

The Rosser Foundation
d/b/a International Cooperating Ministries
A Pure Charitable Trust and Public Charity
(Within the Meaning of IRC §501(c)(3))

Audited Financial Statements
December 31, 2017 and 2016



INTERNATIONAL COOPERATING MINISTRIES
NURTURING BELIEVERS AND ASSISTING CHURCH GROWTH WORLDWIDE

Malvin, Riggins & Company, P.C.
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The Rosser Foundation
d/b/a International Cooperating Ministries
A Pure Charitable Trust and Public Charity
(Within the Meaning of IRC §501(c)(3))

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December 31, 2017 and 2016

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Independent Auditor's Report

To the Board of Trustees
 The Rosser Foundation
 d/b/a International Cooperating Ministries
 A Pure Charitable Trust and Public Charity
 (Within the Meaning of IRC §501(c)(3))
 Hampton, Virginia 23666

We have audited the accompanying financial statements of The Rosser Foundation, d/b/a International Cooperating Ministries, A Pure Charitable Trust and Public Charity (Within the Meaning of IRC §501(c)(3)) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, 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 these 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 audit. We conducted our audit 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 financial statements are free of material misstatement.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 The Rosser Foundation, d/b/a International Cooperating Ministries, A Pure Charitable Trust and Public Charity (Within the Meaning of IRC §501(c)(3)) as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Malvin, Diggins + Company, P.C.

Newport News, Virginia
March 14, 2018

The Rosser Foundation
d/b/a International Cooperating Ministries
Statements of Financial Position
December 31, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$ 1,372,764	\$ 921,154
Accounts receivable	206,698	276,866
Other current assets	40,157	157
Investments	4,066,687	3,169,771
Inventory	9,981	10,276
Property, equipment, and improvements, net	1,209,393	1,220,701
Restricted cash	-	1,000
Other assets	1,418,467	1,437,830
	<u>8,324,147</u>	<u>7,037,755</u>
Total Assets	\$ 8,324,147	\$ 7,037,755

LIABILITIES AND NET ASSETS

Liabilities		
Current Liabilities		
Accounts payable	\$ 182,153	\$ 177,060
Payroll withholdings and other current liabilities	(2,971)	(3,132)
Current portion of leases	-	5,310
	<u>179,182</u>	<u>179,238</u>
Total Liabilities	179,182	179,238
Net Assets		
Unrestricted		
Undesignated	4,957,403	4,529,101
Temporarily Restricted	3,187,562	2,329,416
	<u>8,144,965</u>	<u>6,858,517</u>
Total Net Assets	8,144,965	6,858,517
	<u>\$ 8,324,147</u>	<u>\$ 7,037,755</u>
Total Liabilities and Net Assets	\$ 8,324,147	\$ 7,037,755

The Rosser Foundation
d/b/a International Cooperating Ministries
Statement of Activities
Year Ended December 31, 2017

	Unrestricted		Temporarily Restricted	Total
	Undesignated	Board Designated		
Support and Revenue				
Contributions	\$ 15,110,041	\$ -	\$ 10,770,020	\$ 25,880,061
Sales of handbooks, videos, and cassettes	1,063	-	-	1,063
Net investment income	321,014	-	-	321,014
Net assets released from restriction	9,911,874	-	(9,911,874)	-
Other Income	7,798	-	-	7,798
Loss on sale of assets	(378)	-	-	(378)
Total Support and Revenue	25,351,412	-	858,146	26,209,558
Disbursements				
Program Services				
Building program	20,397,443	-	-	20,397,443
Mini Bible College	1,200,572	-	-	1,200,572
Total Program Services	21,598,015	-	-	21,598,015
Supporting Services				
General and administrative	553,667	-	-	553,667
Fundraising	2,771,428	-	-	2,771,428
Total Supporting Services	3,325,095	-	-	3,325,095
Total Disbursements	24,923,110	-	-	24,923,110
Changes in Net Assets	428,302	-	858,146	1,286,448
Net Assets, Beginning of Year	4,529,101	-	2,329,416	6,858,517
Net Assets, End of Year	\$ 4,957,403	\$ -	\$ 3,187,562	\$ 8,144,965

See the independent auditor's report and accompanying notes.

The Rosser Foundation
d/b/a International Cooperating Ministries
Statement of Activities
Year Ended December 31, 2016

	Unrestricted		Temporarily Restricted	Total
	Undesignated	Board Designated		
Support and Revenue				
Contributions	\$ 12,444,971	\$ -	\$ 8,313,728	\$ 20,758,699
Sales of handbooks, videos, and cassettes	1,220	-	-	1,220
Net investment income	370,852	-	-	370,852
Net assets released from restriction	8,813,489	-	(8,813,489)	-
Other loss	(5,098)	-	-	(5,098)
Transfer to/from designated funds	883,389	(883,389)	-	-
Loss on sale of assets	(17,414)	-	-	(17,414)
Total Support and Revenue	22,491,409	(883,389)	(499,761)	21,108,259
Disbursements				
Program Services				
Building program	16,222,004	-	-	16,222,004
Mini Bible College	1,046,412	-	-	1,046,412
Music Ministries	36,633	-	-	36,633
Total Program Services	17,305,049	-	-	17,305,049
Supporting Services				
General and administrative	493,779	-	-	493,779
Fundraising	2,142,456	-	-	2,142,456
Total Supporting Services	2,636,235	-	-	2,636,235
Total Disbursements	19,941,284	-	-	19,941,284
Changes in Net Assets	2,550,125	(883,389)	(499,761)	1,166,975
Net Assets, Beginning of Year	1,978,976	883,389	2,829,177	5,691,542
Net Assets, End of Year	\$ 4,529,101	\$ -	\$ 2,329,416	\$ 6,858,517

See the independent auditor's report and accompanying notes.

The Rosser Foundation
d/b/a International Cooperating Ministries
Statement of Functional Expenses
Year Ended December 31, 2017

	Program Services			Supporting Services			Total Expenses
	International Church Growth	Mini Bible College	Total Program Services	General & Administration	Ministry Advancement	Total Supporting Services	
Expenses							
Building in-kind expenses	\$ 7,584,362	\$ -	\$ 7,584,362	\$ -	\$ -	\$ -	\$ 7,584,362
Building program	11,065,352	-	11,065,352	-	-	-	11,065,352
Board & conferences	-	-	-	34,270	-	34,270	34,270
Mini Bible College	-	821,286	821,286	-	-	-	821,286
Cost of sales	-	295	295	-	-	-	295
Credit card processing fees	-	-	-	43,366	-	43,366	43,366
Pastor/partner support	475,062	18,128	493,190	-	-	-	493,190
Salaries & wages	677,410	264,864	942,274	311,153	1,042,468	1,353,621	2,295,895
Employee benefits & tax	94,072	39,689	133,761	46,787	132,197	178,984	312,745
Licenses, fees, taxes	22,640	1,030	23,670	4,708	-	4,708	28,378
Department meetings	1,170	295	1,465	-	-	-	1,465
Depreciation	17,357	17,357	34,714	17,357	17,357	34,714	69,428
Development expense	-	-	-	-	111,227	111,227	111,227
Donor education	217,042	-	217,042	-	-	-	217,042
Donor events	-	-	-	-	1,075,731	1,075,731	1,075,731
Donor gifts	-	-	-	-	8,035	8,035	8,035
Gifts - other	-	-	-	2,147	-	2,147	2,147
Marketing	-	-	-	-	27,506	27,506	27,506
Professional services	1,531	621	2,152	27,286	2,498	29,784	31,936
Direct mail expense	9,371	9,371	18,742	1,881	101,887	103,768	122,510
Office expense & supplies	1,757	2,572	4,329	3,899	18,476	22,375	26,704
IT allocation, software & maintenance	24,080	8,111	32,191	8,026	8,027	16,053	48,244
Leased equipment	7,218	2,406	9,624	2,689	2,404	5,093	14,717
Miscellaneous	2,494	4,481	6,975	7,935	85,199	93,134	100,109
Insurance	1,112	622	1,734	11,250	3,118	14,368	16,102
Utilities	12,468	2,448	14,916	6,176	10,256	16,432	31,348
Postage	85	1,122	1,207	7,182	7,457	14,639	15,846
Website design & maintenance	-	-	-	-	14,870	14,870	14,870
Cleaning & building maintenance	-	-	-	13,382	-	13,382	13,382
Travel expense	182,294	5,308	187,602	300	9,300	9,600	197,202
Training	-	-	-	564	22,892	23,456	23,456
Vision trips	-	-	-	-	25,640	25,640	25,640
Video & media production	-	-	-	-	44,317	44,317	44,317
Volunteer expense	566	566	1,132	566	566	1,132	2,264
Other expenses	-	-	-	2,743	-	2,743	2,743
Total Expenses	\$ 20,397,443	\$ 1,200,572	\$ 21,598,015	\$ 553,667	\$ 2,771,428	\$ 3,325,095	\$ 24,923,110

See the independent auditor's report and accompanying notes.

The Rosser Foundation
d/b/a International Cooperating Ministries
Statement of Functional Expenses
Year Ended December 31, 2016

	Program Services			Total Program Services	Supporting Services			Total Expenses
	International Church Growth	Mini Bible College	Music Ministry		General & Administration	Ministry Advancement	Total Supporting Services	
Expenses								
Building program	\$ 9,379,520	\$ -	\$ -	\$ 9,379,520	\$ -	\$ -	\$ -	\$ 9,379,520
Building in-kind expenses	5,371,014	-	-	5,371,014	-	-	-	5,371,014
Mini Bible College	-	728,120	-	728,120	-	-	-	728,120
Cost of sales	-	1,128	-	1,128	-	-	-	1,128
Credit card processing fees	-	-	-	-	25,332	-	25,332	25,332
Board & conferences	5,267	5,267	-	10,534	15,480	-	15,480	26,014
Pastor/partner support	329,485	-	-	329,485	-	-	-	329,485
Salaries & wages	665,937	233,821	23,013	922,771	292,038	929,156	1,221,194	2,143,965
Employee benefits & tax	87,066	27,222	5,158	119,446	43,469	128,103	171,572	291,018
Licenses, fees, taxes	15,689	1,860	-	17,549	5,029	-	5,029	22,578
Department meetings	728	207	-	935	-	-	-	935
Depreciation	25,976	9,120	-	35,096	11,391	37,138	48,529	83,625
Development expense	-	-	-	-	-	86,582	86,582	86,582
Donor education	122,256	-	-	122,256	-	-	-	122,256
Donor events	-	-	-	-	-	650,090	650,090	650,090
Donor gifts	-	-	-	-	-	532	532	532
Gifts - other	-	-	-	-	3,518	-	3,518	3,518
Human resources - other	-	-	-	-	4,206	-	4,206	4,206
Cleaning & building maintenance	-	-	-	-	15,829	-	15,829	15,829
Marketing	-	-	-	-	-	75,925	75,925	75,925
Music ministry related expenses	-	-	2,926	2,926	-	-	-	2,926
Professional services	-	-	-	-	22,455	-	22,455	22,455
Direct mail expense	13,026	13,026	-	26,052	2,281	86,550	88,831	114,883
Office expense & supplies	2,022	2,144	236	4,402	11,048	19,082	30,130	34,532
IT allocation, software & maintenance	16,417	5,473	3,176	25,066	5,473	5,472	10,945	36,011
Leased equipment	3,417	1,139	629	5,185	1,139	1,138	2,277	7,462
Miscellaneous	523	1,877	485	2,885	-	13,997	13,997	16,882
Insurance	602	74	7	683	5,606	1,170	6,776	7,459
Utilities	11,837	2,456	337	14,630	6,548	11,881	18,429	33,059
Postage	1,246	1,894	567	3,707	8,925	5,788	14,713	18,420
Security	-	-	-	-	527	-	527	527
Auto lease	-	-	-	-	2,749	-	2,749	2,749
Travel expense	169,976	11,584	99	181,659	1,496	20,085	21,581	203,240
Training	-	-	-	-	2,312	20,559	22,871	22,871
Vision trips	-	-	-	-	-	14,627	14,627	14,627
Video & music production	-	-	-	-	-	34,581	34,581	34,581
Volunteer expense	-	-	-	-	2,818	-	2,818	2,818
Other expenses	-	-	-	-	4,110	-	4,110	4,110
Total Expenses	\$ 16,222,004	\$ 1,046,412	\$ 36,633	\$ 17,305,049	\$ 493,779	\$ 2,142,456	\$ 2,636,235	\$ 19,941,284

See the independent auditor's report and accompanying notes.

The Rosser Foundation
d/b/a International Cooperating Ministries
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,286,448	\$ 1,166,975
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	69,428	83,625
(Gain) loss on sale of assets	(378)	(17,414)
Realized and unrealized (gain) loss on sale of investments	(223,714)	(119,434)
Reinvested dividends and capital gains	(265,417)	(254,456)
(Increase) Decrease in operating assets:		
Unconditional promises to give	-	1,000,000
Inventory	295	(1,487)
Accounts receivable	70,168	(115,699)
Other current assets	(40,000)	30,000
Restricted cash	1,000	500
Other assets	19,363	18,687
Increase (Decrease) in operating liabilities:		
Accounts payable	5,093	73,969
Payroll withholdings	161	(3,103)
Net Cash Provided By Operating Activities	<u>922,447</u>	<u>1,862,163</u>
Cash Flows from Investing Activities		
Principal payments on notes receivable	18,943	17,430
Purchase of property, equipment, and improvements	(58,498)	(48,307)
Proceeds from sale of property, equipment and improvements	-	200
Proceeds from sale of investments	168,718	191,913
Purchase of investments	<u>(600,000)</u>	<u>(1,184,269)</u>
Net Cash (Used In) Investing Activities	(470,837)	(1,023,033)
Cash Flows from Financing Activities		
Payments on lease payable	<u>-</u>	<u>(5,921)</u>
Net Increase in Cash	451,610	833,209
Cash - Beginning of Year	<u>921,154</u>	<u>87,945</u>
Cash - End of Year	<u>\$ 1,372,764</u>	<u>\$ 921,154</u>
Supplemental Disclosures of Cash Flow Information		
Noncash Investing Activities:		
Contributions of stock	<u>\$ 5,037</u>	<u>\$ 18,897</u>

See the independent auditor's report and accompanying notes.

The Rosser Foundation
d/b/a International Cooperating Ministries
A Pure Charitable Trust and Public Charity
(Within the Meaning of IRC §501(c)(3))
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Rosser Foundation, d/b/a International Cooperating Ministries, A Pure Charitable Trust and Public Charity (Within the Meaning of IRC §501 (c)(3)) (the Foundation), is a not-for-profit irrevocable trust established under the laws of the Commonwealth of Virginia. It operates as a publicly supported organization. The Foundation is dedicated to spreading the Gospel throughout the world by nurturing believers and assisting church growth worldwide.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction is satisfied in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. 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 statement of activities as net assets released from restrictions.

The Foundation uses the allowance method to determine uncollectible unconditional promises to give receivable. The allowance is based on management's analysis of specific promises made.

Conditional Promises and Indications of Intentions to Give

Pursuant to the Foundation's policy and in conformity with accounting standards, the Foundation does not recognize conditional promises or intentions to give as revenue until the condition is met or the pledges are received.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Foundation is required to present a statement of cash flows.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

See the independent auditor's report.

The Rosser Foundation
d/b/a International Cooperating Ministries
A Pure Charitable Trust and Public Charity
(Within the Meaning of IRC §501(c)(3))
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

The Foundation's financial instruments consist primarily of cash, promises to give, donations receivable, inventory, notes receivable, and accounts payable. The carrying amount of cash, promises to give, donations receivable, inventory, notes receivable, and accounts payable approximate their fair value due to the short-term nature of such investments.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inventory

Inventory is stated at the lower of cost, determined by the first-in, first-out method, or market. Inventory is composed of books, videos, and CDs.

Property, Equipment, and Improvements

Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donations must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under §501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Compensated Absences

Employees of the Foundation are entitled to paid vacation and sick/personal leave depending on job classification, length of service, and other factors. It is not practicable for the Foundation to estimate the amount of compensation for future absences. Accordingly, no liability for compensated absences has been recorded in the accompanying financial statements. The Foundation's policy is to recognize the costs of compensated absences when actually paid to the employee.

See the independent auditor's report.

The Rosser Foundation
d/b/a International Cooperating Ministries
A Pure Charitable Trust and Public Charity
(Within the Meaning of IRC §501(c)(3))
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 2 – INVESTMENTS

Investments are stated at fair value and are summarized as follows as of December 31, 2017 and 2016:

	2017		
	Cost	Fair Market Value	Unrealized Gain
Mutual Funds	\$ <u>3,962,661</u>	\$ <u>4,066,687</u>	\$ <u>104,026</u>
	2016		
	Cost	Fair Market Value	Unrealized Gain
Mutual Funds	\$ <u>3,111,105</u>	\$ <u>3,169,771</u>	\$ <u>58,666</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended December 31, 2017 and 2016:

	2017		
	Unrestricted	Temporarily Restricted	Total
Dividend and interest income	\$ 188,728	\$ -	\$ 188,728
Net realized and unrealized gain on investments	<u>132,286</u>	<u>-</u>	<u>132,286</u>
Total investment return	<u>\$ 321,014</u>	<u>\$ -</u>	<u>\$ 321,014</u>
	2016		
	Unrestricted	Temporarily Restricted	Total
Dividend and interest income	\$ 194,088	\$ -	\$ 194,088
Net realized and unrealized gain on investments	<u>176,764</u>	<u>-</u>	<u>176,764</u>
Total investment return	<u>\$ 370,852</u>	<u>\$ -</u>	<u>\$ 370,852</u>

See the independent auditor's report.

The Rosser Foundation
d/b/a International Cooperating Ministries
A Pure Charitable Trust and Public Charity
(Within the Meaning of IRC §501(c)(3))
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 3 – RESTRICTED CASH

In 2012, the Foundation agreed to aggregate the funds raised by a donor campaign into a standalone bank account reserved for expenses and designated project payments related to the campaign. Funds donated through this campaign for underwriting the event and project funding are deposited into the restricted cash account and accordingly, disbursements are made from this account for related expenses and project funding. At no time will deficits or overdrafts be allowed to accumulate in this account. As of December 31, 2017, the account is depleted and as of December 31, 2016, the funds on deposit in this account were \$1,000.

NOTE 4 – PROPERTY, EQUIPMENT, AND IMPROVEMENTS

Property, equipment, and improvements consist of the following at December 31, 2017 and 2016:

	2017	2016
Land	\$ 286,403	\$ 286,403
Buildings	388,598	388,598
Improvements	521,801	520,073
Furniture, fixtures, and equipment	559,207	578,399
Master video and audio tapes	57,831	57,831
	<u>1,813,840</u>	<u>1,831,304</u>
Less: accumulated depreciation	<u>(604,447)</u>	<u>(610,603)</u>
Net property, equipment, and improvements	<u>\$ 1,209,393</u>	<u>\$ 1,220,701</u>

Total depreciation expense for the years ended December 31, 2017 and 2016 was \$69,428 and \$83,625, respectively.

NOTE 5 – OTHER ASSETS

Other assets consist of the following at December 31, 2017 and 2016:

	2017	2016
Partnership – Green Mount Associates, LLC, 18.18% interest	\$ 1,288,658	\$ 1,289,078
Note Receivable 1	8,988	11,685
Note Receivable 2	120,821	137,067
Total other assets	<u>\$ 1,418,467</u>	<u>\$ 1,437,830</u>

See the independent auditor's report.

The Rosser Foundation
d/b/a International Cooperating Ministries
A Pure Charitable Trust and Public Charity
(Within the Meaning of IRC §501(c)(3))
Notes to Financial Statements
December 31, 2017 and 2016

NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during 2017 and 2016:

	2017	2016
Purpose restrictions accomplished:		
Mini Bible College	\$ 515,162	\$ 577,957
Building program	8,899,133	7,908,796
Partner Support	476,040	326,736
Disaster aid	21,539	-
	<u>\$ 9,911,874</u>	<u>\$ 8,813,489</u>
Total net assets released from restrictions		

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31, 2017 and 2016:

	2017	2016
Pastor & partner support	\$ 48,742	\$ 97,250
Church Building Program	3,137,935	2,223,327
Disaster aid	885	8,839
	<u>\$ 3,187,562</u>	<u>\$ 2,329,416</u>
Total temporarily restricted net assets		

NOTE 8 – CONCENTRATION OF CREDIT RISK

The Foundation maintains several checking accounts at a local bank. Accounts at this financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at this institution can at times exceed federally insured limits throughout the year. Amounts in excess of the FDIC limit as of December 31, 2017 and 2016 were \$1,348,268 and \$684,567, respectively. Brokerage accounts are insured by the Securities Investor Protection Corporation (SIPC). The SIPC insures accounts (not the underlying investments) with each brokerage firm up to a maximum of \$500,000. Uninsured balances at the Foundation's various brokerage houses exceeded SIPC limits by \$2,957,608 and \$2,650,856 as of December 31, 2017 and 2016, respectively.

NOTE 9 – RETIREMENT PLAN

Certain employees of the Foundation participate in a deferred compensation retirement plan. The Foundation's contributions are equal to 2% of the annual salaries of participating employees. During the years ended December 31, 2017 and 2016, the Foundation's contribution to the Plan totaled \$23,650 and \$21,062, respectively.

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NOTE 10 – ENDOWMENT

The Foundation’s endowment consists of approximately four individual funds established for the support of International Cooperating Ministries and the teaching ministry of the Reverend Richard D. Woodward. The endowment consists of funds designated by the Board of Trustees to function as endowments. 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.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, the Foundation 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 the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation 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 the Foundation
- (7) The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted				
Endowment funds	\$ -	\$ -	\$ -	\$ -
Board-designated				
Endowment funds	-	-	-	-
Total Funds	\$ -	\$ -	\$ -	\$ -

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NOTE 10 – ENDOWMENT (Continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, Beginning of year	\$ -	\$ -	\$ -	\$ -
Transfer (from)/to	-	-	-	-
Pledge discount change	-	-	-	-
Endowment net assets, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted Endowment funds	\$ -	\$ -	\$ -	\$ -
Board-designated Endowment funds	-	-	-	-
Total Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, Beginning of year	\$ 883,389	\$ -	\$ -	\$ 883,389
Transfer (from)/to	(883,389)	-	-	(883,389)
Pledge discount change	-	-	-	-
Endowment net assets, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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NOTE 10 – ENDOWMENT (Continued)

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only)

	<u>2017</u>	<u>2016</u>
Permanently Restricted Net Assets		
(1) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA:	\$ -	\$ -
Total endowment funds classified as permanently restricted net assets	<u>\$ -</u>	<u>\$ -</u>
Temporarily Restricted Net Assets		
(1) Term endowment funds	\$ -	\$ -
(2) The portion of perpetual endowment funds subject to a time restriction under SPMIFA:		
Without purpose restrictions	-	-
With purpose restrictions	-	-
Total endowment funds classified as temporarily restricted net assets	<u>\$ -</u>	<u>\$ -</u>

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 SPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. As of December 31, 2017 and 2016, respectively, there were no donor restricted endowment funds, and thus, no such deficiencies on such endowment funds.

Return Objectives and Risk Parameters

The Foundation has adopted the goal for the board-designated Endowment of wealth accumulation; and in order to reach this goal, the Foundation commits to an investment strategy of 10 or more years. If and when the Foundation receives donor-restricted funds, the Endowment assets will include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees and International Cooperating Ministries' finance committee, the endowment assets are invested in a manner that is intended to produce results that equal the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 10 percent annually. Actual returns in any given year may vary from this amount.

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NOTE 10 – ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation 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). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

It is the desire of the Foundation to spend only accumulated interest and dividends; however, in order that there is no disruption of ministry work, the Foundation has a policy of appropriating not only interest and dividends, but principal as well. The Foundation strives to replace any principal used to ensure its long-term growth strategy. Appropriations are initiated by the founder of the Foundation and, in his absence, by a joint decision between the President, Chairman, and Chief Operating Officer. Withdrawals are reported to the Finance Committee on a monthly basis via the standard financial reports.

NOTE 11 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. For the year ended December 31, 2017, \$1,416,487 of general and administrative expenses has been allocated to program services and \$1,478,973 to ministry advancement. For the year ended December 31, 2016, \$1,370,601 of general and administrative expenses has been allocated to program services and \$1,280,121 to ministry advancement.

NOTE 12 – INCOME TAXES

Accounting standards clarify the accounting and recognition for income tax positions taken or expected to be taken in the Foundation's income tax returns. In evaluating the Foundation's tax provisions and accruals and future taxable income, interpretations and tax planning are considered. The Foundation believes their estimates are appropriate based on current facts and circumstances.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The Foundation continuously assists with the building of churches worldwide in furtherance of its tax-exempt purpose. It agrees to provide funding of foreign ministry through the various phases of development of related church buildings and foundational improvements. As of December 31, 2017 and 2016, the Foundation estimated commitments of approximately \$4,743,467 and \$3,219,900, respectively, of which it can demonstrate appropriate funding based on its current cash and investment position.

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NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

In July 2016, the Foundation entered into a three-year operating lease for a vehicle. The Foundation expensed \$6,598 on the lease in 2017 and \$3,299 in 2016. Future minimum operating lease payments as of December 31, 2017 are as follows:

2018	\$ 6,598
2019	<u>3,299</u>
Total	<u>\$ 9,897</u>

NOTE 14 – FAIR VALUE MEASUREMENTS

December 31, 2017	Fair Value	Fair Value Measurements Using:		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual Funds	\$ 4,066,687	\$ 4,066,687	\$ -	\$ -
Notes Receivable	129,809	129,809	-	-
Investment in LLC	1,288,658	-	-	1,288,658
Total	<u>\$ 5,485,154</u>	<u>\$ 4,169,496</u>	<u>\$ -</u>	<u>\$ 1,288,658</u>

December 31, 2016	Fair Value	Fair Value Measurements Using:		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Mutual Funds	\$ 3,169,771	\$ 3,169,771	\$ -	\$ -
Notes Receivable	148,752	148,752	-	-
Investment in LLC	1,289,078	-	-	1,289,078
Total	<u>\$ 4,607,601</u>	<u>\$ 3,318,523</u>	<u>\$ -</u>	<u>\$ 1,289,078</u>

Fair Value Measurements and Disclosures (FASB ASC 820) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

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NOTE 14 – FAIR VALUE MEASUREMENTS (Continued)

Level 1 Fair Value Measurements

The fair values of mutual funds are available based on quoted market prices, when available. Notes receivable are deemed to be stated at their fair value.

Level 3 Fair Value Measurements

The fair value of the investment in the LLC is an average of the fair value of the property remaining in the LLC at the Foundation’s level of interest, plus a percentage discount for a minority share in the LLC. There is no outside market for minority interests in privately held LLC’s.

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

December 31, 2017:

Investment Category	Beginning Balance	Net Losses	Distribution	Ending Balance
Investment in LLC	\$ 1,289,078	\$ (420)	\$ -	\$ 1,288,658

December 31, 2016:

Investment Category	Beginning Balance	Total Gains	Distribution	Ending Balance
Investment in LLC	\$ 1,290,335	\$ (1,257)	\$ -	\$ 1,289,078

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 14, 2018, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

NOTE 16 – IN-KIND CONTRIBUTIONS

The Foundation’s policy is to recognize in-kind goods when donated as revenue at fair value in the period such contributions are made. The Foundation received donations of items for sale or auction totaling \$74,698 and \$93,618 for the years ending December 31, 2017 and 2016, respectively. The Foundation also received donated materials for the International Church Growth program. Those donations totaled \$7,584,362 and \$5,371,014 for the years ending December 31, 2017 and 2016, respectively. Such amounts have been recorded as contributions and expenses in the accompanying financial statements.

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