



**MESSENGER INTERNATIONAL, INC.
AND SUBSIDIARY**

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2021

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Messenger International, Inc.
and Subsidiary
Palmer Lake, Colorado

Opinion

We have audited the accompanying consolidated financial statements of Messenger International, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Messenger International, Inc. and Subsidiary as of December 31, 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Messenger International, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Messenger International, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Board of Directors
Messenger International, Inc.
and Subsidiary
Palmer Lake, Colorado

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Messenger International, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Messenger International, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Colorado Springs, Colorado
March 28, 2022

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Consolidated Statement of Financial Position

December 31, 2021

ASSETS:

Cash and cash equivalents	\$ 5,684,618
Accounts and contributions receivable, net	125,344
Inventory, net	236,409
Prepays and other assets	68,439
Assets held for deferred compensation	547,379
Product development costs, net	2,386,398
Property and equipment, net	<u>875,576</u>

Total Assets	<u><u>\$ 9,924,163</u></u>
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LIABILITIES AND NET ASSETS:

Liabilities:

Accounts payable	\$ 47,189
Accrued expenses and other liabilities	75,383
Deferred compensation liability	<u>547,379</u>
Total Liabilities	<u>669,951</u>

Net assets:

Without donor restrictions	7,689,730
With donor restrictions	<u>1,564,482</u>
Total Net Assets	<u>9,254,212</u>

Total Liabilities and Net Assets	<u><u>\$ 9,924,163</u></u>
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See notes to consolidated financial statements

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	\$ 3,376,897	\$ 1,568,673	\$ 4,945,570
Ministry resource sales	1,051,666	-	1,051,666
Honorariums	523,172	-	523,172
Special events:			
Revenue	4,316,307	-	4,316,307
Costs of direct benefits to donors	(743,481)	-	(743,481)
Net special events income	3,572,826	-	3,572,826
Royalty income	83,811	-	83,811
Interest income and other	92,615	-	92,615
Total Support and Revenue	8,700,987	1,568,673	10,269,660
NET ASSETS RELEASED:			
Purpose restrictions	2,670,255	(2,670,255)	-
EXPENSES:			
Program services	7,265,684	-	7,265,684
Support activities:			
General and administrative	952,965	-	952,965
Fund-raising	635,873	-	635,873
	1,588,838	-	1,588,838
Total Expenses	8,854,522	-	8,854,522
Change in Net Assets	2,516,720	(1,101,582)	1,415,138
Net Assets, Beginning of Period	5,173,010	2,666,064	7,839,074
Net Assets, End of Period	\$ 7,689,730	\$ 1,564,482	\$ 9,254,212

See notes to consolidated financial statements

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services	Supporting Activities:			Total
		General and Administrative	Fund-raising	Cost of Direct Benefits to Donors	
Salaries and wages	\$ 1,927,906	\$ 325,353	\$ 259,472	\$ -	\$ 2,512,731
Foreign translation expenses	2,125,431	-	-	-	2,125,431
Office and occupancy	702,023	118,510	94,513	-	915,046
Depreciation and amortization	451,568	12,491	9,962	-	474,021
Employee benefits	356,191	60,129	47,954	-	464,274
Cost of goods sold	420,631	-	-	-	420,631
Grants to other organizations	368,197	-	-	-	368,197
Conferences and events	143,087	25,034	144,606	-	312,727
Other expense	218,112	36,820	29,364	-	284,296
Professional fees	174,721	89,481	16,329	-	280,531
Advertising expenses	27,555	220,765	-	-	248,320
Travel and transportation	135,885	22,939	18,294	-	177,118
Payroll taxes	114,233	19,284	15,379	-	148,896
Shipping and postage	91,980	-	-	-	91,980
Bad debt expense	-	22,159	-	-	22,159
Royalties expense	8,164	-	-	-	8,164
	<u>7,265,684</u>	<u>952,965</u>	<u>635,873</u>	<u>-</u>	<u>8,854,522</u>
Special event expenses	-	-	-	743,481	743,481
	<u>\$ 7,265,684</u>	<u>\$ 952,965</u>	<u>\$ 635,873</u>	<u>\$ 743,481</u>	<u>\$ 9,598,003</u>

See notes to consolidated financial statements

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Consolidated Statement of Cash Flows

Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 1,415,138
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	474,021
Change in operating assets and liabilities:	
Accounts and contributions receivable	1,117,887
Inventory	27,371
Prepays and other assets	25,170
Accounts payable	(88,278)
Accrued expenses and other liabilities	(117,233)
Net Cash Provided by Operating Activities	<u>2,854,076</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(5,132)
Purchases for product development costs	(1,214,979)
Net Cash Used by Investing Activities	<u>(1,220,111)</u>

Change in Cash and Cash Equivalents 1,633,965

Cash and Cash Equivalents, Beginning of Year 4,050,653

Cash and Cash Equivalents, End of Year \$ 5,684,618

SUPPLEMENTAL DISCLOSURE:

Change in deferred compensation assets and liabilities	<u>\$ 117,687</u>
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See notes to consolidated financial statements

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021

1. NATURE OF ORGANIZATION:

Messenger International, Inc. and Subsidiary (Messenger International, Inc.) is a not-for-profit organization that exists to develop uncompromising followers of Christ who transform the world.

Billions of people across the globe still do not have access to discipleship resources in their own language. As a result, people are living and dying without hearing the Good News, and even those who do hear the Gospel often find themselves without resources that help them connect the dots and grow spiritually.

That is why we have made it our mission to use multiple mediums to provide discipleship resources to every person—regardless of where they live, what language they speak, or what their financial position looks like. To this end, we now have discipleship resources in over 100 languages and 200 nations. All of these materials can be accessed, at no cost, through MessengerX.com.

We believe that when people discover and personalize the Good News, they will become Messengers in their own right, sharing God's story of redemption and reconciliation through their everyday lives and reaching whatever world God has placed them in.

"Go there and make disciples of all nations, baptizing them in the name of the Father and of the Son and of the Holy Spirit, teaching them to observe all that I have commanded you." Matthew 28:19-20 ESV

Messenger International, Inc. has been granted a tax exemption under section 501(c)(3) of the Internal Revenue Code and comparable state law. Messenger International, Inc. is not a private foundation under section 509(a) of the Internal Revenue Code.

The accompanying consolidated financial statements include the accounts of Messenger International, Inc. and Messenger Air, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation. Messenger International, Inc. owns 100% of Messenger Air, LLC. Throughout the consolidated financial statements, these two entities are collectively referred to as Messenger International, Inc.

Messenger International, Inc. maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the consolidated financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of checking, savings, and money market accounts. As of December 31, 2021, Messenger International, Inc. has cash and cash equivalents on deposit with financial institutions that exceed the federally insured (FDIC) balance by approximately \$4,650,000. Messenger International, Inc. has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

ACCOUNTS AND CONTRIBUTIONS RECEIVABLE, NET

Accounts and contributions receivable, net are stated at the amount billed to customers or amounts unconditionally pledged by donors. Messenger International, Inc. records an allowance for doubtful accounts, which is based on a review of outstanding receivables, historical collection information, and existing economic conditions. The allowance for doubtful accounts as of December 31, 2021, was \$330,221. Accounts receivable are ordinarily due 30, 60, or 90 days after the issuance of the invoice. For accounts that are unpaid after the due date, Messenger International, Inc. has the option to charge interest at 1% per month. Accounts receivable past due for more than 120 days are considered delinquent. Interest continues to accrue on delinquent accounts until the account is past due more than one year, at which time interest accrual ceases and does not resume until the account is no longer classified as delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

INVENTORY, NET

Inventory consists of books, curriculums, and other media applications. Inventory is stated at the lower of cost or net realizable value, using the average cost method (this method approximates the first-in, first-out methodology), or, if donated, at fair value at the date of the gift. Inventory is shown net of a reserve for slow moving inventory of \$159,367, at December 31, 2021.

ASSETS HELD FOR DEFERRED COMPENSATION

Assets held for deferred compensation fully consist of the cash surrender value of life insurance policies, which are measured at contract value. The value of this asset is based on Messenger International, Inc.'s share of the cash surrender value of the respective life insurance policies as represented by the insurance company.

PRODUCT DEVELOPMENT COSTS, NET

Product development costs are amortized over the estimated period during which the related income is expected to be earned (2-5 years). Accumulated amortization as of December 31, 2021, totaled \$1,814,492.

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT, NET

Property and equipment are capitalized at cost or, if donated, at fair value at the date of the gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 39 years. Purchases of long-lived assets in excess of \$2,000 with a useful life in excess of one year are capitalized, and lesser amounts are charged to expense as incurred.

NET ASSETS

The consolidated financial statements report amounts by class of net assets as follows:

Net assets without donor restrictions are those currently available to support Messenger International, Inc.'s operations and those resources invested in property and equipment.

Net assets with donor restrictions are comprised of donor-restricted contributions for the support of Messenger International, Inc. projects.

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash and other assets are received or when unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donated materials, professional services, and other noncash gifts are recorded at their estimated fair value at the date of donation.

Revenue Recognition

Ministry resource sales consist of sales of books, curriculum, and other resources sold by Messenger International, Inc., and are recorded when earned which is when the resource is shipped to the customer. Any amounts received prior to shipment of the resource are recorded as deferred revenue. Honorariums are received for speaking done by staff members, and are recorded as revenue once the speaking engagement has occurred. Royalty income consists of royalties received from ministry resource sales and is recognized when earned.

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Revenue Recognition, continued

Messenger International, Inc. has revenue from a special event in which registration fees are earned and contributions are received. Registration fee payments are collected prior to the event and are initially recorded as deferred revenue. The revenue is recognized upon the fulfillment of the performance obligation, when the special event occurs. Contributions are recorded when made, when cash or other assets are received or when unconditionally promised. Messenger International, Inc. earned approximately \$4,316,000 of special event revenue during the year ended December 31, 2021. This amount is reduced by the costs of direct benefits to donors of approximately \$743,000 on the consolidated statement of activities.

FUNCTIONAL ALLOCATION OF EXPENSES

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of Messenger International, Inc. The expenses that are allocated include depreciation, occupancy, and maintenance which are allocated based on usage of property and equipment. Costs of other categories were allocated on estimates of time and effort.

JOINT COSTS

Messenger International, Inc. hosts events and other information activities throughout the year that result in joint cost. Joint costs are incurred when requests for contributions and program service activities are conducted simultaneously. Management and general functions may also concurrently occur. Total joint costs for the year ended at December 31, 2021 totaled:

Program services	\$ 128,096
General and administrative	23,290
Fund-raising	<u>81,516</u>
	<u><u>\$ 232,902</u></u>

3. RISKS AND UNCERTAINTIES:

Messenger International, Inc.'s operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on Messenger International, Inc.'s financial position, operations, and cash flows. Possible effects may include, but are not limited to, disruption to Messenger International, Inc.'s contribution revenue, absenteeism in workforce, and a decline in value of assets held. The financial impact cannot be estimated at this time.

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021

4. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects Messenger International, Inc.'s financial assets as of December 31, 2021, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held for others, or because the board of directors has set aside the funds for specific contingency reserves and projects. These board designations could be drawn upon if the board approves that action.

Financial assets:	
Cash and cash equivalents	\$ 5,684,618
Accounts and contributions receivable, net	125,344
Assets held for deferred compensation	<u>547,379</u>
Financial assets, at period-end	6,357,341
Financial assets not available to be used for general expenditures in one year:	
Net assets with donor restrictions to be expended greater than one year	(700,000)
Assets held for deferred compensation	<u>(547,379)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 5,109,962</u></u>

Messenger International, Inc. structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows closely through monthly reviews and leadership team meetings.

5. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE:

Accounts and contributions receivable, net as of December 31, 2021 consist of:

Contributions receivable	\$ 391,528
Accounts receivable	<u>162,397</u>
	553,925
Allowance for doubtful accounts	<u>(330,221)</u>
	<u><u>\$ 223,704</u></u>

Contributions receivable consist of pledges received during the Messenger Cup. Management has written off all pledges that believed to be uncollectible. All receivables are to be collected within one year; therefore, no discount has been recorded.

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021

6. INVENTORY:

Inventory, net as of December 31, 2021 consists of:

Books and workbooks	\$ 361,637
Electronic media	14,399
Curriculum	8,146
Miscellaneous	7,569
Gifts in Kind	4,025
	<u>395,776</u>
Less allowance for slow moving inventory	<u>(159,367)</u>
	<u>\$ 236,409</u>

7. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net as of December 31, 2021 consist of:

Land	\$ 246,710
Buildings and improvements	1,424,103
Furniture and equipment	520,632
Software	119,222
	<u>2,310,667</u>
Less accumulated depreciation and amortization	<u>(1,435,091)</u>
	<u>\$ 875,576</u>

8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions as of December 31, 2021 consist of:

Books for the world	\$ 852,004
Travel funds	631,825
Rescue (formerly Pearl Alliance)	70,653
Special designation	10,000
	<u>\$ 1,564,482</u>

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021

9. GROSS MARGIN ON MINISTRY RESOURCE SALES:

Gross margin on ministry resource sales as of December 31, 2021 consist of:

Ministry resource sales	\$ 1,051,666
Cost of ministry resources	<u>(420,631)</u>
Gross margin	<u>\$ 631,035</u>

Cost of ministry resources represents the actual cost incurred for product and materials recorded as ministry resource sales when sold to constituents. Ministry resource distribution expenses are costs incurred related to goods and services in developing and distributing life-transforming messages.

10. RELATED PARTY TRANSACTIONS:

Messenger International, Inc. is related to TEACH Global LLC and FLAG LLC, through common members.

Messenger International, Inc. paid TEACH Global LLC \$17,430 during the year ended December 31, 2021.

Messenger International, Inc. paid FLAG LLC \$1,836 during the year ended December 31, 2021.

During the year ended December 31, 2021, members of the board contributed approximately \$972,000 to Messenger International, Inc. which makes up approximately 9% of total revenue given during the year.

11. RETIREMENT PLAN:

Messenger International, Inc. sponsors a 401(k) profit sharing plan (the Plan) covering all employees who have completed one year of service (1,000 hours) and are at least 21 years of age. Messenger International Inc. provides a contribution of 3% of compensation for each eligible employee in the Plan. Messenger International, Inc. may also elect to make a profit-sharing contribution, at the discretion of the board of directors. Participant interest is fully vested after six years of employment on the elective profit sharing contribution and immediately vested on all other contributions. Total contributions were \$67,528, for the year ended December 31, 2021.

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021

12. OPERATING LEASES:

As part of its exempt activities, Messenger International, Inc. has incurred certain obligations and commitments relating to warehouse storage, internet services, and office equipment. Total lease expense for the year ended December 31, 2021 was \$141,769. Future minimum payments are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 75,993
2023	61,416
2024	<u>12,757</u>
	<u>\$ 150,166</u>

13 SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 28, 2022, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.