

**International Messengers
FINANCIAL STATEMENTS**

December 31, 2015

International Messengers

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International Messengers

OFFICIAL DIRECTORY

Mike Gesler	Chairman
Dave Wilke	Vice Chairman
J. Paul Schmidt	Treasurer
Nancy Holty	Secretary
Darwin Anderson	Member
Linda Berntson	Member
Ron Christensen	Member
Ed Kleiman	Member
Kerra Latterell	Member
Craig Lieberg	Member
Greg Nicholas	Member
Dave Olson	Member
Steve Sharp	Member
Ann Zupke	Member
Steve Zupke	Member

International Messengers
STATEMENT OF FINANCIAL POSITION
December 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,727,418
Employee advances	58,411
Prepaid expenses	17,373
Investments	187,213
Contribution receivable - charitable lead trust	7,871
Other receivables	47,732
Other assets	<u>2,261</u>
Total Current Assets	<u>2,048,279</u>

FIXED ASSETS

Land, building, and equipment, less accumulated depreciation of \$541,337	<u>338,748</u>
Total Fixed Assets	<u>338,748</u>

OTHER ASSETS

Contribution receivable - charitable lead trust	239,528
Beneficial interest in remainder trust	<u>753,404</u>
Total Other Assets	<u>992,932</u>

TOTAL ASSETS	<u><u>\$ 3,379,959</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 30,313
Group insurance reserves	69,455
Accrued liabilities	<u>13,950</u>
Total Current Liabilities	<u>113,718</u>

NET ASSETS

Unrestricted	
Undesignated	1,884,681
Board designated for emergency funds	<u>73,675</u>
Total Unrestricted	1,958,356
Temporarily Restricted	<u>1,307,885</u>
Total Net Assets	<u>3,266,241</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,379,959</u></u>
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See accompanying notes to financial statements.

International Messengers
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues			
Contributions	\$ 4,202,504	\$ 794,494	\$ 4,996,998
Net investment income	3,613	-	3,613
Loss on disposal of fixed assets	(150)	-	(150)
Change in value of split-interest agreement	<u>-</u>	<u>(39,799)</u>	<u>(39,799)</u>
Total public support and revenues	4,205,967	754,695	4,960,662
Net assets released from restrictions	<u>766,325</u>	<u>(766,325)</u>	<u>-</u>
Total public support, revenues, and reclassifications	<u>4,972,292</u>	<u>(11,630)</u>	<u>4,960,662</u>
Expenses			
Program services	4,182,556	-	4,182,556
Management and general	388,315	-	388,315
Fundraising	<u>117,563</u>	<u>-</u>	<u>117,563</u>
Total expenses	<u>4,688,434</u>	<u>-</u>	<u>4,688,434</u>
Change in net assets	283,858	(11,630)	272,228
Net assets at beginning of year	<u>1,674,498</u>	<u>1,319,515</u>	<u>2,994,013</u>
Net assets at end of year	<u>\$ 1,958,356</u>	<u>\$ 1,307,885</u>	<u>\$ 3,266,241</u>

See accompanying notes to the financial statements.

International Messengers
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

Cash flows from operating activities	
Change in net assets	\$ 272,228
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	44,285
Noncash donations	(36,836)
Loss on disposal of equipment	150
Net realized loss on investments	896
(Increase) decrease in:	
Other receivables	(47,732)
Other assets	128
Employee advances	20,500
Prepaid expenses	17,852
Beneficial interest in remainder trust	39,798
Increase (decrease) in:	
Accounts payable	6,963
Group insurance reserves	28,670
Accrued liabilities	<u>(34,428)</u>
Net cash provided by operating activities	<u>312,474</u>
Cash flows from investing activities	
Sale of property and equipment	150
Purchase of property and equipment	(41,766)
Sale of investments	269,372
Purchase of investments	<u>(242,757)</u>
Net cash used in investing activities	<u>(15,001)</u>
Net increase in cash and cash equivalents	297,473
Cash and cash equivalents	
Beginning of year	<u>1,429,945</u>
End of year	<u><u>\$ 1,727,418</u></u>
Supplemental disclosure of noncash transactions:	
Donated investments	\$ 27,911
Donated vehicles	<u>8,925</u>
Total noncash donations	<u><u>\$ 36,836</u></u>

See accompanying notes to the financial statements.

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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, 2015

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 2015, the Organization received temporarily restricted donations totaling \$754,695 and received no permanently restricted donations. Temporarily restricted net assets, as of December 31, 2015, are summarized as follows:

Beneficial Interest in Remainder Trust	\$ 753,404
Charitable Lead Trust	247,399
Borne Church Building Project	101,151
Egypt Ministries Project	33,434
Odessa, Ukraine Project	24,578
Middle East Project	23,891
Syrian Refugees Project	18,253
Hargrave Trust Project	15,950
River of Life Home	12,098
RALI Project	9,391
Joshua Project	9,082
Nepal Care Project	6,052
Arabic Bible Project	5,653
Circle of Friends Project	5,553

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

Father's Heart Project	5,551
Purity Ministry Project	5,232
Camp Lela Project	4,450
Truth Project – Romania	3,209
Uganda Project	3,158
Children's Home Project	3,064
Friendship House Project	2,858
Equip2Counsel	2,712
Elderly Homes Project	2,687
River of Life Healing Project	1,928
Titus 2 Center Project	1,355
LifeArt Project	1,197
Craiova Church Project	930
Children's Education Project	628
Canadian Special Project	534
Francais sans Frontieres Project	523
Sessions Project	507
Daybreak Ministries Project	475
Joshua Project Housing	458
River of Life Maintenance Fund Project	290
FH Horse Ministry Project	223
Translating Equipment Project	<u>27</u>
	<u>\$ 1,307,885</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.

Noncash Contributions

During the year ended December 31, 2015, 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 4,879 hours of donated volunteer time during 2015.

Donations of property and equipment are recorded as unrestricted support at their estimated fair value at the date of donation. The Organization received a vehicle valued at \$8,925 during 2015.

Donations of investments are recorded as unrestricted support at their fair market value at the date of donation. The Organization received investments valued at \$27,911 during 2015.

Advertising

The Organization expenses advertising costs as incurred.

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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.

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	\$ 187,213	\$ 187,213	\$ -
Common Stock	-	-	-
Total	<u>\$ 187,213</u>	<u>\$ 187,213</u>	\$ -
Plus: Prior year unrealized gain			-
Current year unrealized gain			<u>\$ -</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	\$ -	\$ 186,813	\$ 186,813
Purchases and donations	27,811	242,457	270,268
Realized loss on investments	(896)	-	(896)
Unrealized loss on investments	-	-	-
Sales/redemptions	(26,915)	(242,457)	(269,372)
Dividends/interest	101	679	780
Transfers to MM/Checking	(101)	(279)	(380)
End of year balance	<u>\$ -</u>	<u>\$ 187,213</u>	<u>\$ 187,213</u>

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 beneficiaries during 2009. On an annual basis, the Organization remeasures the market value of the

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

funds in the trust to determine whether enough funds are still available to cover the remaining distributions. The Organization received a distribution of \$0 and \$2,647 from the trust in 2015 and 2014, respectively, 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	658,785
Vehicles	48,179
Equipment	<u>138,621</u>
	880,085
Less accumulated depreciation	<u>541,337</u>
	<u>\$ 338,748</u>

Note 6. Net Investment Income (Loss)

Investment return, as of December 31, 2015, is summarized as follows:

Interest and dividends	\$ 4,509
Realized loss on investments	<u>(896)</u>
	<u>\$ 3,613</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:

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;

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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, 2015 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	\$ 187,213	\$ -	\$ -
Charitable lead trust	-	247,399	-
Charitable remainder trust	-	-	753,404

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, 2014 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	\$ 186,813	\$ -	\$ -
Charitable lead trust	-	247,398	-
Charitable remainder trust	-	-	793,203

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, 2015 and 2014.

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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, 2014 – Beginning Balance	\$ 793,203
Change in value of split-interest agreement	<u>39,799</u>
December 31, 2015 – Ending Balance	<u>\$ 753,404</u>

The change in value of the split-interest agreement of \$39,799 in 2015 is attributable to the unrealized loss on remeasurement of the charitable remainder trust as of December 31, 2015.

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, 2015, 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 2015, the Organization incurred joint costs of \$579,560 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, 2015:

Program Services	\$ 293,618
Management & General	168,379
Fundraising	<u>117,563</u>
	<u>\$ 579,560</u>

Note 10. Evaluation of Subsequent Events

The Organization has evaluated subsequent events through June 27, 2016, 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, 2015, the Organization maintained a cash balance at a financial institute that exceeds insured limits set by the Federal Deposit Insurance Corporation (FDIC).

SUPPLEMENTAL INFORMATION

International Messengers
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Ministry expenses	\$ 1,621,240	\$ -	\$ 25,349	\$ 1,646,589
Salaries & wages	1,738,593	138,930	74,120	1,951,643
Fringe benefits	204,615	41,917	-	246,532
Payroll taxes	110,843	10,628	3,322	124,793
Telephone	5,695	5,344	-	11,039
Travel/training	438,962	5,846	-	444,808
Advertising	2,891	-	3,343	6,234
Supplies	18,768	15,826	4,665	39,259
Postage	2,896	22,092	-	24,988
Insurance	11,850	12,885	-	24,735
Board expense	-	1,756	-	1,756
Crisis management	5,056	-	-	5,056
Vehicle expense	-	7,279	-	7,279
Utilities	-	10,544	-	10,544
Maintenance & equipment	21,147	6,659	-	27,806
Professional services	-	11,800	-	11,800
Depreciation	-	44,285	-	44,285
Dues & subscriptions	-	6,861	-	6,861
Administration	-	4,173	-	4,173
Contributions	-	(16)	-	(16)
Meetings & conferences	-	34,018	-	34,018
Property taxes	-	335	-	335
Printing & publications	-	6,763	6,764	13,527
Other	-	390	-	390
Total expenses	<u><u>\$ 4,182,556</u></u>	<u><u>\$ 388,315</u></u>	<u><u>\$ 117,563</u></u>	<u><u>\$ 4,688,434</u></u>

See accompanying notes to the financial statements.