



**SIM USA, INC.**

Combined Financial Statements  
With Independent Auditors' Report

September 30, 2015 and 2014

# 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, 2015 and 2014, 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, 2015 and 2014, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Columbia, South Carolina  
February 23, 2016

# SIM USA, INC.

## Combined Statements of Financial Position

	September 30,	
	2015	2014
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 245,379	\$ 523,527
Deposits with related organization	5,662,912	5,796,707
Investments	41,744,241	45,669,459
Property and equipment–net	5,167,396	5,823,953
Other assets	537,190	481,954
<b>Total Assets</b>	<b>\$ 53,357,118</b>	<b>\$ 58,295,600</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 358,522	\$ 489,100
Missionary personal accounts	786,322	917,312
Deferred compensation payable	1,254,864	1,390,608
Annuity and trust liabilities	17,539,274	19,494,976
<b>Total liabilities</b>	<b>19,938,982</b>	<b>22,291,996</b>
Net assets:		
Unrestricted	12,823,668	15,083,015
Temporarily restricted	17,968,196	18,294,317
Permanently restricted–endowment	2,626,272	2,626,272
<b>Total net assets</b>	<b>33,418,136</b>	<b>36,003,604</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 53,357,118</b>	<b>\$ 58,295,600</b>

See notes to combined financial statements

# SIM USA, INC.

## Combined Statements of Activities

	Year Ended September 30,							
	2015			2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>INCOME:</b>								
Support and revenue:								
Contributions	\$ 810,423	\$ 50,721,668	\$ -	\$ 51,532,091	\$ 446,464	\$ 48,334,603	\$ -	\$ 48,781,067
Rental, sales, and other	837,920	-	-	837,920	861,671	-	-	861,671
	1,648,343	50,721,668	-	52,370,011	1,308,135	48,334,603	-	49,642,738
Investment income and change in value of annuities and trusts:								
Net investment losses	(1,299,512)	(195,485)	-	(1,494,997)	170,227	191,796	-	362,023
Interest and dividend income	434,155	64,380	-	498,535	800,151	94,676	-	894,827
Change in value of annuities and trusts	(166,860)	(482,028)	-	(648,888)	39,695	(12,612)	-	27,083
	616,126	50,108,535	-	50,724,661	2,318,208	48,608,463	-	50,926,671
<b>Total Income</b>	<b>616,126</b>	<b>50,108,535</b>	<b>-</b>	<b>50,724,661</b>	<b>2,318,208</b>	<b>48,608,463</b>	<b>-</b>	<b>50,926,671</b>
<b>RECLASSIFICATIONS:</b>								
Net assets released from time and use restrictions	50,434,656	(50,434,656)	-	-	48,853,121	(48,853,121)	-	-

(continued)

See notes to combined financial statements

# SIM USA, INC.

## Combined Statements of Activities (continued)

	Year Ended September 30,							
	2015			2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>EXPENSES:</b>								
Program services:								
Church growth and evangelism	10,738,118	-	-	10,738,118	10,701,456	-	-	10,701,456
Grants to other SIM ministries	11,900,918	-	-	11,900,918	11,210,970	-	-	11,210,970
Education ministry	7,279,427	-	-	7,279,427	7,176,134	-	-	7,176,134
Relief and rehabilitation	6,792,147	-	-	6,792,147	6,557,681	-	-	6,557,681
Media and translation ministry	1,991,766	-	-	1,991,766	1,443,888	-	-	1,443,888
Home ministry	2,150,537	-	-	2,150,537	2,346,118	-	-	2,346,118
Service	3,374,311	-	-	3,374,311	2,630,545	-	-	2,630,545
	<u>44,227,224</u>	<u>-</u>	<u>-</u>	<u>44,227,224</u>	<u>42,066,792</u>	<u>-</u>	<u>-</u>	<u>42,066,792</u>
Supporting activities:								
Management and general	6,551,983	-	-	6,551,983	6,593,366	-	-	6,593,366
Fund-raising	2,530,922	-	-	2,530,922	2,191,906	-	-	2,191,906
	<u>9,082,905</u>	<u>-</u>	<u>-</u>	<u>9,082,905</u>	<u>8,785,272</u>	<u>-</u>	<u>-</u>	<u>8,785,272</u>
Total Expenses	<u>53,310,129</u>	<u>-</u>	<u>-</u>	<u>53,310,129</u>	<u>50,852,064</u>	<u>-</u>	<u>-</u>	<u>50,852,064</u>
Change in Net Assets	(2,259,347)	(326,121)	-	(2,585,468)	319,265	(244,658)	-	74,607
Net Assets, Beginning of Year	<u>15,083,015</u>	<u>18,294,317</u>	<u>2,626,272</u>	<u>36,003,604</u>	<u>14,763,750</u>	<u>18,538,975</u>	<u>2,626,272</u>	<u>35,928,997</u>
Net Assets, End of Year	<u>\$ 12,823,668</u>	<u>\$ 17,968,196</u>	<u>\$ 2,626,272</u>	<u>\$ 33,418,136</u>	<u>\$ 15,083,015</u>	<u>\$ 18,294,317</u>	<u>\$ 2,626,272</u>	<u>\$ 36,003,604</u>

See notes to combined financial statements

# SIM USA, INC.

## Combined Statements of Cash Flows

	Year Ended September 30,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (2,585,468)	\$ 74,607
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net investment (losses) gains	1,813,339	(954,374)
Actuarial change—annuities	(329,791)	(192,303)
Change in value of trust assets	482,028	12,612
Payments of annuity obligations	356,113	436,578
Realized gain on sale of property and equipment	45,223	(1,300)
Depreciation	339,237	331,351
Changes in operating assets and liabilities:		
Deposits with related organization	133,795	2,582,595
Other assets	(55,236)	(70,571)
Accounts payable and accrued expenses	(130,578)	15,478
Missionary personal accounts	(130,990)	(48,146)
Net Cash Provided by Operating Activities	(62,328)	2,186,527
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(36,285)	(438,677)
Proceeds from sale of property and equipment	308,382	1,300
Net investment sales (purchases)	533,062	(1,348,609)
Net Cash Provided (Used) by Investing Activities	805,159	(1,785,986)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Investment (losses) income on trust assets	(116,366)	260,885
Payments of annuity and trust obligations	(922,479)	(736,747)
Face value of new annuities, less gift portion	17,866	9,213
Net Cash Used by Financing Activities	(1,020,979)	(466,649)
Net Change in Cash and Cash Equivalents	(278,148)	(66,108)
Cash and Cash Equivalents, Beginning of Year	523,527	589,635
Cash and Cash Equivalents, End of Year	\$ 245,379	\$ 523,527

See notes to combined financial statements



# **SIM USA, INC.**

## **Notes to Combined Financial Statements**

September 30, 2015 and 2014

1. NATURE OF ORGANIZATION:

SIM USA, Inc. (SIM USA), 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. As such, it is also exempt from state income tax, and contributions by the public are deductible for income tax purposes. The purpose of SIM USA is to glorify God by planting, strengthening, and partnering with churches around the world as it evangelizes the unreached, ministers to human need, disciples believers into churches, and equips churches to fulfill Christ's Commission. SIM USA also owns and operates a retirement village for the benefit of its missionaries located in Sebring, Florida. SIM USA's main primary source of revenue is contributions from the public.

The SIM International group is subject to the joint ministry management committee and the SIM board of governors, who are composed of a majority of external board members who are representatives of the home administrations plus elected members of the mission worldwide. The participants in SIM are subject to the policies and procedures established in the SIM Manual and International Finance Manual.

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 only the activities and financial position of SIM USA, including its branch operation, which is Sebring Retirement Village. SIM USA consists of a number of predecessor organizations which no longer have operations but are retained to provide for the transfers of estates to SIM USA. One of the predecessor organizations, Sudan Interior Mission (the New York Corporation), operates the annuity fund activity. All of these organizations have the same board as SIM USA. As described above, SIM USA is a voluntary participant in SIM International, 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 majority board control, thus, consolidation is not required under current accounting standards.

# SIM USA, INC.

## Notes to Combined Financial Statements

September 30, 2015 and 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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.

#### 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, 2015 and 2014, was .77% and 3.5% respectively. Due to SIM USA's ability to access the funds without penalty, these assets are treated as an operating asset.

As of September 30, 2015 and 2014, respectively, deposits with SIM International totaled \$5,662,912 and \$5,796,707.

# SIM USA, INC.

## Notes to Combined Financial Statements

September 30, 2015 and 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### LONG-TERM 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 or fair market value at the date of the gift. 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 long-term 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.

#### 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.

# SIM USA, INC.

## Notes to Combined Financial Statements

September 30, 2015 and 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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 (Note 8).

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, 2015 and 2014

### 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, unconditional promises are made, or ownership of other assets is transferred to SIM USA. It is SIM USA's policy not to accept unconditional promises, and none were received or recognized in the reporting periods.

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 \$516,526 and \$358,561 for the years ended September 30, 2015 and 2014, respectively.

# SIM USA, INC.

## Notes to Combined Financial Statements

September 30, 2015 and 2014

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, 2015:

	Program Services	Management and general	Fund-raising	Total
Furlough salary and housing	\$ 3,718,161	\$ 468,770	\$ 545,653	\$ 4,732,584
Furlough medical	880,592	5,783	304	886,679
Retired missionary	2,238,301	208,810	10,990	2,458,101
Employee benefit plan	255,916	23,874	1,257	281,047
Ministry promotion	1,311,325	76,030	128,085	1,515,440
Depreciation	226,455	103,483	9,299	339,237
	<u>\$ 8,630,750</u>	<u>\$ 886,750</u>	<u>\$ 695,588</u>	<u>\$ 10,213,088</u>

Year Ended September 30, 2014:

	Program Services	Management and general	Fund-raising	Total
Furlough salary and housing	\$ 3,578,908	\$ 463,084	\$ 497,843	\$ 4,539,835
Furlough medical	484,867	192,536	6,876	684,279
Retired missionary	2,119,803	196,538	7,020	2,323,361
Employee benefit plan	222,704	20,648	738	244,090
Ministry promotion	1,262,622	72,821	121,900	1,457,343
Depreciation	167,587	9,416	336	177,339
	<u>\$ 7,836,491</u>	<u>\$ 955,043</u>	<u>\$ 634,713</u>	<u>\$ 9,426,247</u>

# SIM USA, INC.

## Notes to Combined Financial Statements

September 30, 2015 and 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the combined financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in the expenses in the combined statements of activities. As of September 30, 2015 and 2014, respectively, SIM USA had no uncertain tax positions that qualify for recognition in the combined financial statements.

#### RECLASSIFICATION

Certain financial statement and footnote information from the prior year combined financial statements has been reclassified to conform to the current year presentation.

### 3. INVESTMENTS:

Investments consist of:

	September 30,	
	2015	2014
At fair value:		
Restricted cash and cash equivalents	\$ 4,222,674	\$ 5,844,604
Exchange traded funds	7,292,744	-
Common stocks	277,665	351,782
Mutual funds	22,552,845	27,770,699
Fixed income	4,804,495	8,764,136
Precious metals	-	110,887
Privately held entities	686,668	926,500
	<u>39,837,091</u>	<u>43,768,608</u>
Not at fair value:		
Privately held captive entity, equity method	583,586	611,534
Real estate, at cost	1,323,564	1,289,317
	<u>\$ 41,744,241</u>	<u>\$ 45,669,459</u>

# SIM USA, INC.

## Notes to Combined Financial Statements

September 30, 2015 and 2014

3. INVESTMENTS, continued:

Investments are held for:

	September 30,	
	2015	2014
Operating funds	\$ 16,396,483	\$ 17,202,451
Annuities	3,090,193	3,569,710
Nonqualified deferred compensation plan	1,254,864	1,390,608
Trust assets	17,645,288	19,738,320
Endowment assets:		
Board designated	733,101	821,576
Donor restricted	2,624,312	2,946,794
	\$ 41,744,241	\$ 45,669,459

Investment income consists of:

	Year Ended September 30,	
	2015	2014
Net investment gains (losses):		
Realized gains	\$ 605,982	\$ 1,339,915
Unrealized losses	(1,990,098)	(385,541)
Disbursements and investment fees	(110,881)	(592,351)
	(1,494,997)	362,023
Interest and dividend income	498,535	894,827
	\$ (996,462)	\$ 1,256,850

**INVESTMENT IN CAPTIVE INSURANCE COMPANY:**

SIM USA invests, along with several other nonprofit organizations, in a captive insurance holding company, Lucent. SIM USA is accounting for this investment using the equity method because it more clearly approximates fair value. The initial investment was \$250,000, and with the exception of reinvested dividends and earnings, no additional funds have been invested. Equity at September 30, 2015 and 2014, was \$583,586 and \$611,534, respectively. Lucent insures claims relating to workers' compensation, general liability, property and automobile liability, and physical damage. Claim experience is identified to each participating entity and subsequent premiums are modified based upon an entity's claim experience. Dividend income from Lucent for the years ended September 30, 2015 and 2014, was reinvested.



# SIM USA, INC.

## Notes to Combined Financial Statements

September 30, 2015 and 2014

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, 2015 and 2014, are as follows:

	Fair Value Measurements at September 30, 2015			
	Total	Level 1	Level 2	Level 3
<b>Investments:</b>				
Cash and cash equivalents	\$ 4,222,674	\$ 4,222,674	\$ -	\$ -
Exchange traded funds	7,292,744	7,292,744	-	-
<b>Common stocks:</b>				
Consumer goods	13,883	13,883	-	-
Financial	166,599	166,599	-	-
Insurance	16,660	16,660	-	-
Utilities	52,756	52,756	-	-
Other commons stocks	27,767	27,767	-	-
Total common stocks	277,665	277,665	-	-
<b>Fixed income securities:</b>				
Corporate bonds	4,764,627	-	4,764,627	-
Municipal bonds	39,868	-	39,868	-
Total fixed income securities	4,804,495	-	4,804,495	-

# SIM USA, INC.

## Notes to Combined Financial Statements

September 30, 2015 and 2014

4. FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements at September 30, 2015			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Emerging markets	3,278,872	3,278,872	-	-
Foreign large blend	198,550	198,550	-	-
Global	121,020	121,020	-	-
Bond Fund	5,114,857	5,114,857	-	-
International	8,464,854	8,464,854	-	-
Large blend	397,875	397,875	-	-
Large cap growth	392,695	392,695	-	-
Large cap value	391,162	391,162	-	-
Small cap	1,145,839	1,145,839	-	-
Small cap growth	165,582	165,582	-	-
Small cap value	886,852	886,852	-	-
Small blend	1,994,687	1,994,687	-	-
Total mutual funds	22,552,845	22,552,845	-	-
Privately held entities	686,668	-	-	686,668
Total investments at fair value	\$ 39,837,091	\$ 34,345,928	\$ 4,804,495	\$ 686,668

# SIM USA, INC.

## Notes to Combined Financial Statements

September 30, 2015 and 2014

4. FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements at September 30, 2014			
	Total	Level 1	Level 2	Level 3
Investments:				
Cash and cash equivalents	\$ 5,844,604	\$ 5,844,604	\$ -	\$ -
Common stocks:				
Consumer goods	15,742	15,742	-	-
Financial	210,911	210,911	-	-
Insurance	21,100	21,100	-	-
Utilities	67,601	67,601	-	-
Other common stocks	36,428	36,428	-	-
Total common stocks	351,782	351,782	-	-
Fixed income securities:				
Corporate bonds	8,690,251	-	8,690,251	-
Municipal bonds	73,885	-	73,885	-
Total fixed income securities	8,764,136	-	8,764,136	-

# SIM USA, INC.

## Notes to Combined Financial Statements

September 30, 2015 and 2014

4. FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements at September 30, 2014			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Commodities	11,670	11,670	-	-
Core international	1,398,301	1,398,301	-	-
Emerging markets	2,391,493	2,391,493	-	-
Foreign large blend	17,241	17,241	-	-
Global	13,616	13,616	-	-
Global real estate	15,084	15,084	-	-
Growth	139,441	139,441	-	-
Hedged equity	2,680,406	2,680,406	-	-
High yield bond	237,308	237,308	-	-
Income	546,251	546,251	-	-
Inflation-protected bond	11,380	11,380	-	-
Intermediate-term bond	219,615	219,615	-	-
International	4,759,246	4,759,246	-	-
International small cap	292,252	292,252	-	-
Large blend	41,891	41,891	-	-
Large cap core	51,303	51,303	-	-
Large cap growth	1,998,049	1,998,049	-	-
Large cap value	1,637,066	1,637,066	-	-
Large/mid cap	6,668,048	6,668,048	-	-
Low volatility	1,282,330	1,282,330	-	-
Mid-cap growth	6,301	6,301	-	-
Mid-cap value	22,136	22,136	-	-
Moderate allocation	502,465	502,465	-	-
Multisector bond	42,195	42,195	-	-
Municipal bond	54,522	54,522	-	-
Other equities	871,286	871,286	-	-
Public natural resources	451,917	451,917	-	-
Short-term bond	114,282	114,282	-	-
Small cap	806,830	806,830	-	-
Small cap growth	225,295	225,295	-	-
Small cap value	219,959	219,959	-	-
Utilities	17,016	17,016	-	-
World bond	24,504	24,504	-	-
Total mutual funds	27,770,699	27,770,699	-	-

# SIM USA, INC.

## Notes to Combined Financial Statements

September 30, 2015 and 2014

4. FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements at September 30, 2014			
	Total	Level 1	Level 2	Level 3
Precious metals	110,887	110,887	-	-
Privately held entities	926,500	-	-	926,500
Total investments at fair value	<u>\$ 43,768,608</u>	<u>\$ 34,077,972</u>	<u>\$ 8,764,136</u>	<u>\$ 926,500</u>
			(Level 3) Privately Held Entity September 30,	
			2015	2014
Beginning balance			\$ 926,500	\$ 1,176,491
Purchases, sales, issuances, and settlements			(251,634)	(87,958)
Total gains or losses (realized and unrealized) included in changes in net assets			11,802	(162,033)
Ending balance			<u>\$ 686,668</u>	<u>\$ 926,500</u>
The amount of total gains or losses for the period included in changes in net assets, attributable to the change in unrealized gains or losses related to assets still held at the reporting date.			<u>\$ 11,802</u>	<u>\$ (162,033)</u>

# SIM USA, INC.

## Notes to Combined Financial Statements

September 30, 2015 and 2014

4. FAIR VALUE MEASUREMENTS, continued:

The following table lists investments in other investment companies (in partnership format) by major category at September 30, 2015:

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>\$ 686,668</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, 2014:

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>\$ 926,500</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, 2015 and 2014

4. FAIR VALUE MEASUREMENTS, continued:

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

*Valuation techniques* : Fair values for equity securities and mutual funds are based on quoted market prices in an active market. The fair value of debt securities is based on yields currently available for comparable securities of issuers with similar credit ratings. The fair value of mutual funds is based on quoted net asset values of the shares held by SIM USA at year end. Fair values of alternative investments 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.

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net, at cost, consist of:

	September 30,	
	2015	2014
Charlotte property and equipment:		
Land	\$ 1,638,291	\$ 1,673,291
Buildings	3,578,892	3,693,392
Furniture and equipment	1,392,150	1,365,865
Vehicles	148,228	415,251
	<u>6,757,561</u>	<u>7,147,799</u>
Less accumulated depreciation	<u>(3,160,790)</u>	<u>(3,003,740)</u>
	3,596,771	4,144,059
Construction in process	11,643	11,638
	<u>3,608,414</u>	<u>4,155,697</u>

(continued)

# SIM USA, INC.

## Notes to Combined Financial Statements

September 30, 2015 and 2014

5. PROPERTY AND EQUIPMENT–NET, continued:

Property and equipment–net, at cost, consist of:

	September 30,	
	2015	2014
Retirement property, Sebring, Florida:		
Land	159,749	159,749
Buildings	4,370,745	4,370,745
Furniture and equipment	37,683	37,688
	4,568,177	4,568,182
Less accumulated depreciation	(3,009,195)	(2,899,926)
	1,558,982	1,668,256
	\$ 5,167,396	\$ 5,823,953

6. ANNUITY LIABILITIES:

Annuity liabilities consist of:

	September 30,	
	2015	2014
Computed present value of annuity liabilities	\$ 2,046,401	\$ 2,376,192
Less current portion	(310,538)	(376,500)
	\$ 1,735,863	\$ 1,999,692

Change in value of annuities includes:

	Year Ended September 30,	
	2015	2014
Realized and unrealized (losses) gains	\$ (245,972)	\$ 184,910
Investment income	105,434	99,060
Actuarial change	329,791	192,303
Payments to beneficiaries and other expenses	(356,113)	(436,578)
	\$ (166,860)	\$ 39,695



# SIM USA, INC.

## Notes to Combined Financial Statements

September 30, 2015 and 2014

7. TRUST LIABILITIES:

Trust liabilities consist of:

	September 30,	
	2015	2014
Revocable trusts	\$ 14,913,644	\$ 16,341,413
Irrevocable trusts—other remaindermen and lifetime interests	579,229	777,371
Total trust liabilities	<u>\$ 15,492,873</u>	<u>\$ 17,118,784</u>

Change in value of trusts includes:

	Year Ended September 30,	
	2015	2014
Interest and dividends	\$ 66,884	\$ 107,351
Realized gains	141,337	260,839
Unrealized losses	(324,587)	(107,305)
Actuarial change	200,704	26,672
Payments to beneficiaries	(566,366)	(300,169)
	<u>\$ (482,028)</u>	<u>\$ (12,612)</u>

# SIM USA, INC.

## Notes to Combined Financial Statements

September 30, 2015 and 2014

8. NET ASSETS:

Net assets consist of:

	September 30,	
	2015	2014
Unrestricted:		
Undesignated	\$ 5,300,071	\$ 6,662,402
Designated:		
State required annuity reserves	542,296	629,691
Quasi-endowments	733,101	821,576
Annuity investment reserve	501,495	563,827
Captive insurance reserve	333,586	361,534
Equipment reserve	253,355	236,248
Management reserve	10,109	9,109
	2,373,942	2,621,985
Equity in property and equipment:		
Invested in property and equipment	3,608,414	4,155,697
Invested in retirement properties	1,558,982	1,668,256
Less capital lease obligation	(17,741)	(25,325)
	5,149,655	5,798,628
Total unrestricted net assets	12,823,668	15,083,015
Temporarily restricted:		
Projects	1,154,330	981,494
Ministry funds	10,041,067	9,641,223
Future support	5,352,527	5,733,189
Endowments	-	162,379
Charitable remainder trusts	456,063	496,323
Irrevocable trusts	964,209	1,279,709
Total temporarily restricted net assets	17,968,196	18,294,317
Permanently restricted—endowment	2,626,272	2,626,272
	\$ 33,418,136	\$ 36,003,604

# SIM USA, INC.

## Notes to Combined Financial Statements

September 30, 2015 and 2014

### 9. TRANSACTIONS WITH RELATED PARTIES:

#### SIM INTERNATIONAL AND OTHER AFFILIATES

In accordance with international policy, all national divisions of SIM USA make payments to SIM International Administration for salary allowance, missionary area care, administrative costs, and undesignated contributions that exceed \$5,000 for the years ended September 30, 2015 and 2014, to be used for specific ministries. In addition, missionary support received by one division for another is remitted to the appropriate division.

SIM USA made the following payments to SIM International and other affiliates:

	Year Ended September 30,	
	2015	2014
Salary allowance	\$ 178,740	\$ 153,488
Administrative costs	964,984	962,054
Specific ministries	8,939,680	8,549,577
Missionary support for other divisions	1,817,514	1,545,851
	<u>\$ 11,900,918</u>	<u>\$ 11,210,970</u>

### 10. 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, 2015 and 2014, claims incurred but not reported were not estimated to be material to the combined financial statements.

#### RETIREMENT BENEFITS

SIM USA offers continued support to those members of the mission reaching the designated retirement age and having completed thirty years of active service, subject to funds available in the retirement allowances pool. Partial benefits may be received by those members having served between twenty and thirty years. Support may include a 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. 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, 2015 and 2014

### 11. ENDOWMENTS:

SIM USA's endowments consist of 3 individual funds established for a variety of purposes as a result of donor contributions. As required by GAAP, 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, 2015 and 2014

11. ENDOWMENTS, continued:

Endowment net asset composition by type of fund as of September 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	\$ (1,960)	\$ -	\$ 2,626,272
Board designated endowment funds	733,101	-	-
	\$ 731,141	\$ -	\$ 2,626,272

Changes in endowment net assets for the year ended September 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 821,576	\$ 162,379	\$ 2,626,272
Investment return:			
Interest and dividends	17,218	64,380	-
Net losses (realized and unrealized)	(53,501)	(195,485)	-
Total investment return	(36,283)	(131,105)	-
Contributions	-	-	-
Amounts appropriated for expenditure	(52,192)	(33,234)	-
Reclassification of underwater endowments	(1,960)	1,960	-
Endowment net asset, end of year	\$ 731,141	\$ -	\$ 2,626,272

# SIM USA, INC.

## Notes to Combined Financial Statements

September 30, 2015 and 2014

11. ENDOWMENTS, continued:

Endowment net asset composition by type of fund as of September 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	\$ -	\$ 162,379	\$ 2,626,272
Board designated endowment funds	821,576	-	-
	\$ 821,576	\$ 162,379	\$ 2,626,272

Changes in endowment net assets for the year ended September 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 1,368,986	\$ 62,741	\$ 2,626,272
Investment return:			
Interest and dividends	26,368	94,676	-
Net gains (realized and unrealized)	67,494	191,796	-
Total investment return	93,862	286,472	-
Contributions	177,916	-	-
Amounts appropriated for expenditure	(819,188)	(186,834)	-
Endowment net assets, end of year	\$ 821,576	\$ 162,379	\$ 2,626,272

Year Ended September 30,

2015	2014
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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

	\$ -	\$ 162,379
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# SIM USA, INC.

## Notes to Combined Financial Statements

September 30, 2015 and 2014

### 11. 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. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$1,960 and \$-0- as of September 30, 2015 and 2014, respectively. 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 4.85% 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.

### 12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, 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, 2015 and 2014, and our report thereon dated February 23, 2016, 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, 2015 and 2014, 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  
February 23, 2016

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

**Statements of Financial Position**

	September 30,	
	2015	2014
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 6,368	\$ 4,724
Investments	3,083,825	3,564,986
Total Assets	\$ 3,090,193	\$ 3,569,710
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Current portion of annuities payable	\$ 310,538	\$ 376,500
Annuities payable—net of current portion	1,735,863	1,999,692
Total liabilities	2,046,401	2,376,192
Net assets:		
Other	501,496	563,827
Required minimum reserve (New York)	542,296	629,691
Total net assets	1,043,792	1,193,518
Total Liabilities and Net Assets	\$ 3,090,193	\$ 3,569,710

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

**Statements of Activities**

	Year Ended September 30,	
	2015	2014
<b>INCOME:</b>		
Net (losses) gains on investments	\$ (245,972)	\$ 184,910
Interest and dividend income	105,434	99,060
Actuarial change	329,791	192,303
New annuities	17,134	5,787
Total Income	206,387	482,060
<b>EXPENSES:</b>		
Payments to annuitants	337,271	416,385
Transfer to SIM USA	-	300,000
Other	18,842	20,193
Total Expenses	356,113	736,578
Change in Net Assets	(149,726)	(254,518)
Net Assets, Beginning of Year	1,193,518	1,448,036
Net Assets, End of Year	\$ 1,043,792	\$ 1,193,518