



Financial Statements
September 30, 2016 and 2015
Central Asia Institute

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|--|---|
| Independent Auditor's Report..... | 1 |
| Financial Statements | |
| Statements of Financial Position..... | 2 |
| Statements of Activities | 3 |
| Statements of Functional Expenses..... | 5 |
| Statements of Cash Flows..... | 7 |
| Notes to Financial Statements..... | 8 |



Independent Auditor's Report

The Board of Directors
Central Asia Institute
Bozeman, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of Central Asia Institute (the Organization) which comprise the statements of financial position as of September 30, 2016 and 2015, 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 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 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 Organization'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 Organization'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 Organization as of September 30, 2016 and 2015, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Phoenix, Arizona
May 18, 2017

www.eidebailly.com

Central Asia Institute
Statements of Financial Position
September 30, 2016 and 2015

| | 2016 | 2015 |
|--|---------------|---------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 1,318,796 | \$ 790,008 |
| Certificates of deposit | - | 204,701 |
| Investments in marketable debt and equity securities | 8,819,144 | 12,945,814 |
| Prepaid expenses and deposits | 45,689 | 180,342 |
| Promises to give receivable | 337,193 | 1,155 |
| Beneficial interest in a trust | 1,198,491 | - |
| Reimbursements receivable | - | 5,750 |
| Land held for sale | 128,706 | - |
| Total current assets | 11,848,019 | 14,127,770 |
| Non-Current Assets | | |
| Other investments - land | - | 126,774 |
| Property and equipment, net | 635,559 | 655,945 |
| Total non-current assets | 635,559 | 782,719 |
| Total assets | \$ 12,483,578 | \$ 14,910,489 |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable | \$ 129,530 | \$ 578,689 |
| Accrued liabilities | 149,308 | 180,750 |
| Grants payable | 2,920,313 | 3,500,000 |
| Current portion of long-term debt | 31,944 | 30,626 |
| Total current liabilities | 3,231,095 | 4,290,065 |
| Non-Current Liabilities | | |
| Accrued liabilities | 218,000 | - |
| Long-term debt, net of current portion | 229,685 | 261,629 |
| Total liabilities | 3,678,780 | 4,551,694 |
| Net Assets | | |
| Unrestricted | | |
| Board designated for Talim fund | 6,000,000 | 9,000,000 |
| Unrestricted | 2,804,798 | 1,358,795 |
| Total unrestricted net assets | 8,804,798 | 10,358,795 |
| Total liabilities and net assets | \$ 12,483,578 | \$ 14,910,489 |

Central Asia Institute
Statements of Activities
Years Ended September 30, 2016 and 2015

| | 2016 | | |
|---|--------------|---------------------------|--------------|
| | Unrestricted | Temporarily Restricted | Total |
| Revenues and Support | | | |
| Contributions and related event revenue | \$ 3,099,795 | \$ 660,939 | \$ 3,760,734 |
| Sales of merchandise | 20,799 | - | 20,799 |
| Investment income, net | 420,243 | - | 420,243 |
| Insurance proceeds | 55,000 | - | 55,000 |
| Other income | 190,181 | - | 190,181 |
| Revenue and support before net assets released from restrictions | 3,786,018 | 660,939 | 4,446,957 |
| Net assets released from restrictions | 660,939 | (660,939) | - |
| Total revenues and support | 4,446,957 | - | 4,446,957 |
| Expenses | | | |
| Program services | | | |
| Global outreach program | 1,034,213 | - | 1,034,213 |
| Overseas education and projects | 3,277,326 | - | 3,277,326 |
| Total program services | 4,311,539 | - | 4,311,539 |
| Support services | | | |
| General and administration | 924,781 | - | 924,781 |
| Fundraising | 764,634 | - | 764,634 |
| Total expenses | 6,000,954 | - | 6,000,954 |
| Change in Net Assets | (1,553,997) | - | (1,553,997) |
| Net Assets, Beginning of Year | 10,358,795 | - | 10,358,795 |
| Net Assets, End of Year | \$ 8,804,798 | \$ - | \$ 8,804,798 |

Central Asia Institute
Statements of Activities
Years Ended September 30, 2016 and 2015

| | 2015 | | |
|---|---------------|---------------------------|---------------|
| | Unrestricted | Temporarily Restricted | Total |
| Revenues and Support | | | |
| Contributions and related event revenue | \$ 2,009,768 | \$ 454,206 | \$ 2,463,974 |
| Sales of merchandise | 18,314 | - | 18,314 |
| Investment loss, net | (861,982) | - | (861,982) |
| Insurance proceeds | - | - | - |
| Other income | 88,529 | - | 88,529 |
| Revenue and support before net assets released from restrictions | 1,254,629 | 454,206 | 1,708,835 |
| Net assets released from restrictions | 454,206 | (454,206) | - |
| Total revenues and support | 1,708,835 | - | 1,708,835 |
| Expenses | | | |
| Program services | | | |
| Global outreach program | 744,314 | - | 744,314 |
| Overseas education and projects | 4,088,604 | - | 4,088,604 |
| Total program services | 4,832,918 | - | 4,832,918 |
| Support services | | | |
| General and administration | 834,706 | - | 834,706 |
| Fundraising | 369,248 | - | 369,248 |
| Total expenses | 6,036,872 | - | 6,036,872 |
| Change in Net Assets | (4,328,037) | - | (4,328,037) |
| Net Assets, Beginning of Year | 14,686,832 | - | 14,686,832 |
| Net Assets, End of Year | \$ 10,358,795 | \$ - | \$ 10,358,795 |

Central Asia Institute
Statements of Functional Expenses
Years Ended September 30, 2016 and 2015

| | 2016 | | | | | |
|---|-------------------------------|---------------------------------------|---------------------|-------------------------------|-------------------|---------------------|
| | Program Services | | | Supporting Services | | |
| | Global Outreach Program | Overseas Education and Projects | Total Programs | General and Administration | Fundraising | Total Expenses |
| Advertising and Promotion | \$ 189,249 | \$ - | \$ 189,249 | \$ 1,345 | \$ 138,051 | \$ 328,645 |
| Depreciation | - | - | - | 20,386 | - | 20,386 |
| Equipment | 851 | 138 | 989 | 5,547 | 189 | 6,725 |
| Events | 3,986 | - | 3,986 | - | 2,347 | 6,333 |
| Fees, Permits, and Memberships | - | 4,679 | 4,679 | 13,431 | 29,189 | 47,299 |
| Insurance | - | - | - | 91,818 | - | 91,818 |
| Interest | - | - | - | 11,745 | - | 11,745 |
| Occupancy | 13,484 | 6,361 | 19,845 | 19,615 | 9,523 | 48,983 |
| Office Supplies | 990 | 396 | 1,386 | 8,137 | 1,736 | 11,259 |
| Overseas Education and Community Health Grants | - | 2,762,053 | 2,762,053 | - | - | 2,762,053 |
| Personnel Costs | 325,794 | 197,753 | 523,547 | 101,189 | 221,266 | 846,002 |
| Postage and Delivery | 36,675 | 1,984 | 38,659 | 10,841 | 33,050 | 82,550 |
| Printing and Reproduction | 75,234 | - | 75,234 | 115 | 70,830 | 146,179 |
| Professional Fees | 319,150 | 273,895 | 593,045 | 586,345 | 171,439 | 1,350,829 |
| Publications | - | - | - | 2,386 | 2,554 | 4,940 |
| Technology | 53,466 | 195 | 53,661 | 9,529 | 63,800 | 126,990 |
| Travel | 15,334 | 29,872 | 45,206 | 42,352 | 20,660 | 108,218 |
| | <u>\$ 1,034,213</u> | <u>\$ 3,277,326</u> | <u>\$ 4,311,539</u> | <u>\$ 924,781</u> | <u>\$ 764,634</u> | <u>\$ 6,000,954</u> |

Central Asia Institute
Statements of Functional Expenses
Years Ended September 30, 2016 and 2015

| | 2015 | | | | | |
|---|-------------------------------|---------------------------------------|---------------------|-------------------------------|-------------------|---------------------|
| | Program Services | | | Supporting Services | | |
| | Global Outreach Program | Overseas Education and Projects | Total Programs | General and Administration | Fundraising | Total Expenses |
| Advertising and Promotion | \$ 20,719 | \$ - | \$ 20,719 | \$ 5,440 | \$ - | \$ 26,159 |
| Depreciation | - | - | - | 20,385 | - | 20,385 |
| Equipment | 4,579 | 146 | 4,725 | 5,695 | 2,423 | 12,843 |
| Events | 12,854 | - | 12,854 | - | - | 12,854 |
| Fees, Permits, and Memberships | - | 450 | 450 | 6,115 | 30,493 | 37,058 |
| Insurance | - | - | - | 75,034 | - | 75,034 |
| Interest | - | - | - | 14,120 | - | 14,120 |
| Occupancy | 23,923 | 10,980 | 34,903 | 15,543 | 9,402 | 59,848 |
| Office Supplies | 9,509 | 927 | 10,436 | 3,424 | 1,939 | 15,799 |
| Overseas Education and Community Health Grants | - | 3,651,192 | 3,651,192 | - | - | 3,651,192 |
| Personnel Costs | 261,268 | 164,816 | 426,084 | 445,633 | 168,429 | 1,040,146 |
| Postage and Delivery | 45,043 | 2,328 | 47,371 | 4,888 | 34,008 | 86,267 |
| Printing and Reproduction | 40,093 | - | 40,093 | 1,490 | 49,444 | 91,027 |
| Professional Fees | 263,950 | 226,123 | 490,073 | 187,251 | 40,451 | 717,775 |
| Publications | 145 | - | 145 | 919 | 780 | 1,844 |
| Technology | 29,147 | 992 | 30,139 | 1,960 | 28,498 | 60,597 |
| Travel | 33,084 | 30,650 | 63,734 | 46,809 | 3,381 | 113,924 |
| | <u>\$ 744,314</u> | <u>\$ 4,088,604</u> | <u>\$ 4,832,918</u> | <u>\$ 834,706</u> | <u>\$ 369,248</u> | <u>\$ 6,036,872</u> |

Central Asia Institute
Statements of Cash Flows
Years Ended September 30, 2016 and 2015

| | 2016 | 2015 |
|--|----------------|----------------|
| Operating Activities | | |
| Change in net assets | \$ (1,553,997) | \$ (4,328,037) |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation | 20,386 | 20,385 |
| Unrealized/realized (gain)loss on investments | (267,980) | 1,141,173 |
| Gain on sale of property | - | (88,530) |
| Change in operating assets and liabilities | | |
| Prepaid expenses and deposits | 134,653 | 1,407 |
| Promises to give receivable | (320,000) | 16,438 |
| Beneficial interest in a trust | (1,214,529) | - |
| Reimbursements receivable | 5,750 | (5,750) |
| Accounts payable | (449,159) | 470,361 |
| Grants payable | (579,687) | - |
| Accrued liabilities | 186,558 | 134,939 |
| Net Cash used for Operating Activities | (4,038,005) | (2,637,614) |
| Investing Activities | | |
| Proceeds from sale of property | - | 359,746 |
| Purchases of investments | (31,862) | (164,222) |
| Proceeds from sale of investments | 4,629,281 | 820,527 |
| Net Cash from Investing Activities | 4,597,419 | 1,016,051 |
| Financing Activities | | |
| Repayment of long-term debt | (30,626) | (199,005) |
| Net Cash used for Financing Activities | (30,626) | (199,005) |
| Net Change in Cash and Cash Equivalents | 528,788 | (1,820,568) |
| Cash and Cash Equivalents, Beginning of Year | 790,008 | 2,610,576 |
| Cash and Cash Equivalents, End of Year | \$ 1,318,796 | \$ 790,008 |
| Supplemental Disclosure of Cash Flows | | |
| Cash paid for interest | \$ 11,745 | \$ 14,120 |

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Business Activity

Central Asia Institute's (the Organization) purpose is to empower communities of Central Asia through literacy and education, especially for girls; promote peace through education; and convey the importance of these activities globally. The dual-purpose mission focuses on literacy, education and community health projects in the remote contiguous mountain regions of Central Asia, and focuses the public's attention, as well as the educational community's attention, on the contiguous mountain regions and communities of Central Asia.

The Organization's support comes primarily from individual donor contributions.

Overseas Grantee Monitoring

The Organization distributes funds and offers assistance to local, indigenous parties (grantees) that engage in activities and programs that further the stated charitable purposes of the Organization or that otherwise engage in activities and programs consistent with the Organization's stated charitable purposes.

Monitoring and reporting is conducted through the Organization's personnel visits to host countries, meetings between the Organization's personnel and grantees, and/or meetings between the independent accounting firm retained by the Organization and grantees, to understand the activities and structure of the operations in host countries, documenting the generally accepted business methods and accounting for transactions. This includes an understanding of payment flows and documentation of formal contracts with those involved in program activities, and business methods with respect to contracts and invoice documentation for program activities in the area where the programs are delivered (school buildings, water projects, healthcare, scholarships, teacher support, women's vocational centers, literacy centers, and community support).

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, reflect all significant principles, and accordingly, reflect all significant receivables, payables, and other liabilities. Net assets, revenues, and gains and losses are classified on the existence or absence of donor-imposed restrictions on contributions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. The board of directors may designate unrestricted net assets for various purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. As of September 30, 2016 and 2015, there were no temporarily restricted net assets.

Permanently restricted net assets - Net assets for which the donor's stipulated principal is to be maintained in perpetuity. As of September 30, 2016 and 2015, there were no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets, i.e., the donor-stipulated purposes have been fulfilled, and/or the stipulated time has elapsed, are reported as reclassifications between the applicable classes of net assets.

Contributions

Contribution revenue is recognized when the Organization is notified of the existence of a promise to give or receives a contribution. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

It is the policy of the Organization to report gifts of land, buildings, 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 specifying how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are recorded 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 assets are placed in service.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization generally tries to maintain deposits at or below the federally insured limits in any financial institution; however, it occasionally has cash balances at these financial institutions that exceed federally insured amounts.

Promises to Give Receivable

Unconditional promises to give and grants that are expected to be collected within one year are recorded as promises to give and grants receivable at fair value. Unconditional promises to give and grants that are expected to be collected in periods greater than one year are recorded at the net present value of expected future cash flows of the promises to give and grants at their fair value. The Organization provides an allowance for estimated uncollectable contributions.

Promises to give and grants receivable are stated as unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on promises to give and grants receivable using the allowance method. The allowance is based on experience, third-party contracts, knowledge of the donors and the industry, and other circumstances, which may affect the ability of donors to meet their obligations. It is the Organization's policy to charge off uncollectable promises to give and grants receivable when management determines the receivable will not be collected. All promises to give received at September 30, 2016 and 2015, are deemed to be fully collectable by management; therefore, an allowance for doubtful accounts is not deemed necessary.

Beneficial Interests in Charitable Trusts Held by Others

We have been named as an irrevocable beneficiary of several charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, we have neither possession nor control over the assets of the trusts. At the date we receive notice of a beneficial interest, an unrestricted, temporarily or permanently restricted contribution is recorded in the statements of activities, and a beneficial interest in charitable trusts held by others is recorded in the statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. The Organization held the beneficial interest in the trust for seven months and used the liquidation value subsequent to year-end as the fair value. Thereafter, beneficial interests in the trusts are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities, if any.

Investments

Investments in marketable debt and equity securities with readily determinable fair values are reported at their fair value in the accompanying statements of financial position with the annual change in fair value being recorded as unrealized gains or losses in current revenue for the year. Donated investments are recorded at their fair value on the date of donation. Net investment gain/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Other Investments – Land

Other investments – land is valued at the lower of cost or market.

Property and Equipment

All acquisitions of furniture and equipment in excess of \$5,000, and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets, are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets.

The Organization reviews its property and equipment whenever events indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recorded when the sum of the future cash flows is less than the carrying amount of the asset. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. No impairment loss is recorded at September 30, 2016 and 2015.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among the programs and support services benefited based on management's estimate of employee hours devoted to each function.

Advertising Expenses

The Organization expenses advertising costs as they are incurred. For the years ended September 30, 2016 and 2015, \$328,645 and \$26,159, respectively, was charged to expense for advertising and promotion.

Income Tax

The Organization is organized as a Delaware nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and has been determined to be a public charity and not to be a private foundation under Section 509(a)(1). Accordingly, contributions to it qualify for the charitable contribution deduction afforded contributions to public charities under Section 170(b)(1)(A). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the organization is generally subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined the organization has no material taxable unrelated business income and it has filed the Exempt Organization Business Income Tax Return (IRS Form 990-T) or its Montana equivalent.

Management believes that it has appropriate support for any income tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Fair Value Measurements

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

Use of Estimates

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates are the allowance for doubtful promises to give, depreciation lives and methods, functional expense allocation and valuation of donated materials, long-lived assets, and services. It is at least reasonably possible that the Organization's estimate will change in the near term.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of September 30:

| | 2016 | 2015 |
|--------------------------------|--------------|------------|
| Money market | \$ 110,365 | \$ 52,181 |
| Cash in operating bank account | 1,144,189 | 675,453 |
| Cash in credit card account | 63,742 | 61,874 |
| Petty cash | 500 | 500 |
| | \$ 1,318,796 | \$ 790,008 |

Note 3 - Investments in Marketable Debt and Equity Securities

The Organization maintains investments with various financial institutions under the management of third-party financial managers in accordance with its investment policy. The Organization also holds land that is available for sale. Level 1 inputs are determined by reference to quoted market prices and other relevant information generated by market transactions. Level 2 inputs are determined by cost which approximates fair value and by relevant tax assessor valuations for the most recent year available at financial statement issuance for land.

As of September 30, 2016 and 2015, investment and land holdings consisted of the following:

| | 2016 | | |
|------------------------|--|-----------------------------------|-------------------------------------|
| | Quoted Prices in Active Markets (Level 1) | Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
| Equities | \$ 5,586,568 | \$ - | \$ - |
| Pooled investments | - | 3,232,576 | - |
| Principle life annuity | - | - | - |
| Land | - | 128,706 | - |
| | \$ 5,586,568 | \$ 3,361,282 | \$ - |
| | 2015 | | |
| | Quoted Prices in Active Markets (Level 1) | Observable Inputs (Level 2) | Unobservable Inputs (Level 3) |
| Equities | \$ 8,962,687 | \$ - | \$ - |
| Pooled investments | - | 3,730,988 | - |
| Principle life annuity | 252,139 | - | - |
| Land | - | 126,774 | - |
| | \$ 9,214,826 | \$ 3,857,762 | \$ - |

Components of investment income (loss) consisted of the following for the years ended December 31:

| | 2016 | 2015 |
|---|------------|--------------|
| Interest and dividends, net of investment expense | \$ 152,263 | \$ 279,191 |
| Net unrealized and realized gains and losses | 267,980 | (1,141,173) |
| | \$ 420,243 | \$ (861,982) |

Note 4 - Promises to Give Receivable and Beneficial Interest in a Trust

Promises to give receivable are recorded and revenue is recognized at the time promises to give are made. These balances are stated at their present value. Management considers all promises to give to be fully collectable.

Payments of promises to give receivable as of September 30, 2016, are scheduled as follows:

Years Ending September 30,

| | |
|------|------------|
| 2016 | \$ 337,193 |
|------|------------|

Payments of beneficial interest in a trust as of September 30, 2016, are scheduled as follows:

| | |
|----------------------------|----------------------------|
| Years Ending September 30, | |
| 2016 | <u><u>\$ 1,198,491</u></u> |

Note 5 - Property and Equipment

Property and equipment consisted of the following as of September 30:

| | 2016 | 2015 |
|--------------------------|------------|------------|
| Buildings | \$ 637,254 | \$ 637,254 |
| Equipment and software | 43,361 | 43,361 |
| | 680,615 | 680,615 |
| Accumulated depreciation | (45,056) | (24,670) |
| | \$ 635,559 | \$ 655,945 |

Depreciation expense for the years ended September 30, 2016 and 2015 was \$20,386 and \$20,385, respectively.

Note 6 - Long-Term Debt

Long-term debt consisted of the following as of September 30:

| | 2016 | 2015 |
|--|------------|------------|
| Fixed rate note payable to First Security Bank, for the purchase of office space, interest rate of 4.22%, and collateralized by a lien against the property purchased. The note matures in 2033. | \$ 261,629 | \$ 292,255 |
| Less current portion | (31,944) | (30,626) |
| | \$ 229,685 | \$ 261,629 |

Future principal payments are as follows:

| | | |
|------------|----|---------|
| 2017 | \$ | 31,944 |
| 2018 | | 33,318 |
| 2019 | | 34,752 |
| 2020 | | 36,247 |
| 2021 | | 37,807 |
| Thereafter | | 87,561 |
| | | 87,561 |
| | \$ | 261,629 |

Note 7 - Compensated Absences

Employees accrue paid time off in accordance with the policies set forth by the Organization for its employees. Employees accrue 80 hours of paid time off per year, with additional time accrued based on years of service. As of September 30, 2016 and 2015, the Organization has recorded a liability for compensated absences totaling \$26,378 and \$39,036, respectively.

Note 8 - Board-Designated Unrestricted Net Assets

The Talim Fund (Pashto word meaning Education) is a board designated fund established to provide sustainability of the Organization’s overseas projects and program delivery.

Note 9 - Temporarily Restricted Net Assets

Activity for temporarily restricted net assets for the years ended September 30, 2016 and 2015, was as follows:

| | Balance as of 09/30/2015 | Contributions | Releases of Restrictions | Balance as of 09/30/2016 |
|---|-----------------------------|---------------|-----------------------------|-----------------------------|
| Pennies for Peace | \$ - | \$ 44,122 | \$ (44,122) | \$ - |
| Overseas education and community health projects | - | 615,187 | (615,187) | - |
| Public health | - | 1,630 | (1,630) | - |
| | - | 660,939 | (660,939) | - |
| Total temporarily restricted net assets | \$ - | \$ 660,939 | \$ (660,939) | \$ - |

Note 10 - Retirement Plan

The Organization sponsors a defined contribution 403(b) pension plan that covers all employees who have worked nine months of employment. For every employee contribution after the nine months worked, the board of directors elected to match employee contributions up to 6% of eligible employee’s annual income. The Organization also provides an employer contribution component determined by board’s discretion. For the years ended September 30, 2016 and 2015, the board elected to contribute 6% of all employees’ annual income to the pension plan. Pension expense for the years ended September 30, 2016 and 2015 was \$33,299 and \$47,183, respectively.

Note 11 - Detail of Overseas Education and Community Health Grants

The following is a detail of various expense line items as contained on the statement of functional expenses for the years ended September 30, 2016 and 2015:

| | 2016 | 2015 |
|---|---------------------|---------------------|
| International Grants | | |
| Operating expenses | \$ 844,432 | \$ 952,308 |
| Building, materials, labor, and equipment | 334,660 | 408,696 |
| Public health/medical/water/etc | 63,571 | 125,675 |
| Scholarships | 293,657 | 256,635 |
| Supplies and equipment | 395,595 | 1,112,941 |
| Teacher support | 493,110 | 619,609 |
| Vocational and literacy centers | 337,028 | 175,328 |
| | <u>\$ 2,762,053</u> | <u>\$ 3,651,192</u> |
| Program Administration | | |
| Occupancy | \$ 6,361 | \$ 10,980 |
| Personnel | 197,753 | 164,816 |
| Professional fees | 273,895 | 226,573 |
| Travel (overseas) | 29,872 | 30,650 |
| Other | 7,392 | 4,393 |
| | <u>\$ 515,273</u> | <u>\$ 437,412</u> |
| | <u>\$ 3,277,326</u> | <u>\$ 4,088,604</u> |
| International Activities by Country | | |
| Afghanistan | \$ 1,382,053 | \$ 2,005,511 |
| Pakistan | 1,230,000 | 1,445,658 |
| Tajikistan | 150,000 | 200,023 |
| | <u>\$ 2,762,053</u> | <u>\$ 3,651,192</u> |

Note 12 - Related Organizations and Activities

In September 2010, under Canadian law, Central Asia Institute Canada was established as a corporation and private charity. The Canadian Organization intends to support and advance community-based education, especially for girls, in remote regions of Central Asia, primarily Pakistan and Afghanistan. No activity has occurred between this Canadian Organization and Central Asia Institute during the fiscal years ended September 30, 2016 and 2015. Representation on the Canadian board includes one employee of the Organization.

Note 13 - Commitments

During the year ended September 30, 2016, the Organization entered into an agreement with a third party for consulting services. As of September 30, 2016, \$314,000 remained committed, but not paid.

Note 14 - Subsequent Events

Subsequent events have been evaluated through May 18, 2017, the date the financial statements were available to be issued. The Organization has land held for sale with a fair market value of \$128,706 as of September 30, 2016. Due to changes in the market and in an effort to sell, the Organization lowered the asking price for the land held for sale to \$99,000. Additionally, on February 8, 2017, the Organization received a \$3,000,000 donation to be used for education purposes.