

**International Messengers
FINANCIAL STATEMENTS**

December 31, 2017

International Messengers

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International Messengers

OFFICIAL DIRECTORY

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
International Messengers
Clear Lake, IA

We have audited the accompanying financial statements of International Messengers (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Messengers as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

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.C.

Clear Lake, Iowa

June 27, 2018

Clear Lake, IA
641-357-5291

Webster City, IA
515-832-4783

International Messengers
STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,783,339
Employee advances	95,983
Prepaid expenses	26,663
Investments	188,127
Contribution receivable - charitable lead trust	14,960
Other assets	<u>164</u>
Total Current Assets	<u>2,109,236</u>

FIXED ASSETS

Land, building, and equipment, less accumulated depreciation of \$611,708	<u>273,914</u>
Total Fixed Assets	<u>273,914</u>

OTHER ASSETS

Contribution receivable - charitable lead trust	510,304
Beneficial interest in remainder trust	<u>976,842</u>
Total Other Assets	<u>1,487,146</u>

TOTAL ASSETS	<u><u>\$ 3,870,296</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 57,365
Group insurance reserves	108,757
Accrued liabilities	<u>19,342</u>
Total Current Liabilities	<u>185,464</u>

NET ASSETS

Unrestricted	
Undesignated	1,649,172
Board designated for emergency funds	<u>57,904</u>
Total Unrestricted	1,707,076
Temporarily Restricted	<u>1,977,756</u>
Total Net Assets	<u>3,684,832</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,870,296</u></u>
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See accompanying notes to financial statements.

International Messengers
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues			
Contributions	\$ 3,913,123	\$ 617,566	\$ 4,530,689
Net investment income	5,890	-	5,890
Gain on disposal of fixed assets	1,000	-	1,000
Fundraising income	410	-	410
Change in value of split-interest agreement	-	112,922	112,922
	<u>3,920,423</u>	<u>730,488</u>	<u>4,650,911</u>
Total public support and revenues			
Net assets released from restrictions	<u>582,205</u>	<u>(582,205)</u>	<u>-</u>
Total public support, revenues, and reclassifications	<u>4,502,628</u>	<u>148,283</u>	<u>4,650,911</u>
Expenses			
Program services	3,931,442	-	3,931,442
Management and general	463,794	-	463,794
Fundraising	155,790	-	155,790
	<u>4,551,026</u>	<u>-</u>	<u>4,551,026</u>
Total expenses			
Change in net assets	(48,398)	148,283	99,885
Net assets at beginning of year	<u>1,755,474</u>	<u>1,829,473</u>	<u>3,584,947</u>
Net assets at end of year	<u>\$ 1,707,076</u>	<u>\$ 1,977,756</u>	<u>\$ 3,684,832</u>

See accompanying notes to the financial statements.

International Messengers
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

Cash flows from operating activities	
Change in net assets	\$ 99,885
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	40,990
Noncash donations	(36,867)
Gain on disposal of equipment	(1,000)
Net realized loss on investments	646
(Increase) decrease in:	
Other assets	1,508
Employee advances	(39,279)
Prepaid expenses	(8,004)
Contributions receivable - charitable lead trust	29,033
Beneficial interest in remainder trust	(112,922)
Increase (decrease) in:	
Accounts payable	7,693
Group insurance reserves	21,032
Accrued liabilities	<u>(47,845)</u>
Net cash used in operating activities	<u>(45,130)</u>
Cash flows from investing activities	
Sale of property and equipment	1,000
Purchase of property and equipment	(4,371)
Sale of investments	317,270
Purchase of investments	<u>(292,797)</u>
Net cash provided by investing activities	<u>21,102</u>
Net decrease in cash and cash equivalents	(24,028)
Cash and cash equivalents	
Beginning of year	<u>1,807,367</u>
End of year	<u>\$ 1,783,339</u>
Supplemental disclosure of noncash transactions:	
Donated investments	\$ 25,617
Donated vehicles	<u>11,250</u>
Total noncash donations	<u>\$ 36,867</u>

See accompanying notes to the financial statements.

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2017

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 by management and confirmed 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 2017, the Organization received temporarily restricted donations totaling \$730,488 and received no permanently restricted donations. Temporarily restricted net assets, as of December 31, 2017, are summarized as follows:

Beneficial Interest in Remainder Trust	\$ 976,842
Charitable Lead Trust	525,264
Borne Church Building Project	101,151
Great Commission Churches Project	86,715
Russia Gypsy Ministry Project	51,976
Compassion Fund Project	41,247
House of Hope Project	33,617
Egypt Ministries Project	24,306
Odessa, Ukraine Project	20,593
Mobilizing Uganda for Missions Project	18,796
Pawel Ministry Project	15,177
TVS Project	11,486

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Syrian Refugees Project	9,534
Equip2Counsel Project	7,974
Hargrave Trust Project	7,250
Nepal Care Project	6,051
Arabic Bible Project	4,913
Katowice Office Project	4,747
Montana Training Center Project	4,449
Truth Project	3,209
Acts 1:8 Evangelism Project	3,012
Pishana Orphanage Project	2,412
ROL Maintenance Fund Project	2,356
Sojourn Uganda Project	1,833
Friendship House Project	1,589
Purity Ministry Project	1,109
Children's Home Project	1,081
Changed & Empowered Project	1,032
JP Vehicle Project	998
ROL Heating Project	981
Craiova Church Project	950
Crisis Management Project	850
Stability Roma Housing Project	743
Radio Station Project	679
Francais sans Frontieres Project	552
River of Life Home Project	399
Elderly Homes Project	381
Arise & Shine Africa Project	374
Children's Education Project	332
Gulu Children of Mercy Home Project	285
Peny Gypsy Building Project	174
Titus 2 Center Project	112
Sessions Project	102
Alms Coffee Project	95
Translating Equipment Project	27
Daybreak Ministries Project	1
	<u>\$ 1,977,756</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, 2017, 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 6,902 hours of donated volunteer time during 2017.

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Donations of property and equipment are recorded as unrestricted support at their estimated fair value at the date of donation. The Organization received two vehicles valued at \$11,250 during 2017.

Donations of investments are recorded as unrestricted support at their fair market value at the date of donation. The Organization received investments valued at \$25,617 during 2017.

Advertising

The Organization expenses advertising costs as incurred.

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	\$ 188,127	\$ 188,127	\$ -
Common Stock	-	-	-
Total	<u>\$ 188,127</u>	<u>\$ 188,127</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	\$ -	\$ 187,630	\$ 187,630
Purchases and donations	25,617	292,300	317,917
Realized loss on investments	(646)	-	(646)
Unrealized loss on investments	-	-	-

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Sales/redemptions	(24,971)	(292,300)	(317,271)
Dividends/interest	-	839	839
Transfers to MM/Checking	-	(342)	(342)
End of year balance	<u>\$ -</u>	<u>\$ 188,127</u>	<u>\$ 188,127</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 \$1,434,012 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 funds in the trust to determine whether enough funds are still available to cover the remaining distributions. The Organization received a distribution of \$29,033 and \$9,160 from the trust in 2017 and 2016, 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	46,189
Equipment	<u>146,148</u>
	885,622
Less accumulated depreciation	<u>611,708</u>
	<u>\$ 273,914</u>

Note 6. Net Investment Income (Loss)

Investment return, as of December 31, 2017, is summarized as follows:

Interest and dividends	\$ 6,536
Realized loss on investments	<u>(646)</u>
	<u>\$ 5,890</u>

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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;

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, 2017 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	\$ 188,127	\$ -	\$ -
Charitable lead trust	-	525,264	-
Charitable remainder trust	-	-	976,842

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2016 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	\$ 187,630	\$ -	\$ -
Charitable lead trust	-	554,298	-
Charitable remainder trust	-	-	863,920

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, 2017 and 2016.

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, 2016 – Beginning Balance	\$ 863,920
Change in value of split-interest agreement	<u>112,922</u>
December 31, 2017 – Ending Balance	<u>\$ 976,842</u>

The change in value of the split-interest agreement of \$112,922 in 2017 is attributable to the unrealized gain on remeasurement of the charitable remainder trust as of December 31, 2017.

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, 2017, 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 2017, the Organization incurred joint costs of \$706,470 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, 2017:

Program Services	\$ 408,971
Management & General	141,710
Fundraising	<u>155,789</u>
	<u>\$ 706,470</u>

International Messengers
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Note 10. Evaluation of Subsequent Events

The Organization has evaluated subsequent events through June 27, 2018, 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, 2017, the Organization maintained a cash balance at a financial institute that exceeds insured limits set by the Federal Deposit Insurance Corporation (FDIC).

Supplemental Information
1. Introduction
2. Methods
3. Results
4. Discussion
5. Conclusion

SUPPLEMENTAL INFORMATION

International Messengers
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Ministry expenses	\$ 1,487,894	\$ -	\$ 11,708	\$ 1,499,602
Salaries & wages	1,686,256	213,041	116,915	2,016,212
Fringe benefits	169,377	44,446	-	213,823
Payroll taxes	114,331	12,853	4,853	132,037
Telephone	5,962	6,013	-	11,975
Travel/training	394,153	6,379	-	400,532
Advertising	2,626	-	9,591	12,217
Supplies	30,554	7,411	5,904	43,869
Postage	1,383	17,782	-	19,165
Insurance	13,794	16,409	-	30,203
Board expense	-	1,367	-	1,367
Crisis management	4,314	-	-	4,314
Vehicle expense	-	11,557	-	11,557
Utilities	-	11,950	-	11,950
Maintenance & equipment	20,796	5,644	-	26,440
Professional services	-	12,201	-	12,201
Depreciation	-	40,990	-	40,990
Dues & subscriptions	-	8,124	-	8,124
Administration	-	4,473	-	4,473
Meetings & conferences	-	35,421	-	35,421
Property taxes	-	200	-	200
Printing & publications	-	6,818	6,819	13,637
Other	-	717	-	717
Total expenses	<u><u>\$ 3,931,442</u></u>	<u><u>\$ 463,794</u></u>	<u><u>\$ 155,790</u></u>	<u><u>\$ 4,551,026</u></u>

See accompanying notes to the financial statements.