

**International Messengers
FINANCIAL STATEMENTS**

December 31, 2010

International Messengers

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International Messengers

OFFICIAL DIRECTORY

Greg Nicholas	Chairman
Dave Wilke	Vice Chairman
J. Paul Schmidt	Treasurer
Nancy Holty	Secretary
Darwin Anderson	Member
Terry Baxter	Member
Ron Christensen	Member
Ralph Jensen	Member
Craig Lieberg	Member
Mary Kay Rasmusson	Member
Steve Sharp	Member
Jean Hughes	Member
Mike Gesler	Member
Linda Berntson	Member
Dave Olson	Member

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
International Messengers
Clear Lake, IA 50428

We have audited the accompanying statement of financial position of International Messengers (a non-profit organization) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Messengers as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Potter & Brant, P.L.C.

Potter & Brant, P.L.C.
Certified Public Accountants
Clear Lake, IA 50428

June 10, 2011

International Messengers
STATEMENT OF FINANCIAL POSITION
December 31, 2010

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 745,541
Employee advances	128,983
Prepaid expenses	30,458
Investments	162,696
Other assets	<u>969</u>
Total Current Assets	<u>1,068,647</u>

FIXED ASSETS

Land, building, and equipment, less accumulated depreciation of \$455,162	<u>401,301</u>
Total Fixed Assets	<u>401,301</u>

OTHER ASSETS

Investments	<u>49,850</u>
Total Other Assets	<u>49,850</u>

TOTAL ASSETS	<u><u>\$ 1,519,798</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 33,775
Accrued liabilities	<u>41,736</u>
Total Current Liabilities	<u>75,511</u>

NET ASSETS

Unrestricted	
Undesignated	1,279,691
Board designated for emergency funds	<u>85,503</u>
Total Unrestricted	1,365,194
Temporarily Restricted	<u>79,093</u>
Total Net Assets	<u>1,444,287</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,519,798</u></u>

See accompanying notes to financial statements.

International Messengers
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues			
Contributions	\$ 3,126,469	\$ 371,687	\$ 3,498,156
Net investment income	8,946	-	8,946
Loss on disposal of fixed assets	(4,300)	-	(4,300)
Fundraising income	445	-	445
	<hr/>	<hr/>	<hr/>
Total public support and revenues	3,131,560	371,687	3,503,247
Net assets released from restrictions	374,616	(374,616)	-
	<hr/>	<hr/>	<hr/>
Total public support, revenues, and reclassifications	<u>3,506,176</u>	<u>(2,929)</u>	<u>3,503,247</u>
Expenses			
Program services	2,772,158	-	2,772,158
Management and general	425,476	-	425,476
Fundraising	170,249	-	170,249
	<hr/>	<hr/>	<hr/>
Total expenses	<u>3,367,883</u>	<u>-</u>	<u>3,367,883</u>
Change in net assets	138,293	(2,929)	135,364
Net assets at beginning of year	<u>1,226,901</u>	<u>82,022</u>	<u>1,308,923</u>
Net assets at end of year	<u>\$ 1,365,194</u>	<u>\$ 79,093</u>	<u>\$ 1,444,287</u>

See accompanying notes to the financial statements.

International Messengers
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Ministry expenses	\$ 768,273	\$ -	\$ 124,601	\$ 892,874
Salaries & wages	1,294,268	213,114	23,278	1,530,660
Fringe benefits	143,042	18,719	-	161,761
Payroll taxes	82,248	16,303	1,781	100,332
Telephone	3,482	5,040	-	8,522
Travel/training	427,581	5,056	-	432,637
Advertising	3,162	-	9,478	12,640
Supplies	16,920	13,452	4,780	35,152
Postage	-	29,597	1,104	30,701
Insurance	-	6,233	-	6,233
Board expense	-	2,135	-	2,135
Vehicle expense	-	10,388	-	10,388
Utilities	-	14,875	-	14,875
Maintenance & equipment	33,182	4,952	-	38,134
Professional services	-	10,416	-	10,416
Depreciation	-	41,093	-	41,093
Dues & subscriptions	-	5,129	-	5,129
Administration	-	2,818	-	2,818
Meetings & conferences	-	20,572	-	20,572
Property taxes	-	228	-	228
Printing & publications	-	5,227	5,227	10,454
Other	-	129	-	129
Total expenses	<u><u>\$ 2,772,158</u></u>	<u><u>\$ 425,476</u></u>	<u><u>\$ 170,249</u></u>	<u><u>\$ 3,367,883</u></u>

See accompanying notes to the financial statements.

International Messengers
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010

Cash flows from operating activities	
Change in net assets	\$ 135,364
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	41,093
Noncash donations	(58,020)
Loss on disposal of equipment	4,300
Net realized loss on investments	1,435
Net unrealized gain on investments	(649)
(Increase) decrease in:	
Other receivables	756
Employee advances	(82,205)
Prepaid expenses	18,357
Decrease in:	
Accounts payable	(11,894)
Accrued liabilities	<u>(1,312)</u>
Net cash provided by operating activities	<u>47,225</u>
Cash flows from investing activities	
Sale of property and equipment	775
Purchase of property and equipment	(17,882)
Sale of investments	494,057
Purchase of investments	<u>(305,585)</u>
Net cash provided by investing activities	<u>171,365</u>
Net increase in cash and cash equivalents	218,590
Cash and cash equivalents	
Beginning of year	<u>526,951</u>
End of year	<u><u>\$ 745,541</u></u>
Supplemental disclosure of noncash transactions:	
Donated investments	\$ 52,870
Donated vehicles	<u>5,150</u>
Total noncash donations	<u><u>\$ 58,020</u></u>

See accompanying notes to the financial statements.

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 1. Summary of Significant Accounting Policies

Organization and Nature of Activities

International Messengers is a non-profit, tax-exempt organization under Internal Revenue Code Sec. 501(c)(3) administered by a volunteer board of directors. International Messengers is an evangelical, inter-denominational organization, which is committed to the evangelism and discipleship of people of all nations, and to the motivation and training of members for active involvement in world missions.

The financial statements of International Messengers have been prepared in accordance with the recommendations of the American Institute of Certified Public Accountants in its audit guide, *Not-for-Profit Organizations*. The significant accounting policies used by International Messengers are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting

The financial statements of International Messengers have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Public Support and Revenue

International Messengers receives substantially all of its support from individuals and religious organizations in the United States. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Cash and Cash Equivalents

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

Investments

Investments are carried at market value. Realized and unrealized gains and losses on investments are recorded in the statement of activities.

Land, Buildings and Equipment

Land, buildings and equipment are carried at cost with depreciation being provided over the estimated useful lives of the respective assets on a straight-line basis. International Messengers capitalizes all expenditures for these assets in excess of \$1,500.

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified as unrestricted, temporarily restricted, or permanently restricted, based on the existence and/or nature of any donor-imposed restrictions. Accordingly, the net assets of International Messengers and changes therein are classified and reported as follows:

Unrestricted – all amounts over which the Board of Directors and management have discretionary control. Emergency funds have been designated by the Board of Directors for emergency situations regarding employees in foreign countries or any other emergency items determined and approved by the Board of Directors.

Temporarily Restricted – amounts received with donor stipulations that limit the use of the donated assets. 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. During 2010, the Organization received temporarily restricted donations totaling \$371,687 and received no permanently restricted donations. Temporarily restricted net assets, as of December 31, 2010, are summarized as follows:

IM Conference Center Project	\$ 23,894
Truth Project – Romania	11,076
Amazon River Boat Project	10,873
Gorzow Van Project	7,029
Street Kid Ministry Project	6,888
Borne Church Building Project	6,460
Owrze Project	2,664
Uganda Project	2,629
Poznan Project	1,567
River of Life Heating Project	1,487
Translating Equipment Project	1,335
Daybreak Ministries Project	561
LifeArt Project	459
Children’s Education Project	424
Titus 2 Center Project	418
River of Life CD Project	410
FH Horse Ministry Project	346
Sessions Project	304
Odessa Ukraine	118
Big Red Barn Project	85
Gypsy Church Project	66
	<u>\$ 79,093</u>

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. 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.

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Noncash Contributions

During the year ended December 31, 2010, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

In addition, many individuals volunteer their time and perform a variety of tasks that assist International Messengers, but these services do not meet the criteria for recognition as contributed services as stated in FASB *Accounting Standards Codification* 958 (Formerly SFAS No. 116). The Organization received approximately 2,891 hours of donated volunteer time during 2010.

Donations of property and equipment are recorded as unrestricted support at their estimated fair value at the date of donation. The Organization received vehicles valued at \$5,150 during 2010.

Donations of investments are recorded as unrestricted support at their fair market value at the date of donation. The Organization received investments valued at \$52,870 during 2010.

Advertising

The Organization expenses advertising costs as incurred. Advertising expenses for 2010 totaled \$12,640.

Income Taxes

International Messengers is a non-profit organization exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as other than a private foundation.

Functional Allocation of Expenses

The costs of providing various programs and support services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the fundraising, programs and supporting services receiving benefit from the expenditures.

Use of Estimates

The preparation of financial statements in conformity with 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.

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 2. Investments

Investments are presented in the financial statements in the aggregate at fair market value.

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Certificates of Deposit	\$ 202,630	\$ 202,630	\$ -
Common Stock	<u>10,000</u>	<u>9,916</u>	<u>(84)</u>
Total	<u>\$ 212,630</u>	<u>\$ 212,546</u>	<u>(84)</u>
Plus: Prior year unrealized loss			<u>733</u>
Current year unrealized gain			<u>\$ 649</u>

A summary of the investments for the year is as follows:

	<u>Common Stock</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Beginning of the year balance	\$ 42,038	\$ 306,896	\$ 348,934
Purchases and donations	52,870	301,237	354,107
Realized loss on investments	(1,435)	-	(1,435)
Unrealized gain on investments	649	-	649
Sales/redemptions	(84,206)	(409,851)	(494,057)
Dividends/interest	-	6,148	6,148
Transfers to MM/CK	-	(1,800)	(1,800)
End of year balance	<u>\$ 9,916</u>	<u>\$ 202,630</u>	<u>\$ 212,546</u>

Note 3. Land, Buildings, and Equipment

Land, buildings and equipment consist of the following:

Land	\$ 34,500
Buildings and improvements	635,621
Vehicles	29,209
Equipment	<u>157,133</u>
	856,463
Less accumulated depreciation	<u>455,162</u>
	<u>\$ 401,301</u>

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 4. Net Investment Income (Loss)

Investment return, as of December 31, 2010, is summarized as follows:

Interest and dividends	\$ 9,732
Unrealized gain on investments	649
Realized loss on investments	<u>(1,435)</u>
	<u>\$ 8,946</u>

Note 5. Fair Value of Financial Instruments

FASB Accounting Standards Codification 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Accounting Standards Codification 820 are described below:

Basis of Fair Value Measurement

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The following tables present by level, within the fair value hierarchy, the Organization's investments at fair value, as of December 31, 2010 and 2009. As required by FASB Accounting Standards Codification 820, investment assets are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement.

	As of December 31,	
	<u>2010</u>	<u>2009</u>
	Quoted Prices In Active Markets For Identical Assets <u>(Level 1)</u>	Quoted Prices In Active Markets For Identical Assets <u>(Level 1)</u>
Short-term investments	\$ 162,696	\$ 300,093
Long-term investments	49,850	48,841

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

Note 6. Commitments and Contingencies

International Messengers receives substantially all of its support from individuals and religious organizations in the United States. A material change in the level of support received due to economic factors would likely result in a corresponding change in the level of program activity of International Messengers.

Note 7. Allocation of Joint Costs

During the year ended December 31, 2010, the Organization followed the provisions of FASB Accounting Standards Codification 720, *Other Expenses*. This provision requires the allocation of joint costs including personnel, supplies and facilities to fundraising expenses, provided the activity meets several criteria. These criteria relate to the purpose, the intended audience, and the content of the joint activity.

In 2010, the Organization incurred joint costs of \$457,072 for ministry expenses, advertising, wages, supplies, postage and other general expenses. These costs were allocated to the following functional expense category as of December 31, 2010:

Program Services	\$ 211,251
Management & General	75,572
Fundraising	<u>170,249</u>
	<u>\$ 457,072</u>

Note 8. Evaluation of Subsequent Events

The Organization has evaluated subsequent events through June 10, 2011, the date which the financial statements were available to be issued.