CHRISTIAN ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditors' Report

December 31, 2015 and 2014

CHRISTIAN ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARY

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CAPINCROUSE LLP

INDEPENDENT AUDITORS' REPORT

Board of Directors
Christian Associates International, Inc. and Subsidiary
Portland, Oregon

We have audited the accompanying consolidated financial statements of Christian Associates International, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, 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 Directors
Christian Associates International, Inc. and Subsidiary
Portland, Oregon

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Christian Associates International, Inc. and Subsidiary as of December 31, 2015 and 2014, 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
March 31, 2016

CHRISTIAN ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

	December 31, 2015	December 31, 2014
ASSETS:		
Cash and cash equivalents	$ 696,835	$ 472,987
Investments	155,480	25,958
Advances	12,755	18,081
Prepaid expenses and other assets	20,118	66,013
Due from affiliates	102,693	134,960
Furniture and equipment–net	16,060	2,116
Total Assets	$ 1,003,941	$ 720,115
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	$ 18,518	$ 28,216
	18,518	28,216
Net assets:		
Unrestricted:		
Operating	(137,171)	(317,123)
Equity in furniture and equipment	16,060	2,116
	(121,111)	(315,007)
Temporarily restricted	1,106,534	1,006,906
	985,423	691,899
Total Liabilities and Net Assets	$ 1,003,941	$ 720,115

See notes to consolidated financial statements

CHRISTIAN ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARY

Consolidated Statements of Activities

	Year Ended December 31,					
	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	350,343	$ 3,628,617	$ 3,978,960	$ 233,229	$ 3,460,559	$ 3,693,788
Training fees	48,926	-	48,926	58,405	-	58,405
Interest and other income	(15,352)	-	(15,352)	(888)	-	(888)
Total Support and Revenue	383,917	3,628,617	4,012,534	290,746	3,460,559	3,751,305
NET ASSETS RELEASED:						
From purpose restriction	3,175,313	(3,175,313)	-	3,118,486	(3,118,486)	-
Administrative assessments	353,676	(353,676)	-	328,357	(328,357)	-
	3,528,989	(3,528,989)	-	3,446,843	(3,446,843)	-
EXPENSES:						
Program services	3,236,197	-	3,236,197	3,204,580	-	3,204,580
Supporting activities:						
General and administrative	330,017	-	330,017	321,216	-	321,216
Fund-raising	152,796	-	152,796	141,165	-	141,165
	482,813	-	482,813	462,381	-	462,381
Total Expenses	3,719,010	-	3,719,010	3,666,961	-	3,666,961
Change in Net Assets	193,896	99,628	293,524	70,628	13,716	84,344
Net Assets, Beginning of Year	(315,007)	1,006,906	691,899	(385,635)	993,190	607,555
Net Assets, End of Year	$ (121,111)	$ 1,106,534	$ 985,423	$ (315,007)	$ 1,006,906	$ 691,899

See notes to consolidated financial statements

CHRISTIAN ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year Ended December 31, 2015	Year Ended December 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 293,524	$ 84,344
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	819	2,026
Loss on sale of investments	42,814	5,723
Reinvested dividends	(14,630)	(3,804)
Donated furniture and equipment	(12,498)	-
Changes in operating assets and liabilities:		
Advances	5,326	16,809
Prepaid expenses and other assets	45,895	(43,845)
Due from affiliates	32,267	(36,940)
Accounts payable and accrued expenses	(9,698)	(34,793)
Net Cash Provided (Used) by Operating Activities	383,819	(10,480)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of furniture and equipment	(2,265)	(2,456)
Purchases of investments	(164,607)	(32,000)
Proceeds from sales of investments	6,901	105,922
Net Cash (Used) Provided by Investing Activities	(159,971)	71,466
Change in Cash and Cash Equivalents	223,848	60,986
Cash and Cash Equivalents, Beginning of Year	472,987	412,001
Cash and Cash Equivalents, End of Year	$ 696,835	$ 472,987

See notes to consolidated financial statements

1. NATURE OF ORGANIZATION:

Christian Associates International, Inc., a nonprofit organization incorporated in the state of Oregon, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation under Section 509(a). The primary source of revenue is contributions.

The mission of Christian Associates International, Inc. is to establish churches who follow Jesus in transforming their world, through the following principles:

- We are called to be his missional followers. Thus, by God's grace and the Holy Spirit's empowerment, we want to foster a great movement that has a tireless passion to plant the Gospel and invite others into a relationship with Jesus and join us in his mission to the world.
- We want to give ourselves to the mission of Jesus Christ to change lives and extend his kingdom in the cities of Europe…and beyond. This includes seeing Jesus bring redemptive healing and wholeness to people's lives and entire communities.
- We strive to see every person with unsurpassable worth, worthy enough for Jesus to die for them and for us to reach out to them in love.

Together we want to manifest God's kingdom love and grace, raise up more and more missional followers/disciples of Jesus, and multiply more missional, Christ-following leaders, communities, and movements.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Christian Associates International, Inc. and InterWork Enterprises, LLC (collectively, CAI). InterWork Enterprises, LLC exists to provide coworking space in the city of Denver. InterWork Enterprises, LLC was formed toward the end of 2015 and had no financial activity during the year ended December 31, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CAI maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the consolidated financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

The scope of these consolidated financial statements is limited to the United States organization. The organization is affiliated with Christian Associates International, Inc. of The Netherlands, the United Kingdom, and Canada. The assets, liabilities, revenues, and expenses of these affiliated organizations have not been included in these financial statements due to the lack of board control and economic influence.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

The significant accounting policies are described as follows:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking and money market accounts. These accounts may, at times, exceed federally insured limits. CAI has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk.

INVESTMENTS

Investments consist of equity securities. Investments are recorded at fair value based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy established under the Fair Value Measurements topic of the FASB Codification. It is the policy of CAI to sell donated securities immediately upon receipt. Such donations are recorded at fair value on the date received. Gains and losses are reported within interest and other income on the statements of activities. Investments, as of December 31, 2015 and 2014, consist of equity securities valued at $155,480 and $25,958, respectively.

DUE FROM AFFILIATES

Amount represents activities in Europe for missionaries and projects of CAI that have not been remitted as of December 31, 2015 and 2014.

FURNITURE AND EQUIPMENT

Items capitalized as furniture and equipment are recorded at cost. Donated items are recorded at their fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives (currently 3-5 years) of the related assets. CAI capitalizes fixed asset purchases exceeding $2,000 with lesser amounts expensed in the year purchased. Assets acquired under a capital lease are amortized over the life of the lease or the estimated useful life, whichever is less. Total accumulated depreciation is $32,688 and $32,978 as of December 31, 2015 and 2014, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS
The financial statements report amounts separately by class of net assets.

Unrestricted net assets include net assets currently available for use in the operations of CAI and those resources invested in furniture and equipment.

Temporarily restricted net assets are amounts restricted by donors for specific operating purposes. They are not currently available for use in CAI activities until restrictions regarding their use have been fulfilled. When a restriction expires, that is when a stipulated purpose restriction is satisfied, temporarily restricted net assets will be reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

SUPPORT, REVENUE, AND EXPENSES
Contributions are recorded when made, which may be when cash or other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. 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 statements of activities as net assets released from restrictions. Donations that are restricted for a specific purpose are assessed an administrative charge of approximately 10-15% as of December 31, 2015. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Those contributions received after year-end that were postmarked by December 31, 2015, were recorded as contributions and cash and cash equivalents rather than promises to give.

Training fees are recorded when earned which is when the training takes place. Interest income is recorded when earned.

Expenses are recognized in accordance with the accrual basis of accounting.

FUNCTIONAL ALLOCATION OF EXPENSES
The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs, such as supplies and payroll, have been allocated among the program services and supporting activities benefited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECLASSIFICATIONS
Certain prior year amounts have been reclassified to conform with the current year presentation.

UNCERTAIN TAX POSITIONS
The financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. As of December 31, 2015, CAI had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

3. TEMPORARILY RESTRICTED NET ASSETS:
Temporarily restricted net assets for projects consist of:

	December 31, 2015	December 31, 2014
Missionary support	$ 892,194	$ 756,410
Church and project support	214,340	250,496
	$ 1,106,534	$ 1,006,906

4. COMMITMENTS:
CAI entered into a contract for accounting services during December 2015. The remaining contract commitments are $95,232. The contract expires December 2016.

5. TRANSACTIONS WITH RELATED PARTIES:
CAI provided grant support (net of expenses) in the amount of $81,780 and $108,211 to their affiliates during the years ended December 31, 2015 and 2014, respectively. In addition, there was a balance due from affiliates of $102,693 and $134,960 as of December 31, 2015 and 2014, respectively, as reflected in the consolidated statements of financial position.

6. SUBSEQUENT EVENTS:
Subsequent events have been evaluated through the report date, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

7. FINANCIAL CONDITION:
At December 31, 2015 and 2014, the balance in the unrestricted operating net assets was a deficit of $137,171 and $317,123, respectively. Management has a plan to reduce or eliminate this deficit within the next three to six years through various operating strategies.

SUPPLEMENTARY INFORMATION

CAPINCROUSE LLP

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

Board of Directors
Christian Associates International, Inc. and Subsidiary
Portland, Oregon

We have audited the consolidated financial statements of Christian Associates International, Inc. and Subsidiary as of and for the years ended December 31, 2015 and 2014, and our report thereon dated March 31, 2016, which expresses 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 unaudited supplemental statements of summarized financial information are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been audited and 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. Such information has been subjected to the inquiry and analytical procedures and we did not become aware of any material modifications that should be made to such information.

Capin Crouse LLP

Colorado Springs, Colorado
March 31, 2016

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CHRISTIAN ASSOCIATES INTERNATIONAL, INC. AND SUBSIDIARY

Unaudited Supplemental Statements of Summarized Financial Information

This schedule reports financial information of unconsolidated affiliates in The Netherlands and United Kingdom

	Year Ended December 31,					
	2015			2014		
	The Netherlands	United Kingdom	Total	The Netherlands	United Kingdom	Total
Total assets	$ 116,879	$ 2	$ 116,881	$ 99,482	$ 7,077	$ 106,559
Total liabilities	$ 33,888	$ -	$ 33,888	$ 35,274	$ -	$ 35,274
Unrestricted net assets	$ 3,463	$ -	$ 3,463	$ 842	$ 7,075	$ 7,917
Temporarily restricted net assets	79,528	2	79,530	63,366	2	63,368
Total net assets	$ 82,991	$ 2	$ 82,993	$ 64,208	$ 7,077	$ 71,285
Total revenue and support	$ 266,053	$ 12,036	$ 278,089	$ 228,923	$ 13,035	$ 241,958
Grants via affiliates	$ 81,780	$ -	$ 81,780	$ 108,211	$ -	$ 108,211
Total expenses	$ (329,050)	$ (19,111)	$ (348,161)	$ (350,250)	$ (5,960)	$ (356,210)
Change in net assets	$ 18,783	$ (7,075)	$ 11,708	$ (13,116)	$ 7,075	$ (6,041)