



SIM USA, INC.

Combined Financial Statements
With Independent Auditors' Report

September 30, 2017 and 2016

SIM USA, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
SIM USA, Inc.
Charlotte, North Carolina

We have audited the accompanying combined financial statements of SIM USA, Inc., which comprise the combined statements of financial position as of September 30, 2017 and 2016, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 Directors
SIM USA, Inc.
Charlotte, North Carolina

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of SIM USA, Inc. as of September 30, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Errors

As discussed in Note 14 to the combined financial statements, during the current fiscal year, SIM USA, Inc. identified errors affecting the amounts presented in prior year combined financial statements. Accordingly, the 2016 financial statements have been restated to correct the errors. Our opinion is not modified in respect to this matter.

Capin Crouse LLP

Columbia, South Carolina
March 13, 2018

SIM USA, INC.

Combined Statements of Financial Position

	September 30,	
	2017	2016 Restated
ASSETS:		
Cash and cash equivalents	\$ 321,742	\$ 342,502
Deposits with related organization	2,870,098	5,892,093
Investments	47,360,099	43,524,094
Property and equipment—net	5,926,504	6,475,640
Other assets	923,047	859,502
Total Assets	\$ 57,401,490	\$ 57,093,831
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 714,968	\$ 404,392
Other liabilities	1,270,024	1,383,974
Deferred compensation payable	1,318,224	1,232,364
Annuity and trust liabilities	16,938,863	17,088,110
	<u>20,242,079</u>	<u>20,108,840</u>
Net assets:		
Unrestricted	14,140,638	14,335,201
Temporarily restricted	20,392,501	20,023,518
Permanently restricted—endowment	2,626,272	2,626,272
	<u>37,159,411</u>	<u>36,984,991</u>
Total Liabilities and Net Assets	\$ 57,401,490	\$ 57,093,831

See notes to combined financial statements

SIM USA, INC.

Combined Statements of Activities

	Year Ended September 30,							
	2017				2016			
	Restated				Restated			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
INCOME:								
Support and revenue:								
Contributions	\$ 252,465	\$ 48,914,664	\$ -	\$ 49,167,129	\$ 397,329	\$ 50,679,377	\$ -	\$ 51,076,706
Rental, sales, and other	1,505,374	-	-	1,505,374	1,388,224	-	-	1,388,224
	<u>1,757,839</u>	<u>48,914,664</u>	<u>-</u>	<u>50,672,503</u>	<u>1,785,553</u>	<u>50,679,377</u>	<u>-</u>	<u>52,464,930</u>
Investment income and change in value of annuities and trusts:								
Net investment gains	2,007,346	379,847	-	2,387,193	1,055,085	245,443	-	1,300,528
Interest and dividend income	576,123	42,608	-	618,731	545,946	53,468	-	599,414
Change in value of annuities and trusts	236,894	37,810	-	274,704	55,274	(105,006)	-	(49,732)
	<u>2,820,363</u>	<u>460,265</u>	<u>-</u>	<u>3,280,628</u>	<u>1,656,305</u>	<u>193,905</u>	<u>-</u>	<u>1,850,210</u>
Total Income	<u>4,578,202</u>	<u>49,374,929</u>	<u>-</u>	<u>53,953,131</u>	<u>3,441,858</u>	<u>50,873,282</u>	<u>-</u>	<u>54,315,140</u>
RECLASSIFICATIONS:								
Net assets released from time and use restrictions	49,005,946	(49,005,946)	-	-	48,817,960	(48,817,960)	-	-

(continued)

See notes to combined financial statements

SIM USA, INC.

Combined Statements of Activities (continued)

	Year Ended				September 30,			
	2017				2016			
					Restated			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:								
Program services:								
Church growth and evangelism	12,221,229	-	-	12,221,229	10,471,609	-	-	10,471,609
Grants to other SIM ministries	10,681,309	-	-	10,681,309	10,813,400	-	-	10,813,400
Education ministry	6,981,786	-	-	6,981,786	7,058,277	-	-	7,058,277
Relief and rehabilitation	6,176,188	-	-	6,176,188	6,275,251	-	-	6,275,251
Media and translation ministry	1,965,460	-	-	1,965,460	1,973,149	-	-	1,973,149
Home ministry	1,939,918	-	-	1,939,918	2,144,354	-	-	2,144,354
Service	3,399,678	-	-	3,399,678	2,815,381	-	-	2,815,381
	43,365,568	-	-	43,365,568	41,551,421	-	-	41,551,421
Supporting activities:								
Management and general	7,840,063	-	-	7,840,063	7,731,534	-	-	7,731,534
Fund-raising	2,573,080	-	-	2,573,080	2,408,864	-	-	2,408,864
	10,413,143	-	-	10,413,143	10,140,398	-	-	10,140,398
Total Expenses	53,778,711	-	-	53,778,711	51,691,819	-	-	51,691,819
Change in Net Assets	(194,563)	368,983	-	174,420	567,999	2,055,322	-	2,623,321
Net Assets, Beginning of Year	14,335,201	20,023,518	2,626,272	36,984,991	13,767,202	17,968,196	2,626,272	34,361,670
Net Assets, End of Year	\$ 14,140,638	\$ 20,392,501	\$ 2,626,272	\$ 37,159,411	\$ 14,335,201	\$ 20,023,518	\$ 2,626,272	\$ 36,984,991

See notes to combined financial statements

SIM USA, INC.

Combined Statements of Cash Flows

	Year Ended September 30,	
	2017	2016 Restated
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 174,420	\$ 2,623,321
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net investment gains	(2,537,984)	(1,510,200)
Contribution portion of new annuity	(7,957)	(49,788)
Change in value of annuities	(236,894)	(55,274)
Change in value of trust assets	(37,810)	105,006
Realized losses on sale of property and equipment	75,789	14,186
Depreciation	454,158	480,463
Changes in operating assets and liabilities:		
Deposits with related organization	3,021,995	(229,181)
Other assets	(63,545)	164,388
Accounts payable and accrued expenses	310,576	45,870
Deferred rental revenue	(113,295)	(113,295)
Nonqualified deferred compensation plan	85,860	(22,500)
Missionary personal accounts	(655)	(58,991)
Net Cash Provided by Operating Activities	<u>1,124,658</u>	<u>1,394,005</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(110,811)	(239,397)
Proceeds from sale of property and equipment	130,000	46,500
Purchases of investments	(3,868,910)	(1,509,338)
Proceeds from sales of investments	3,195,299	958,540
Net Cash (Used) by Investing Activities	<u>(654,422)</u>	<u>(743,695)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of annuity and trust obligations	(505,996)	(667,512)
Face value of new annuities	15,000	114,325
Net Cash (Used) by Financing Activities	<u>(490,996)</u>	<u>(553,187)</u>
Net Change in Cash and Cash Equivalents	(20,760)	97,123
Cash and Cash Equivalents, Beginning of Year	<u>342,502</u>	<u>245,379</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 321,742</u></u>	<u><u>\$ 342,502</u></u>

See notes to combined financial statements

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

1. NATURE OF ORGANIZATION:

The U.S. office of SIM is legally known as “SIM USA Inc.” (SIM USA). SIM USA is a church and religious order associated with churches of the Protestant faith, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and classified as a publicly supported organization, which is not a private foundation, under Section 509(a)(1) of the Code. As such, it is also exempt from state income tax, and contributions by the public are deductible for income tax purposes as allowed by law. Our IRS tax identification number is 22-1936391.

The Purpose and Mission Statement of SIM USA says:

Convinced that no one should live and die without hearing God’s good news, we believe that He has called us to make disciples of the Lord Jesus Christ in communities where He is least known.

Therefore, compelled by God's great love and empowered by the Holy Spirit...

- We cross barriers to proclaim the crucified and risen Christ, expressing His love and compassion among those who live and die without Him
- We make disciples who will trust and obey Jesus and become part of Christ-centered churches
- We work together with churches to fulfill God's mission across cultures locally and globally
- We facilitate the participation in cross-cultural ministry of those whom God is calling

SIM USA also operates a retirement village for the benefit of its missionaries located in Sebring, Florida. SIM USA’s primary source of revenue is contributions from the public.

Relationship to the worldwide SIM organization:

SIM, originally the Sudan Interior Mission, has been launching Christian workers into ministry since 1893, bringing good news to people who are living and dying without the gospel. Today SIM has over 4,000 workers from 65 nations serving on six continents in more than 70 countries... and our heart remains the same. We go above in prayer and beyond in care to make disciples of the Lord Jesus Christ in communities where He is least known.

SIM is an evangelical, international, multi-ethnic and interdenominational Christian missionary organization. The activities of the organization are carried out in the name "SIM". SIM is composed of entities from around the world that exist separately but choose to serve in gospel ministry, collectively, under the name of SIM, through the signing of the SIM MISSION AGREEMENT. The signatories who compose SIM, embodied as the Global Assembly, voluntarily agree to work under the leadership of the Board of Governors and the International Director. Signatories, including SIM USA, fully endorse and embrace our defining documents: the SIM Mission Agreement, SIM Commitment, SIM Mission Policy, Board Charter and Bylaws.

SIM USA is a voluntary participant in the worldwide organization of SIM, providing funding and missionary personnel to accomplish SIM USA ministry objectives worldwide. Although SIM USA has substantial economic interest in SIM, it does not have control, thus, consolidation is not required under current accounting standards.

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The combined financial statements of SIM USA are prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the combined financial statements to the reader. The preparation of 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 and disclosures in the combined financial statements. Actual results could differ from those estimates.

PRINCIPLES OF COMBINATION

These combined financial statements reflect the activities and financial position of SIM USA, including its branch operation, Sebring Retirement Village; Sudan Interior Mission, Inc., a New York Corporation, which operates the annuity fund; International Christian Fellowship, an Illinois Corporation; African Evangelical Fellowship, a New York Corporation and Andes Evangelical Mission, Inc., a New York Corporation. Christian Fellowship, African Evangelical Fellowship and Andes Evangelical Mission, Inc. no longer have operations, however, are retained to provide for the transfers of estates to SIM USA. All significant inter-organization transactions and balances have been eliminated.

CLASSES OF NET ASSETS

The combined financial statements report income and net assets by class:

Unrestricted net assets are currently available for ministry purposes under the direction of the board, designated by the board for specific use, or resources invested in property and equipment.

Temporarily restricted net assets are contributed with donor stipulations for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

Permanently restricted net assets are contributed with donor restrictions requiring they be held in perpetuity as endowment, with income to be used as stipulated in the endowment agreement.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, checking, savings, and money market accounts as well as certificates of deposit with original maturity dates of less than three months. These accounts may, at times, exceed the federally insured limits. SIM USA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The majority of the cash and cash equivalents are held by a related party, SIM International. SIM USA also uses sweep accounts, and funds are transferred automatically as needed.

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

DEPOSITS WITH RELATED ORGANIZATION

The deposits with a related organization consist of funds transferred to SIM International and carried at cost plus accrued interest. SIM USA may access the funds, as needed. The deposits earn interest at the current rate; which for the year ended September 30, 2017 and 2016, was 2.25% and 1.13% respectively. Due to SIM USA's ability to access the funds without penalty, these assets are treated as an operating asset.

INVESTMENTS

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value with gains and losses reported in the combined statements of activities. Donated investments are recorded at fair value on the date of donation and thereafter carried in accordance with the above provisions. Where market values are not available, cost values have been used that approximate fair value. SIM USA follows the investment guidelines and decisions of the grantors of the revocable and charitable trusts.

Alternative investments consist of investments in Silver Creek Capital Management, LLC (Silver Creek), and Lucent Insurance, Ltd. (Lucent). Investments in Silver Creek are carried at fair value, as determined by the funds managers based on information provided by the funds' professional managers. In determining fair value, the manager utilizes the valuation of the underlying investment entities reflected on the audited financial statements of the funds. The underlying investment entities value securities and other financial instruments at market value, when possible, or at fair value determined by the respective entities' general partner or manager when no market value is determinable. The estimated fair values of certain investments of the underlying investment entities, which include private placements and other securities for which prices are not readily available, may not reflect amounts that could be realized upon an immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair value may differ significantly from the values that would have been used had a ready market existed for these investments. See Note 3 for the valuation of investments in Lucent.

INVESTMENT IN REAL ESTATE

Investment in real estate includes missionary housing, gifts of property, and purchases of property for investment. These investments are recorded at cost if purchased or fair market value at the date of the gift if donated. Joint equity arrangements are agreements where SIM USA co-owns a percentage of real property. The cost or fair market value of the SIM USA percentage in the joint equity arrangements is recorded as investments. Upon sale of these properties, SIM USA will receive their percentage of the total proceeds. Such assets are not income producing, and they are not used in the operations (ministry) of the organization.

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT, AND DEPRECIATION

Items capitalized as property and equipment are recorded at cost if purchased or fair value if donated. SIM USA capitalizes all property and equipment with a cost or value exceeding \$10,000. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, ranging from 5 to 40 years. Depreciation expense is allocated to the various program services and supporting activities.

ANNUITY AND TRUST LIABILITIES

SIM USA has established a gift annuity plan whereby donors may contribute assets to the organization in exchange for the right to receive a fixed dollar annual return during their lifetimes. A portion of the transfer is considered to be a charitable contribution for income tax purposes. The difference between the amount provided for the gift annuity and the present value of future payment, determined on an actuarial basis, is recognized as support at the date of the gift. The annuity liability is revalued annually based upon actuarially computed present values. Resulting actuarial gain or loss is recorded as change in value of annuities and trusts. Certain states require reserves to be held in excess of the liability. Such amounts are reported as unrestricted net assets.

As trustee, SIM USA administers revocable (grantor) trusts that provide for a beneficial interest to SIM USA or other beneficiary at the grantor's death. Because the trusts are revocable at the discretion of the grantor, the principal amounts provided are recorded as liabilities. All trust income, deductions, and credits are reportable by the grantor for tax purposes. At the grantor's death, the remaining trust assets, if designated for SIM USA, will be recorded as contributions income. Any trust designated for other beneficiaries will be distributed in accordance with the trust agreement.

As trustee, SIM USA administers irrevocable trusts, including charitable remainder unitrusts and annuity trusts. These trusts provide the payment of lifetime distributions to the grantor or other designated beneficiaries. The present value of the income interests are reported as trust liabilities using federal discount and mortality tables ranging from 4.6 to 7.6 percent. For trusts with a term of years, thus meeting the definition of a derivative financial instrument as described above, the liability for these trusts are computed using the current market rate instead of the rate at inception. At the death of the lifetime beneficiaries, the trusts provide for the distribution of assets to designated remaindermen. The present value of the remainder interest of SIM USA is reported as temporarily restricted contributions in the period received, temporarily restricted net assets, and reclassification to the unrestricted net assets when the trust matures. Certain trusts contain provisions to distribute assets to remaindermen other than SIM USA. The portion attributable to others is reflected as a part of trust liabilities on the combined statements of financial position (Note 7).

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Revenue is recognized when earned and support when contributions are made, which may be when cash is received or ownership of other assets is transferred to SIM USA. Contribution revenue can also be recognized when unconditional promises are made.

SIM USA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. 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 combined statements of activities as net assets released from restrictions.

SIM USA reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, SIM USA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

SIM USA receives indications of intent to support ministries that are faith promise commitments to provide monthly, quarterly, or annual gifts of a specified amount. These commitments are open ended and subject to unilateral change by the donor. Because the commitments do not express a term or period, the amount of the commitment is not measurable. Considering these factors, the commitments are not considered to be unconditional promises to give and are not recognized prior to receipt of the contribution.

Expenses are reported when costs are incurred, including advertising and promotion totaling approximately \$580,864 and \$455,510 for the years ended September 30, 2017 and 2016, respectively.

RECLASSIFICATION

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. Reclassifications in the September 30, 2016 financial statements pertain primarily to the presentation of annuity and trust activity.

RECENTLY ISSUED ACCOUNTING STANDARDS

ASU 2015-07 updates the *Fair Value Measurement* topic of the Accounting Standards Codification (ASC). The primary change resulting from ASU 2015-07 is updated disclosure requirements for investments valued at net asset value, which removes the requirement to categorize these investments within the fair value hierarchy (Note 4). ASU 2015-07 is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. SIM USA has adopted 2015-07 for the years ended September 30, 2017 and 2016. The financial statements and disclosures reflect these updates.

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities of SIM USA have been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. SIM USA incurred joint costs that include fund-raising appeals as follows:

Year Ended September 30, 2017:

	Program Services	Management and general	Fund-raising	Total
Furlough salary and housing	\$ 3,514,192	\$ 503,597	\$ 467,075	\$ 4,484,864
Furlough medical	802,578	260,121	13,454	1,076,153
Retired missionary	2,299,943	229,994	11,896	2,541,833
Employee benefit plan	111,608	10,428	539	122,575
Ministry promotion	893,903	48,159	105,569	1,047,631
Depreciation	358,250	85,343	10,564	454,157
	<u>\$ 7,980,474</u>	<u>\$ 1,137,642</u>	<u>\$ 609,097</u>	<u>\$ 9,727,213</u>

Year Ended September 30, 2016 (Restated):

	Program Services	Management and general	Fund-raising	Total
Furlough salary and housing	\$ 3,216,853	\$ 545,327	\$ 435,109	\$ 4,197,289
Furlough medical	726,123	298,912	15,199	1,040,234
Retired missionary	2,416,929	239,662	12,186	2,668,777
Employee benefit plan	156,108	15,480	787	172,375
Ministry promotion	908,452	43,367	119,981	1,071,800
Depreciation	367,614	103,389	9,460	480,463
	<u>\$ 7,792,079</u>	<u>\$ 1,246,137</u>	<u>\$ 592,722</u>	<u>\$ 9,630,938</u>

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

3. INVESTMENTS:

Investments consist of:

	September 30,	
	2017	2016
At fair value:		
Exchange traded products	\$ 9,283,064	\$ 8,590,324
Common stocks	346,356	355,091
Mutual funds	32,621,682	31,069,937
Fixed income securities	301,824	246,463
Precious metals	99,790	129,500
Privately held entities	361,370	508,535
	<u>43,014,086</u>	<u>40,899,850</u>
Not at fair value:		
Restricted cash and cash equivalents	2,553,026	1,171,894
Privately held captive entity, at equity method	1,072,611	747,199
Real estate, at cost	720,376	705,151
	<u>\$ 47,360,099</u>	<u>\$ 43,524,094</u>

Investments are held for:

	September 30,	
	2017	2016
Operating funds	\$ 21,805,583	\$ 18,496,893
Annuities	3,218,342	3,145,615
Nonqualified deferred compensation plan	1,318,224	1,232,364
Trust assets	17,199,442	17,138,756
Endowment assets:		
Board designated	787,582	745,645
Donor restricted	3,030,926	2,764,821
	<u>\$ 47,360,099</u>	<u>\$ 43,524,094</u>

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

3. INVESTMENTS, continued:

Investment income consists of:

	Year Ended September 30,	
	2017	2016
Net investment gains (losses):		
Realized gains	\$ 1,800,875	\$ 513,045
Unrealized gains	737,109	997,155
Disbursements and investment fees	(150,791)	(209,672)
	2,387,193	1,300,528
Interest and dividend income	618,731	599,414
	<u>\$ 3,005,924</u>	<u>\$ 1,899,942</u>

INVESTMENT IN CAPTIVE INSURANCE COMPANY:

SIM USA, along with 9 other nonprofit organizations, are members of an offshore captive insurance holding company, Lucent Insurance, Ltd. (Lucent), to provide coverage workers' compensation, general liability, property and automobile liability, and physical damage. SIM USA owns a non-controlling interest of the common stock of the captive and is accounting for the investment under the equity method, due to its ability to exercise significant influence over the operations of Lucent.

SIM USA's investment in captive insurance was approximately \$1,072,611 and \$747,199, as of September 30, 2017 and 2016 respectively, which represents 8.42% and 7.94% of Lucent's total equity, respectively. Financial information is recorded as of August 31, which represents the most recent data available. SIM USA is not aware of any material changes to these balances as of September 30, 2017 and 2016. SIM USA has paid approximately \$183,000 and \$191,000 in premiums to Lucent during the years ended September 30, 2017 and 2016, respectively. SIM USA has received approximately \$800 and \$15,000 in reimbursements from Lucent during the years ended September, 30, 2017 and 2016, respectively.

Summary financial information of Lucent is as follows, rounded to the nearest thousand:

	September 30,	
	2017	Restated 2016
Total assets	\$ 16,762,000	\$ 16,180,000
Total liabilities	\$ 4,024,000	\$ 6,764,000
Comprehensive income (net of dividends)	\$ 3,621,000	\$ 2,384,000

Amounts represent unaudited balances and activities through and for the years ended August 31, 2017 and 2016.

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

4. FAIR VALUE MEASUREMENTS:

SIM USA uses appropriate valuation techniques to determine fair value based on inputs available. The levels are defined as follows: Level 1 – based on quoted prices for identical assets in active markets; Level 2 – based on observable inputs other than quoted prices in active markets; and Level 3 – based on significant unobservable inputs. When available, SIM USA measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Fair values of assets measured on a recurring basis at September 30, 2017 and 2016, are as follows:

	Fair Value Measurements at September 30, 2017			
	Total	Level 1	Level 2	Level 3
Investments:				
Exchange traded products	\$ 9,283,064	\$ 9,283,064	\$ -	\$ -
Common stocks:				
Consumer goods	15,053	15,053	-	-
Energy	193,146	193,146	-	-
Financial	18,063	18,063	-	-
Insurance	57,201	57,201	-	-
Utilities	43,957	43,957	-	-
Other commons stocks	18,936	18,936	-	-
Total common stocks	346,356	346,356	-	-
Fixed income securities:				
Corporate bonds	255,773	-	255,773	-
Municipal bonds	46,051	-	46,051	-
Total fixed income securities	301,824	-	301,824	-

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

4. FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements at September 30, 2017			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Emerging markets	2,764,429	2,764,429	-	-
Foreign large blend	571,639	571,639	-	-
Global	11,470	11,470	-	-
Fixed Income	10,608,919	10,608,919	-	-
International	8,053,493	8,053,493	-	-
Absolute return	1,904,859	1,904,859	-	-
Hedge equity	4,174,165	4,174,165	-	-
High yield	452,899	452,899	-	-
Small blend	189,057	189,057	-	-
Large cap	2,019,699	2,019,699	-	-
Small cap	1,782,070	1,782,070	-	-
Other	88,983	88,983	-	-
Total mutual funds	32,621,682	32,621,682	-	-
Precious metals	99,790	99,790	-	-
		<u>\$ 42,350,892</u>	<u>\$ 301,824</u>	<u>\$ -</u>
Investment measured at net asset value:				
Hedge fund	361,370			
	<u>\$ 43,014,086</u>			

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

4. FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements at September 30, 2016			
	Total	Level 1	Level 2	Level 3
Investments:				
Exchange traded products	\$ 8,590,324	\$ 8,590,324	\$ -	\$ -
Common stocks:				
Consumer goods	13,885	13,885	-	-
Energy	38,911	38,911	-	-
Financial	197,031	197,031	-	-
Insurance	16,662	16,662	-	-
Utilities	52,764	52,764	-	-
Other commons stocks	35,838	35,838	-	-
Total common stocks	355,091	355,091	-	-
Fixed income securities:				
Corporate bonds	173,313	-	173,313	-
Municipal bonds	73,150	-	73,150	-
Total fixed income securities	246,463	-	246,463	-

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

4. FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements at September 30, 2016			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Emerging markets	2,963,856	2,963,856	-	-
Foreign large blend	1,533,036	1,533,036	-	-
Global	628,350	628,350	-	-
Fixed Income	10,250,723	10,250,723	-	-
International	6,222,021	6,222,021	-	-
Absolute return	1,307,228	1,307,228	-	-
Hedge equity	2,764,384	2,764,384	-	-
High yield	1,358,843	1,358,843	-	-
Small blend	190,172	190,172	-	-
Large cap	2,069,117	2,069,117	-	-
Small cap	1,423,021	1,423,021	-	-
Other	359,186	359,186	-	-
Total mutual funds	31,069,937	31,069,937	-	-
Precious metals	129,500	129,500	-	-
		\$ 40,144,852	\$ 246,463	\$ -
Investment measured at net asset value:				
Hedge fund	508,535			
	\$ 40,899,850			

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

4. FAIR VALUE MEASUREMENTS, continued:

The following table lists investments in other investment companies (in partnership format) by major category at September 30, 2017:

Investment Category	Strategy	Fair Value Determined Using NAV	\$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Hedge Fund-of-Funds	Absolute Return	<u>\$ 361,370</u>	<u>\$ -</u>	NA	Investment is in liquidation mode	Fund is currently in the process of liquidation	Fund is currently in the process of liquidation

The following table lists investments in other investment companies (in partnership format) by major category at September 30, 2016:

Investment Category	Strategy	Fair Value Determined Using NAV	\$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Hedge Fund-of-Funds	Absolute Return	<u>\$ 508,535</u>	<u>\$ -</u>	NA	Investment is in liquidation mode	Fund is currently in the process of liquidation	Fund is currently in the process of liquidation

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

4. FAIR VALUE MEASUREMENTS, continued:

Methods and assumptions used by SIM USA in estimating fair values are as follows:

Valuation techniques : Fair values for common stocks, mutual funds, precious metals, and exchange traded products are based on quoted market prices in an active market. The fair value of fixed income securities is based on yields currently available for comparable securities of issuers with similar credit ratings. Fair values of privately-held entities are based on the net asset value (NAV) of the underlying investments in the fund.

Changes in valuation techniques : None.

Gains and losses (realized and unrealized) related to investments are included in the change in net assets and are reported in investment income. Gains and losses (realized and unrealized) related to the annuities and charitable lead trusts are reported in change in value of annuities and trusts. Gains and losses (realized and unrealized) related to charitable remainder trusts and revocable living trusts are included in the change in value of assets and liabilities on the combined statements of financial position.

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net, consist of:

	September 30,	
	2017	2016 Restated
Charlotte property and equipment:		
Land and land developments	\$ 1,709,323	\$ 1,709,323
Buildings	3,578,892	3,578,892
Furniture and equipment	1,576,377	1,475,766
Airplanes and vehicles	1,539,006	1,781,111
	<u>8,403,598</u>	<u>8,545,092</u>
Less accumulated depreciation	<u>(3,896,360)</u>	<u>(3,588,809)</u>
	<u>4,507,238</u>	<u>4,956,283</u>
Construction in process	69,644	69,644
	<u>4,576,882</u>	<u>5,025,927</u>
Retirement property, Sebring, Florida:		
Land and land developments	159,749	159,749
Buildings	4,370,745	4,370,745
Furniture and equipment	47,880	37,683
	<u>4,578,374</u>	<u>4,568,177</u>
Less accumulated depreciation	<u>(3,228,752)</u>	<u>(3,118,464)</u>
	<u>1,349,622</u>	<u>1,449,713</u>
	<u>\$ 5,926,504</u>	<u>\$ 6,475,640</u>

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

6. ANNUITY LIABILITIES:

Annuity liabilities consist of:

	September 30,	
	2017	2016
Computed present value of annuity liabilities	\$ 1,824,640	\$ 1,996,763
Less current portion	(276,033)	(302,691)
Long-term portion	<u>\$ 1,548,607</u>	<u>\$ 1,694,072</u>

Change in value of annuities includes:

	Year Ended September 30,	
	2017	2016
Realized and unrealized gains	\$ 285,075	\$ 182,539
Investment income	82,613	77,029
Actuarial change	(130,794)	(204,294)
	<u>\$ 236,894</u>	<u>\$ 55,274</u>

7. TRUST LIABILITIES:

Trust liabilities consist of:

	September 30,	
	2017	2016
Revocable trusts	\$ 14,486,015	\$ 14,543,761
Irrevocable trusts—other remaindermen and lifetime interests	628,208	547,586
Total trust liabilities	<u>\$ 15,114,223</u>	<u>\$ 15,091,347</u>

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

7. TRUST LIABILITIES, continued:

Change in value of trusts includes:

	Year Ended September 30,	
	2017	2016
Interest and dividends	\$ 61,902	\$ 64,809
Realized gains	109,392	23,518
Unrealized gains	143,174	124,067
Actuarial change	(80,623)	31,643
Payments to beneficiaries	(196,035)	(349,043)
	<u>\$ 37,810</u>	<u>\$ (105,006)</u>

8. NET ASSETS:

Net assets consist of:

	September 30,	
	2017	2016 Restated
Unrestricted:		
Undesignated	\$ 5,132,936	\$ 4,823,071
Designated:		
State required annuity reserves	483,529	529,142
Quasi-endowments	787,582	745,645
Annuity investment reserve	910,174	619,710
Captive insurance reserve	815,947	497,199
Equipment reserve	161,153	157,783
Management reserve	10,093	10,093
	<u>3,168,478</u>	<u>2,559,572</u>
Equity in property and equipment:		
Invested in property and equipment	4,576,882	5,512,627
Invested in retirement properties	1,349,622	1,449,713
Less capital lease obligation	(87,280)	(9,782)
	<u>5,839,224</u>	<u>6,952,558</u>
Total unrestricted net assets	<u>14,140,638</u>	<u>14,335,201</u>

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

8. NET ASSETS, continued:

Net assets consist of, continued:

	September 30,	
	2017	2016
Temporarily restricted:		
Projects	2,609,110	2,332,022
Ministry funds	10,465,342	10,724,474
Future support	5,526,971	5,488,226
Endowments	404,654	138,549
Charitable remainder trusts	465,186	472,569
Irrevocable trusts	921,238	867,678
	<u>20,392,501</u>	<u>20,023,518</u>
Permanently restricted—endowment	<u>2,626,272</u>	<u>2,626,272</u>
	<u>\$ 37,159,411</u>	<u>\$ 36,984,991</u>

9. LEASE REVENUE:

At September 30, 2017 and 2016, SIM USA leased airplanes, owned by SIM USA, to an unrelated party. The lessees are responsible for all repairs, maintenance and insurance. The lease term is three years. Rental revenue related to these leases was \$113,295 and \$113,295 for the years ended December 31, 2017 and 2016, respectively.

Future rental income to be earned is as follows:

<u>Years Ending September 30,</u>	<u>Amounts</u>
2018	<u>\$ 56,648</u>
	<u>\$ 56,648</u>

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

10. TRANSACTIONS WITH RELATED PARTIES:

SIM INTERNATIONAL AND OTHER SIM ENTITIES

In accordance with SIM Finance Principles and Policies, all entities of SIM pay SIM International, an affiliated entity, for salary allowance, missionary area care, administrative costs, and undesignated contributions that exceed \$5,000 for the years ended September 30, 2017 and 2016, to be used for specific ministries. In addition, missionary support received by one SIM entity for another is remitted to the appropriate entity.

SIM USA incurred the following expenses, related to SIM International and SIM Entities:

	Year Ended September 30,	
	2017	2016
Salary allowance	\$ 143,272	\$ 171,267
Service Fees	967,041	930,829
Specific ministries	7,694,327	7,888,526
Missionary support for other SIM Entities	1,876,669	1,822,778
	<u>\$ 10,681,309</u>	<u>\$ 10,813,400</u>

RELATED PARTY PLEDGES PAYABLE

SIM USA has made unconditional pledges to an affiliated entity, SIM Kenya, that totaled \$486,700 as of September 30, 2017 and 2016, respectively. This commitments will be paid upon the sale of certain land owned by SIM.

11. CONTINGENCIES:

In accordance with the terms of the lease agreement with an unrelated party (see Note 9) if SIM USA elects to terminate the agreement and operate the airplane on its own or lease the airplane to a different entity, SIM USA agrees to pay the unrelated party \$340,000. In the event that SIM USA elects to sell the airplane, SIM USA agrees to pay the unrelated party 24% of the sale price of the airplane. In the event that the unrelated party elects to terminate or not renew the lease, SIM USA has no obligation to the unrelated party, until such time as SIM USA elects to sell the airplane, at which point SIM USA agrees to pay the unrelated party 24% of the sales proceeds. SIM USA does not currently intend to terminate the lease or sell the airplane.

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

12. MEMBER BENEFIT PLANS:

MEDICAL BENEFITS

SIM USA maintains a self-insured employee benefit plan covering certain employees for dental and vision costs and providing for certain limitations and restrictions on coverage. As of September 30, 2017 and 2016, claims incurred but not reported were not estimated to be material to the combined financial statements. SIM USA is not subject to COBRA continuation coverage because our medical plans are considered to be church plans. SIM USA provides an employer sponsored Health Reimbursement Arrangement (HRA) account for clergy staff in conjunction with their integrated health care plans. Medical expense reimbursements from these HRA accounts are non-taxable as allowed by law.

RETIREMENT BENEFITS

Traditional 403(b) and designated Roth 403(b) Plans: Since the year 2000, SIM USA offers traditional 403(b) retirement accounts via Fidelity to employees and clergy staff. As of October 2015, SIM USA also offers designated Roth 403(b) retirement accounts to employees and clergy staff.

SIM USA Retirement Pool: SIM USA offers continued support to those members of the mission reaching the designated retirement age and having completed thirty years of active service through the year 2000, subject to funds available in the retirement allowances pool. Partial benefits may be received by those members having served between twenty and thirty years through the year 2000. Support may include a non-taxable clergy housing allowance or housing provided, certain medical payments, and a supplement to the extent social security benefits are deemed to be inadequate. Support amounts vary from period to period based on the level of retirement funds available. Benefits from the SIM USA Retirement Pool are not guaranteed, but “as the Lord provides.” SIM intends that support received will not exceed costs of benefits, and the plan is being treated as a nonqualified defined contribution arrangement.

Individual Retirement Support Accounts: SIM USA offers individual retirement support accounts to certain retired missionaries that were not eligible for participation in the SIM USA Retirement Pool. Most of these retirees joined SIM as a result of the Africa Evangelical Mission (AEF) merger in 1996. Benefits include a non-taxable clergy housing allowance and or taxable retirement payments. Benefits are not guaranteed, but “as the Lord provides.” SIM intends that support received will not exceed costs of benefits, and the plan is being treated as a nonqualified defined contribution arrangement.

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

13. ENDOWMENTS:

SIM USA's endowments consist of 3 individual funds established for a variety of purposes as a result of donor contributions and board designations. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of trustees of SIM USA has interpreted the North Carolina Uniform Prudent Management of Institutional Funds Act (NCUPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SIM USA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by SIM USA in a manner consistent with the standard of prudence prescribed by NCUPMIFA. In accordance with NCUPMIFA, SIM USA considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of SIM USA and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of SIM USA
7. The investment policies of SIM USA

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

13. ENDOWMENTS, continued:

Endowment net asset composition by type of fund as of September 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	\$ -	\$ 404,654	\$ 2,626,272
Board designated endowment funds	787,582	-	-
	<u>\$ 787,582</u>	<u>\$ 404,654</u>	<u>\$ 2,626,272</u>

Changes in endowment net assets for the year ended September 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 745,645	\$ 138,549	\$ 2,626,272
Investment return:			
Interest and dividends	17,739	42,608	-
Net gains (realized and unrealized)	74,782	379,847	-
Total investment return	<u>92,521</u>	<u>422,455</u>	<u>-</u>
Contributions	300	-	-
Amounts appropriated for expenditure	<u>(50,884)</u>	<u>(156,350)</u>	<u>-</u>
Endowment net asset, end of year	<u>\$ 787,582</u>	<u>\$ 404,654</u>	<u>\$ 2,626,272</u>

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

13. ENDOWMENTS, continued:

Endowment net asset composition by type of fund as of September 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	\$ -	\$ 138,549	\$ 2,626,272
Board designated endowment funds	745,645	-	-
	<u>\$ 745,645</u>	<u>\$ 138,549</u>	<u>\$ 2,626,272</u>

Changes in endowment net assets for the year ended September 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 731,141	\$ -	\$ 2,626,272
Investment return:			
Interest and dividends	17,536	53,468	-
Net losses (realized and unrealized)	41,562	245,443	-
Total investment return	59,098	298,911	-
Contributions	-	-	-
Amounts appropriated for expenditure	(44,594)	(160,362)	-
Endowment net assets, end of year	<u>\$ 745,645</u>	<u>\$ 138,549</u>	<u>\$ 2,626,272</u>

Year Ended September 30,	
2017	2016

Permanently restricted net assets:

The portion of perpetual endowment funds that are required to be retained permanently either by explicit donor stipulations or by NCUPMIFA

\$ 2,626,272	\$ 2,626,272
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Temporarily restricted net assets:

The portion of perpetual endowment funds subject to a time restriction under NCUPMIFA

\$ 404,654	\$ 138,549
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SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

13. ENDOWMENTS, continued:

Return Objectives and Risk Parameters—SIM USA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that SIM USA must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce an inflation adjusted income stream to grow the corpus above the inflation rate. SIM USA expects its endowment funds, over time, to provide an average rate of return of approximately 9% annually. Actual returns in any given year may vary from this amount.

Funds with Deficiencies—From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NCUPMIFA requires SIM USA to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were \$0 as of September 30, 2017 and 2016. These deficiencies resulted from unfavorable market fluctuations.

Strategies Employed for Achieving Objectives—To satisfy its long-term rate-of-return objectives, SIM USA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SIM USA targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy—SIM USA has a policy of appropriating for distribution each year 5% of the value of each fund. This calculation is based upon the actual rate of return on the endowment funds for the previous calendar year. In establishing this policy, SIM USA's board considered long-term expected return on its endowment. This is consistent with the board's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

14. RESTATEMENT:

During the year ended September 30, 2017, it was determined SIM USA did not properly report certain land and liabilities due to a misapplication of accounting principles generally accepted in the United States of America (GAAP). In addition, there was an error in the presentation of the functional expenses and the related joint cost allocation disclosure, due to a mathematical error during the allocation. The correction of these errors had the following impact on the 2016 combined financial statements:

	As Previously Reported	Adjustment	As Restated
Combined Statements of Financial Position:			
Other assets	\$ 372,802	\$ 486,700	\$ 859,502
Other liabilities	\$ 897,274	\$ 486,700	\$ 1,383,974
Combined Statements of Activities:			
Church growth and evangelism	\$ 10,663,836	\$ (192,227)	\$ 10,471,609
Education ministry	\$ 7,189,366	\$ (131,089)	\$ 7,058,277
Relief and rehabilitation	\$ 6,373,848	\$ (98,597)	\$ 6,275,251
Media and translation ministry	\$ 1,996,640	\$ (23,491)	\$ 1,973,149
Home ministry	\$ 2,208,221	\$ (63,867)	\$ 2,144,354
Service	\$ 2,866,137	\$ (50,756)	\$ 2,815,381
Management and general	\$ 7,187,621	\$ 566,413	\$ 7,754,034
Fund-raising	\$ 2,415,250	\$ (6,386)	\$ 2,408,864

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

14. RESTATEMENT, continued:

	As Previously Reported	Adjustment	As Restated
Allocation Footnote Disclosure:			
Program Expense Allocations:			
Furlough salary and housing	\$ 3,875,753	\$ (658,900)	\$ 3,216,853
Retired missionary	\$ 2,430,917	\$ (13,988)	\$ 2,416,929
Employee benefit plan	\$ 319,425	\$ (163,317)	\$ 156,108
Ministry promotion	\$ 1,296,501	\$ (388,049)	\$ 908,452
Depreciation	\$ 382,165	\$ (14,551)	\$ 367,614
Administrative Expense Allocations:			
Furlough salary and housing	\$ 610,663	\$ (65,336)	\$ 545,327
Retired missionary	\$ 241,049	\$ (1,387)	\$ 239,662
Employee benefit plan	\$ 31,674	\$ (16,194)	\$ 15,480
Ministry promotion	\$ 81,846	\$ (38,479)	\$ 43,367
Fund-raising Expense Allocations:			
Furlough salary and housing	\$ 438,431	\$ (3,322)	\$ 435,109
Retired missionary	\$ 12,257	\$ (71)	\$ 12,186
Employee benefit plan	\$ 1,610	\$ (823)	\$ 787
Ministry promotion	\$ 121,938	\$ (1,956)	\$ 119,982

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2017 and 2016

14. RESTATEMENT, continued:

	As Previously Reported	Adjustment	As Restated
Net Asset Footnote Disclosure:			
Undesignated	<u>\$ 5,309,771</u>	<u>\$ (486,700)</u>	<u>\$ 4,823,071</u>
Invested in property and equipment	<u>\$ 5,025,927</u>	<u>\$ 486,700</u>	<u>\$ 5,512,627</u>

15. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the March 13, 2018, which represents the date the combined financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

Board of Directors
SIM USA, Inc.
Charlotte, North Carolina

We have audited the combined financial statements of SIM USA, Inc. as of and for the years ended September 30, 2017 and 2016, and our report thereon dated March 13, 2018, which expresses an unmodified opinion on those combined financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Sudan Interior Mission, Inc.–Segregated Gift Annuity Fund statements of financial position and statements of activities as of and for the years ended September 30, 2017 and 2016, respectively, are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Capin Crouse LLP

Columbia, South Carolina
March 13, 2018

**SUDAN INTERIOR MISSION, INC.
SEGREGATED GIFT ANNUITY FUND**

Statements of Financial Position

	September 30,	
	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 6,297	\$ 5,313
Investments	3,212,046	3,140,302
	<u>3,218,343</u>	<u>3,145,615</u>
Total Assets	<u>\$ 3,218,343</u>	<u>\$ 3,145,615</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current portion of annuities payable	\$ 276,033	\$ 302,691
Annuities payable—net of current portion	1,548,607	1,694,072
Total liabilities	<u>1,824,640</u>	<u>1,996,763</u>
Net assets:		
Other	910,174	619,710
Required minimum reserve (New York)	483,529	529,142
Total net assets	<u>1,393,703</u>	<u>1,148,852</u>
Total Liabilities and Net Assets	<u>\$ 3,218,343</u>	<u>\$ 3,145,615</u>

**SUDAN INTERIOR MISSION, INC.
SEGREGATED GIFT ANNUITY FUND**

Statements of Activities

	Year Ended September 30,	
	2017	2016
INCOME:		
Net gains on investments	\$ 285,075	\$ 182,539
Interest and dividend income	82,613	77,029
Actuarial change	179,167	114,175
New annuities	7,957	49,786
Total Income	<u>554,812</u>	<u>423,529</u>
EXPENSES:		
Actuarial change-payments to annuitants	296,288	304,855
Other	13,673	13,614
Total Expenses	<u>309,961</u>	<u>318,469</u>
Change in Net Assets	244,851	105,060
Net Assets, Beginning of Year	<u>1,148,852</u>	<u>1,043,792</u>
Net Assets, End of Year	<u>\$ 1,393,703</u>	<u>\$ 1,148,852</u>