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

Consolidated Financial Statements for the Years Ended December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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.

Capin Crouse LLP

Colorado Springs, Colorado
October 3, 2018

Consolidated Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets:		
Cash and cash equivalents	$ 4,916,521	$ 3,452,612
Accounts receivable	2,533,947	1,936,464
Inventory	803,593	803,393
Prepayments and other assets	810,388	1,057,768
Interest receivable	1,005,170	421,617
Long-term advances	109,451	108,051
Notes receivable	6,483,924	6,483,924
Investments	6,123,639	6,194,519
Investments - other	3,293,140	946,890
Property and equipment	6,792,761	7,253,823
Assets under gift annuity and trust agreements	4,593,007	4,533,643
Total assets	$ 37,465,541	$ 33,192,704
Liabilities and net assets:		
Liabilities:		
Accounts payable and accrued expenses	$ 3,314,700	$ 3,910,252
Contributions payable	1,763,878	470,564
Corporate tax payable	199,503	–
Profit sharing payable	294,314	–
Contingent liability	787,378	1,307,713
Retirement benefits	5,074,892	4,015,002
Deferred gain on sale of property	2,933,976	2,933,976
Liabilities under gift annuity and trust agreements	2,823,764	2,907,129
Total liabilities	17,192,405	15,544,636
Net assets:		
Unrestricted:		
Designated - annuity reserves	1,764,830	1,621,798
Equity in property and equipment	6,792,761	7,253,823
Noncontrolling interest in subsidiary HVQSA	281,488	–
Operating	5,377,772	2,855,535
Total unrestricted net assets	14,216,851	11,731,156
Temporarily restricted:		
Missionary support	2,804,864	2,995,079
Projects	3,247,008	2,917,117
Irrevocable charitable remainder trusts	4,413	4,716
Total temporarily restricted net assets	6,056,285	5,916,912
Total net assets	20,273,136	17,648,068
Total liabilities and net assets	$ 37,465,541	$ 33,192,704

See notes to consolidated financial statements

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Public support:						
Contributions	$ 3,044,102	$ 8,544,678	$ 11,588,780	$ 677,350	$ 9,913,901	$ 10,591,251
Donated goods and services	697,831	–	697,831	895,355	–	895,355
Total public support	3,741,933	8,544,678	12,286,611	1,572,705	9,913,901	11,486,606
Revenue:						
Medical service income	37,659,670	–	37,659,670	33,159,305	–	33,159,305
Earnings on investments	728,482	–	728,482	519,637	–	519,637
Media income	360,379	–	360,379	323,668	–	323,668
Change in value of annuities and trusts	136,732	(303)	136,429	168,258	(615)	167,643
Interest income	655,292	–	655,292	723,362	–	723,362
Gain on disposition of assets	243,422	–	243,422	645,837	–	645,837
Other income	856,794	–	856,794	1,464,803	–	1,464,803
Total revenue	40,640,771	(303)	40,640,468	37,004,870	(615)	37,004,255
Total public support and revenue	44,382,704	8,544,375	52,927,079	38,577,575	9,913,286	48,490,861
Net assets released:						
Purpose restrictions	7,528,172	(7,528,172)	–	9,520,994	(9,520,994)	–
Administrative assessments	876,830	(876,830)	–	958,754	(958,754)	–
Total net assets released	8,405,002	(8,405,002)	–	10,479,748	(10,479,748)	–
Expenses:						
Program services:						
Media	5,491,556	–	5,491,556	4,612,625	–	4,612,625
Healthcare	37,084,109	–	37,084,109	35,397,089	–	35,397,089
Leadership development	2,842,018	–	2,842,018	2,507,924	–	2,507,924
Missions awareness	1,537,411	–	1,537,411	1,582,639	–	1,582,639
Total program services	46,955,094	–	46,955,094	44,100,277	–	44,100,277

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Expenses, continued:						
Supporting activities:						
General and administrative	4,565,474	–	4,565,474	5,059,067	–	5,059,067
Fundraising	781,683	–	781,683	838,469	–	838,469
Total supporting activities	5,347,157	–	5,347,157	5,897,536	–	5,897,536
Total expenses	52,302,251	–	52,302,251	49,997,813	–	49,997,813
Excess (deficit) of public support and revenue over expenses	485,455	139,373	624,828	(940,490)	(566,462)	(1,506,952)
Net assets, beginning of year	11,731,156	5,916,912	17,648,068	12,671,646	6,483,374	19,155,020
Sale of shares of subsidiary HVQSA	2,000,240	–	2,000,240	–	–	–
Net assets, end of year	$ 14,216,851	$ 6,056,285	$ 20,273,136	$ 11,731,156	$ 5,916,912	$ 17,648,068

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Received from contributors	$ 11,573,525	$ 10,524,089
Received for services	37,592,563	34,825,965
Interest and dividends received	266,287	956,713
Miscellaneous receipts	25,460	630,760
Paid to or on behalf of employees and retirees	(18,418,963)	(18,794,996)
Paid to suppliers and service providers	(27,244,325)	(24,311,209)
Paid to annuitants	(429,114)	(451,455)
Donations made and scholarships given	(1,192,163)	(1,535,309)
Paid to Ecuadorian internal revenue service	(611,073)	–
Miscellaneous payments	(720,095)	(859,129)
Net cash provided by operating activities	842,102	985,429
Cash flows from investing activities:		
Proceeds from sale of property and equipment	230,500	13,000
Purchase of property and equipment	(343,030)	(2,256,317)
Principal collected on notes receivable	–	790,680
Proceeds from sale of HVQSA stock	2,000,240	–
Proceeds from sales of investments	4,533,130	3,598,268
Purchases of investments	(6,160,300)	(3,831,224)
Transfer from operating cash	361,267	376,243
Net cash provided (used) by investing activities	621,807	(1,309,350)
Change in cash and cash equivalents	1,463,909	(323,921)
Cash and cash equivalents, beginning of year	3,452,612	3,776,533
Cash and cash equivalents, end of year	$ 4,916,521	$ 3,452,612

Supplemental disclosure of noncash investing activities:	2017	2016
Increase in property and equipment	$ –	$ 535,905
Decrease in property receivable in exchange	–	(535,905)
Decrease in property and equipment	(16,500)	(518,735)
Decrease in contributions payable	16,500	518,735
	$ –	$ –

	2017	2016
Reconciliation of excess (deficit) of public support and revenue over expenses to net cash provided (used) by operating activities:		
Excess (deficit) of public support and revenue over expenses	$ 624,828	$ (1,506,952)
Adjustments to reconcile excess of public support and revenue over expenses to net cash provided (used by) operating activities:		
Noncash expenses (revenues):		
Depreciation	862,715	351,910
Provision for losses on accounts receivable	(1,648,838)	(30,839)
Net realized and unrealized gains on investments	(633,835)	(423,147)
Reinvested dividends	–	(7,169)
Receipt of in-kind stock donation	(15,255)	(67,162)
(Gain) loss on disposition of property	(243,422)	(645,837)
Amortization of rental space	(106,308)	(88,590)
Property and equipment adjustment	(102,201)	–
Actuarial gain on annuity and trust obligations	(38,283)	(163,742)
Gain on assets under gift annuity and trust agreements	(416,040)	(205,361)
Matured gift annuity and trust agreements	(48,783)	(187,628)
Adjustment for period of discontinued operations (Note 10)	–	1,923,677
Changes in operating assets and liabilities:		
Accounts receivable	1,091,355	509,258
Inventory	(200)	92,321
Prepayments and other assets	247,380	138,032
Interest receivable	(583,553)	42,139
Due from affiliate	(697,855)	–
Long-term advances	(1,400)	(98,200)
Accounts payable and accrued expenses	(595,552)	605,287
Contributions payable	1,416,122	(991,157)
Due to affiliate	697,855	–
Corporate tax payable	199,503	–
Profit sharing payable	294,314	–
Contingent liability	(520,335)	1,247,713
Retirement benefits	1,059,890	490,876
Net cash provided (used) by operating activities	$ 842,102	$ 985,429

1 Nature of organization

Reach Beyond (known as HCJB Global until January 2014), is an interdenominational, international Christian mission organization whose mission is “Empowering dynamic media and healthcare ministries that declare and demonstrate Jesus Christ.” Reach Beyond is 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, The World Radio Missionary Fellowship, Inc. (TWRMF), an Ecuadorian nonprofit organization, and Hospital Vozandes Quito S.A. (HVQSA), an Ecuadorian for profit corporation. 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 is controlled by WRMF and serves the Latin American Region from its offices in Quito and Shell, Ecuador. HVQSA is located in Quito, Ecuador and was owned 86.7% by TWRMF at December 31, 2017. The remaining 13.3% was owned by a trust controlled by a group of doctors that practice at the hospital. The three 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. Throughout these consolidated financial statements the activities of the three organizations are referred to generically as Reach Beyond unless more specific identification is necessary for clarity.

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 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 provided by 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 a satellite clinic 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 surgery, emergency room, family practice, ear-nose-throat, and traumatology residencies. The Quito hospital is affiliated with five universities to carry out these educational programs; and in 2017 a chaplaincy program was launched in cooperation with a local seminary. 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 — participants learn tools to enhance mental and physical wellbeing and help participants reach their full potential.
- Team development — participants learn 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 2018.

2 Summary of significant accounting policies

2.1 Basis of accounting

Reach Beyond prepares its consolidated 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 and support facilities in Ecuador and other countries. The consolidated financial statements report Reach Beyond's worldwide operations stated in United States dollars; all inter-entity transactions have been eliminated.

2.3 Financial instruments

Financial instruments are cash, ownership interests in other entities, and contractual rights to receive or deliver cash or another financial instrument. Reach Beyond categorizes its financial instruments as cash and cash equivalents, trade accounts receivable and payable, notes receivable, investments, investments – other (see Note 2.8), assets under gift annuity and trust agreements, and liabilities under gift annuity and trust agreements (see Note 2.11).

2.4 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.

2.5 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. Management has established a reserve for uncollectible accounts to absorb possible losses. The reserve is based on 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 based on the adequacy of collateral, collection experience, current economic conditions, and other metrics. If a receivable becomes uncollectible Reach Beyond ceases to accrue interest and writes off the remaining balance.

2.6 Inventory

Inventory is stated at the lower of cost or net realizable value using the weighted-average method.

2 Summary of significant accounting policies, continued

2.7 Investments

Reach Beyond's investments include mutual funds, exchange traded funds, index funds, common stocks, corporate bonds, government securities such as treasury bills, real estate investment trusts, and mortgage-backed securities.

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.

Investments may be recorded at fair value on a non-recurring basis. Non-recurring fair value adjustments are a result of a write-down due to a specific event or the difficulty or cost of valuing an investment. For 2017 and 2016, all investments were measured on a recurring basis.

2.8 Investments – other

Certificates of deposit with original 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.

2.9 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, 2017, 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. Net gains or losses are reported in the revenue section of the consolidated statement of activities.

2.10 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 consolidated statements 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 consolidated statements of financial position.

2 Summary of significant accounting policies, continued

2.11 Liabilities under gift annuity and trust agreements

Reach Beyond has a charitable gift annuity plan that allows donors to contribute assets 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.

Some states in which annuities are issued require that Reach Beyond follow investment guidelines and maintain minimum reserves. At December 31, 2017, Reach Beyond was in compliance with all state requirements.

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 net assets.

2.12 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 resources without donor stipulations, resources designated by the board for specific purposes, resources invested in property and equipment, and annuity reserves.

2.13 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. 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.

Income from medical services 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 historically has been a significant third-party payer with complicated rules and procedures. However, in 2017 the Ecuadorian government paid substantially all of its outstanding payables to HVQ. HVQ also commissioned a third party to do a detailed analysis of its billings to the government and HVQ believes future changes in estimates will be minimal.

2 Summary of significant accounting policies, continued

2.13 Revenue recognition principles, continued

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 $1,385 and $8,512 for the years ended December 31, 2017 and 2016, respectively.

Sales of real property:

Sales are generally reported on the 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 obligated to perform significant activities after the sale.

If a sale has not been consummated, the deposit method of accounting is used. 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 accrual basis and the recovery of the carrying value 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 carrying value of the property is not reasonably assured if the buyer defaults or if the carrying value 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 carrying value is fully recovered, cash collected is recognized as income.

2.14 Seconded services

Reach Beyond has secondment agreements with various nonprofit organizations. 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.

2.15 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 provided by a defined contribution plan and expenses are recorded in the same period as the corresponding employee compensation.

Medical benefits are provided via third-party insurance companies and premiums are expensed in the same period as the corresponding employee compensation.

2 Summary of significant accounting policies, continued

2.16 Income taxes

World Radio Missionary Fellowship, Inc. (WRMF) is a nonprofit corporation established in 1931 in Ohio with subsequent incorporation as a Florida charitable organization in 1976. WRMF 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. WRMF is classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code. Contributions to WRMF qualify for the charitable contribution deduction under Code Section 170(b)(1)(A).

The World Radio Missionary Fellowship, Inc. (TWRMF) is an Ecuadorian nonprofit organization established in 1946. It operates under Ecuador's law of "religious affairs" and is exempt from Ecuadorian income taxes; however, as a foreign corporation, contributions to TWRMF do not qualify for the U.S. charitable contribution deduction.

Hospital Vozandes Quito, S.A. (HVQSA) is an Ecuadorian for-profit corporation created on April 5, 2017. It is subject to Ecuadorian corporate income taxes; as a foreign corporation, contributions to HVQSA do not qualify for the U.S. charitable contribution deduction.

2.17 Functional allocation of expenses

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

2.18 Management estimates and assumptions

The preparation of consolidated 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 consolidated 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 materially different.

Significant estimates and assumptions in the consolidated 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, liabilities for retirement benefits, and contingencies.

2.19 Consolidated statements of cash flows

Management believes that the direct method of presenting cash flows is easier to understand and more meaningful, therefore the consolidated statements of cash flows have been reformatted for both 2017 and 2016.

2.20 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 Concentrations of credit risk

Credit risk is the risk of an unexpected loss if a financial institution, customer, or third party to another financial instrument fails to meet its contractual obligations. Financial instruments that potentially put Reach Beyond at risk are primarily cash and cash equivalents, accounts receivable (see Note 4), notes receivable (see Note 7), investments (see Note 8), and investments – other (see Note 9).

Cash held at financial institutions in the United States exceeded FDIC insurance by $919,032 and $672,625 at December 31, 2017, and 2016, respectively. Cash deposits held at financial institutions in foreign countries ($3,443,854 and $2,192,902 at December 31, 2017, and 2016, respectively) have limited or no insurance, however management restricts deposits to the largest and most stable banks; accounts are regularly monitored and management does not believe there is a significant risk of loss.

4 Accounts receivable

	At December 31	
	2017	2016
Medical services	$ 2,352,434	$ 3,464,102
Missionary and employee advances	70,042	138,220
Broadcast fees and other	263,718	177,440
	2,686,194	3,779,762
Allowance for doubtful accounts	(152,247)	(1,843,298)
Total	$ 2,533,947	$ 1,936,464

Medical services receivable are for services performed in Ecuador. The Ecuadorian government accounted for $353,275 and $1,836,698 of receivables and $71,717 and $1,722,856 of the allowance for doubtful accounts at December 31, 2017 and 2016, respectively.

5 Inventory

	At December 31	
	2017	2016
Medical supplies	$ 301,009	$ 387,589
Medicines	467,991	394,107
Other	34,593	21,697
Total	$ 803,593	$ 803,393

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

6 Prepayments and other assets

	At December 31	
	2017	2016
Governmental retentions	$ 266,636	$ 751,590
Real estate and equipment held for sale	123,435	114,434
Advances to suppliers	229,842	84,098
Prepaid expenses	88,391	77,646
Deposits	102,084	30,000
	$ 810,388	$ 1,057,768

7 Notes receivable

7.1 Sale of property in Pifo, Ecuador

In 2009, TWRMF sold surplus property, consisting primarily of land, for $8,000,000. Due to uncertainty regarding collection, the gain on sale of $3,620,000 is being recognized using the installment method.

	At December 31	
Notes receivable:	2017	2016
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	$ 6,483,924

	At December 31	
Deferred gain:	2017	2016
Gross profit 45.25%	$ 2,933,976	$ 2,933,976

At December 31, 2017 and 2016, the note was not on nonaccrual status; however it was 265 days past due at December 31, 2017. In early 2018 the land trust paid a total of $5,510,259 representing $4,483,924 of principal and $1,026,335 of accrued interest. In conjunction with these payments, the original note was replaced by a new note for $2,000,000 with an effective date of November 28, 2017. The new note requires payments of $1,000,000, plus accrued interest at 9%, on November 28, 2018, and November 28, 2019. The deed of trust securing the property was relinquished, however the new note is guaranteed by two principal investors of the land trust.

7.2 Sale of property in Shell, Ecuador

On November 28, 2017, TWRMF sold surplus property consisting of land, residences, a guest house, outbuildings, and a pedestrian bridge for $250,000 to an Ecuadorian nonprofit organization. TWRMF received a down payment of $210,000 in December 2017, and the balance, not requiring interest, was received in April 2018. The balance due of $40,000 is included in accounts receivable at December 31, 2017.

8 Fair value of investments and fair value of assets and liabilities under gift annuity and trust agreements

Reach Beyond values and discloses information related to investments and assets under gift annuity and trust agreements based on a fair value hierarchy. The fair value hierarchy has three levels:

Level 1 assets are valued according to quoted market prices.

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

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

Liabilities under gift annuity and trust agreements are reported at fair value according to actuarial valuations (see Note 2.11).

8 Fair value of investments and fair value of assets and liabilities under gift annuity and trust agreements, continued

Investments 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. Reach Beyond had no investments categorized in level 3. Bond ratings are per Moody's Investors Service.

Fair value of investments at December 31, 2017:

	Total	Level 1	Level 2
Mutual funds, index funds, exchange-traded funds, and REITs:			
Commodities	$ 141,976	$ 141,976	$ –
Common stocks (blended)	827,897	827,897	–
Common stocks (growth)	431,855	431,855	–
Common stocks (international)	850,518	850,518	–
Corporate bonds	1,411,389	1,411,389	–
Real estate	401,624	401,624	–
	4,065,259	4,065,259	–
Common stocks:			
Consumer discretionary	131,449	121,312	10,137
Energy	32,709	32,709	–
Financial	188,715	188,715	–
Healthcare	120,577	120,577	–
Industrials	67,476	67,476	–
International	186,977	186,977	–
Technology	197,994	197,994	–
Telecommunications	47,847	47,847	–
Transportation	2,979	2,979	–
Utilities	39,879	39,879	–
	1,016,602	1,006,465	10,137
Corporate bonds:			
A1 credit rating	81,055	–	81,055
A2 credit rating	106,743	–	106,743
A3 credit rating	118,093	–	118,093
Baa1 credit rating	69,418	–	69,418
Baa2 credit rating	19,968	–	19,968
Not rated	69,996	–	69,996
	465,273	–	465,273
U.S. treasuries and agencies:			
Aaa credit rating	576,505	576,505	–
Total investments at fair value	$ 6,123,639	$ 5,648,229	$ 475,410

8 Fair value of investments and fair value of assets and liabilities under gift annuity and trust agreements, continued

Fair value of assets under gift annuity and trust agreements at December 31, 2017:

	Total	Level 1	Level 2
Mutual funds, index funds, exchange-traded funds, and REITs:			
Common stocks (blended)	$ 91,376	$ 91,376	$ –
Common stocks (growth)	641,154	641,154	–
Common stocks (international)	770,152	770,152	–
Common stocks (value)	641,520	641,520	–
Corporate bonds	832,029	832,029	–
Real estate	230,271	230,271	–
U.S. treasuries and agencies	135,267	135,267	–
	3,341,769	3,341,769	–
Common stocks:			
Consumer discretionary	13,699	13,699	–
Energy	64,774	64,774	–
Natural resources	7,371	7,371	–
Technology	604	604	–
Telecommunications	49,355	49,355	–
Utilities	17,693	17,693	–
	153,496	153,496	–
Corporate bonds:			
Aaa credit rating	25,946	–	25,946
Aa2 credit rating	14,185	–	14,185
Aa3 credit rating	12,591	–	12,591
A1 credit rating	5,121	–	5,121
A2 credit rating	29,590	–	29,590
A3 credit rating	37,555	–	37,555
Baa1credit rating	113,250	–	113,250
Baa2 credit rating	70,935	–	70,935
Baa3 credit rating	33,451	–	33,451
Ba2 credit rating	2,352	–	2,352
	344,976	–	344,976
U.S. treasuries and agencies:			
Aaa credit rating	226,697	226,697	–
Total assets at fair value	4,066,938	$ 3,721,962	$ 344,976
Assets at cost:			
Certificates of deposit	240,040		
Cash and cash equivalents	286,029		
Total assets under gift annuity and trust agreements	$ 4,593,007		

8 Fair value of investments and fair value of assets and liabilities under gift annuity and trust agreements, continued

Fair value of investments at December 31, 2016:

	Total	Level 1	Level 2
Mutual funds, index funds, exchange-traded funds, and REITs:			
Commodities	$ 171,816	$ 171,816	$ –
Common stocks (blended)	887,532	887,532	–
Common stocks (growth)	703,290	703,290	–
Common stocks (international)	770,192	770,192	–
Common stocks (value)	630,705	630,705	–
Corporate bonds	1,235,338	1,235,338	–
Real estate	508,870	508,870	–
	4,907,743	4,907,743	–
Common stocks:			
Consumer discretionary	126,120	115,983	10,138
Energy	27,131	27,131	–
Financial	90,488	90,488	–
Healthcare	72,180	72,180	–
Industrials	68,041	68,041	–
International	145,740	145,740	–
Technology	105,615	105,615	–
Telecommunications	28,532	28,532	–
Utilities	26,890	26,890	–
	690,738	680,600	10,138
Corporate bonds:			
A1 credit rating	77,259	–	77,259
A2 credit rating	45,089	–	45,089
A3 credit rating	56,324	–	56,324
Baa1 credit rating	45,224	–	45,224
Baa2 credit rating	45,360	–	45,360
	269,256	–	269,256
U.S. treasuries and agencies:			
Aaa credit rating	326,782	326,782	–
Total investments at fair value	$ 6,194,519	$ 5,915,125	$ 279,394

8 Fair value of investments and fair value of assets and liabilities under gift annuity and trust agreements, continued

Fair value of assets under gift annuity and trust agreements at December 31, 2016:

	Total	Level 1	Level 2
Mutual funds, exchange-traded funds, and REITs:			
Common stocks (blended)	$ 137,950	$ 137,950	$ –
Common stocks (growth)	626,013	626,013	–
Common stocks (international)	455,999	455,999	–
Common stocks (value)	807,706	807,706	–
Real estate	236,912	236,912	–
Corporate bonds	663,843	663,843	–
U.S. treasuries and agencies	236,549	236,549	–
	3,164,972	3,164,972	–
Common stocks:			
Consumer discretionary	11,316	11,316	–
Energy	56,889	56,889	–
Natural resources	9,043	9,043	–
Telecommunications	52,996	52,996	–
Utilities	13,718	13,718	–
	143,962	143,962	–
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
Ba2 credit rating	2,066	–	2,066
Baa1 credit rating	132,254	–	132,254
Baa1 credit rating	69,497	–	69,497
Baa3 credit rating	31,379	–	31,379
	391,132	–	391,132
U.S. treasuries and agencies:			
Aaa credit rating	247,416	247,416	–
Total investments at fair value	3,947,482	$ 3,556,350	$ 391,132
Other assets at cost:			
Certificates of deposit	141,320		
Cash and cash equivalents	444,841		
Total assets under gift annuity and trust agreements	$ 4,533,643		

9 Investments - other

	At December 31	
Certificates of deposit:	2017	2016
Banco del Pacífico, 5.50%, 04/24/2017	$ –	$ 806,000
Discover Bank, 1.50%, 10/30/2017	–	140,890
Banco General Rumiñahui, 5.60%, 01/03/2018	301,504	–
Banco Pichincha, 5.75%, 01/08/2018	845,000	–
Banco Pichincha, 6.00%, 01/22/2018	600,000	–
Banco del Pacífico, 4.35%, 07/24/2018	26,636	–
Banco Pichincha, 6.50%, 09/10/2018	1,000,000	–
Banco Pichincha, 6.50%, 09/11/2018	300,000	–
Banco Pichincha, 5.50%, 12/22/2018	220,000	–
Total	$ 3,293,140	$ 946,890

All certificates of deposit are held in Ecuadorian financial institutions.

10 Hospital Vozandes-Quito, Hospital Vozandes Quito, S.A., and noncontrolling interest in subsidiary

Since 1955 Reach Beyond has provided medical services through Hospital Vozandes-Quito (HVQ), a ministry of The World Radio Missionary Fellowship, Inc. (TWRMF). For the years 2013, 2014, and 2015, the assets, liabilities, and operations of HVQ were reported in the consolidated financial statements as held-for-sale rather than as part of current operations. On May 25, 2016, TWRMF signed a non-binding letter of intent to sell Hospital Vozandes-Quito 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. At December 31, 2016, management had no immediate prospects for a suitable buyer and HVQ's assets and liabilities were reclassified to current operations. 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 HVQ ceased to meet the criteria as held-for-sale):

2013	$ 534,820
2014	424,127
2015	490,150
January 1 through September 29, 2016	474,580
	$ 1,923,677

During 2017 Reach Beyond continued to seek partners that would enhance the future of the hospital. To this end, TWRMF formed Hospital Vozandes Quito, HVQ S.A. (HVQSA), a for-profit corporation, on April 5, 2017, with an initial capital contribution of $800 for 800 shares of stock. On May 25, 2017, substantially all of the assets and liabilities of HVQ were transferred to the new corporation in exchange for 15,000,000 shares of stock. On July 1, 2017, TWRMF sold 2,000,000 shares of stock for $2,000,240 to Fideicomiso Médico Vozandes (FMV), a trust representing a group of Ecuadorian doctors. The agreement gave FMV the rights to purchase an additional 2,500,240 shares of stock prior to September 1, 2019. At December 31, 2017, TWRMF owned approximately 86.7% of the stock and FMV owned approximately 13.3%.

10 Vozandes-Quito, Hospital Vozandes Quito, S.A., and noncontrolling interest in subsidiary, continued

The effect of the stock sale on the consolidated financial statements was to recognize a capital contribution of $2,000,240 and a noncontrolling interest in subsidiary HVQSA of $281,488 at December 31, 2017:

	Subsidiary	Noncontrolling Interest
Number of shares before sale	15,000,800	
Shares sold on July 1, 2017	2,000,000	13.33262%
Excess of public support and revenue of subsidiary over expenses:		
January 1, 2017 to June 30, 2017	$ 530,164	$ –
July 1, 2017 to December 31, 2017	530,164	70,685
	$ 1,060,328	$ 70,685
Unrestricted net assets of subsidiary at January 1, 2017	$ 1,050,940	
Excess of public support and revenue over expenses January 1, 2017 to June 30, 2017	530,164	
Unrestricted net assets of subsidiary at June 30, 2017	$ 1,581,104	$ 210,803
Proceeds of sale of stock	$ 2,000,240	
Carrying amount of noncontrolling interest	(210,803)	
Unrestricted net assets attributable to sale of stock	$ 1,789,437	

Changes in consolidated net assets attributable to HVQSA and transfers to or from the noncontrolling interest for the year ended December 31, 2017:

	Total	Controlling Interest	Noncontrolling Interest
Consolidated net assets, beginning	$ 17,648,068	$ 17,648,068	$ –
Sale of shares to noncontrolling interest	2,000,240	1,789,437	210,803
Excess of public support and revenue over expenses	624,828	554,143	70,685
Consolidated net assets, ending	$ 20,273,136	$ 19,991,648	$ 281,488

11 Property and equipment

	At December 31	
	2017	2016
Land	$ 1,200,369	$ 1,200,369
Buildings and improvements	12,133,351	12,424,181
Equipment, vehicles, and furniture	13,306,053	13,816,982
Accumulated depreciation	(19,847,012)	(20,187,709)
Total	$ 6,792,761	$ 7,253,823

Depreciation expense was $862,715 and $351,910 for 2017 and 2016, respectively.

12 Charitable gift annuities and charitable remainder trusts

	For the Year Ended December 31	
Assets:	2017	2016
Cash and cash equivalents	$ 286,029	$ 444,841
Certificates of deposit	240,040	141,320
Mutual funds, exchange-traded funds, and REITs	3,341,769	3,164,972
Common stocks	153,496	143,962
Corporate bonds	344,976	391,132
U.S. treasuries and agencies	226,697	247,416
Total assets under gift annuity and trust agreements	$ 4,593,007	$ 4,533,643

	At December 31	
Liabilities:	2017	2016
Payable under charitable gift annuities	$ 2,812,525	$ 2,896,025
Payable under charitable remainder trusts	11,239	11,104
Total liabilities under gift annuity and trust agreements	$ 2,823,764	$ 2,907,129

	For the Year Ended December 31	
Change in value:	2017	2016
Interest and dividends	$ 99,010	$ 101,891
Net realized and unrealized gains (losses)	416,930	205,361
Custodial and management fees	(37,463)	(39,523)
Actuarial change in projected amounts payable	38,283	163,742
Matured agreements	48,783	187,628
Payments to annuitants	(429,114)	(451,456)
Total change in value	$ 136,429	$ 167,643

13 Contributions payable

Reach Beyond transferred its Latin American media ministries to an independent Ecuadorian foundation, Mission HCJB–La Voz de los Andes–Ecuador (Mission HCJB–EC) in 2015. The consolidated financial statements include contributions payable of $1,763,878 and $ 470,564 at December 31, 2017 and 2016, respectively, representing net assets promised but not yet transferred.

Reach Beyond signed a memorandum of understanding with Mission HCJB–EC on February 25, 2016, and works closely with it as a ministry partner. Assistance includes the seconding of Reach Beyond missionaries to Mission HCJB–EC, the donation of office and studio space, and cooperation due to regulatory requirements under Ecuador's communication laws. TWRMF owns the rights to the FM frequency used by HCJB 2 (Guayaquil) and is allowing Mission HCJB–EC to use the frequency until the foundation can apply for a license in their own name in 2022. Similarly, TWRMF has the rights to the Quito FM frequency and is allowing Mission HCJB–EC to use the frequency pending the reassignment of all Quito radio frequencies by the Ecuadorian government. Mission HCJB–EC has submitted a bid for the rights to use 89.3 FM and hopes to be granted a license so it can continue the tradition of Reach Beyond's media ministry without the need to switch frequencies.

14 Employee benefit plans

14.1 Retirement benefits for missionaries and U.S. employees

All missionaries and full-time U.S. employees are eligible for the HCJB Global 401(K) Plan. Reach Beyond makes a monthly contribution of $120 for each missionary and full-time employee. Employer contributions for the years ended December 31, 2017 and 2016 were $188,640 and $195,600, respectively.

14.2 Retirement benefits for Ecuadorian employees

The Ecuadorian government requires Ecuadorian organizations to pay a retirement benefit to employees who retire with 20 or more years of service. An actuary determines the estimated present value of this liability annually.

Under a collective bargaining agreement with its Ecuadorian employees, The World Radio Missionary Fellowship, Inc. (TWRMF) pays an additional retirement benefit if the employee qualifies for benefits with the Ecuadorian social security system and retires with 10 or more years of service. On May 25, 2017, substantially all of the employees of Hospital Vozandes-Quito (HVQ) and TWRMF's two Quito clinics accepted employment with Hospital Vozandes Quito, HVQ S.A. (HVQSA). HVQSA does not have a collective bargaining agreement with its employees and relinquishing the benefits provided by the TWRMF collective bargaining agreement was a condition of obtaining employment with HVQSA.

	For the Year Ended December 31	
	2017	2016
Number of qualifying employees under Ecuadorian law:		
HVQ, current employees	–	50
HVQ, retired employees	21	16
HVQSA, current employees	43	–
Other ministries, current employees	2	3
Other ministries, retired employees	8	8
Total	74	77
Retirement benefits under Ecuadorian law:		
HVQ	$ 808,974	$ 2,498,932
HVQSA	3,910,625	–
Other Ecuadorian ministries	330,848	307,972
Total	5,050,447	2,806,904
Retirement benefits under collective bargaining agreement:		
HVQ	–	1,174,534
Other ministries	24,445	33,564
	24,445	1,208,098
Total	$ 5,074,892	$ 4,015,002

14 Employee benefit plans, continued

14.3 Termination benefits for Ecuadorian employees

Ecuadorian law requires a severance payment if an employee is fired after completing 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 is uncertain.

TWRMF's collective bargaining agreement with its Ecuadorian employees requires an additional severance payment equal to one year of salary if an employee is released after two years of service. No liability has been recorded because the potential cost is uncertain.

14.4 Profit sharing for employees of Hospital Vozandes Quito, HVQ S.A.

The Ecuadorian Labor Code provides that workers share in the profits of for-profit businesses. Profit sharing is 15% of taxable income before income taxes and before the participation:

- Ten percent of profits are paid equally among all workers; for partial periods the amount is proportional to the time of service
- Five percent is paid on the basis of the number of the employees' dependents and time of service during the year; dependents include spouse and children under 18 years of age

The profit sharing contribution for 2017 was $294,314.

14.5 Medical benefits for missionaries and U.S. employees

Through December 31, 2015, medical benefits were provided by a grantor trust under a self-insured plan funded by employer contributions. 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.

Medical benefits for missionaries residing outside of the United States are provided under a fully insured plan. A fully insured plan transfers all of the risk onto the carrier in exchange for a flat monthly premium.

During 2016, medical benefits for missionaries residing in the United States and for all non-missionary employees were provided by a level-funded plan. 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 premiums 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 premiums paid. 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 premiums for the next plan year are negotiated. Beginning January 1, 2017, medical benefits for all missionaries and all U.S. employees were provided under a fully insured plan.

15 Income taxes and corporate tax payable

As discussed in Note 2.16, Hospital Vozandes Quito, S.A. (HVQSA) is subject to Ecuadorian corporate income taxes. The corporate tax rate is 22%; however during the first year of operations, if income is 100% reinvested in the business, the tax rate is 12%. For 2017 HVQSA reported taxable income of $1,507,487 and a tax liability of $199,503 (an effective tax rate of 13.2%). Book income under U.S. generally accepted accounting principles is not readily determinable, however it is unlikely that any deferred tax asset or liability would be significant to the consolidated financial statements.

16 Contingent liabilities

In 2010 the Ecuadorian internal revenue service examined TWRMF's 2006 tax filing and assessed a 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 recorded 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. Due to the uncertainty of the legal situation in Ecuador, the 2016 consolidated financial statements reflected a liability of $1,307,713. TWRMF appealed the ruling by the Ecuadorian internal revenue service on constitutional grounds and the Ecuadorian constitutional court agreed to review the ruling. However, to protect its assets, TWRMF signed an installment agreement with the Ecuadorian internal revenue service and began making payments in May of 2017. The agreement required an initial payment of $266,252 and 24 monthly payments of $49,260. Total payments for 2017 were $611,073 and the balance outstanding at December 31, 2017 was $787,378. See Note 25 for events after December 31, 2017, related to this contingent liability.

TWRMF and HVQSA are subject to claims and lawsuits that arise primarily from the provision of healthcare services in Ecuador. Due to a lack of recent litigation and a history of favorable outcomes, management does not believe a reserve for losses is necessary.

17 Leases and other commitments

Reach Beyond has licenses for satellite transmission services and leases for office space and office equipment. Licenses for satellite transmission services were $49,054 and $53,105 for the years ended December 31, 2017 and 2016, respectively. For the years ended December 31, 2017 and 2016, leases for office space and office equipment were $43,800 and $43,466, respectively. Future minimum payments required under license agreements and non-cancelable operating leases are:

For the Year Ending December 31	Licenses	Leases	Total
2018	$ 24,527	$ 43,800	$ 68,327
2019	–	28,266	28,266
2020	–	16,285	16,285
2021	–	9,000	9,000
2022	–	9,000	9,000
Thereafter	–	9,750	9,750
	$ 24,527	$ 116,101	$ 140,628

18 Foreign operations

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

	For the Year Ended December 31	
	2017	2016
Property and equipment	$ 6,530,934	$ 6,939,777
Other assets	18,232,808	13,523,575
Total liabilities	14,190,354	12,297,265
Public support and revenue	40,372,593	36,607,594

Total property and equipment outside the United States:

	At December 31	
	2017	2016
Land	$ 1,100,369	$ 1,100,369
Buildings and improvements	11,265,726	11,546,299
Equipment and furniture	12,540,918	13,026,392
Vehicles	379,793	408,578
Computers and software	154,984	151,654
Accumulated depreciation	(18,910,856)	(19,293,515)
Total	$ 6,530,934	$ 6,939,777

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

19 Donated goods and services received

	For the Year Ended December 31	
	2017	2016
Donated goods	$ 30,144	$ 26,389
Donated services	667,687	868,966
	$ 697,831	$ 895,355

Donated services primarily consist of services performed by missionaries seconded from other organizations.

20 Investment income

	For the Year Ended December 31	
	2017	2016
Interest and dividends	$ 156,899	$ 147,107
Advisory fees paid	(61,637)	(50,616)
Net realized and unrealized gains	633,220	423,146
	$ 728,482	$ 519,637

21 Other income

	For the Year Ended December 31	
	2017	2016
Rental income	$ 419,152	$ 359,395
Parking income	186,417	165,488
Sale of goods and materials	123,565	44,101
Close out of medical insurance trust	–	417,911
Expense recoveries	102,201	208,742
Insurance settlement	–	125,000
Penalties received	–	76,741
Other	25,459	67,425
	$ 856,794	$ 1,464,803

22 Administrative assessments and joint costs

22.1 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	
	2017	2016
Administrative assessments:		
Project donations	$ 484,963	$ 700,342
Missionary donations	543,008	565,986
Total administrative assessments	1,027,971	1,266,328
Administrative assessments on unrestricted donations	(151,141)	(307,574)
Administrative assessments on temporarily restricted donations	$ 876,830	$ 958,754

22.2 Joint costs

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

	For the Year Ended December 31	
	2017	2016
Program services	$ 81,759	$ 83,241
General and administrative	40,880	41,621
Fundraising	81,759	83,241
	$ 204,398	$ 208,103

23 Ecuador clinics

All employees of the clinic “La Y” transferred to Hospital Vozandes Quito, S.A. (HVQSA) on May 25, 2017. TWRMF retained all costs and responsibilities for the clinic’s operation, however HVQSA assumed day-to-day management. On December 31, 2017, the clinic employees were terminated and TWRMF transferred the clinic’s residual assets and operations to a sole proprietorship, Clínica La Y de Medicina Familiar, operated by the clinic’s director.

All employees of the Carapungo clinic transferred to Hospital Vozandes Quito, S.A. (HVQSA) on May 25, 2017. TWRMF retained all costs and responsibilities for the clinic’s operation, however HVQSA assumed day-to-day management. HVQSA applied to the Ecuadorian government to form a nonprofit foundation, which was approved in June 2018. TWRMF plans to donate the residual assets of the clinic to the foundation and transfer all operations before the end of 2018.

24 Corporate reorganization

During 2017 the board of trustees of World Radio Missionary Fellowship, Inc. (WRMF) directed management in the Latin American Region to initiate steps to allow The World Radio Missionary Fellowship, Inc. (TWRMF) to operate as an independent entity, effective January 1, 2018. To accomplish this goal, TWRMF began the legal process of restructuring its governing board so that the majority of its members were independent of WRMF. In accordance with WRMF’s directive, TWRMF’s 2018 budget was not submitted to WRMF and instead was approved by the TWRMF governing board. On December 14, 2017, the WRMF board of trustees approved a resolution to pass control over decision making to the TWRMF governing board and, effective January 1, 2018, the financial accounting of TWRMF ceased to be included in the accounting records of WRMF. The goal of these changes is to permit TWRMF to operate in the future as an independent, like-minded entity.

25 Subsequent events

As discussed in more detail in Note 7, The World Radio Missionary Fellowship, Inc.’s note receivable secured by property in Pifo, Ecuador was renegotiated and payments totaling $5,510,259 were received in February 2018.

In February, March, and July 2018, Fideicomiso Médico Vozandes made payments totaling $1,650,000 to purchase additional stock of Hospital Vozandes Quito, S.A. from The World Radio Missionary Fellowship, Inc.; this increased their ownership to approximately 24%.

On April 2, 2018, four members of The World Radio Missionary Fellowship, Inc. governing board resigned, leaving control in the hands of a single member who is independent of World Radio Missionary Fellowship, Inc. No other actions were taken by The World Radio Missionary Fellowship, Inc. governing board between January 1, 2018 and April 2, 2018.

On August 21, 2018, the Ecuadorian government passed legislation granting amnesty for unpaid interest on outstanding tax levies if the tax levy is paid in full. On September 3, 2018, TWRMF withdrew its petition with the Ecuadorian constitutional court against the Ecuadorian internal revenue service (see Note 16). On September 10, 2018, TWRMF requested amnesty on the remaining interest due of $394,082 and anticipates the remaining liability will be forgiven.

26 Reclassifications in prior year consolidated financial statements

Reclassifications have been made to 2016 amounts to conform with the 2017 presentation:

	As Previously Reported	Reclassifications	As Reclassified
Consolidated statement of financial position:			
Cash and cash equivalents	$ 3,452,615	$ (3)	$ 3,452,612
Accounts receivable	1,977,252	(40,788)	1,936,464
Long-term advances	–	108,051	108,051
Accounts payable and accrued expenses	3,842,991	67,261	3,910,252
Consolidated statement of activities:			
Public support – contributions	10,503,723	87,528	10,591,251
Medical service income	33,149,823	9,482	33,159,305
Media income	146,303	177,365	323,668
Other income	1,739,709	(274,906)	1,464,803
Expenses – program services – media	4,642,953	(30,328)	4,612,625
Expenses – program services – healthcare	35,745,987	(348,898)	35,397,089
Expenses – program services – leadership development	2,507,950	(26)	2,507,924
Expenses – supporting activities – general and administrative	4,680,345	378,722	5,059,067
Consolidated statement of cash flows:			
Net cash provided (used) by operating activities	1,428,837	(430,563)	998,274
Provision for losses on accounts receivable	(31,436)	597	(30,839)
Receipt of in-kind stock donation	–	(67,162)	(67,162)
Change in accounts receivable	328,918	180,340	509,258
Change in net obligations under gift annuity and trust agreements	376,243	(363,398)	12,845
Change in accounts payable and accrued expenses	688,206	(82,919)	605,287
Net cash provided (used) by investing activities	(1,752,755)	430,560	(1,322,195)
Purchases of investments	(3,898,387)	67,163	(3,831,224)
Transfer from operating cash	–	363,398	363,398

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, 2017 and 2016, and our report thereon dated October 3, 2018, 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
October 3, 2018

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	2017				2016			
	Operating	Gift Annuity	Trusts	Total	Operating	Gift Annuity	Trusts	Total
Assets:								
Cash and cash equivalents	$ 4,916,521	$ –	$ –	$ 4,916,521	$ 3,452,612	$ –	$ –	$ 3,452,612
Accounts receivable	2,533,947	–	–	2,533,947	1,936,464	–	–	1,936,464
Inventory	803,593	–	–	803,593	803,393	–	–	803,393
Prepayments and other assets	810,388	–	–	810,388	1,057,768	–	–	1,057,768
Interest receivable	1,005,170	–	–	1,005,170	421,617	–	–	421,617
Long-term advances	109,451	–	–	109,451	108,051			108,051
Notes receivable	6,483,924	–	–	6,483,924	6,483,924	–	–	6,483,924
Investments	6,123,639	–	–	6,123,639	6,194,519	–	–	6,194,519
Investments - other	3,293,140	–	–	3,293,140	946,890	–	–	946,890
Property and equipment	6,792,761	–	–	6,792,761	7,253,823	–	–	7,253,823
Assets under gift annuity and trust agreements	–	4,577,355	15,652	4,593,007	–	4,517,823	15,820	4,533,643
Total assets	$ 32,872,534	$ 4,577,355	$ 15,652	$ 37,465,541	$ 28,659,061	$ 4,517,823	$ 15,820	$ 33,192,704
Liabilities and net assets:								
Liabilities:								
Accounts payable and accrued expenses	$ 3,314,700	$ –	$ –	$ 3,314,700	$ 3,910,252	$ –	$ –	$ 3,910,252
Contributions payable	1,763,878	–	–	1,763,878	470,564	–	–	470,564
Corporate tax payable	199,503	–	–	199,503	–	–	–	–
Profit sharing payable	294,314	–	–	294,314	–	–	–	–
Contingent liability	787,378	–	–	787,378	1,307,713	–	–	1,307,713
Retirement benefits	5,074,892	–	–	5,074,892	4,015,002	–	–	4,015,002
Deferred gain on sale of property	2,933,976	–	–	2,933,976	2,933,976	–	–	2,933,976
Liabilities under gift annuity and trust agreements	–	2,812,525	11,239	2,823,764	–	2,896,025	11,104	2,907,129
Total liabilities	14,368,641	2,812,525	11,239	17,192,405	12,637,507	2,896,025	11,104	15,544,636
Net assets:								
Unrestricted:								
Designated - annuity reserves	–	1,764,830	–	1,764,830	–	1,621,798	–	1,621,798
Equity in property and equipment	6,792,761	–	–	6,792,761	7,253,823	–	–	7,253,823
Noncontrolling interest in subsidiary HVQSA	281,488	–	–	281,488	–	–	–	–
Operating	5,377,772	–	–	5,377,772	2,855,535	–	–	2,855,535
Total unrestricted net assets	12,452,021	1,764,830	–	14,216,851	10,109,358	1,621,798	–	11,731,156
Temporarily restricted:								
Missionary support	2,804,864	–	–	2,804,864	2,995,079	–	–	2,995,079
Projects	3,247,008	–	–	3,247,008	2,917,117	–	–	2,917,117
Irrevocable charitable remainder trusts	–	–	4,413	4,413	–	–	4,716	4,716
Total temporarily restricted net assets	6,051,872	–	4,413	6,056,285	5,912,196	–	4,716	5,916,912
Total net assets	18,503,893	1,764,830	4,413	20,273,136	16,021,554	1,621,798	4,716	17,648,068
Total liabilities and net assets	$ 32,872,534	$ 4,577,355	$ 15,652	$ 37,465,541	$ 28,659,061	$ 4,517,823	$ 15,820	$ 33,192,704

Consolidated Statements of Activities by Fund
For the Years Ended December 31, 2017 and 2016

	2017				2016			
	Operating	Gift Annuity	Trusts	Total	Operating	Gift Annuity	Trusts	Total
Public support and revenue:								
Public support:								
Contributions	$ 11,582,480	$ 6,300	$ –	$ 11,588,780	$ 10,578,406	$ 12,845	$ –	$ 10,591,251
Donated goods and services	697,831	–	–	697,831	895,355	–	–	895,355
Total public support	12,280,311	6,300	–	12,286,611	11,473,761	12,845	–	11,486,606
Revenue:								
Medical services	37,659,670	–	–	37,659,670	33,159,305	–	–	33,159,305
Earnings on investments	728,482	–	–	728,482	519,637	–	–	519,637
Media income	360,379	–	–	360,379	323,668	–	–	323,668
Change in value of annuities and trusts	–	136,732	(303)	136,429	–	168,258	(615)	167,643
Interest income	655,292	–	–	655,292	723,362	–	–	723,362
Gain on disposition of assets	243,422	–	–	243,422	645,837	–	–	645,837
Other income	856,794	–	–	856,794	1,464,803	–	–	1,464,803
Total revenue	40,504,039	136,732	(303)	40,640,468	36,836,612	168,258	(615)	37,004,255
Total public support and revenue	52,784,350	143,032	(303)	52,927,079	48,310,373	181,103	(615)	48,490,861
Net assets released:								
Purpose restrictions	–	–	–	–	–	–	–	–
Expenses:								
Program services:								
Media	5,491,556	–	–	5,491,556	4,612,625	–	–	4,612,625
Healthcare	37,084,109	–	–	37,084,109	35,397,089	–	–	35,397,089
Leadership development	2,842,018	–	–	2,842,018	2,507,924	–	–	2,507,924
Missions awareness	1,537,411	–	–	1,537,411	1,582,639	–	–	1,582,639
Total program services	46,955,094	–	–	46,955,094	44,100,277	–	–	44,100,277
Supporting activities;								
General and administrative	4,565,474	–	–	4,565,474	5,059,067	–	–	5,059,067
Fundraising	781,683	–	–	781,683	838,469	–	–	838,469
Total supporting activities	5,347,157	–	–	5,347,157	5,897,536	–	–	5,897,536
Total expenses	52,302,251	–	–	52,302,251	49,997,813	–	–	49,997,813

	2017				2016			
	Operating	Gift Annuity	Trusts	Total	Operating	Gift Annuity	Trusts	Total
Excess of public support and revenue over expenses	482,099	143,032	(303)	624,828	(1,687,440)	181,103	(615)	(1,506,952)
Net assets, beginning of year	16,021,554	1,621,798	4,716	17,648,068	17,708,994	1,440,695	5,331	19,155,020
Sale of shares of subsidiary HVQSA	2,000,240	–	–	2,000,240	–	–	–	–
Net assets, end of year	$ 18,503,893	$ 1,764,830	$ 4,413	$ 20,273,136	$ 16,021,554	$ 1,621,798	$ 4,716	$ 17,648,068

Consolidating Statement of Financial Position
December 31, 2017

	WRMF	TWRMF	Hospital	Eliminations	Total
Assets:					
Cash and cash equivalents	$ 1,463,239	$ 966,344	$ 2,486,938	$ –	$ 4,916,521
Accounts receivable	133,317	195,297	2,205,333	–	2,533,947
Inventory	–	14,321	789,272	–	803,593
Prepayments and other assets	99,813	121,380	589,195	–	810,388
Interest receivable	–	1,005,170	–	–	1,005,170
Due from affiliates	350,193	140,204	352,937	(843,334)	-
Long-term advances	109,451	–	–	–	109,451
Notes receivable	–	6,483,924	–	–	6,483,924
Investments	6,113,501	3,217,524	–	(3,207,386)	6,123,639
Investments - other	–	3,293,140	–	–	3,293,140
Property and equipment	476,844	1,186,587	5,129,330	–	6,792,761
Assets under gift annuity and trust agreements	4,593,007	–	–	–	4,593,007
Total assets	$ 13,339,365	$ 16,623,891	$ 11,553,005	$ (4,050,720)	$ 37,465,541
Liabilities and net assets:					
Liabilities:					
Accounts payable and accrued expenses	$ 178,287	$ 255,120	$ 2,881,293	$ –	$ 3,314,700
Contributions payable	–	1,763,878	–	–	1,763,878
Due to affiliates	101,689	703,130	38,515	(843,334)	-
Corporate tax payable	–	–	199,503	–	199,503
Profit sharing payable	–	–	294,314	–	294,314
Contingent liability	–	787,378	–	–	787,378
Retirement benefits	–	1,164,267	3,910,625	–	5,074,892
Deferred gain on sale of property	–	2,933,976	–	–	2,933,976
Liabilities under gift annuity and trust agreements	2,823,764	–	–	–	2,823,764
Total liabilities	3,103,740	7,607,749	7,324,250	(843,334)	17,192,405
Net assets:					
Unrestricted:					
Designated - annuity reserves	1,764,830	–	–	–	1,764,830
Equity in property and equipment	476,844	1,186,587	5,129,330	–	6,792,761
Contributed capital	–	–	3,700,800	(3,700,800)	-
Noncontrolling interest in subsidiary HVQSA	–	–	–	281,488	281,488
Operating	2,588,905	7,178,316	(4,601,375)	211,926	5,377,772
Total unrestricted net assets	4,830,579	8,364,903	4,228,755	(3,207,386)	14,216,851
Temporarily restricted:					
Missionary support	2,767,966	36,898	–	–	2,804,864
Projects	2,632,667	614,341	–	–	3,247,008
Irrevocable charitable remainder trusts	4,413	–	–	–	4,413
Total temporarily restricted net assets	5,405,046	651,239	–	–	6,056,285
Total net assets	10,235,625	9,016,142	4,228,755	(3,207,386)	20,273,136
Total liabilities and net assets	$ 13,339,365	$ 16,623,891	$ 11,553,005	$ (4,050,720)	$ 37,465,541

Consolidating Statement of Activities
For the Year Ended December 31, 2017

	WRMF	TWRMF	Hospital	Eliminations	Total
Public support and revenue:					
Public support:					
Contributions	$ 10,740,205	$ 1,372,632	$ 73,717	$ (597,774)	$ 11,588,780
Donated goods and services	334,528	363,303	–	–	697,831
Total public support	11,074,733	1,735,935	73,717	(597,774)	12,286,611
Revenue:					
Medical services	–	808,610	36,851,060	–	37,659,670
Earnings on investments	728,482	–	–	–	728,482
Media income	110,370	250,009	–	–	360,379
Change in value of annuities and trusts	136,429	–	–	–	136,429
Interest income	3,490	644,121	7,681	–	655,292
Gain (loss) on disposition of assets	–	1,775,340	(25,092)	(1,506,826)	243,422
Other income	507,489	678,121	165,763	(494,579)	856,794
Total revenue	1,486,260	4,156,201	36,999,412	(2,001,405)	40,640,468
Total public support and revenue	12,560,993	5,892,136	37,073,129	(2,599,179)	52,927,079
Expenses:					
Program services:					
Media	4,158,709	2,044,589	–	(711,742)	5,491,556
Healthcare	1,301,045	2,278,539	33,631,533	(127,008)	37,084,109
Leadership development	1,439,664	671,815	767,987	(37,448)	2,842,018
Missions awareness	1,523,897	14,312	–	(798)	1,537,411
Total program services	8,423,315	5,009,255	34,399,520	(876,996)	46,955,094
Supporting activities:					
General and administrative	2,953,553	213,997	1,613,281	(215,357)	4,565,474
Fundraising	781,683	–	–	–	781,683
Total supporting activities	3,735,236	213,997	1,613,281	(215,357)	5,347,157
Total expenses	12,158,551	5,223,252	36,012,801	(1,092,353)	52,302,251
Excess of public support and revenue over expenses	402,442	668,884	1,060,328	(1,506,826)	624,828
Net assets, beginning of year	9,833,183	6,763,945	1,050,940	–	17,648,068
Equity transfer	–	1,583,313	(1,583,313)	–	-
Contributed capital	–	–	3,700,800	(3,700,800)	-
Sale of shares of subsidiary HVQSA to noncontrolling interest	–	–	–	2,000,240	2,000,240
Net assets, end of year	$ 10,235,625	$ 9,016,142	$ 4,228,755	$ (3,207,386)	$ 20,273,136

Consolidating Statement of Cash Flows
For the Year Ended December 31, 2017

	WRMF	TWRMF	Hospital	Eliminations	Total
Cash flows from operating activities:					
Received from contributors	$ 10,724,950	$ 1,372,631	$ 73,718	$ (597,774)	$ 11,573,525
Received for services	225,928	1,468,480	36,101,628	(203,473)	37,592,563
Interest and dividends received	198,037	60,569	7,681	–	266,287
Miscellaneous receipts	12,911	12,549	–	–	25,460
Paid to or on behalf of employees and retirees	(7,604,601)	(1,016,645)	(9,797,717)	–	(18,418,963)
Paid to suppliers and service providers	(3,387,609)	(887,243)	(23,172,946)	203,473	(27,244,325)
Paid to annuitants	(429,114)	–	–	–	(429,114)
Donations made and scholarships given	(720,347)	(539,263)	(530,327)	597,774	(1,192,163)
Paid to Ecuadorian internal revenue service	–	(611,073)	–	–	(611,073)
Miscellaneous payments	(75,080)	(125,010)	(520,005)	–	(720,095)
Net cash provided (used) by operating activities	(1,054,925)	(265,005)	2,162,032	–	842,102
Cash flows from investing activities:					
Proceeds from sale of property and equipment	–	230,500	–	–	230,500
Purchase of property and equipment	–	(43,116)	(299,914)	–	(343,030)
Principal collected on notes receivable	–	–	–	–	–
Proceeds from sale of HVQSA stock	–	2,000,240	–	–	2,000,240
Proceeds from sales of investments	3,727,130	806,000	–	–	4,533,130
Purchases of investments	(2,867,160)	(3,293,140)	–	–	(6,160,300)
Transfer from operating cash	361,267	–	–	–	361,267
Net cash provided (used) by investing activities	1,221,237	(299,516)	(299,914)	–	621,807
Cash flows from financing activities:					
Subscription received (paid) for HVQSA stock	–	(800)	800	–	–
Change in cash and cash equivalents	166,312	(565,321)	1,862,918	–	1,463,909
Cash and cash equivalents, beginning of year	1,296,927	1,531,665	624,020	–	3,452,612
Cash and cash equivalents, end of year	$ 1,463,239	$ 966,344	$ 2,486,938	$ –	$ 4,916,521

Supplemental disclosure of noncash investing activities:	WRMF	TWRMF	Hospital	Eliminations	Total
Decrease (increase) in contingent liability	$ –	$ (1,307,713)	$ 1,307,713	$ –	$ –
Decrease (increase) in obligation for retirement benefits	–	(808,974)	808,974	–	–
Stock received (issued) in exchange for assets	–	3,700,000	(3,700,000)	–	–
Transfer of equity in exchange for liabilities and stock	–	(1,583,313)	1,583,313	–	–
Decrease in contributions payable	–	16,500	–	–	16,500
Real property donated to HCJB-EC	–	(16,500)	–	–	(16,500)
	$ –	$ –	$ –	$ –	$ –

Reconciliation of excess of public support and revenue over expenses to net cash provided (used) by operating activities:					
Excess of public support and revenue over expenses	$ 402,442	$ 668,884	$ 1,060,328	$ (1,506,826)	$ 624,828
Adjustments to reconcile excess of public support and revenue over expenses to net cash provided (used by) operating activities:					
Noncash expenses (revenues):					
Depreciation	84,835	88,232	689,648	–	862,715
Provision for losses on accounts receivable	–	(4,717)	(1,644,121)	–	(1,648,838)
Net realized and unrealized gains on investments	(633,835)	–	–	–	(633,835)
Receipt of in-kind stock donation	(15,255)	–	–	–	(15,255)
(Gain) loss on disposition of property	–	(268,514)	25,092	–	(243,422)
Gain on sale of HVQSA stock	–	(1,506,826)	–	1,506,826	–
Amortization of rental space	–	(106,308)	–	–	(106,308)
Property and equipment adjustment	–	(102,201)	–	–	(102,201)
Actuarial gain on annuity and trust obligations	(38,283)	–	–	–	(38,283)
Gain on assets under gift annuity and trust agreements	(416,040)	–	–	–	(416,040)
Matured gift annuity and trust agreements	(48,783)	–	–	–	(48,783)
Changes in operating assets and liabilities:					
Accounts receivable	(28,827)	(33,917)	1,154,099	–	1,091,355
Inventory	–	20,792	(20,992)	–	(200)
Prepayments and other assets	16,721	(1,621)	232,280	–	247,380
Interest receivable	–	(583,553)	–	–	(583,553)
Due from affiliate	(350,193)	(8,568)	(339,094)	–	(697,855)
Long-term advances	(1,400)	–	–	–	(1,400)
Accounts payable and accrued expenses	(76,461)	(25,520)	(493,571)	–	(595,552)
Contributions payable	–	1,416,122	–	–	1,416,122
Due to affiliate	50,154	689,287	(41,586)	–	697,855
Corporate tax payable	–	–	199,503	–	199,503
Profit sharing payable	–	–	294,314	–	294,314
Contingent liability	–	(520,335)	–	–	(520,335)
Retirement benefits	–	13,758	1,046,132	–	1,059,890
Net cash provided (used) by operating activities	$ (1,054,925)	$ (265,005)	$ 2,162,032	$ –	$ 842,102

Consolidating Statement of Financial Position
December 31, 2016

	WRMF	TWRMF	Hospital	Eliminations	Total
Assets:					
Cash and cash equivalents	$ 1,296,927	$ 1,531,665	$ 624,020	$ –	$ 3,452,612
Accounts receivable	104,490	116,663	1,715,311	–	1,936,464
Inventory	–	35,113	768,280	–	803,393
Prepayments and other assets	116,534	119,759	821,475	–	1,057,768
Interest receivable	–	421,617	–	–	421,617
Due from affiliate	–	131,636	13,843	(145,479)	-
Long-term advances	108,051	–	–	–	108,051
Notes receivable	–	6,483,924	–	–	6,483,924
Investments	6,184,381	10,138	–	–	6,194,519
Investments - other	140,890	806,000	–	–	946,890
Property and equipment	561,679	1,147,988	5,544,156	–	7,253,823
Assets under gift annuity and trust agreements	4,533,643	–	–	–	4,533,643
Total assets	$ 13,046,595	$ 10,804,503	$ 9,487,085	$ (145,479)	$ 33,192,704
Liabilities and net assets:					
Liabilities:					
Accounts payable and accrued expenses	$ 254,748	$ 280,640	$ 3,374,864	$ –	$ 3,910,252
Contributions payable	–	470,564	–	–	470,564
Due to affiliate	51,535	13,843	80,101	(145,479)	-
Contingent liability	–	–	1,307,713	–	1,307,713
Retirement benefits	–	341,535	3,673,467	–	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	3,213,412	4,040,558	8,436,145	(145,479)	15,544,636
Net assets:					
Unrestricted:					
Designated - annuity reserves	1,621,798	–	–	–	1,621,798
Equity in property and equipment	561,679	1,147,988	5,544,156	–	7,253,823
Operating	2,294,560	5,054,191	(4,493,216)	–	2,855,535
Total unrestricted net assets	4,478,037	6,202,179	1,050,940	–	11,731,156
Temporarily restricted:					
Missionary support	2,961,437	33,642	–	–	2,995,079
Projects	2,388,993	528,124	–	–	2,917,117
Irrevocable charitable remainder trusts	4,716	–	–	–	4,716
Total temporarily restricted net assets	5,355,146	561,766	–	–	5,916,912
Total net assets	9,833,183	6,763,945	1,050,940	–	17,648,068
Total liabilities and net assets	$ 13,046,595	$ 10,804,503	$ 9,487,085	$ (145,479)	$ 33,192,704

	WRMF	TWRMF	Hospital	Eliminations	Total
Public support and revenue:					
Public support:					
Contributions	$ 9,758,416	$ 975,387	$ 42,143	$ (184,695)	$ 10,591,251
Donated goods and services	222,847	663,379	9,129	–	895,355
Total public support	9,981,263	1,638,766	51,272	(184,695)	11,486,606
Revenue:					
Medical services	300	892,426	32,266,579	–	33,159,305
Earnings on investments	519,637	–	–	–	519,637
Media income	58,774	264,894	–	–	323,668
Change in value of annuities and trusts	167,643	–	–	–	167,643
Interest income	1,515	695,962	25,885	–	723,362
Gain (loss) on disposition of assets	(3,146)	648,983	–	–	645,837
Other income	831,913	737,732	240,768	(345,610)	1,464,803
Total revenue	1,576,636	3,239,997	32,533,232	(345,610)	37,004,255
Total public support and revenue	11,557,899	4,878,763	32,584,504	(530,305)	48,490,861
Expenses:					
Program services:					
Media	3,595,664	1,016,961	–	–	4,612,625
Healthcare	1,110,943	1,461,831	33,283,625	(459,310)	35,397,089
Leadership development	1,323,453	307,102	877,369	–	2,507,924
Missions awareness	1,574,801	7,838	–	–	1,582,639
Total program services	7,604,861	2,793,732	34,160,994	(459,310)	44,100,277
Supporting activities:					
General and administrative	3,083,016	583,781	1,463,265	(70,995)	5,059,067
Fundraising	838,469	-	–	–	838,469
Total supporting activities	3,921,485	583,781	1,463,265	(70,995)	5,897,536
Total expenses	11,526,346	3,377,513	35,624,259	(530,305)	49,997,813
Excess (deficit) of public support and revenue over expenses	31,553	1,501,250	(3,039,755)	–	(1,506,952)
Net assets, beginning of year	9,801,630	5,262,695	4,090,695	–	19,155,020
Net assets, end of year	$ 9,833,183	$ 6,763,945	$ 1,050,940	$ –	$ 17,648,068

Consolidating Statement of Cash Flows
For the Year Ended December 31, 2016

	WRMF	TWRMF	Hospital	Eliminations	Total
Cash flows from operating activities:					
Received from contributors	$ 9,691,254	$ 975,387	$ 42,143	$ (184,695)	$ 10,524,089
Received for services	672,966	1,738,297	32,760,312	(345,610)	34,825,965
Interest and dividends received	192,727	738,101	25,885	–	956,713
Miscellaneous receipts	417,911	212,849	–	–	630,760
Paid to or on behalf of employees and retirees	(7,453,660)	(935,405)	(10,405,931)	–	(18,794,996)
Paid to suppliers and service providers	(3,454,865)	(1,855,442)	(19,531,207)	530,305	(24,311,209)
Paid to annuitants	(451,455)	–	–	–	(451,455)
Donations made and scholarships given	(92,472)	(877,946)	(564,891)	–	(1,535,309)
Miscellaneous payments	(238,930)	(25,706)	(594,493)	–	(859,129)
Net cash provided (used) by operating activities	(716,524)	(29,865)	1,731,818	–	985,429
Cash flows from investing activities:					
Proceeds from sale of property and equipment	–	13,000	–	–	13,000
Purchase of property and equipment	(27,130)	(46,135)	(2,183,052)	–	(2,256,317)
Principal collected on notes receivable	–	790,680	–	–	790,680
Proceeds from sales of investments	3,598,268	–	–	–	3,598,268
Purchases of investments	(3,015,088)	(816,136)	–	–	(3,831,224)
Transfer from operating cash	376,243	–	–	–	376,243
Net cash provided (used) by investing activities	932,293	(58,591)	(2,183,052)	–	(1,309,350)
Change in cash and cash equivalents	215,769	(88,456)	(451,234)	–	(323,921)
Cash and cash equivalents, beginning of year	1,081,158	1,620,121	1,075,254	–	3,776,533
Cash and cash equivalents, end of year	$ 1,296,927	$ 1,531,665	$ 624,020	$ –	$ 3,452,612

	WRMF	TWRMF	Hospital	Eliminations	Total
Supplemental disclosure of noncash investing activities:					
Real property received from English Fellowship Church (Fourplex)	$ –	$ 535,905	$ –	$ –	$ 535,905
Decrease in property receivable in exchange	–	(535,905)	–	–	(535,905)
Personal and real property donated to HCJB-EC	–	(518,735)	–	–	(518,735)
Decrease in contributions payable	–	518,735	–	–	518,735
	$ –	$ –	$ –	$ –	$ –

	WRMF	TWRMF	Hospital	Eliminations	Total
Reconciliation of excess (deficit) of public support and revenue over expenses to net cash provided (used) by operating activities:					
Excess (deficit) of public support and revenue over expenses	$ 31,553	$ 1,501,250	$ (3,039,755)	$ –	$ (1,506,952)
Adjustments to reconcile excess of public support and revenue over expenses to net cash provided (used by) operating activities:					
Noncash expenses (revenues):					
Depreciation	94,284	76,499	181,127	–	351,910
Provision for losses on accounts receivable	–	(19,749)	(11,090)	–	(30,839)
Net realized and unrealized gains on investments	(423,147)	-	–	–	(423,147)
Reinvested dividends	(7,169)	–	–	–	(7,169)
Receipt of in-kind stock donation	(67,162)	–	–	–	(67,162)
(Gain) loss on sale of property	3,146	(648,983)	–	–	(645,837)
Amortization of rental space	–	(88,590)	–	–	(88,590)
Actuarial gain on annuity and trust obligations	(163,742)	–	–	–	(163,742)
Gain on assets under gift annuity and trust agreements	(205,361)	–	–	–	(205,361)
Matured gift annuity and trust agreements	(187,628)	–	–	–	(187,628)
Adjustment for period of discontinued operations (Note 10)	–	–	1,923,677	–	1,923,677
Changes in operating assets and liabilities:					
Accounts receivable	141,667	142,135	225,456	–	509,258
Inventory	–	(8,755)	101,076	–	92,321
Prepayments and other assets	(2,695)	(2,467)	143,194	–	138,032
Interest receivable	–	42,139	–	–	42,139
Due from affiliate	58,223	2,550	10,142	(70,915)	–
Long-term advances	(98,200)	–	–	–	(98,200)
Accounts payable and accrued expenses	139,766	(1,253)	466,774	–	605,287
Contributions payable	–	(991,157)	–	–	(991,157)
Due to affiliate	(30,059)	(68,365)	27,509	70,915	–
Contingent liability	–	–	1,247,713	–	1,247,713
Retirement benefits	–	34,881	455,995	–	490,876
Net cash provided (used) by operating activities	$ (716,524)	$ (29,865)	$ 1,731,818	$ –	$ 985,429