Mission Waco, Mission World, Inc.
Financial Statements
December 31, 2015 and 2014
(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Mission Waco, Mission World, Inc.:

We have audited the accompanying financial statements of Mission Waco, Mission World, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mission Waco, Mission World, Inc. as of December 31, 2015 and 2014, and 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.

Jaynes, Reitmeier, Boyd + Therrell, P.C.

September 13, 2016

Mission Waco, Mission World, Inc.

Statements of Financial Position

December 31, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	$ 535,956	758,513
Marketable securities	880,353	841,005
Accounts receivable	45,250	44,878
Inventory	17,736	14,759
Prepaid expenses and other assets	8,699	5,424
Total current assets	1,487,994	1,664,579
Property and equipment:		
Land	247,987	247,987
Buildings and improvements	1,782,899	1,749,444
Furniture, fixtures, and equipment	303,310	262,215
Vehicles	125,051	85,929
Construction in progress	171,372	2,200
	2,630,619	2,347,775
Less accumulated depreciation	853,437	771,813
Total property and equipment	1,777,182	1,575,962
Beneficial interest in assets held by the Waco Foundation	4,007	4,110
	$ 3,269,183	3,244,651
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 51,776	49,405
Accrued expenses	95,461	101,370
Total current liabilities	147,237	150,775
Net assets:		
Unrestricted:		
Designated for endowment	4,007	4,110
Undesignated	2,516,719	2,587,368
	2,520,726	2,591,478
Temporarily restricted	601,220	502,398
Total net assets	3,121,946	3,093,876
Total liabilities and net assets	$ 3,269,183	3,244,651

See accompanying notes to financial statements.

Mission Waco, Mission World, Inc.

Statements of Activities

Years Ended December 31, 2015 and 2014

	2015	2014
Changes in unrestricted net assets:		
Revenues and other support:		
Contributions:		
Individuals and others	$ 1,259,283	1,272,476
Federal grants	261,765	274,063
Program revenue	313,629	287,023
Special events	171,725	185,102
Retail sales	428,525	405,477
Donated services and materials	90,833	98,100
Net investment income (loss)	(9,879)	35,012
Other income	30,679	11,026
Net assets released from restriction	269,320	368,388
Total unrestricted revenue and other support	2,815,880	2,936,667
Expenses:		
Program expenses:		
Mobilizing programs	456,483	517,774
Empowering programs	1,423,038	1,338,772
Retail sales programs	632,796	565,369
Supporting expenses:		
Management and general	216,715	229,375
Fund-raising	157,600	160,916
Total expenses	2,886,632	2,812,206
Change in unrestricted net assets	(70,752)	124,461
Changes in temporarily restricted net assets:		
Revenues and other support:		
Contributions	368,826	342,559
Net investment income (loss)	(684)	11,159
Net assets released from restriction	(269,320)	(368,388)
Change in temporarily restricted net assets	98,822	(14,670)
Increase in net assets	28,070	109,791
Net assets at beginning of year	3,093,876	2,984,085
Net assets at end of year	$ 3,121,946	3,093,876

See accompanying notes to financial statements.

Mission Waco, Mission World, Inc.

Statement of Functional Expenses

Year Ended December 31, 2015

	Program			Supporting		
	Mobilization Programs	Empowering Programs	Retail Sales Programs	Management and General	Fund-raising	Total
Salaries	$ 112,915	680,070	206,106	145,386	61,214	1,205,691
Payroll taxes	8,488	51,753	17,227	10,469	4,618	92,555
Employee benefits	8,657	41,722	12,270	12,798	4,689	80,136
Cost of sales	-	1,874	217,878	-	-	219,752
Client expenses	220,469	185,945	15,632	2,413	37,262	461,721
Donated services and materials	-	20,081	63,751	-	7,001	90,833
Insurance	4,130	35,017	6,784	15,464	1,189	62,584
Travel	33,305	12,003	1,201	1,117	299	47,925
Depreciation	3,743	46,650	10,103	24,294	1,434	86,224
Vehicle expenses	2,689	40,552	1,158	(24,993)	355	19,761
Accounting and professional fees	1,708	5,324	2,368	8,507	590	18,497
Telephone	3,341	18,459	4,908	1,001	2,200	29,909
Postage and shipping	390	1,819	1,203	147	10,132	13,691
Occupancy	18,810	180,409	37,440	12,225	1,426	250,310
Equipment maintenance	4,197	25,959	4,422	2,250	442	37,270
Printing and publications	5,659	10,120	3,511	2,621	13,155	35,066
Staff development	180	747	249	85	63	1,324
Medical expenditures	-	5,676	-	-	-	5,676
Supplies	7,149	41,835	11,937	1,298	10,326	72,545
Miscellaneous	20,653	17,023	14,648	1,633	1,205	55,162
	$ 456,483	1,423,038	632,796	216,715	157,600	2,886,632

See accompanying notes to financial statements.

Mission Waco, Mission World, Inc.

Statement of Functional Expenses

Year Ended December 31, 2014

	Program			Supporting		
	Mobilization Programs	Empowering Programs	Retail Sales Programs	Management and General	Fund-raising	Total
Salaries	$ 117,261	639,248	189,466	139,767	61,648	1,147,390
Payroll taxes	9,318	51,202	16,150	10,492	4,942	92,104
Employee benefits	8,940	36,598	8,940	14,913	3,501	72,892
Cost of sales	-	-	203,999	-	-	203,999
Client expenses	267,771	184,290	10,978	3,947	44,340	511,326
Donated services and materials	-	40,870	48,700	-	8,530	98,100
Insurance	5,169	37,786	5,481	8,525	933	57,894
Travel	39,358	8,349	688	720	791	49,906
Depreciation	4,230	55,298	7,303	5,035	1,274	73,140
Vehicle expenses	988	16,619	310	5,942	141	24,000
Accounting and professional fees	-	-	-	18,817	-	18,817
Telephone	3,324	18,665	4,632	1,057	2,251	29,929
Postage and shipping	587	1,906	1,074	174	8,149	11,890
Occupancy	21,617	153,250	33,822	12,102	1,174	221,965
Equipment maintenance	3,000	26,209	4,165	1,665	96	35,135
Printing and publications	6,596	6,644	3,133	2,492	13,385	32,250
Staff development	97	310	18	179	5	609
Medical expenditures	-	4,614	-	-	-	4,614
Supplies	12,248	41,505	11,054	1,956	8,584	75,347
Miscellaneous	17,270	15,409	15,456	1,592	1,172	50,899
	$ 517,774	1,338,772	565,369	229,375	160,916	2,812,206

See accompanying notes to financial statements.

Mission Waco, Mission World, Inc.

Statements of Cash Flows

Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Increase in net assets	$ 28,070	109,791
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	86,224	73,140
Gain on sale of vehicle	(100)	-
Contribution of non-cash gifts	(63,645)	-
Net unrealized losses	47,754	15,752
(Gain) loss on beneficial interest in assets held by the Waco Foundation	103	(70)
Decrease (increase) in operating assets:		
Accounts receivable	(372)	(8,185)
Inventory	(2,977)	(2,195)
Prepaid expenses and other assets	(3,275)	9,055
Increase (decrease) in operating liabilities:		
Accounts payable	2,371	(640)
Accrued expenses	(5,909)	53,312
Net cash provided by operating activities	88,244	249,960
Cash flows from investing activities:		
Purchase of marketable securities	(33,432)	(56,280)
Acquisition of property and equipment	(278,869)	(141,728)
Net proceeds from sale of fixed assets	1,500	-
Net cash used in investing activities	(310,801)	(198,008)
Net increase (decrease) in cash and cash equivalents	(222,557)	51,952
Cash and cash equivalents at beginning of year	758,513	706,561
Cash and cash equivalents at end of year	$ 535,956	758,513

See accompanying notes to financial statements.

Mission Waco, Mission World, Inc.

Notes to Financial Statements

December 31, 2015 and 2014

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Mission Waco, Mission World, Inc. (the Organization) is a nonprofit organization which is dedicated to providing ministry to individuals outside the dominant culture of the United States of America with opportunities for wholeness, improvement, and self-sufficiency. The Organization also provides opportunities for people in the dominant culture to understand the plight and needs of those persons outside their cultural background through informal education, shared experiences, simulations, trips to foreign countries, and other programs. Revenues are derived primarily from contributions, program revenue, special events, and retail sales.

(b) Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values as an increase in net assets. The Organization 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, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Program revenues, consisting primarily of fees for participation in work groups, simulations, housing, and other programs are recorded as earned.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Mission Waco, Mission World, Inc.

Notes to Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(c) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents at December 31, 2015 and 2014 consisted of $6,674 and $6,663, respectively, in a money market mutual fund.

(d) Marketable Securities

Marketable securities are measured at fair value in the statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for further discussion of fair value measurement. Investment income or loss (including gains and losses on investments, and interest and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

(e) Inventory

Inventory consists of food, supplies, and resale items for use in providing retail sales programs through the World Cup Café and the World Craft Market. Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first out method.

(f) Property and Equipment

Property and equipment are stated at cost. Donated assets are stated at estimated fair value in the year donated. The Organization capitalizes all acquisitions with a value greater than $5,000. Depreciation is calculated on the straight-line method over the estimated useful lives of the related assets.

(g) Income Taxes

The Organization is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal or state income taxes.

The Organization recognizes the effect of income tax positions (including whether exempt income might be determined to be unrelated business income and whether it has properly maintained its exempt status) if such positions are probable of being sustained (i.e. probable that adjustments would not be detected and made by taxing

Mission Waco, Mission World, Inc.

Notes to Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(g) Income Taxes (continued)

authorities). Recognized income tax provisions are measured at the largest amount that is greater than 50% of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs

The Organization records interest and penalties related to unrecognized tax benefits in management and general expenses.

(h) Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2015 and 2014, advertising costs were $35,066 and $32,250, respectively.

(i) Use of Estimates

The preparation of financial statements in conformity with 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 revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying value of marketable securities and the estimated useful lives of property and equipment. Actual results could differ from those estimates.

(j) Reclassifications

Certain reclassifications have been made to the prior year financial statements to make them comparable to the current year.

(2) Marketable Securities and Fair Value Measurements

Marketable securities at December 31, 2015 and 2014 consisted of the following:

	2015	2014
Mutual funds	$ 803,983	759,027
Equity securities	76,370	81,978
	$ 880,353	841,005

Mission Waco, Mission World, Inc.

Notes to Financial Statements
(Continued)

(2) Marketable Securities and Fair Value Measurements (continued)

At December 31, 2015 and 2014, the Organization's assets and liabilities measured at fair value have been classified, for disclosure purposes, based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Fair value for the Organization's investment in mutual funds and equity securities is determined by reference to quoted market prices. Fair value of the Organization's beneficial interest in the assets held by the Waco Foundation are estimated based on the underlying fair value of the net assets held.

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2015 and 2014:

		Fair Value Measurements at Reporting Date Using		
	December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Fixed income	$ 231,688	231,688	-	-
Domestic large to mid-size market capitalization	153,978	153,978	-	-
Domestic mid-size to small market capitalization	67,392	67,392	-	-
Domestic growth	187,326	187,326	-	-
International	99,831	99,831	-	-
Alternative investments	63,768	63,768	-	-
Equity securities:				
Domestic	49,668	49,668	-	-
International	26,702	26,702	-	-
Beneficial interest in assets held by the Waco Foundation	4,007	-	4,007	-
	$ 884,360	880,353	4,007	-

Mission Waco, Mission World, Inc.

Notes to Financial Statements
(Continued)

(2) Marketable Securities and Fair Value Measurements (continued)

		Fair Value Measurements at Reporting Date Using		
	December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Fixed income	$ 179,011	179,011	-	-
Domestic large to mid-size market capitalization	147,887	147,887	-	-
Domestic mid-size to small market capitalization	71,413	71,413	-	-
Domestic growth	193,378	193,378	-	-
International	104,280	104,280	-	-
Alternative investments	63,058	63,058	-	-
Equity securities:				
Domestic	53,664	53,664	-	-
International	28,314	28,314	-	-
Beneficial interest in assets held by the Waco Foundation	4,110	-	4,110	-
	$ 845,115	841,005	4,110	-

(3) Accounts Receivable and Conditional Promises to Give

Accounts receivable consist of amounts due to the Organization under reimbursement-type grants and other amounts due for services provided. An allowance for doubtful accounts is not considered necessary based upon management's review of the collectability of accounts receivable at year-end.

The Organization has received reimbursement-type grants for its programs that are considered to be contributions. However, the reimbursement grants are conditional based upon the Organization incurring qualifying costs. At December 31, 2015, approximately $28,176 of a total grant award of $178,971, for the period from March 1, 2015 to February 28, 2016, for housing services have not been recognized as revenue because the qualifying conditions have not been met. Additionally, at December 31, 2015, approximately $65,793 of a total grant award of $76,816, for the period from October 1, 2015 to September 30, 2016, for housing and empowerment services have not been recognized as revenue because the qualifying conditions have not been met.

Mission Waco, Mission World, Inc.

Notes to Financial Statements
(Continued)

(3) Accounts Receivable and Conditional Promises to Give (continued)

At December 31, 2014, approximately $43,367 of a total grant award of $178,971, for the period from March 1, 2014 to February 28, 2015, for housing services have not been recognized as revenue because the qualifying conditions have not been met. Additionally, at December 31, 2014, approximately $27,257 of a total grant award of $39,549, for the period from October 1, 2014 to September 30, 2015, for housing and empowerment services have not been recognized as revenue because the qualifying conditions have not been met.

(4) Beneficial Interest in Assets Held at Waco Foundation and the Board Designated Endowment

The Organization has transferred assets to the Waco Foundation, a community foundation, designating itself as the beneficiary. The income earned (including net realized and unrealized appreciation under Waco Foundation's current spending policy of distributable income) on the transferred assets will be paid at least annually to the Organization. The income may, if both the Organization and the Waco Foundation agree, remain and accumulate with the principal. Distributions of principal may be made at the sole discretion of the Waco Foundation. It is intended that assets be held for the benefit of the Organization as long as the need for the fund exists. However, the assets are subject to the governing documents of the Waco Foundation and the policies and procedures of its governing body. Consequently, the Waco Foundation has the right to substitute another beneficiary in the place of the Organization without the approval of the Organization.

Changes in the board designated endowment net assets, all of which are unrestricted, for the years ended December 31, 2015 and 2014 consisted of:

	2015	2014
Endowment net assets, beginning of year	$ 4,110	4,040
Net investment gain (loss)	(103)	70
Endowment net assets, end of year	$ 4,007	4,110

(5) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 and 2014, are available for the following purposes or periods:

Mission Waco, Mission World, Inc.

Notes to Financial Statements
(Continued)

(5) Temporarily Restricted Net Assets (continued)

	2015	2014
Purpose restrictions, available for:		
Haiti projects	$ 205,422	130,353
Other projects	129,610	131,499
Scholarships	207,152	200,148
Time restrictions, available for:		
2016 programs	59,036	-
2015 programs	-	40,398
	$ 601,220	502,398

(6) Net Investment Income

Net investment income from cash equivalents and marketable securities is comprised of the following for 2015 and 2014:

	2015	2014
Interest and dividends	$ 35,987	40,343
Net unrealized gains (losses)	(47,754)	(15,752)
Net realized gains	1,204	21,580
	$ (10,563)	46,171

(7) Donated Services and Materials

The Organization recognizes contribution revenue for specialized and professional services, and materials received in the accompanying statements of activities at estimated fair value. Those services and materials for the years ended December 31, 2015 and 2014 include the following items.

	2015	2014
Empowering programs:		
Professional services	$ 20,081	40,870
Retail sales programs:		
Materials	70,752	57,230
	$ 90,833	98,100

Mission Waco, Mission World, Inc.

Notes to Financial Statements
(Continued)

(7) Donated Services and Materials (continued)

Additionally, a number of volunteers have donated significant amounts of their time in the Organization's program services and fund-raising events, which do not qualify for recognition as contributions under generally accepted accounting principles since the services do not require specialized skills and have not been recorded in the accompanying financial statements.

(8) Functional Allocation of Expenses

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefited.

(9) Contingencies

Amounts received or receivable under grant awards are subject to adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability to the Organization. The amount, if any, of expenses which may be disallowed by grantors cannot be determined at this time although the Organization expects such amounts, if any to be immaterial.

(10) Business and Credit Concentrations

At December 31, 2015 and 2014, and periodically during the years then ended, the Organization has maintained deposits in various accounts at financial institutions in excess of federally insured limits.

Five donors accounted for approximately 21% and 25% of temporarily restricted and unrestricted contributions during the years ended December 31, 2015 and 2014, respectively.

(11) Noncash Operating Activities

In 2015, the Organization received gifts of investments of $53,670 and furniture of $9,975.

(12) Subsequent Events

The Organization has evaluated subsequent events from the date of the statements of financial position through September 13, 2016, the date at which the financial statements were available to be issued, and determined there are no items to disclose.