

**International Messengers**  
**FINANCIAL STATEMENTS**

**December 31, 2011**

**International Messengers**

**TABLE OF CONTENTS**

<b>OFFICIAL DIRECTORY</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>2</b>
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>5</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>6-13</b>
<b>SUPPLEMENTAL INFORMATION</b>	
<b>STATEMENT OF FUNCTIONAL EXPENSES</b>	<b>14</b>

## **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

We have audited the accompanying statement of financial position of International Messengers (a non-profit organization) as of December 31, 2011, and the related statements of activities 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, 2011, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Potter & Brant, P.L.C.*

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

November 13, 2012  
Clear Lake, IA  
641-357-5291

Webster City, IA  
515-832-4783

**International Messengers**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2011**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,008,650
Employee advances	53,240
Prepaid expenses	32,394
Investments	204,487
Contribution receivable - charitable lead trust	1,578
Other assets	<u>1,616</u>
<b>Total Current Assets</b>	<u>1,301,965</u>

**FIXED ASSETS**

Land, building, and equipment, less accumulated depreciation of \$489,652	<u>375,721</u>
<b>Total Fixed Assets</b>	<u>375,721</u>

**OTHER ASSETS**

Investments	17,500
Contribution receivable - charitable lead trust	252,089
Beneficial interest in remainder trust	<u>503,600</u>
<b>Total Other Assets</b>	<u>773,189</u>

<b>TOTAL ASSETS</b>	<u><u>\$ 2,450,875</u></u>
---------------------	----------------------------

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 30,573
Accrued liabilities	<u>34,926</u>
<b>Total Current Liabilities</b>	<u>65,499</u>

**NET ASSETS**

Unrestricted	
Undesignated	1,377,175
Board designated for emergency funds	<u>82,740</u>
<b>Total Unrestricted</b>	1,459,915
Temporarily Restricted	<u>925,461</u>
<b>Total Net Assets</b>	<u>2,385,376</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,450,875</u></u>
---	----------------------------

See accompanying notes to financial statements.

**International Messengers**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Public support and revenues</b>			
Contributions	\$ 3,305,370	\$ 349,977	\$ 3,655,347
Net investment income	4,993	-	4,993
Gain on disposal of fixed assets	2,059	-	2,059
Fundraising income	617	-	617
Change in value of split-interest agreement	-	10,077	10,077
	<hr/>	<hr/>	<hr/>
Total public support and revenues	3,313,039	360,054	3,673,093
Net assets released from restrictions	<u>262,094</u>	<u>(262,094)</u>	<u>-</u>
<b>Total public support, revenues, and reclassifications</b>	<u>3,575,133</u>	<u>97,960</u>	<u>3,673,093</u>
<b>Expenses</b>			
Program services	2,912,778	-	2,912,778
Management and general	428,410	-	428,410
Fundraising	139,224	-	139,224
	<hr/>	<hr/>	<hr/>
<b>Total expenses</b>	<u>3,480,412</u>	<u>-</u>	<u>3,480,412</u>
<b>Change in net assets</b>	94,721	97,960	192,681
<b>Prior period adjustment</b>	-	748,408	748,408
<b>Net assets at beginning of year</b>	<u>1,365,194</u>	<u>79,093</u>	<u>1,444,287</u>
<b>Net assets at end of year</b>	<u>\$ 1,459,915</u>	<u>\$ 925,461</u>	<u>\$ 2,385,376</u>

See accompanying notes to the financial statements.

**International Messengers**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2011**

<b>Cash flows from operating activities</b>	
Change in net assets	\$ 192,681
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	37,164
Noncash donations	(77,948)
Gain on disposal of equipment	(2,059)
Net realized loss on investments	2,053
Net unrealized gain on investments	(84)
(Increase) decrease in:	
Other receivables	(647)
Employee advances	75,744
Prepaid expenses	(1,936)
Contributions receivable - charitable lead trust	1,218
Beneficial interest in remainder trust	(10,077)
Decrease in:	
Accounts payable	(3,202)
Accrued liabilities	<u>(6,810)</u>
<b>Net cash provided by operating activities</b>	<u>206,097</u>
<b>Cash flows from investing activities</b>	
Sale of property and equipment	2,500
Purchase of property and equipment	(1,850)
Sale of investments	314,471
Purchase of investments	<u>(258,109)</u>
<b>Net cash provided by investing activities</b>	<u>57,012</u>
<b>Net increase in cash and cash equivalents</b>	263,109
<b>Cash and cash equivalents</b>	
Beginning of year	<u>745,541</u>
<b>End of year</b>	<u><u>\$ 1,008,650</u></u>
Supplemental disclosure of noncash transactions:	
Donated investments	\$ 67,773
Donated vehicles	<u>10,175</u>
<b>Total noncash donations</b>	<u><u>\$ 77,948</u></u>

See accompanying notes to the financial statements.

**International Messengers**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**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.

*Contribution Receivable – Charitable Lead Trust*

The Organization's beneficial interest in a charitable lead trust was recorded as temporarily restricted net assets when the Organization was notified of the trust's existence. The assets for the contribution receivable from the trust consist of investments that are held and managed by a trustee. The Organization has no control over those assets. The contribution receivable is reported at fair value, which is estimated using an income approach based on assumptions developed by the Organization about the future distributions it will receive from the trust. Distributions from the trust are reflected as reductions in the contribution receivable and reclassifications from temporarily restricted to unrestricted net assets.



**International Messengers**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

*Beneficial Interest in Split-Interest Agreement*

The Organization's beneficial interest in a charitable remainder trust was recorded as temporarily restricted net assets when the Organization was notified of the trust's existence. The assets for the split-interest agreement from the trust consist of investments that are held and managed by a trustee. The Organization has no control over those assets. The split-interest agreement is reported at present value based on actuarial calculations reported by the trustee. Changes in the present value of the split-interest agreement are reflected in the temporarily restricted class of net assets. Distributions from the trust will be reflected as reductions in the beneficial interest and reclassifications from temporarily restricted to unrestricted net assets.

*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.

*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 2011, the Organization received temporarily restricted donations totaling \$349,977 and received no permanently restricted donations. Temporarily restricted net assets, as of December 31, 2011, are summarized as follows:

Beneficial Interest in Remainder Trust	\$ 503,600
Charitable Lead Trust	253,667
Hargrave Trust Project	50,750
Borne Church Building Project	37,121
IM Conference Center Project	14,894
Amazon River Boat Project	12,359
Friendship House Project	10,640
Sojourn Ministries Building Project	8,070
Truth Project – Romania	6,577
Joshua Project Housing	6,335
Father's Heart Project	5,518
Owrze Project	3,821
Uganda Project	2,363

**International Messengers**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

Translating Equipment Project	2,256
Print Shop Project	1,805
Titus 2 Center Project	1,133
River of Life Heating Project	1,013
FH Horse Ministry Project	814
Daybreak Ministries Project	499
LifeArt Project	495
Francais sans Frontieres Project	475
Sessions Project	455
Children's Education Project	411
Practical Action Project	238
Big Red Barn Project	86
Gypsy Church Project	66
	\$ 925,461

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.

*Noncash Contributions*

During the year ended December 31, 2011, 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. The Organization received approximately 2,365 hours of donated volunteer time during 2011.

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 \$10,175 during 2011.

Donations of investments are recorded as unrestricted support at their fair market value at the date of donation. The Organization received investments valued at \$67,773 during 2011.

*Advertising*

The Organization expenses advertising costs as incurred. Advertising expenses for 2011 totaled \$3,920.

*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.

The Organization recognizes tax benefits only to the extent that they believe it is "more than likely than not" that its tax positions will be sustained upon examination by the taxing authorities. Management believes that all of the positions taken on its federal income tax returns would more likely than not be

**International Messengers**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

sustained upon examination. The Organization's tax returns for 2009, 2010 and 2011 are subject to possible federal examination, generally for three years after they are filed.

*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.

**Note 2. Investments**

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

	Cost	Market Value	Unrealized Gain (Loss)
Certificates of Deposit	\$ 221,987	\$ 221,987	\$ -
Total	\$ 221,987	\$ 221,987	-
Plus: Prior year unrealized gain			84
Current year unrealized gain			\$ 84

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

	Common Stock	Certificates of Deposit	Total
Beginning of the year balance	\$ 9,916	\$ 202,630	\$ 212,546
Purchases and donations	67,773	256,251	324,024
Realized loss on investments	(2,053)	-	(2,053)
Unrealized gain on investments	84	-	84
Sales/redemptions	(75,720)	(238,751)	(314,471)
Dividends/interest	-	3,080	3,080
Transfers to MM/CK	-	(1,223)	(1,223)
End of year balance	\$ -	\$ 221,987	\$ 221,987

**Note 3. Charitable Lead Trust Split-Interest Agreement**

During 2009, a donor, upon her death, established an irrevocable charitable lead annuity trust (CLAT) with an institution naming the Organization a lead beneficiary. Under the terms of the split-interest agreement, the Organization is to receive 40% of the initial trust gift amount of \$643,861.68 in annual distributions over a twenty-year period. The CLAT distributions begin with smaller amounts and increase over the 20 year period. The first distributions were made to the individual charitable

**International Messengers**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

beneficiaries during 2009. On an annual basis, the Organization remeasures the market value of the funds in the trust to determine whether enough funds are still available to cover the remaining distributions. The Organization received a distribution of \$1,218 from the trust in 2011, which was recorded as a reduction in the receivable and a corresponding reclassification from temporarily restricted to unrestricted net assets.

**Note 4. Charitable Remainder Trust Split-Interest Agreement**

During 2009, a donor, upon her death, established an irrevocable charitable remainder trust (CRT) with an institution naming the Organization a remainder beneficiary. Under the terms of the split-interest agreement, the Organization is to receive 40% of the remainder of all the principal and income of the CRT after the end of a twenty-year period or any other event that terminates the trust. During the twenty year period, the CRT makes distributions annually to the donor's family trust in the amount of 5% of the fair market value of the trust assets. On an annual basis, the Organization measures the present value of the future payment to be made to the remainder beneficiaries at the end of the twenty-year period and adjusts for the change in value of the beneficial interest in the CRT.

**Note 5. Land, Buildings, and Equipment**

Land, buildings and equipment consist of the following:

Land	\$ 34,500
Buildings and improvements	637,471
Vehicles	39,384
Equipment	<u>154,018</u>
	865,373
Less accumulated depreciation	<u>489,652</u>
	<u>\$ 375,721</u>

**Note 6. Net Investment Income (Loss)**

Investment return, as of December 31, 2011, is summarized as follows:

Interest and dividends	\$ 6,962
Unrealized gain on investments	84
Realized loss on investments	<u>(2,053)</u>
	<u>\$ 4,993</u>

**Note 7. 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:

**International Messengers**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

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;

Short-term and long-term investments are reported at fair value on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions.

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;

The receivable from the charitable lead annuity trust is reported on a recurring basis at the fair value of the Organization's beneficial interest in the trust based upon measurable quoted market prices and other relevant information.

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

The charitable remainder trust is reported on a recurring basis at the fair value of the Organization's beneficial interest in the split-interest agreement. The Organization measures the fair value using an income approach to provide the present value of the expected future cash distribution from the trust. The Organization remeasures the fair value of its beneficial interest annually and adjusts the value based upon market conditions and other relevant data.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2011 are as follows:

	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investments	\$ 204,487	\$ -	\$ -
Long-term investments	17,500	-	-
Charitable lead trust	-	253,667	-
Charitable remainder trust	-	-	503,600

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2010 are as follows:

	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Unobservable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investments	\$ 162,696	\$ -	\$ -
Long-term investments	49,850	-	-
Charitable lead trust	-	254,885	-
Charitable remainder trust	-	-	493,523

**International Messengers**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended December 31, 2011 and 2010.

The reconciliation of the changes in the beneficial interest of the charitable remainder trust measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows:

December 31, 2010 – Beginning Balance	\$ 493,523
Change in value of split-interest agreement	<u>10,077</u>
December 31, 2011 – Ending Balance	<u>\$ 503,600</u>

The change in value of the split-interest agreement of \$10,077 in 2011 is attributable to the unrealized gain on remeasurement of the charitable remainder trust as of December 31, 2011.

**Note 8. 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 9. Allocation of Joint Costs**

During the year ended December 31, 2011, 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 2011, the Organization incurred joint costs of \$418,271 for ministry expenses, advertising, wages, supplies, postage and other general expenses. These costs were allocated to the following functional expense categories as of December 31, 2011:

Program Services	\$ 208,634
Management & General	70,413
Fundraising	<u>139,224</u>
	<u>\$ 418,271</u>

**Note 10. Evaluation of Subsequent Events**

The Organization has evaluated subsequent events through November 13, 2012, the date which the financial statements were available to be issued.

**Note 11. Concentration of Credit Risk**

Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash balances maintained at financial institutions. For the year ended December 31, 2011, the Organization maintained a cash balance at a financial institute that exceeds insured limits set by the Federal Deposit Insurance Corporation (FDIC).

**International Messengers**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

**Note 12. Prior Period Adjustment**

During the year 2011, the Organization recorded their beneficial interests in two split-interest agreements, a charitable lead annuity trust and a charitable remainder trust. The initial contribution revenue of both trusts should have been recognized as revenue during 2009, but was instead recorded during 2011, when the Organization became aware of the need to recognize the revenue. This initial revenue, adjustments for distributions from the charitable lead annuity trust and adjustments to the present value of the charitable remainder trust have been recorded as a prior period adjustment to temporarily restricted net assets.

**SUPPLEMENTAL INFORMATION**



**International Messengers**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2011**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Ministry expenses	\$ 861,524	\$ -	\$ 102,143	\$ 963,667
Salaries & wages	1,379,089	209,903	23,205	1,612,197
Fringe benefits	167,181	21,376	-	188,557
Payroll taxes	89,088	11,860	1,775	102,723
Telephone	3,354	5,054	-	8,408
Travel/training	366,437	11,637	-	378,074
Advertising	1,571	-	2,349	3,920
Supplies	7,765	15,132	4,014	26,911
Postage	-	26,591	-	26,591
Insurance	-	6,523	-	6,523
Board expense	-	1,139	-	1,139
Vehicle expense	-	8,583	-	8,583
Utilities	-	14,903	-	14,903
Maintenance & equipment	36,769	2,929	-	39,698
Professional services	-	13,382	-	13,382
Depreciation	-	37,164	-	37,164
Dues & subscriptions	-	3,920	-	3,920
Administration	-	2,547	-	2,547
Meetings & conferences	-	29,567	-	29,567
Property taxes	-	231	-	231
Printing & publications	-	5,739	5,738	11,477
Other	-	230	-	230
<b>Total expenses</b>	<u>\$ 2,912,778</u>	<u>\$ 428,410</u>	<u>\$ 139,224</u>	<u>\$ 3,480,412</u>

See accompanying notes to the financial statements.