



**World Radio Missionary Fellowship, Inc.,
dba Reach Beyond**

Financial statements for the Year Ended
December 31, 2018

Table of Contents

Independent auditor's report	1
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7
1 Nature of organization.....	7
2 Summary of significant accounting policies	8
2.1 Basis of accounting	8
2.2 Financial instruments	8
2.3 Cash and cash equivalents	8
2.4 Accounts Receivable.....	9
2.5 Investments	9
2.6 Property and equipment.....	9
2.7 Contributions receivable and payable	9
2.8 Liabilities under gift annuity and trust agreements	10
2.9 Net assets	10
2.10 Revenue recognition principles	10
2.11 Secoded services	10
2.12 Employee benefit plans.....	11
2.13 Income taxes	11
2.14 Functional allocation of expenses	11
2.15 Management estimates and assumptions	11
2.16 Subsequent events	11
2.17 Updated presentation.....	11
3 Deconsolidation of The World Radio Missionary Fellowship, Inc.	12
4 Accounts receivable	12
5 Prepayments and other assets	12
6 Fair value of investments and assets and liabilities under gift annuity and trust agreements	12
7 Property and equipment.....	15
8 Charitable gift annuities and charitable remainder trusts	15
9 Employee benefit plans.....	15
10 Leases and other commitments.....	16
11 Foreign operations	16
12 Investment income	16
13 Other income.....	16
14 Donated goods and services received.....	16
15 Administrative assessments and joint costs	17
15.1 Administrative assessments	17
15.2 Joint costs	17
16 Liquidity	17

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of World Radio Missionary Fellowship, Inc. d.b.a. Reach Beyond, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
World Radio Missionary Fellowship, Inc.
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 financial position of World Radio Missionary Fellowship, Inc. d.b.a. Reach Beyond as of December 31, 2018, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

World Radio Missionary Fellowship, Inc. d.b.a. Reach Beyond has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in note 2. This has had a material effect on the presentation of the December 31, 2018 financial statements.

Capin Crouse LLP

Colorado Springs, Colorado
May 8, 2019

World Radio Missionary Fellowship, Inc., dba Reach Beyond
Statement of Financial Position
December 31, 2018

3

Assets:	
Cash and cash equivalents	\$ 911,854
Accounts receivable	169,520
Prepayments and other assets	358,902
Long-term advances	194,008
Investments	4,311,785
Property and equipment	413,131
Assets under gift annuity and trust agreements	<u>3,984,959</u>
Total assets	<u>\$ 10,344,159</u>
Liabilities and net assets:	
Liabilities:	
Accounts payable and accrued expenses	\$ 134,817
Due to affiliates	21,090
Liabilities under gift annuity and trust agreements	<u>2,677,465</u>
Total liabilities	<u>2,833,372</u>
Net assets:	
With donor restrictions:	
Missionary support	2,885,463
Projects	1,533,597
Irrevocable charitable remainder trusts	<u>3,589</u>
Total net assets with donor restrictions	<u>4,422,649</u>
Without donor restrictions:	
Designated by the board - annuity reserves	1,303,906
Undesignated	<u>1,784,232</u>
Total net assets without donor restrictions	<u>3,088,138</u>
Total net assets	<u>7,510,787</u>
Total liabilities and net assets	<u>\$ 10,344,159</u>

See notes to financial statements

World Radio Missionary Fellowship, Inc., dba Reach Beyond
Statement of Activities
For the Year Ended December 31, 2018

4

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Public support:			
Contributions	\$ 1,648,039	\$ 8,108,868	\$ 9,756,907
Donated goods and services	—	551,623	551,623
Total public support	<u>1,648,039</u>	<u>8,660,491</u>	<u>10,308,530</u>
Revenue:			
Earnings (loss) on investments	(269,219)	1,200	(268,019)
Media income	11,118	87,995	99,113
Change in value of annuities and trusts	(473,858)	(824)	(474,682)
Other income	16,638	2,096	18,734
Total revenue	<u>(715,321)</u>	<u>90,467</u>	<u>(624,854)</u>
Total public support and revenue	<u>932,718</u>	<u>8,750,958</u>	<u>9,683,676</u>
Net assets released:			
Purpose restrictions	9,565,855	(9,565,855)	—
Administrative assessments	818,739	(818,739)	—
Total net assets released	<u>10,384,594</u>	<u>(10,384,594)</u>	<u>—</u>
Expenses:			
Program services:			
Media	5,749,300	—	5,749,300
Healthcare	7,662,923	—	7,662,923
Leadership development	2,666,168	—	2,666,168
Missions awareness	2,838,423	—	2,838,423
Total program services	<u>18,916,814</u>	<u>—</u>	<u>18,916,814</u>
Supporting activities:			
General and administrative	2,661,561	—	2,661,561
Fundraising	867,650	—	867,650
Total supporting activities	<u>3,529,211</u>	<u>—</u>	<u>3,529,211</u>
Total expenses	<u>22,446,025</u>	<u>—</u>	<u>22,446,025</u>
Excess of public support and revenue over expenses	(11,128,713)	(1,633,636)	(12,762,349)
Net assets, beginning of year	<u>14,216,851</u>	<u>6,056,285</u>	<u>20,273,136</u>
Net assets, end of year	<u>\$ 3,088,138</u>	<u>\$ 4,422,649</u>	<u>\$ 7,510,787</u>

See notes to financial statements

World Radio Missionary Fellowship, Inc., dba Reach Beyond
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services					Supporting Activities			Total
	Media	Healthcare	Leadership Development	Missions Awareness	Subtotal	General and Administrative	Fundraising	Subtotal	
Expenses:									
Personnel costs	\$ 1,330,566	\$ 825,936	\$ 1,265,346	\$ 2,346,212	\$ 5,768,060	\$ 1,925,071	\$ 497,486	\$ 2,422,557	\$ 8,190,617
Materials and supplies	204,403	23,435	17,955	43,235	289,028	45,363	52,403	97,766	386,794
Postage and shipping	2,111	1,423	3,853	11,881	19,268	5,061	17,770	22,831	42,099
Occupancy costs	75,838	15,690	15,845	10,451	117,824	46,837	78,488	125,325	243,149
Printing and public relations	124,584	59,002	127,321	103,351	414,258	97,598	37,096	134,694	548,952
Professional services	455,501	34,755	91,645	76,864	658,765	171,316	72,861	244,177	902,942
Travel	200,645	168,770	188,585	161,826	719,826	162,438	74,437	236,875	956,701
Ministry partner support	375,839	344,201	38,251	23,241	781,532	82,954	29,553	112,507	894,039
Donations	38,892	35,023	80	1,129	75,124	1,177	20	1,197	76,321
Depreciation	-	-	-	-	-	63,713	-	63,713	63,713
Miscellaneous	13,160	6,322	9,876	6,261	35,619	60,033	7,536	67,569	103,188
Donation to TWRMF	2,927,761	6,148,366	907,411	53,972	10,037,510	-	-	-	10,037,510
Total expenses	<u>\$ 5,749,300</u>	<u>\$ 7,662,923</u>	<u>\$ 2,666,168</u>	<u>\$ 2,838,423</u>	<u>\$ 18,916,814</u>	<u>\$ 2,661,561</u>	<u>\$ 867,650</u>	<u>\$ 3,529,211</u>	<u>\$ 22,446,025</u>

World Radio Missionary Fellowship, Inc., dba Reach Beyond
Statement of Cash Flows
For the Year Ended December 31, 2018

6

Cash flows from operating activities:	
Received from contributors	\$ 9,645,963
Received for services	121,998
Interest and dividends received	218,682
Miscellaneous receipts	18,734
Paid to or on behalf of employees and retirees	(7,629,442)
Paid to suppliers and service providers	(4,306,878)
Donations made and scholarships given	(3,216,978)
Paid to annuitants	(420,798)
Miscellaneous payments	(308,309)
Net cash used by operating activities	<u>(5,877,028)</u>
Cash flows from investing activities:	
Proceeds from sales of investments	2,613,659
Purchases of investments	(1,084,604)
Transfer from operating cash	343,306
Net cash provided by investing activities	<u>1,872,361</u>
Change in cash and cash equivalents	(4,004,667)
Cash and cash equivalents, beginning of year	<u>4,916,521</u>
Cash and cash equivalents, end of year	<u>\$ 911,854</u>
Reconciliation of excess of public support and revenue over expenses to net cash used by operating activities:	
Excess of public support and revenue over expenses	\$ (12,762,349)
Adjustments to reconcile excess of public support and revenue over expenses to net cash provided (used by) operating activities:	
Noncash expenses (revenues):	
Donation of assets and liabilities to TWRMF	6,584,228
Depreciation	63,713
Net realized and unrealized gains on investments	383,606
Receipt of in-kind stock donation	(110,945)
Actuarial gain on annuity and trust obligations	(64,258)
Gain on assets under gift annuity and trust agreements	281,808
Matured gift annuity and trust agreements	(99,107)
Changes in operating assets and liabilities:	
Accounts receivable	(36,203)
Prepayments and other assets	(259,089)
Due from affiliate	350,193
Long-term advances	(84,557)
Accounts payable and accrued expenses	(43,469)
Due to affiliate	(80,599)
Net cash used by operating activities	<u>\$ (5,877,028)</u>

See notes to financial statements

1 Nature of organization

World Radio Missionary Fellowship, Inc., a United States nonprofit organization, does business as Reach Beyond (known as HCJB Global until January 2014). Reach Beyond 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.

Reach Beyond operates a ministry service center in Colorado Springs, Colorado and has ministries in Central and South America, Europe/EuroAsia, North Africa and the Middle East, Sub-Saharan Africa, and Asia-Pacific. Reach Beyond is governed by the World Radio Missionary Fellowship, Inc. board of trustees which meets regularly to set policies and direct the work of the mission. Reach Beyond is affiliated with entities in Ecuador, the United Kingdom, Sweden, the Netherlands, Canada, New Zealand, and Australia. The financial position and results of operations of these affiliates are not included in the 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. Reach Beyond maintains a high degree of fiscal integrity and 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.

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 health services, focusing on integrated patient care and medical education. Reach Beyond Hands helps rural areas to improve sanitation and obtain clean water, uses mobile medical clinics to provide medical and dental treatment, helps partner organizations start medical ministries, and partners with relief organizations by sending emergency medical response teams to crisis areas.

1 Nature of organization, continued

Missions Awareness — Reach Beyond mobilizes individuals and churches to be involved in worldwide missions through long and short-term missions, welcoming, praying, giving, and going.

Leadership Development — Reach Beyond trains media personnel, healthcare professionals, and national church leaders. Reach Beyond operates training programs throughout the world in radio production, communication theory, journalism, station management, technical maintenance, promotion, and cooperation. 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.

Fast-Track (formerly the Community Health Intercultural Learning Initiative) 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 preparation in 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 and challenged to improve their spiritual disciplines.
- 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.

Through all the above listed ministries the goal is fulfill the Great Commission by means of discipleship.

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 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, accounts receivable and accounts payable, investments, assets under gift annuity and trust agreements, and liabilities under gift annuity and trust agreements (see Note 2.8).

Cash and cash equivalents, accounts receivable and accounts payable, are reported at cost, which approximates fair value, and are not subject to fair value disclosures.

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. On December 31, 2018, the Company had cash and cash equivalents on deposit with financial institutions that exceeded the limit insured by the federal government by approximately \$285,000. Reach Beyond has not experienced any losses and believes it is not exposed to any significant credit risk on these deposits.

2 Summary of significant accounting policies, continued

2.4 Accounts Receivable

Reach Beyond grants credit to 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 may establish a reserve for uncollectible accounts to absorb possible losses. Reserves, if deemed necessary, are based on an evaluation of receivables and include, 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.

2.5 Investments

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 when received and are sold as soon as is practical. Realized and unrealized gains and losses are reported in the statement 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. All investments were measured on a recurring basis.

2.6 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, 2018, 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 statement of activities.

2.7 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 Summary of significant accounting policies, continued

2.8 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, 2018, 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 statement of financial position as net assets with donor restrictions.

2.9 Net assets

Net assets with donor restrictions are resources with donor stipulations with respect to purpose or time and include reserves related to charitable remainder trusts, missionary funds, work team funds, and contributions for specific projects.

Net assets without donor restrictions include resources designated by the board as reserves related to charitable gift annuities and all resources not otherwise restricted or designated.

2.10 Revenue recognition principles

Contributions are recorded as revenue when received or when unconditionally promised, whichever comes first. Donations are reported with donor restrictions if they are received with stipulations that limit their use. When a donor restriction expires, the net assets are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Contributions are considered to be without donor restrictions unless specifically restricted by the donor.

Donated goods and services are valued at their fair market value at the date of donation, or if more readily determinable, at the cost to acquire comparable assets and services.

Media income consists of production and airing revenues, and is recorded when services have been provided.

Other income is recorded when earned, which is when products or services have been provided. Revenue is reported at estimated net realizable amounts. There is a possibility that recorded estimates will change by a material amount.

2.11 Seconded services

Reach Beyond has secondment agreements with other 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. Donated services are included in the statement of activities as public support and a corresponding expense is included in the appropriate category of expense for program services or supporting activities.

2 Summary of significant accounting policies, continued

2.12 Employee benefit plans

Retirement benefits 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.

2.13 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).

2.14 Functional allocation of expenses

The costs of providing programs and supporting activities are presented on a functional basis in the statement of activities; expenses not directly related to a program have been allocated among the program services and supporting activities benefited:

- The \$10,037,510 donation to TWRMF discussed in Note 3 was allocated to 2018 program services in the same ratio as TWRMF's 2017 expenditures by program.
- Personnel costs, ministry partner support, and travel were allocated based upon staff time and effort which was determined through job descriptions and a 2018 survey of how staff time was spent.
- Professional services and other miscellaneous expenses were allocated based on the department that oversees the project or ministry.

2.15 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 materially different.

Significant estimates and assumptions in the financial statements include useful lives for depreciation and amortization and future obligations under annuity and trust agreements.

2.16 Subsequent events

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

2.17 Updated presentation

In August of 2016 the Financial Accounting Standards Board issued a new standard mandating changes to the presentation of financial statements for not-for-profit entities, effective with these 2018 financial statements. The update addressed the complexity and presentation of net asset classifications, a lack of information about liquidity and the availability of resources, and a lack of consistency in the type of information provided about expenses and investment return. The new standard also requires the presentation of expenses by functional (i.e. natural) categories) in addition to by program and supporting activities.

3 Deconsolidation of The World Radio Missionary Fellowship, Inc.

Reach Beyond's 2017 financial statements included the assets, liabilities, and results of operations of The World Radio Missionary Fellowship, Inc. (TWRMF) because Reach Beyond controlled TWRMF through a majority representation on the TWRMF board and Reach Beyond missionaries were a significant part of TWRMF's management. At the end of 2017 Reach Beyond ceased to exercise control over the TWRMF board and over TWRMF operations. Because of these changes, TWRMF was deconsolidated effective January 1, 2018.

A loss on deconsolidation represents the difference between consolidated net assets immediately before losing control of TWRMF and net assets immediately after. A loss of \$10,037,510 has been allocated across program services on the statement of activities and the allocation is disclosed as "Donation to TWRMF" in the statement of functional expenses.

Although Reach Beyond expects to continue seconding missionaries to TWRMF in furtherance of its worldwide outreach, Reach Beyond missionaries will not exercise significant control over management and TWRMF's board of trustees will act independently of Reach Beyond management. Because of shared vision, values, and branding, TWRMF is considered an affiliate of Reach Beyond but not a related party.

4 Accounts receivable

Due from affiliate	\$ 83,496
Media services	3,606
Advances to missionaries	82,418
Total accounts receivable	<u>\$ 169,520</u>

5 Prepayments and other assets

Prepaid expenses	\$ 47,972
Westfall conference deposit	310,930
Total prepayments and other assets	<u>\$ 358,902</u>

6 Fair value of investments and 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 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 2.8).

6 Fair value of investments and 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, 2018:

	Total	Level 1	Level 2
Mutual funds, index funds, exchange-traded funds, and REITs:			
Commodities	\$ 49,194	\$ 49,194	\$ —
Common stocks - blended	464,129	464,129	—
Common stocks – foreign	465,226	465,226	—
Common stocks - growth	192,830	192,830	—
Common stocks - value	187,494	187,494	—
Fixed income	1,008,456	1,008,456	—
Real estate	155,707	155,707	—
	<u>2,523,027</u>	<u>2,523,027</u>	<u>—</u>
Common stocks:			
Consumer discretionary	112,776	112,776	—
Energy	32,555	32,555	—
Financial	108,219	108,219	—
Healthcare	92,822	92,822	—
Industrials	66,902	66,902	—
International	125,372	125,372	—
Technology	161,464	161,464	—
Telecommunications	44,879	44,879	—
Utilities	33,028	33,028	—
	<u>778,017</u>	<u>778,017</u>	<u>—</u>
Corporate bonds:			
A1 credit rating	92,416	—	92,416
A2 credit rating	158,082	—	158,082
A3 credit rating	138,999	—	138,999
Baa1 credit rating	60,582	—	60,582
Not rated	39,077	—	39,077
	<u>489,156</u>	<u>—</u>	<u>489,156</u>
U.S. treasuries and agencies:			
Aaa credit rating	521,585	521,585	—
	<u>521,585</u>	<u>521,585</u>	<u>—</u>
Total investments at fair value	<u>\$ 4,311,785</u>	<u>\$ 3,822,629</u>	<u>\$ 489,156</u>

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

Fair value of assets under gift annuity and trust agreements at December 31, 2018:

	Total	Level 1	Level 2
Mutual funds, index funds, exchange-traded funds, and REITs:			
Common stocks – blended	\$ 530,655	\$ 530,655	\$ –
Common stocks - growth	511,357	511,357	–
Common stocks - international	659,744	659,744	–
Common stocks - value	435,491	435,491	–
Fixed income	549,938	549,938	–
Real estate	271,261	271,261	–
	<u>2,958,446</u>	<u>2,958,446</u>	<u>–</u>
Common stocks:			
Healthcare	831	831	–
Energy	43,400	43,400	–
Natural resources	2,630	2,630	–
Technology	583	583	–
Telecommunications	26,092	26,092	–
Transportation	2,745	2,745	–
Utilities	15,592	15,592	–
	<u>91,873</u>	<u>91,873</u>	<u>–</u>
Corporate bonds:			
Aaa credit rating	135,150	–	135,150
Aa2 credit rating	8,168	–	8,168
A2 credit rating	21,241	–	21,241
A3 credit rating	52,176	–	52,176
Ba1 credit rating	1,900	–	1,900
Baa1 credit rating	59,724	–	59,724
Baa2 credit rating	46,829	–	46,829
Baa3 credit rating	26,990	–	26,990
	<u>352,178</u>	<u>–</u>	<u>352,178</u>
U.S. treasuries and agencies:			
Aaa credit rating	165,688	165,688	–
	<u>165,688</u>	<u>165,688</u>	<u>–</u>
Total assets at fair value	3,568,185	<u>\$ 3,216,007</u>	<u>\$ 352,178</u>
Assets at cost:			
Certificates of deposit	138,600		
Cash and cash equivalents	278,174		
	<u>416,774</u>		
Total assets under gift annuity and trust agreements	<u>\$ 3,984,959</u>		

7 Property and equipment

Land	\$ 100,000
Buildings and improvements	1,268,996
Equipment, vehicles, and furniture	351,250
Accumulated depreciation	<u>(1,307,115)</u>
Total property and equipment	<u>\$ 413,131</u>

Depreciation expense for the year was \$63,713.

8 Charitable gift annuities and charitable remainder trusts

Assets:	
Cash and cash equivalents	\$ 278,174
Certificates of deposit	138,600
Mutual funds, index fund, exchange-traded funds, and REITS	2,958,446
Common stocks	91,873
Corporate bonds	352,178
U.S. treasuries and agencies	165,688
Total assets under gift annuity and trust agreements	<u>3,984,959</u>
Liabilities:	
Payable under charitable gift annuities	2,667,568
Payable under charitable remainder trusts	<u>9,897</u>
Total liabilities under gift annuity and trust agreements	<u>2,677,465</u>
Net assets under gift annuity and trust agreements	<u>\$ 1,307,494</u>

Net assets under gift annuity and trust agreements exceeded the legally-required reserves of state jurisdictions by \$753,540.

Change in value during the year:	
Interest and dividends received	\$ 103,095
Net realized and unrealized gains (losses)	(281,808)
Custodial and management fees	(38,536)
Actuarial change in projected amounts payable	64,258
Matured agreements	99,107
Payments to annuitants	<u>(420,798)</u>
Total change in value	<u>\$ (474,682)</u>

9 Employee benefit plans

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 year were \$182,400.

Medical benefits for missionaries all U.S. employees 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.

10 Leases and other commitments

Reach Beyond has licenses for satellite transmission services and leases for office space and office equipment. Licenses and leases for the year were \$20,439 and \$45,592, respectively. Future minimum payments required under license agreements and non-cancelable operating leases are:

Year Ending	Licenses	Leases	Total
2019	\$ —	\$ 30,834	\$ 30,834
2020	—	18,853	18,853
2021	—	11,568	11,568
2022	—	11,568	11,568
2023	—	10,926	10,926
Thereafter	—	750	750
	\$ —	\$ 84,499	\$ 84,499

11 Foreign operations

Cash at financial institutions	\$ 62,387
Buildings and improvements	401,370
Equipment and furniture	24,412
Vehicles	96,481
Accumulated depreciation	(336,441)
Total assets	\$ 248,209

Reach Beyond did not have a significant amount of support or revenue from foreign sources. 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.

12 Investment income

Interest and dividends	\$ 171,682
Advisory fees paid	(56,179)
Net realized and unrealized gains (losses)	(383,522)
Net investment income (loss)	\$ (268,019)

13 Other income

Services performed for affiliates	\$ 15,288
Miscellaneous	3,446
Total other income	\$ 18,734

14 Donated goods and services received

Reach Beyond was the recipient of \$551,623 of services provided by missionaries seconded from other organizations. Reach Beyond did not receive a significant amount of donated goods.

15 Administrative assessments and joint costs

15.1 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.

Administrative assessments:	
On project donations	\$ 296,223
On missionary donations	524,054
Total administrative assessments	<u>820,277</u>
Administrative assessments on	
projects without donor restrictions	<u>(1,538)</u>
Administrative assessments on	
projects with donor restrictions	<u>\$ 818,739</u>

15.2 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 statement of activities:

Program services	\$ 110,495
General and administrative	55,248
Fundraising	110,495
Total joint costs	<u>\$ 276,238</u>

16 Liquidity

Reach Beyond has the following financial assets available to meet its cash needs for general expenditures during 2019:

Cash and cash equivalents	\$ 911,854
Accounts receivable	169,520
Investments	4,311,785
	<u>\$ 5,393,159</u>

Reach Beyond has an investment committee which monitors cash balances. Investment guidelines provide for maintaining 90 days of operating reserves in short-term liquid investments. As disclosed in Note 6, investments of \$4,311,785 at December 31 were publicly traded and are readily convertible to cash, therefore management believes that adequate resources will be available to meet cash needs for general expenditures and to satisfy Reach Beyond obligations as they become due during 2019.

As discussed in Note 8, Reach Beyond has \$1,307,494 of net assets related to gift annuities and irrevocable charitable remainder trusts. This exceeded the legal reserve requirements of state jurisdictions by \$753,540. Although this excess is not legally restricted, it is Reach Beyond's policy to not use net assets related to gift annuities and irrevocable charitable remainder trusts for general expenditures, therefore such amounts have been excluded from the available financial assets listed above. These excess funds could be used for general expenditures if the board of trustees granted approval.