Hospital Vozandes Quito operates as part of The World Radio Missionary Fellowship, Inc. (TWRMF). On April 5, 2017, TWRMF formed a for-profit entity known as Hospital Vozandes Quito HVQ-SA. Hospital Vozandes Quito HVQ-SA is fully owned and controlled by TWRMF but had no assets or liabilities as of the date of this report.

The installment payment due on April 10, 2017, as described in Note 9, had not been received as of the date of this report.

24 Reclassifications in prior year financial statements

As described in Note 10, the 2015 financial statements presented the assets and liabilities of the Hospital Vozandes Quito under the captions “Hospital assets held for sale” and “Hospital liabilities associated with assets held for sale,” respectively, in the consolidated statement of financial position. In the consolidated statement of activities, the results of the hospital’s operations were presented under the caption “Loss on discontinued operations.” In these consolidated financial statements the comparative information for 2015 has been restated in accordance with generally accepted accounting principles to reclassify the assets, liabilities, and operations of the hospital as part of continuing operations.

24 Reclassifications in prior year financial statements, continued

Due to an oversight of facts that existed at the time the 2015 financial statements were prepared, amounts have been reclassified between unrestricted and temporarily restricted net assets to make the information comparable to the 2016 financial statement presentation.

The following table summarizes the changes and their impact on the 2015 consolidated financial statements. Where there is an asterisk, amounts also reflect the effect of the restatement described in Note 10:

Consolidated statement of financial position:	As previously reported or restated*	Reclassification	As reclassified
Unrestricted net assets — operating	$ 5,515,542*	$ (1,265,460)	$ 4,250,082
Temporarily restricted net assets — missionary support	3,137,041	(243,717)	2,893,324
Temporarily restricted net assets — projects	2,075,542	1,509,177	3,584,719
Consolidated statement of activities:			
Public support — contributions, unrestricted	1,508,958	(706,185)	802,773
Public support — contributions, temporarily restricted	11,017,944*	706,185	11,724,129
Net assets released — purpose restrictions, unrestricted	9,792,057	690,889	10,482,946
Net assets released — purpose restrictions, temporarily restricted	(9,792,057)	(690,889)	(10,482,946)
Net assets released — administrative assessments, unrestricted	1,065,057	(176,203)	888,854
Net assets released — administrative assessments, temporarily restricted	(1,065,057)	176,203	(888,854)
Change in net assets — unrestricted	(2,588,563)	(313,913)	(2,902,476)
Change in net assets — temporarily restricted	214,330	313,913	528,243
Net assets — beginning of year, unrestricted	16,525,669	(951,547)	15,574,122
Net assets — beginning of year, temporarily restricted	5,003,584	951,547	5,955,131
Net assets — end of year, unrestricted	13,937,106	(1,265,460)	1,671,646
Net assets — end of year, temporarily restricted	5,217,914	1,265,460	6,483,374

CAPINCROUSE LLP

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION

Board of Trustees
World Radio Missionary Fellowship, Inc.
and Affiliate d.b.a. Reach Beyond
Colorado Springs, Colorado

We have audited the consolidated financial statements of World Radio Missionary Fellowship, Inc. and Affiliate d.b.a. Reach Beyond, as of and for the years ended December 31, 2016 and 2015, and our report thereon dated May 1, 2017, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities by fund, and the statements of financial position and activities for Hospital Vozandes Quito, are presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual funds and programs, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Colorado Springs, Colorado
May 1, 2017

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	2016				2015			
	Operating	Gift Annuity	Trusts	Total	Operating	Gift Annuity	Trusts	Total
Assets:								
Cash and cash equivalents	$ 3,452,615	$ –	$ –	$ 3,452,615	$ 3,776,533	$ –	$ –	$ 3,776,533
Accounts receivable	1,977,252	–	–	1,977,252	2,274,734	–	–	2,274,734
Inventory	803,393	–	–	803,393	895,714	–	–	895,714
Prepayments and other assets	1,057,768	–	–	1,057,768	1,195,800	–	–	1,195,800
Interest receivable	421,617	–	–	421,617	463,756	–	–	463,756
Investments	6,194,518	–	–	6,194,518	5,989,595	–	–	5,989,595
Investments - other	946,890	–	–	946,890	421,379	–	–	421,379
Property receivable in exchange	–	–	–	–	535,905	–	–	535,905
Notes receivable	6,483,924	–	–	6,483,924	7,274,605	–	–	7,274,605
Property and equipment	7,253,823	–	–	7,253,823	6,980,869	–	–	6,980,869
Assets under gift annuity and trust agreements	–	4,517,823	15,820	4,533,643	–	4,670,370	17,000	4,687,370
Total assets	$ 28,591,800	$ 4,517,823	$ 15,820	$ 33,125,443	$ 29,808,890	$ 4,670,370	$ 17,000	$ 34,496,260
Liabilities and net assets:								
Liabilities:								
Accounts payable and accrued expenses	$ 3,842,991	$ –	$ –	$ 3,842,991	$ 3,154,965	$ –	$ –	$ 3,154,965
Contributions payable	470,564	–	–	470,564	2,069,046	–	–	2,069,046
Contingent liability	1,307,713	–	–	1,307,713	60,000	–	–	60,000
Retirement benefits	4,015,002	–	–	4,015,002	3,524,126	–	–	3,524,126
Deferred gain on sale of property	2,933,976	–	–	2,933,976	3,291,759	–	–	3,291,759
Hospital liabilities associated with assets held for sale	–	–	–	–	–	–	–	–
Liabilities under gift annuity and trust agreements	–	2,896,025	11,104	2,907,129	–	3,229,675	11,669	3,241,344
Total liabilities	12,570,246	2,896,025	11,104	15,477,375	12,099,896	3,229,675	11,669	15,341,240
Net assets:								
Unrestricted:								
Designated - annuity reserves	–	1,621,798	–	1,621,798	–	1,440,695	–	1,440,695
Equity in property and equipment	7,253,823	–	–	7,253,823	6,980,869	–	–	6,980,869
Operating	2,855,535	–	–	2,855,535	4,250,082	–	–	4,250,082
Total unrestricted net assets	10,109,358	1,621,798	–	11,731,156	11,230,951	1,440,695	–	12,671,646
Temporarily restricted:								
Missionary support	2,995,079	–	–	2,995,079	2,893,324	–	–	2,893,324
Projects	2,917,117	–	–	2,917,117	3,584,719	–	–	3,584,719
Irrevocable charitable remainder trusts	–	–	4,716	4,716	–	–	5,331	5,331
Total temporarily restricted net assets	5,912,196	–	4,716	5,916,912	6,478,043	–	5,331	6,483,374
Total net assets	16,021,554	1,621,798	4,716	17,648,068	17,708,994	1,440,695	5,331	19,155,020
Total liabilities and net assets	$ 28,591,800	$ 4,517,823	$ 15,820	$ 33,125,443	$ 29,808,890	$ 4,670,370	$ 17,000	$ 34,496,260

	2016				2015			
	Operating	Gift Annuity	Trusts	Total	Operating	Gift Annuity	Trusts	Total
Public support and revenue:								
Public support:								
Contributions	$ 10,490,878	$ 12,845	$ –	$ 10,503,723	$ 12,515,958	$ 10,944	$ –	$ 12,526,902
Donated goods and services	895,355	–	–	895,355	810,051	–	–	810,051
Total public support	11,386,233	12,845	–	11,399,078	13,326,009	10,944	–	13,336,953
Revenue:								
Medical service income	33,149,823	–	–	33,149,823	31,176,427	–	–	31,176,427
Investment income	519,637	–	–	519,637	(229,245)	–	–	(229,245)
Radio broadcast fees	146,303	–	–	146,303	160,025	–	–	160,025
Change in value of annuities and trusts	–	168,258	(615)	167,643	–	(6,440)	175,914	169,474
Interest income	723,362	–	–	723,362	1,002,244	–	–	1,002,244
Gain on disposition of assets	645,837	–	–	645,837	1,109,101	–	–	1,109,101
Other income	1,739,709	–	–	1,739,709	785,291	–	–	785,291
Total revenue	36,924,671	168,258	(615)	37,092,314	34,003,843	(6,440)	175,914	34,173,317
Total public support and revenue	48,310,904	181,103	(615)	48,491,392	47,329,852	4,504	175,914	47,510,270
Net assets released:								
Purpose restrictions	–	–	–	–	237,488	–	(237,488)	–
Expenses:								
Program services:								
Media	4,642,953	–	–	4,642,953	8,154,655	–	–	8,154,655
Healthcare	35,745,987	–	–	35,745,987	32,248,783	–	–	32,248,783
Leadership development	2,507,950	–	–	2,507,950	2,565,498	–	–	2,565,498
Missions awareness	1,582,640	–	–	1,582,640	1,756,919	–	–	1,756,919
Total program services	44,479,530	–	–	44,479,530	44,725,855	–	–	44,725,855
Supporting activities;								
General and administrative	4,680,345	–	–	4,680,345	4,427,367	–	–	4,427,367
Fundraising	838,469	–	–	838,469	731,281	–	–	731,281
Total supporting activities	5,518,814	–	–	5,518,814	5,158,648	–	–	5,158,648
Total expenses	49,998,344	–	–	49,998,344	49,884,503	–	–	49,884,503

World Radio Missionary Fellowship, Inc., dba Reach Beyond

Statements of Activities by Fund, continued
For the Years Ended December 31, 2016 and 2015

	2016				2015			
	Operating	Gift Annuity	Trusts	Total	Operating	Gift Annuity	Trusts	Total
Change in net assets	(1,687,440)	181,103	(615)	(1,506,952)	(2,317,163)	4,504	(61,574)	(2,374,233)
Net assets, beginning of year	17,708,994	1,440,695	5,331	19,155,020	20,026,157	1,436,191	66,905	21,529,253
Net assets, end of year	$ 16,021,554	$ 1,621,798	$ 4,716	$ 17,648,068	$ 17,708,994	$ 1,440,695	$ 5,331	$ 19,155,020

Combining Statement of Financial Position
December 31, 2016

	HVQ	Other	Eliminations	Total
Assets:				
Cash and cash equivalents	$ 498,538	$ 2,954,077	$ –	$ 3,452,615
Accounts receivable	1,662,897	409,041	(94,686)	1,977,252
Inventory	768,280	35,113	–	803,393
Prepayments and other assets	821,475	236,293	–	1,057,768
Interest receivable	–	421,617	–	421,617
Investments	125,482	6,069,036	–	6,194,518
Investments - other	–	946,890	–	946,890
Notes receivable	–	6,483,924	–	6,483,924
Property and equipment	5,544,156	1,709,667	–	7,253,823
Assets under gift annuity and trust agreements	–	4,533,643	–	4,533,643
Total assets	$ 9,420,828	$ 23,799,301	$ (94,686)	$ 33,125,443
Liabilities and net assets:				
Liabilities:				
Accounts payable and accrued expenses	$ 3,454,966	478,979	$ (90,954)	$ 3,842,991
Contributions payable	–	470,564	–	470,564
Contingent liability	1,307,713	–	–	1,307,713
Retirement benefits	3,673,467	341,535	–	4,015,002
Deferred gain on sale of property	–	2,933,976	–	2,933,976
Liabilities under gift annuity and trust agreements	–	2,907,129	–	2,907,129
Total liabilities	8,436,146	7,132,183	(90,954)	15,477,375
Net assets	984,682	16,667,118	(3,732)	17,648,068
Unrestricted:				
Designated - annuity reserves	–	1,621,798	–	1,621,798
Equity in property and equipment	5,544,156	1,709,667	–	7,253,823
Operating	(4,559,474)	7,415,009	–	2,855,535
Total unrestricted net assets	984,682	10,746,474	–	11,731,156
Temporarily restricted:				
Missionary support	–	2,995,079	–	2,995,079
Projects	–	2,917,117	–	2,917,117
Irrevocable charitable remainder trusts	–	4,716	–	4,716
Total temporarily restricted net assets	–	5,916,912	–	5,916,912
Total net assets	984,682	16,663,386	–	17,648,068
Total liabilities and net assets	$ 9,420,828	$ 23,795,569	$ (90,954)	$ 33,125,443

	HVQ	Other	Eliminations	Total
Public support and revenue:				
Public support:				
Contributions	$ 42,143	$ 10,461,580	$ –	$ 10,503,723
Donated goods and services	9,129	886,226	–	895,355
Total public support	51,272	11,347,806	–	11,399,078
Revenue:				
Medical service income	32,266,579	883,244	–	33,149,823
Investment income	–	519,637	–	519,637
Radio broadcast fees	–	146,303	–	146,303
Change in value of annuities and trusts	–	167,643	–	167,643
Interest income	25,885	697,477	–	723,362
Gain on disposition of assets	–	645,837	–	645,837
Other income	240,768	1,773,556	(274,615)	1,739,709
Total revenue	32,533,232	4,833,697	(274,615)	37,092,314
Total public support and revenue	32,584,504	16,181,503	(274,615)	48,491,392
Expenses:				
Program services:				
Media	–	4,642,953	–	4,642,953
Healthcare	33,414,256	2,327,998	3,733	35,745,987
Leadership development	879,012	1,628,938	–	2,507,950
Missions awareness	–	1,582,640	–	1,582,640
Total program services	34,293,268	10,182,529	3,733	44,479,530
Supporting activities:				
General and administrative	1,397,249	3,557,711	(274,615)	4,680,345
Fundraising	–	838,469	–	838,469
Total supporting activities	1,397,249	4,396,180	(274,615)	5,518,814
Total expenses	35,690,517	14,578,709	(270,882)	49,998,344
Change in net assets	(3,106,013)	1,602,794	(3,733)	(1,506,952)
Net assets, beginning of year	4,090,695	15,064,325	–	19,155,020
Net assets, end of year	$ 984,682	$ 16,667,119	$ (3,733)	$ 17,648,068