

INFAITH

(Established in 1817 as American Sunday School Union)

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

FEBRUARY 28, 2017 AND FEBRUARY 29, 2016

INFAITH

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**To the Board of Trustees
InFaith
Exton, Pennsylvania**

We have audited the accompanying consolidated financial statements of InFaith and its affiliate, InFaith Foundation (“InFaith”) which comprise the consolidated statement of financial position as of February 28, 2017 and February 29, 2016, and the related consolidated statements of activities and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 of 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 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of InFaith as of February 28, 2017 and February 29, 2016, the changes in its net assets, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Tait Weller & Baker LLP
TAIT, WELLER & BAKER LLP

**Philadelphia, Pennsylvania
July 17, 2017**

INFAITH

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

February 28, 2017 And February 29, 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 198,849	293,874
Interest and dividends receivable	23,871	21,592
Investments	10,609,134	10,116,161
Note receivable	151,986	184,490
Other receivables and prepaid expenses	89,582	84,202
Beneficial interest in perpetual trusts	1,115,245	1,040,263
Property and equipment, net	<u>1,287,231</u>	<u>1,262,969</u>
Total Assets	<u>\$ 13,475,898</u>	<u>\$ 13,003,551</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 47,557	\$ 23,268
Accrued expenses and other liabilities	28,941	16,696
Accrued postretirement medical benefit	1,238,516	1,433,408
Accrued pension expense	7,811,715	6,050,238
Annuities payable and irrevocable trust	213,052	231,637
Trust agreement deposits	<u>63,000</u>	<u>79,853</u>
Total Liabilities	<u>9,402,781</u>	<u>7,835,100</u>
NET ASSETS		
Unrestricted		
General operating funds	6,213,804	5,921,173
Accrued pension and postretirement medical benefit liabilities	<u>(9,050,231)</u>	<u>(7,483,646)</u>
Total Unrestricted	(2,836,427)	(1,562,473)
Temporarily restricted	4,987,615	4,883,977
Permanently restricted	<u>1,921,929</u>	<u>1,846,947</u>
Total Net Assets	<u>4,073,117</u>	<u>5,168,451</u>
Total Liabilities and Net Assets	<u>\$ 13,475,898</u>	<u>\$ 13,003,551</u>

INFAITH

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended February 28, 2017 And February 29, 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains (Losses), and Other Support								
Contributions	\$ 6,926,025	\$ -	\$ -	\$ 6,926,025	\$ 6,694,070	\$ -	\$ -	\$ 6,694,070
Contributions for work funds	-	133,317	-	133,317	-	155,121	-	155,121
Outside trusts	56,653	-	-	56,653	61,253	-	-	61,253
Legacies and bequests	304,932	34,717	-	339,649	29,449	151,640	-	181,089
Other revenues	25,126	-	-	25,126	42,689	-	-	42,689
Actuarial gain (loss) on annuities and irrevocable trust	(10,844)	-	-	(10,844)	(15,549)	18,377	-	2,828
Investment return designated for current operations	303,041	296,707	-	599,748	284,036	326,307	-	610,343
Net assets released from restrictions	480,888	(480,888)	-	-	781,213	(781,213)	-	-
Total revenues, gains (losses), and other support	<u>8,085,821</u>	<u>(16,147)</u>	<u>-</u>	<u>8,069,674</u>	<u>7,877,161</u>	<u>(129,768)</u>	<u>-</u>	<u>7,747,393</u>
Expenses								
Program services – missions	6,945,670	-	-	6,945,670	6,849,147	-	-	6,849,147
Supporting Services								
General and administration	1,185,135	-	-	1,185,135	1,156,347	-	-	1,156,347
Development and public relations	498,631	-	-	498,631	478,527	-	-	478,527
Total expenses	<u>8,629,436</u>	<u>-</u>	<u>-</u>	<u>8,629,436</u>	<u>8,484,021</u>	<u>-</u>	<u>-</u>	<u>8,484,021</u>
Other Changes								
Investment return net of amounts designated for current operations	321,534	119,785	-	441,319	(293,267)	(722,325)	-	(1,015,592)
Gain on sale of property	-	-	-	-	3,183,700	-	-	3,183,700
Minimum additional pension liability	(1,246,764)	-	-	(1,246,764)	(633,887)	-	-	(633,887)
Change in post-retirement medical benefit liability	194,891	-	-	194,891	39,880	-	-	39,880
Change in beneficial interest in perpetual trusts	-	-	74,982	74,982	-	-	(162,184)	(162,184)
Total other changes	<u>(730,339)</u>	<u>119,785</u>	<u>74,982</u>	<u>(535,572)</u>	<u>2,296,426</u>	<u>(722,325)</u>	<u>(162,184)</u>	<u>1,411,917</u>
Change in net assets	<u>(1,273,954)</u>	<u>103,638</u>	<u>74,982</u>	<u>(1,095,334)</u>	<u>1,689,566</u>	<u>(852,093)</u>	<u>(162,184)</u>	<u>675,289</u>
Net Assets								
Beginning of year	<u>(1,562,473)</u>	<u>4,883,977</u>	<u>1,846,947</u>	<u>5,168,451</u>	<u>(3,252,039)</u>	<u>5,736,070</u>	<u>2,009,131</u>	<u>4,493,162</u>
End of year	<u>\$(2,836,427)</u>	<u>\$4,987,615</u>	<u>\$1,921,929</u>	<u>\$4,073,117</u>	<u>\$(1,562,473)</u>	<u>\$4,883,977</u>	<u>\$1,846,947</u>	<u>\$ 5,168,451</u>

See notes to financial statements.

INFAITH

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended February 28, 2017 And February 29, 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,095,334)	\$ 675,289
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	76,627	57,148
Realized and unrealized (gains) losses on investments	(931,523)	546,496
Net change in beneficial interest in perpetual trusts	(74,982)	162,184
Gain on sale of property	-	(3,183,700)
Change in assets and liabilities:		
(Increase) decrease in:		
Interest and dividends receivable	(2,279)	8,400
Other receivables and prepaid expenses	(5,380)	92,502
Assets held in irrevocable trust	-	3,020
Increase (decrease) in:		
Accounts payable	24,289	(2,411)
Accrued expenses and other liabilities	1,578,830	(1,025,722)
Annuities payable and irrevocable trust	(18,585)	(36,890)
Trust agreement deposits	<u>(16,853)</u>	<u>(31,000)</u>
Net cash used in operating activities	<u>(465,190)</u>	<u>(2,734,684)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,267,712)	(3,025,208)
Proceeds from sale of investments	3,706,262	3,563,010
Purchase of property and equipment	(100,889)	(1,153,277)
Proceeds from sale of property	-	3,300,000
Payments on note receivable	<u>32,504</u>	<u>19,666</u>
Net cash provided by investing activities	<u>370,165</u>	<u>2,704,191</u>
Net decrease in cash and cash equivalents	(95,025)	(30,493)
CASH AND CASH EQUIVALENTS		
Beginning of Year	<u>293,874</u>	<u>324,367</u>
End of Year	<u>\$ 198,849</u>	<u>\$ 293,874</u>

INFAITH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

February 28, 2017 And February 29, 2016

(1) ORGANIZATION

INFAITH

InFaith is a faith mission proclaiming God’s Word to spiritually neglected people to evangelize, congregate, and disciple them for Jesus Christ. InFaith was established in 1817 as the American Sunday School Union and is a not-for-profit nondenominational organization. InFaith fulfills its purpose in both urban and rural United States by the planting of churches, establishing and maintaining Sunday schools, Bible classes, camps, and conferences, and holding evangelistic meetings. InFaith is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.

INFAITH FOUNDATION

The InFaith Foundation (the “*Foundation*”) is a not-for-profit corporation which was incorporated October 2, 2003, in the Commonwealth of Pennsylvania for the purpose of managing, investing, and distributing funds for the benefit of InFaith. The Foundation is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code as a 509(a)(3) Type I “Supporting Organization.”

Management has reviewed the tax positions for each of the open fiscal tax years (2014 – 2016) or expected to be taken in InFaith and the Foundation’s 2017 current year returns and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

(2) SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND CONSOLIDATION

The financial statements have been prepared on the accrual basis of accounting. The consolidated financial statements include the accounts of InFaith and the Foundation, as InFaith has control of and an economic interest in the Foundation. All significant intercompany balances and transactions have been eliminated.

The accompanying statements of activities do not include the income and expense for various summer camps throughout the United States which are operated by local congregations in association with InFaith.

USE OF ESTIMATES

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates include the pension, post-retirement medical and medical insurance liabilities and the annuities payable. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

InFaith considers highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents.

INFAITH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 28, 2017 And February 29, 2016

BASIS OF PRESENTATION

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. All contributions are considered available for unrestricted use, unless specifically restricted by the donor. Accordingly, net assets of InFaith and the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of InFaith and the Foundation and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by InFaith and the Foundation. Generally, the donors of these assets permit the organization to use all or part of the income earned on related investments for unrestricted or temporarily restricted purposes.

BOARD DESIGNATED ANNUITY RESERVE

InFaith issues life annuities for certain gifts received from individuals. InFaith transfers the annuities and their related liabilities to the Foundation. The Foundation records a liability for the present value of the expected future annuity payments, and a gift for the balance of the funds deposited by the annuitant. Each year, the liability is recalculated for changes in life expectancy and an actuarial gain (loss) is recorded for these changes.

The Board of Trustees has established a formula for calculating a portion of unrestricted investments which are to be designated as a reserve for the annuity program. The reserve is equal to the Commonwealth of Pennsylvania guidelines permitting issuance of Charitable Gift Annuities.

The 2017 and 2016 reserves are calculated as follows:

	<u>2017</u>	<u>2016</u>
State Guidelines - \$100,000 plus 50% of the contract amount of annuities issued and in effect.	<u>\$312,150</u>	<u>\$316,550</u>

CONTRIBUTIONS

InFaith reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as ***“release from restrictions”***.

Missionaries are required to raise their own contributing support base. Support income designated for specific missionaries is tracked and is considered in establishing the subsequent year’s compensation for the missionaries. InFaith does not maintain a running balance of excess (deficiency) support by individual missionaries, as the income is that of the organization. Support income for missionaries is substantially spent in the year received and, therefore, is reported through the unrestricted net asset group.

INFAITH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 28, 2017 And February 29, 2016

INVESTMENTS

InFaith, through its Foundation, has pooled both restricted and unrestricted investments in order to achieve a higher return on investment than would be possible if the investments were invested separately.

Investments of marketable securities with readily determinable fair value and all investments in debt securities are reported in the financial statements at fair value. Fair value for those securities is determined by the closing price of the securities at the end of the fiscal year. Fair value of mortgages, loans, and notes receivable is assumed to equal cost. Realized gains and losses on sales of investments and properties are calculated as the difference between the historical cost of the investment and the proceeds received from the sale. The change in market appreciation (depreciation) of investments during the year is also included in gains and losses in the statement of activities.

Ordinary income, gains, and losses derived from investments are allocated based on unit values of each of the net asset categories in relation to the total pooled funds. Income, gains, and losses on investments are increases in unrestricted net assets unless restricted to purpose or future periods by donor stipulation or by law.

CREDIT RISK

InFaith occasionally maintains brokerage cash accounts in excess of federally insured limits. Accounting Standards Codification (“ASC”) 825, “*Financial Instruments*” identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

InFaith’s principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the Foundation’s investment goals for total investment return, yield, tolerance of investment risk and investment turnover. The degree and concentration of credit risk vary by the type of investment.

PROPERTY AND EQUIPMENT

Land, buildings, and equipment are recorded at cost or, if donated, at the fair value on the date donated. Generally, InFaith follows the practice of capitalizing all expenditures for buildings and equipment over \$5,000 (\$500 prior to fiscal year 2013). Depreciation on buildings and equipment is computed on the straight-line method over the following useful lives:

Buildings	39 years
Equipment	5-10 years

COLLECTIONS

InFaith maintains an extensive collection of historical publications and artifacts. The historical items have either been donated or purchased by InFaith since its inception. The collection is preserved and displayed for the educational benefit of the members of InFaith. InFaith does not recognize the contributions of donated collection items as its collections are not capitalized. As of February 28, 2017 and 2016, the value of the collection has not been determined.

INFAITH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 28, 2017 And February 29, 2016

LIFE INCOME AGREEMENTS AND TRUST

The funds held subject to life income provisions include amounts held subject to the payment to life beneficiaries of stated amounts in the case of gift annuities and a unitrust. On maturity, the remainder interests revert to InFaith.

The actuarial valuations of the gift annuities and unitrust are recorded as annuity payable and irrevocable trust liability. The present value of the annuities and unitrust agreements was determined using a discount rate of 6%.

RECLASSIFICATIONS

Certain reclassifications were made to the 2016 financial statements to conform to the 2017 presentation.

NEW ACCOUNTING STANDARDS

In May 2015, the FASB issued ASU 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent). This ASU was issued to address the diversity in practice relating to how certain investments measured at net asset value are categorized in the fair value hierarchy. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. ASU 2015-07 also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. ASU 2015-07 is effective for InFaith's fiscal year beginning March 1, 2017; early adoption is permitted. InFaith elected to adopt the guidance for the fiscal year beginning March 1, 2016. The guidance is retrospective, and the adoption of this ASU impacted disclosures related to investments.

(3) INVESTMENTS

The following is a summary of the fair value and historical cost of investments held at February 28, 2017 and February 29, 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Fair Value</u>	<u>Historical Cost</u>	<u>Fair Value</u>	<u>Historical Cost</u>
Money Market Funds	\$ 683,619	\$ 683,619	\$ 471,790	\$ 471,790
Common Stocks	1,682,448	1,126,223	1,672,002	1,280,040
Bonds				
Corporate and Foreign	2,472,233	2,454,758	2,744,476	2,768,750
U.S. Treasury Notes	54,987	55,002	-	-
Registered Investment Companies				
Equity Funds	3,108,243	2,275,389	2,588,173	2,231,001
GNMA Fund	249,539	251,485	253,379	250,522
Alternative Investments	<u>2,358,065</u>	<u>1,424,862</u>	<u>2,386,341</u>	<u>1,285,282</u>
Total	<u>\$ 10,609,134</u>	<u>\$ 8,271,338</u>	<u>\$ 10,116,161</u>	<u>\$ 8,287,385</u>

INFAITH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 28, 2017 And February 29, 2016

Unfunded	<u>Fair Value</u>	<u>Commitment</u>
Private Equity Fund – Global ^(a)	\$ 821,532	\$215,696
Private Equity Fund – Domestic ^(b)	755,441	765,723
Private Equity Fund – Absolute Return ^(c)	<u>781,092</u>	<u>-</u>
	<u>\$ 2,358,065</u>	<u>\$981,419</u>

- (a) The fund invests in a diversified pool of global private equity funds which invest in a portfolio of management buyouts, venture capital and growth capital in United States and Europe. Redemptions can only be made from this fund if a limited partner is available to buy the Foundation's share and the general partner approves the sale.
- (b) The fund invests in a diversified portfolio of hedge and private equity funds which invest in buyouts, distressed companies, growth equity, real estate, mezzanine capital, secondaries and venture capital. Redemptions can only be made from this fund if a limited partner is available to buy the Foundation's share and the general partner approves the sale.
- (c) The fund share class invests in a diversified basket of hedge fund managers and strategies in order to achieve a long-term, fixed income-like return with less volatility and limited correlation to traditional asset classes. The fair values of the investments in this category have been recorded at the net asset value of the underlying funds, which are predominantly investments in investment funds. Investors may not redeem any shares for a period of two years from the date of each purchase, subject to the discretion of the fund board. After the two year lock-up period, redemptions can be made with 90 days of notice. There are no unfunded commitments at February 28, 2017.

The Foundation has pooled its investments, including unrestricted net assets designated for investment and permanently restricted net assets. The Foundation uses the total return concept in accounting for its pooled investment funds. Under the total return method, investments are recorded at market value and the Foundation annually determines a spending percentage based upon 7% of the three year average ending market value, by which the Foundation can expend not only income but a prudent portion of the appreciation of the principal. According to policy approved by the Board of Trustees, funds are invested in a manner to preserve the real purchasing power of the assets after all withdrawals and fees by earning a total rate of return over full market cycles of 3 to 5 years which will support the spending policy. If the endowment draw amount exceeds the actual earnings of the pooled Investment Funds in any one year, then the amount needed to fund such excess will first be taken from the accumulated excess earnings from prior years, and, conversely, any undistributed income after the allocation of the spending rate amount is added back to the accumulated excess earnings in the appropriate net asset category.

Commonwealth of Pennsylvania law stipulates that realized and unrealized gains on endowment assets may be expended for the purposes stipulated by the donors only to the extent that the total of such expenditures, including dividends and interest and less fees, do not exceed 7% of the average of the three most recent fiscal years' fair values of the permanently restricted endowment assets. Realized and unrealized gains in excess of the approved spending percentage are included in the statements of activities as increases in the temporarily restricted net assets. Such temporarily restricted amounts may be released to unrestricted net assets in future years based on authorization by the Foundation only to the extent of the 7% limitation applicable to the year in which they are to be released.

INFAITH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 28, 2017 And February 29, 2016

The Foundation's investment strategy is based on an expectation that equity securities will outperform debt securities over the long term. Accordingly, the composition of the Foundation's plan assets is broadly characterized as an allocation between equity and debt securities of approximately 70% / 30% for 2017 and 2016. The strategy utilizes primarily U.S. equity securities diversified across economic and industry sectors and actively managed debt securities rated investment quality or better by Standard & Poor's and/or Moody's Investors.

The following schedules summarize the investment return and its classification in the statement of activities for the year ended February 28, 2017 and February 29, 2016:

	2017		
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
Interest and Dividends (Net of Investment Expenses of \$87,620)	\$ 66,908	\$ 42,636	\$ 109,544
Realized and Unrealized Gain on Investments	<u>472,692</u>	<u>458,831</u>	<u>931,523</u>
Total Return	539,600	501,467	1,041,067
Investment return designated for current operations *	<u>218,066</u>	<u>381,682</u>	<u>599,748</u>
Investment return net of amounts designated for current operations	<u>\$ 321,534</u>	<u>\$ 119,785</u>	<u>\$ 441,319</u>
	2016		
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
Interest and Dividends (Net of Investment Expenses of \$92,078)	\$ 82,560	\$ 58,687	\$ 141,247
Realized and Unrealized Gain on Investments	<u>(185,247)</u>	<u>(361,249)</u>	<u>(546,496)</u>
Total Return	(102,687)	(302,562)	(405,249)
Investment return designated for current operations *	<u>190,580</u>	<u>419,763</u>	<u>610,343</u>
Investment return net of amounts designated for current operations	<u>\$ (293,267)</u>	<u>\$ (722,325)</u>	<u>\$ (1,015,592)</u>
	2017		
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
* Reconciliation to Statement of Activities			
Investment return designated for current Operations per above	\$ 218,066	\$ 381,682	\$ 599,748
Investment return – permanent endowment Income unrestricted as to use	<u>84,975</u>	<u>(84,975)</u>	<u>-</u>
Per Statement of Activities – investment return	<u>\$ 303,041</u>	<u>\$ 296,707</u>	<u>\$ 599,748</u>

INFAITH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 28, 2017 And February 29, 2016

	Unrestricted	Temporarily	
	Net Assets	Restricted	Total
		2016	
		Net Assets	
* Reconciliation to Statement of Activities			
Investment return designated for current Operations per above	\$ 190,580	\$ 419,763	\$ 610,343
Investment return – permanent endowment Income unrestricted as to use	<u>93,456</u>	<u>(93,456)</u>	<u>-</u>
Per Statement of Activities – investment return	<u>\$ 284,036</u>	<u>\$ 326,307</u>	<u>\$ 610,343</u>

(4) NOTE RECEIVABLE

During 2013, InFaith sold a property to a church in exchange for a \$232,425 promissory note. The note bears interest at 2% and matures July 1, 2026. It is payable in monthly installments of \$1,496. The note is secured by a lien on the property sold. Details of the note receivable at February 28, 2017 and February 29, 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Note receivable	\$ 151,986	\$ 184,490
Less: Current portion	<u>15,046</u>	<u>13,180</u>
Note receivable net of current portion	<u>\$ 136,940</u>	<u>\$ 171,310</u>

(5) IRREVOCABLE TRUST

As trustee, InFaith administered an irrevocable charitable remainder unitrust. The unitrust assets were recorded at fair value as of the date of creation of the trust. This trust provided for the payment of lifetime distributions to the grantor or other designated beneficiaries. At the death of the lifetime beneficiaries, the trust, provided for the distribution of assets to designated charitable remaindermen. The portion of the trust attributable to the future interest of the organization was recorded on the statement of activities as temporarily restricted contributions in the period received. On an annual basis, InFaith recalculated the liability to make distributions to the designated beneficiaries (the life income obligation) based on actuarial assumptions. As of February 28, 2017, both lifetime beneficiaries had died and the remainder of the Trust was distributed to the organization.

(6) BENEFICIAL INTEREST IN PERPETUAL TRUSTS

InFaith is recipient of income from several trusts which are administered by financial institutions or other not-for-profit organizations. At February 28, 2017 and February 29, 2016, \$1,115,245 and \$1,040,263, respectively, represents the fair value of the trusts. These assets are reported in Permanently Restricted Net Assets.

INFAITH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 28, 2017 And February 29, 2016

(7) FAIR VALUE OF FINANCIAL INSTRUMENTS

InFaith utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that InFaith has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing InFaith’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

INVESTMENTS MEASURED USING THE NET ASSET VALUE PRACTICAL EXPEDIENT

For those investments for which fair value is measured using the net asset value practical expedient, InFaith uses the reported capital account or net asset value (NAV) per share to determine the fair value of investments that (a) do not have a readily determinable fair value due to a lack of market activity or transparency into the underlying investments of the fund and (b) either have the attributes of an investment company or prepare their audited financial statements consistent with the measurement principals of an investment company.

The summary of inputs used to value InFaith’s assets that are carried at fair value as of February 28, 2017 and February 29, 2016 is as follows:

<u>Investments</u>	<u>2017</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Money Market Funds	\$ 683,619	\$ -	\$ -	\$ 683,619
Common Stocks	1,682,448	-	-	1,682,448
Bonds				
Corporate	-	2,472,233	-	2,472,233
U.S. Treasury Notes	54,987	-	-	54,987
Registered Investment Companies				
Equity Funds	3,108,243	-	-	3,108,243
GNMA Fund	249,539	-	-	249,539
	<u>\$ 5,778,836</u>	<u>\$ 2,472,233</u>	<u>\$ -</u>	<u>8,251,068</u>
Other investments reported at Net Asset Value				<u>2,358,065</u>
Total Investments				<u>\$ 10,609,134</u>
Beneficial Interest in Perpetual Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,115,245</u>	<u>\$ 1,115,245</u>

INFAITH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 28, 2017 And February 29, 2016

<u>Investments</u>	<u>2016</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Money Market Funds	\$ 471,790	\$ -	\$ -	\$ 471,790
Common Stocks	1,672,002	-	-	1,672,002
Corporate Bonds	-	2,744,476	-	2,744,476
Registered Investment Companies				
Equity Funds	2,588,173	-	-	2,588,173
GNMA Fund	253,379	-	-	253,379
	<u>\$ 4,985,344</u>	<u>\$ 2,744,476</u>	<u>\$ -</u>	7,729,820
Other investments reported at Net Asset Value				<u>2,386,341</u>
Total Investments				<u>\$10,116,161</u>
Beneficial Interest in Perpetual Trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,040,263</u>	<u>\$ 1,040,263</u>

There were no transfers between Level 1 and Level 2 during the years ended February 28, 2017 and February 29, 2016.

The changes in assets measured at fair value for which the Foundation used Level 3 inputs to determine fair value are as follows:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 1,040,263	\$ 1,202,447
Change in value of beneficial interest in perpetual trusts	<u>74,982</u>	<u>(162,184)</u>
Ending balance	<u>\$ 1,115,245</u>	<u>\$ 1,040,263</u>

Beneficial Interest in Remainder Trusts and in Perpetual Trusts are measured at the estimated future cash flows which involve unobservable inputs. As a result, these present value techniques would be Level 3 inputs.

(8) PROPERTY AND EQUIPMENT

A summary of property and equipment at February 28, 2017 and February 29, 2016 is as follows:

	<u>2017</u>			<u>Book Value</u>
	<u>Cost</u>	<u>Depreciation</u>	<u>Accumulated Depreciation</u>	
Building	\$ 1,098,276	\$ 28,161	\$ 42,241	\$ 1,056,035
Equipment and Furniture	<u>349,329</u>	<u>48,466</u>	<u>118,133</u>	<u>231,196</u>
	<u>\$ 1,447,605</u>	<u>\$ 76,627</u>	<u>\$ 160,374</u>	<u>\$ 1,287,231</u>
	<u>2016</u>			<u>Book Value</u>
	<u>Cost</u>	<u>Depreciation</u>	<u>Accumulated Depreciation</u>	
Building	\$ 1,098,276	\$ 14,080	\$ 14,080	\$ 1,084,196
Equipment and Furniture	<u>248,440</u>	<u>43,068</u>	<u>69,667</u>	<u>178,773</u>
	<u>\$ 1,346,716</u>	<u>\$ 57,148</u>	<u>\$ 83,747</u>	<u>\$ 1,262,969</u>

INFAITH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 28, 2017 And February 29, 2016

In January 2015, InFaith agreed to sell its facility in Villanova, Pennsylvania which served as its headquarters to a non-profit private school. The property had a carrying value of \$116,300 and the agreed upon purchase price was \$3,300,000. The sale was completed on August 31, 2015 and InFaith recognized a gain on the sale of \$3,183,700.

In February 2015, InFaith agreed to purchase a condominium in Exton, Pennsylvania for \$980,000 to serve as its new headquarters. The purchase was completed on June 22, 2015 and was financed by a loan for \$1.2 million. The loan was repaid in September, 2015, after completion of the sale of the Villanova property.

(9) NET ASSETS

Temporarily restricted net assets at February 28, 2017 and February 29, 2016 were held for the following time or purpose restrictions:

	<u>2017</u>	<u>2016</u>
Purpose		
Books	\$ 25,724	\$ 22,980
Bibles Distribution	840,971	751,788
Camps and Campers	1,138	13,230
Education	5,848	18,032
Missionary Work Funds	189,745	198,896
Missionary Support and Services	237,374	261,540
Regional Geographic Uses	2,706,029	2,584,682
Retired Missionaries	154,323	238,304
Urban Ministry	691,579	623,870
Vacation Bible Schools, Clubs	127,595	131,210
General Operating – Time Restricted	<u>7,289</u>	<u>39,445</u>
	<u>\$ 4,987,615</u>	<u>\$ 4,883,977</u>

Temporarily restricted net assets were released to unrestricted net assets during 2017 and 2016 as purpose and time restrictions were met, as follows:

	<u>2017</u>	<u>2016</u>
Purpose		
Bibles Distribution	\$ 5,774	\$ 5,285
Camps and Campers	10,684	19,539
Missionary Work Funds	149,513	235,082
Missionary Support and Services	84,126	176,509
Regional Geographic Uses	129,505	217,461
Retired Missionaries	101,286	92,878
Irrevocable Trust	<u>-</u>	<u>34,459</u>
	<u>\$ 480,888</u>	<u>\$ 781,213</u>

Permanently restricted net assets consist of the following at February 28, 2017 and February 29, 2016:

	<u>2017</u>	<u>2016</u>
Historical Basis of Endowments	\$ 806,684	\$ 806,684
Beneficiary Interest in Perpetual Trusts	<u>1,115,245</u>	<u>1,040,263</u>
	<u>\$ 1,921,929</u>	<u>\$ 1,846,947</u>

INFAITH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 28, 2017 And February 29, 2016

ENDOWMENT AND OTHER INVESTMENT FUNDS

Endowment and other investment funds include donor restricted funds, annuity and general operating investments. The classification by net asset type at February 28, 2017 and February 29, 2016 is as follows:

	2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted / endowment funds	\$ -	\$ 4,598,024	\$ 806,684	\$ 5,404,708
General operating/annuity funds	<u>4,688,535</u>	-	-	<u>4,688,535</u>
	<u>\$ 4,688,535</u>	<u>\$ 4,598,024</u>	<u>\$ 806,684</u>	<u>\$ 10,093,243</u>

	2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted / endowment funds	\$ -	\$ 4,499,321	\$ 806,684	\$ 5,306,005
General operating/annuity funds	<u>4,267,064</u>	-	-	<u>4,267,064</u>
	<u>\$ 4,267,064</u>	<u>\$ 4,499,321</u>	<u>\$ 806,684</u>	<u>\$ 9,573,069</u>

The Foundation classifies the original value of gifts received with donor stipulations that require them to be held in perpetuity as permanently restricted net assets. Income earned on such gifts is classified as temporarily restricted until it is expended in accordance with state law and/or the donor restriction.

Changes in endowment net assets for the years ended February 28, 2017 and February 28, 2016:

	2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,267,064	\$ 4,499,321	\$ 806,684	\$ 9,573,069
Investment income, net	65,557	42,636	-	108,193
Realized and unrealized gains (losses)	467,523	458,831	-	926,354
Endowment income designated for current operations	(218,066)	(381,682)	-	(599,748)
(Expenses) / retained income	<u>106,457</u>	<u>(21,082)</u>	-	<u>85,375</u>
Endowment net assets, end of year	<u>\$ 4,688,535</u>	<u>\$ 4,598,024</u>	<u>\$ 806,684</u>	<u>\$ 10,093,243</u>

	2016			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 4,476,680	\$ 5,397,955	\$ 806,684	\$ 10,681,319
Investment income, net	81,250	58,687	-	139,937
Realized and unrealized gains (losses)	(185,247)	(361,249)	-	(546,496)
Endowment income designated for current operations	(190,580)	(419,763)	-	(610,343)
(Expenses) / retained income	<u>84,961</u>	<u>(176,309)</u>	-	<u>(91,348)</u>
Endowment net assets, end of year	<u>\$ 4,267,064</u>	<u>\$ 4,499,321</u>	<u>\$ 806,684</u>	<u>\$ 9,573,069</u>

INFAITH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 28, 2017 And February 29, 2016

(10) PENSION PLAN

InFaith sponsors a noncontributory, qualified defined benefit plan covering all full-time employees. Employees commenced participation in the plan on the first day of the month following the date of employment and are 100% vested upon completion of five years of service. The benefit formula provides a minimum monthly benefit of \$12 multiplied by the participant's years of credited service (up to a maximum of thirty-five years). The annual measurement date for the plan is February 28. The actuary provides estimates of net periodic pension costs, accumulated benefit obligation, and accrued pension expense as of and for the years ended February 28, 2017 and February 29, 2016.

The pension plan was amended during 2011 to freeze benefits for all participants effective March 15, 2011.

The following amounts relate to InFaith's defined benefit pension plan:

	<u>2017</u>	<u>2016</u>
Projected pension benefit obligation	\$ 15,383,801	\$ 13,446,369
Fair value of plan assets	<u>7,572,086</u>	<u>7,396,131</u>
Projected benefit obligation in excess of plan assets	<u>(7,811,715)</u>	<u>(6,050,238)</u>
Item not recognized as a component of net periodic pension cost:		
Unrecognized loss	<u>6,112,089</u>	<u>4,865,325</u>
Accrued pension expense	(1,699,626)	(1,184,913)
Additional minimum liability net accrued pension expense	<u>(6,112,089)</u>	<u>(4,865,325)</u>
	<u>\$ (7,811,715)</u>	<u>\$ (6,050,238)</u>

The principal assumptions used in determining the actuarial present value of the projected benefit obligation were as follows:

	<u>2017</u>	<u>2016</u>
Weighted average discount rate	3.83%	3.92%
Expected return on plan assets	6.50%	6.50%
Rate of compensation increase	0.00%	0.00%

InFaith's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class.

The following is the defined benefit pension expense, contributions and benefits paid for the years ended February 28, 2017 and February 29, 2016:

	<u>2017</u>	<u>2016</u>
Pension expense	\$ 514,713	\$ 370,873
Contributions	\$ -	\$ 2,000,000
Benefits paid	\$ 753,906	\$ 716,901

INFAITH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 28, 2017 And February 29, 2016

For the years ended February 28, 2017 and February 29, 2016, the pension benefit expense comprised the net actuarial loss not recognized yet in net periodic benefit cost, but recognized as a decrease in unrestricted net assets of \$6,112,089 and \$4,865,325, respectively.

	<u>2017</u>	<u>2016</u>
Components of Net Periodic Benefit Cost		
Interest cost on projected benefit obligation	\$ 507,740	\$ 521,132
Expected return on plan assets	(448,650)	(468,227)
Amortization of net loss	<u>455,623</u>	<u>317,968</u>
Total net periodic benefit cost	<u>\$ 514,713</u>	<u>\$ 370,873</u>

During the year ended February 28, 2017, there were changes in assumptions made relating to mortality which increased the defined benefit pension plan liability by approximately \$1,977,000.

Contributions – InFaith has a recommended contribution of approximately \$511,000 for 2018 based upon the actuarial calculations.

Management’s estimates of benefits to be paid in the next 10 years are as follows:

Year Ending February 28/29,

2018	\$ 952,304
2019	1,004,319
2020	1,037,807
2021	1,067,357
2022	1,078,896
2023 through 2027	<u>5,153,820</u>
	<u>\$ 10,294,503</u>

PLAN ASSETS

InFaith’s pension plan average asset allocations at February 28, 2017 and February 29, 2016, by category are as follows:

<u>Asset Category</u>	<u>2017</u>	<u>2016</u>
Debt Securities –		
U.S. Government and Government Agencies	1%	1%
Corporate	44%	39%
Mutual Funds – Exchange Traded	51%	55%
Money Market Investments	<u>4%</u>	<u>5%</u>
	<u>100%</u>	<u>100%</u>

InFaith’s investment strategy is based on an expectation that equity securities will outperform debt securities over the long term. Accordingly, the composition of InFaith’s plan assets is broadly characterized as an allocation between equity and debt securities of 60% / 40% for 2017 and 2016. The strategy utilizes primarily U.S. equity securities diversified across economic and industry sectors and actively managed debt securities rated investment quality or better by Standard & Poor’s and/or Moody’s Investors.

InFaith attempts to mitigate investment risk by rebalancing between equity and debt classes as InFaith’s contributions and monthly benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains or losses, such gains or losses would not be realized unless the investments are sold.

INFAITH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 28, 2017 And February 29, 2016

The Plan's assets consist of the following at February 28, 2017 and February 29, 2016:

	<u>2017</u>	<u>2016</u>
Money Market Funds	\$ 14,515	\$ 576,460
Bonds		
Corporate	3,430,123	3,098,552
U.S. Treasury Notes	60,188	-
U.S. Government Agencies	7,033	73,507
Mutual Funds – Exchange Traded	<u>4,060,227</u>	<u>3,647,612</u>
Total Investments	<u>\$ 7,572,086</u>	<u>\$ 7,396,131</u>

The Plan's assets are held by a trustee, Wilmington Trust Company, and are not included within the assets presented in these financial statements.

The summary of inputs used to value the Plan's assets that are carried at fair value as of February 28, 2017 and February 29, 2016 is as follows:

	<u>2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Investments</u>				
Money market funds	\$ 14,515	\$ -	\$ -	\$ 14,515
Bonds				
Corporate	-	3,430,123	-	3,430,123
U.S Treasury Notes	60,188	-	-	60,188
U.S. Government Agencies	-	7,033	-	7,033
Mutual Funds – Exchange Traded	<u>4,060,227</u>	<u>-</u>	<u>-</u>	<u>4,060,227</u>
Total Investments	<u>\$ 4,134,930</u>	<u>\$ 3,437,156</u>	<u>\$ -</u>	<u>\$ 7,572,086</u>

	<u>2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Investments</u>				
Money market funds	\$ 576,460	\$ -	\$ -	\$ 576,460
Bonds				
Corporate	-	3,098,552	-	3,098,552
U.S. Government Agencies	-	73,507	-	73,507
Mutual Funds – Exchange Traded	<u>3,647,612</u>	<u>-</u>	<u>-</u>	<u>3,647,612</u>
Total Investments	<u>\$ 4,224,072</u>	<u>\$ 3,172,059</u>	<u>\$ -</u>	<u>\$ 7,396,131</u>

(11) 401(k) RETIREMENT PLAN

InFaith has a 401(k) Profit Sharing Plan for its employees.

Under terms of the Plan, employees may make elective contributions to the Plan as permitted by law. InFaith matches employee contributions up to 3% of an employee's compensation. InFaith, at its discretion from year to year, may also make additional contributions on behalf of employees.

For the years ended February 28, 2017 and February 29, 2016, InFaith made matching contributions of \$120,274 and \$113,282, respectively, and made no discretionary contributions in either years.

INFAITH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

February 28, 2017 And February 29, 2016

(12) POST RETIREMENT HEALTH CARE PLAN

InFaith sponsors an unfunded defined contribution health care benefit plan, available to retirees who had been full-time employees of InFaith. Only full-time employees who attained the age of 58 or older by 2014 and are employed on their normal retirement date (age 65) are eligible to participate in the plan. If the eligible employee has a spouse, the spouse is also eligible under the plan. Under the plan, InFaith expects to contribute up to \$1,000 per year to a health reimbursement account to cover retiree healthcare claims or health insurance for those who enroll in the plan. This plan may be terminated by the Board of Trustees.

The following amounts relate to InFaith's postretirement medical obligation for the year ended February 28, 2017 and February 29, 2016:

	<u>2017</u>	<u>2016</u>
Accumulated benefit obligation	\$ 1,238,516	\$ 1,473,408
Accumulated benefit obligation in excess of plan assets	\$ (1,238,516)	\$ (1,473,408)

Benefits paid for the years ending February 28, 2017 and February 29, 2016 were \$111,286 and \$92,878, respectively.

Assumptions used in the computation of net health care expense are as follows at February 28, 2017 and February 29, 2016:

	<u>2017</u>	<u>2016</u>
Weighted average discount rate	4.12%	3.92%
Healthcare cost trend rate	N/A	N/A

(13) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, July 17, 2017 have been evaluated in the preparation of the financial statements and management has determined that there are no subsequent events that would require disclosure or adjustment in the financial statements.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITOR'S REPORT ON THE
SUPPLEMENTARY INFORMATION**

**To the Board of Trustees
InFaith
Exton, Pennsylvania**

We have audited the consolidated financial statements of InFaith as of and for the years ended February 28, 2017 and February 29, 2016, and our report thereon dated July 17, 2017, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on consolidated financial statements as a whole. The supplementary information on pages 22 through 27 is presented for purposes of additional analysis and is not a required part of the basic 2017 and 2016 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2017 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Tait, Weller & Baker LLP
TAIT, WELLER & BAKER LLP

**Philadelphia, Pennsylvania
July 17, 2017**

INFAITH

SUPPLEMENTAL SCHEDULES OF FUNCTIONAL EXPENSES

Years Ended February 28, 2017 And February 29, 2016

	2017				2016			
	<u>Missions</u>	<u>General And Administration</u>	<u>Development And Public Relations</u>	<u>Total</u>	<u>Missions</u>	<u>General And Administration</u>	<u>Development And Public Relations</u>	<u>Total</u>
Salaries	\$ 4,970,163	\$ 447,651	\$ 219,141	\$ 5,636,955	\$ 4,841,463	\$ 423,892	\$ 200,681	\$ 5,466,036
Medical and life insurance	259,839	67,244	28,193	355,276	310,441	82,475	19,167	412,083
Pension and post-retirement medical expense	660,244	53,098	22,932	736,274	521,712	37,546	17,775	577,033
Payroll taxes and fringe benefits	<u>131,433</u>	<u>27,881</u>	<u>10,481</u>	<u>169,795</u>	<u>121,533</u>	<u>26,750</u>	<u>9,618</u>	<u>157,901</u>
Total personnel expenses	6,021,679	595,874	280,747	6,898,300	5,795,149	570,663	247,241	6,613,053
Bibles, books, and periodicals	5,774	-	-	5,774	5,286	-	-	5,286
Camps, conferences and projects	228,690	-	-	228,690	343,143	-	-	343,143
Depreciation	15,326	38,313	22,988	76,627	11,429	28,575	17,144	57,148
Development costs	-	-	9,286	9,286	-	-	8,232	8,232
Freight and postage	-	4,040	7,786	11,826	-	8,478	26,535	35,013
Insurance	-	88,848	-	88,848	-	79,593	-	79,593
Interest – trust agreement	-	2,628	-	2,628	-	2,955	-	2,955
Maintenance	5,095	99,361	7,643	112,099	5,181	62,198	7,771	75,150
Mission letters	1,168	-	3,505	4,673	2,143	-	6,429	8,572
Office equipment – rental	-	5,431	-	5,431	-	5,787	-	5,787
Professional	-	197,794	6,508	204,302	-	209,464	7,255	216,719
Promotion	-	-	69,848	69,848	-	-	72,466	72,466
Stationery and supplies	-	31,340	55,426	86,766	-	33,813	30,065	63,878
Travel and reimbursable expenses	657,520	95,462	19,267	772,249	668,026	95,102	27,203	790,331
Utilities and services	<u>10,418</u>	<u>26,044</u>	<u>15,627</u>	<u>52,089</u>	<u>18,790</u>	<u>59,719</u>	<u>28,186</u>	<u>106,695</u>
Total	<u>\$ 6,945,670</u>	<u>\$ 1,185,135</u>	<u>\$ 498,631</u>	<u>\$ 8,629,436</u>	<u>\$ 6,849,147</u>	<u>\$ 1,156,347</u>	<u>\$ 478,527</u>	<u>\$ 8,484,021</u>

INFAITH

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

February 28, 2017

	<u>InFaith</u>	<u>InFaith Foundation</u>	<u>Eliminating Entries</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 198,849	\$ -	\$ -	\$ 198,849
Interest and dividends receivable	-	23,871	-	23,871
Inter-entity receivable	4,223,543	-	(4,223,543)	-
Investments	326,943	10,282,191	-	10,609,134
Note receivable	151,986	-	-	151,986
Other receivables and prepaid expenses	89,582	-	-	89,582
Beneficial interest in perpetual trusts	1,115,245	-	-	1,115,245
Property and equipment, net	<u>1,287,231</u>	<u>-</u>	<u>-</u>	<u>1,287,231</u>
Total Assets	<u>\$ 7,393,379</u>	<u>\$10,306,062</u>	<u>\$(4,223,543)</u>	<u>\$13,475,898</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 47,557	\$ -	\$ -	\$ 47,557
Accrued expenses and other liabilities	28,941	-	-	28,941
Accrued postretirement medical benefit	1,238,516	-	-	1,238,516
Accrued pension expense	7,811,715	-	-	7,811,715
Inter-entity payable	-	4,223,543	(4,223,543)	-
Annuities payable	-	213,052	-	213,052
Trust agreement deposits	<u>63,000</u>	<u>-</u>	<u>-</u>	<u>63,000</u>
Total Liabilities	<u>9,189,729</u>	<u>4,436,595</u>	<u>(4,223,543)</u>	<u>9,402,781</u>
NET ASSETS				
Unrestricted				
General operating funds	5,671,641	542,163	-	6,213,804
Accrued pension and postretirement medical benefit liabilities	<u>(9,050,231)</u>	<u>-</u>	<u>-</u>	<u>(9,050,231)</u>
Total Unrestricted	<u>(3,378,590)</u>	<u>542,163</u>	<u>-</u>	<u>(2,836,727)</u>
Temporarily restricted	415,340	4,572,275	-	4,987,615
Permanently restricted	<u>1,166,900</u>	<u>755,029</u>	<u>-</u>	<u>1,921,929</u>
Total Net Assets	<u>(1,796,350)</u>	<u>5,869,467</u>	<u>-</u>	<u>4,073,117</u>
Total Liabilities and Net Assets	<u>\$ 7,393,379</u>	<u>\$10,306,062</u>	<u>\$(4,223,543)</u>	<u>\$13,475,898</u>

INFAITH

CONSOLIDATING STATEMENT OF ACTIVITIES - UNRESTRICTED NET ASSETS

Year Ended February 28, 2017

	<u>InFaith</u>	<u>InFaith Foundation</u>	<u>Eliminating Entries</u>	<u>Total</u>
Revenues, Gains (Losses), and Other Support				
Contributions	\$ 6,926,025	\$ -	\$ -	\$ 6,926,025
Outside trusts	56,653	-	-	56,653
Legacies and bequests	304,932	-	-	304,932
Other revenues	25,126	-	-	25,126
Actuarial loss on annuities	-	(10,844)	-	(10,844)
Investment return designated for current operations	-	303,041	-	303,041
Assets transferred to InFaith	179,923	(179,923)	-	-
Net assets released from restrictions	<u>480,888</u>	<u>-</u>	<u>-</u>	<u>480,888</u>
Total revenues, gains (losses), and other support	<u>7,973,547</u>	<u>112,274</u>	<u>-</u>	<u>8,085,821</u>
Expenses				
Program services – missions	6,945,670	-	-	6,945,670
Supporting services				
General and administration	1,185,135	-	-	1,185,135
Development and public relations	<u>498,631</u>	<u>-</u>	<u>-</u>	<u>498,631</u>
Total expenses	<u>8,629,436</u>	<u>-</u>	<u>-</u>	<u>8,629,436</u>
Other Changes				
Investment return net of amounts designated for current operations	8,495	313,039	-	313,039
Minimum additional pension liability	(1,246,764)	-	-	(1,246,764)
Change in post-retirement medical benefit liability	<u>194,891</u>	<u>-</u>	<u>-</u>	<u>194,891</u>
Total other changes	<u>(1,043,378)</u>	<u>313,039</u>	<u>-</u>	<u>(730,339)</u>
Change in net assets	(1,699,267)	425,313	-	(1,273,954)
Net Assets				
Beginning of year	<u>(1,679,323)</u>	<u>116,850</u>	<u>-</u>	<u>(1,562,473)</u>
End of year	<u>\$ (3,378,590)</u>	<u>\$ 542,163</u>	<u>\$ -</u>	<u>\$ (4,836,427)</u>

INFAITH

CONSOLIDATING STATEMENT OF ACTIVITIES - TEMPORARILY RESTRICTED NET ASSETS

Year Ended February 28, 2017

	<u>InFaith</u>	<u>InFaith Foundation</u>	<u>Eliminating Entries</u>	<u>Total</u>
Revenues, Gains (Losses), and Other Support				
Contributions for work funds	\$ 133,317	\$ -	\$ -	\$ 133,317
Legacies and bequests	34,717	-	-	34,717
Investment return designated for current operations	-	296,707	-	296,707
Assets transferred to InFaith	317,790	(317,790)	-	-
Net assets released from restrictions	<u>(480,888)</u>	<u>-</u>	<u>-</u>	<u>(480,888)</u>
Total revenues, gains (losses), and other support	<u>4,936</u>	<u>(21,083)</u>	<u>-</u>	<u>(16,147)</u>
Other Changes				
Investment return net of amounts designated for current operations	<u>7,046</u>	<u>112,739</u>	<u>-</u>	<u>119,785</u>
Change in net assets	11,982	91,656	-	103,638
Net Assets				
Beginning of year	<u>403,358</u>	<u>4,480,619</u>	<u>-</u>	<u>4,883,977</u>
End of year	<u>\$ 415,340</u>	<u>\$ 4,572,275</u>	<u>\$ -</u>	<u>\$ 4,987,615</u>

INFAITH

CONSOLIDATING STATEMENT OF ACTIVITIES - PERMANENTLY RESTRICTED NET ASSETS

Year Ended February 28, 2017

	<u>InFaith</u>	<u>InFaith Foundation</u>	<u>Eliminating Entries</u>	<u>Total</u>
Other Changes				
Change in beneficial interest in perpetual trusts	\$ 74,982	\$ -	\$ -	\$ 74,982
Total other changes	<u>74,982</u>	<u>-</u>	<u>-</u>	<u>74,982</u>
Change in net assets	74,982	-	-	74,982
Net Assets				
Beginning of year	<u>1,091,918</u>	<u>755,029</u>	<u>-</u>	<u>1,846,947</u>
End of year	<u>\$ 1,166,900</u>	<u>\$ 755,029</u>	<u>\$ -</u>	<u>\$ 1,921,929</u>

INFAITH

CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended February 28, 2017

	<u>InFaith</u>	<u>InFaith Foundation</u>	<u>Eliminating Entries</u>	<u>Total</u>
Cash Flows from Operating Activities				
Change in net assets	\$(1,612,303)	\$ 516,969	\$ -	\$(1,095,334)
Adjustments to reconcile change in net assets to cash (used in) provided by operating activities				
Depreciation	76,628	-	-	76,628
Realized and unrealized losses on investments	(4,782)	(926,741)	-	(931,523)
Net change in beneficial interest in perpetual trusts	(74,982)	-	-	(74,982)
Transfers – Foundation to InFaith	(497,713)	497,713	-	-
Change in assets and liabilities:				
(Increase) decrease in:				
Interest and dividends receivable	-	(2,279)	-	(2,279)
Other receivables and prepaid expenses	(5,380)	-	-	(5,380)
Increase (decrease) in:				
Accounts payable	24,289	-	-	24,289
Accrued expenses and other liabilities	1,578,830	-	-	1,578,830
Annuities payable and irrevocable trust	-	(18,585)	-	(18,585)
Trust agreement deposits	(16,853)	-	-	(16,853)
Inter-entity payable (receivable)	<u>(29,429)</u>	<u>29,429</u>	<u>-</u>	<u>-</u>
Net cash (used in) provided by operating activities	<u>(561,695)</u>	<u>96,506</u>	<u>-</u>	<u>(465,189)</u>
Cash Flows from Investing Activities				
Transfers – Foundation to InFaith	497,713	(497,713)	-	-
Purchase of investments	(4,946)	(3,262,766)	-	(3,267,712)
Proceeds from sale of investments	42,289	3,663,973	-	3,706,262
Purchase of property and equipment	(100,890)	-	-	(100,890)
Payments on note receivable	<u>32,504</u>	<u>-</u>	<u>-</u>	<u>32,504</u>
Net cash provided by (used in) investment activities	<u>466,670</u>	<u>(96,506)</u>	<u>-</u>	<u>370,164</u>
Net increase in cash	(95,025)	-	-	(95,025)
Cash				
Beginning of year	<u>293,874</u>	<u>-</u>	<u>-</u>	<u>293,874</u>
End of year	<u>\$ 198,849</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,849</u>