



**MESSENGER INTERNATIONAL, INC.
AND SUBSIDIARY**

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2022 and 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 statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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, 2022 and 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 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 31, 2023

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

	December 31,	
	2022	2021
ASSETS:		
Cash and cash equivalents	\$ 4,069,902	\$ 5,684,618
Investments	2,567,759	-
Accounts receivable and other assets	156,967	193,783
Inventory, net	220,308	236,409
Operating lease: right-of-use assets	9,609	-
Assets held for deferred compensation	596,477	547,379
Product development costs, net	2,972,774	2,386,398
Property and equipment, net	830,989	875,576
	\$ 11,424,785	\$ 9,924,163
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 30,841	\$ 47,189
Accrued expenses and other liabilities	126,607	75,383
Royalty advances	572,552	-
Operating lease obligations	8,779	-
Deferred compensation liability	596,477	547,379
Total liabilities	1,335,256	669,951
Net assets:		
Without donor restrictions	7,962,310	7,689,730
With donor restrictions	2,127,219	1,564,482
Total net assets	10,089,529	9,254,212
Total Liabilities and Net Assets	\$ 11,424,785	\$ 9,924,163

See notes to consolidated financial statements

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Consolidated Statements of Activities

	Year Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 1,888,434	\$ 2,105,875	\$ 3,994,309	\$ 3,376,897	\$ 1,568,673	\$ 4,945,570
Ministry resource sales	859,744	-	859,744	1,051,666	-	1,051,666
Honorariums	475,252	-	475,252	523,172	-	523,172
Special events:						
Revenue	6,482,350	-	6,482,350	4,316,307	-	4,316,307
Costs of direct benefits to donors	(830,670)	-	(830,670)	(743,481)	-	(743,481)
Net special events income	5,651,680	-	5,651,680	3,572,826	-	3,572,826
Royalty income	177,168	-	177,168	83,811	-	83,811
Program income and other	134,815	-	134,815	92,615	-	92,615
Total Support and Revenue	9,187,093	2,105,875	11,292,968	8,700,987	1,568,673	10,269,660
NET ASSETS RELEASED:						
Purpose restrictions	1,543,138	(1,543,138)	-	2,670,255	(2,670,255)	-
EXPENSES:						
Program services	8,590,777	-	8,590,777	7,265,684	-	7,265,684
Support activities:						
General and administrative	931,713	-	931,713	879,813	-	879,813
Fund-raising	935,161	-	935,161	709,025	-	709,025
	1,866,874	-	1,866,874	1,588,838	-	1,588,838
Total Expenses	10,457,651	-	10,457,651	8,854,522	-	8,854,522
Change in Net Assets	272,580	562,737	835,317	2,516,720	(1,101,582)	1,415,138
Net Assets, Beginning of Year	7,689,730	1,564,482	9,254,212	5,173,010	2,666,064	7,839,074
Net Assets, End of Year	\$ 7,962,310	\$ 2,127,219	\$ 10,089,529	\$ 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, 2022

	Supporting Activities:				Total
	Program Services	General and Administrative	Fund-raising	Cost of Direct Benefits to Donors	
Salaries and benefits	\$ 2,614,448	\$ 453,838	\$ 410,299	\$ -	\$ 3,478,585
Foreign translation expenses	2,719,699	-	-	-	2,719,699
Office and occupancy	894,793	137,772	124,554	-	1,157,119
Conferences and events	325,743	63,328	323,258	-	712,329
Depreciation and amortization	625,313	10,441	9,439	-	645,193
Grants to other organizations	621,862	-	-	-	621,862
Cost of goods sold	348,795	-	-	-	348,795
Professional fees	115,422	195,825	18,007	-	329,254
Bank fees and other expense	219,682	52,279	33,123	-	305,084
Travel and transportation	105,020	18,230	16,481	-	139,731
	8,590,777	931,713	935,161	-	10,457,651
Special event expenses	-	-	-	830,670	830,670
	\$ 8,590,777	\$ 931,713	\$ 935,161	\$ 830,670	\$ 11,288,321

See notes to consolidated financial statements

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

	Supporting Activities:				Total
	Program Services	General and Administrative	Fund-raising	Cost of Direct Benefits to Donors	
Salaries and benefits	\$ 2,398,330	\$ 404,766	\$ 322,805	\$ -	\$ 3,125,901
Foreign translation expenses	2,125,431	-	-	-	2,125,431
Office and occupancy	794,003	118,510	94,513	-	1,007,026
Conferences and events	143,087	25,034	144,606	-	312,727
Depreciation and amortization	451,568	12,491	9,962	-	474,021
Grants to other organizations	368,197	-	-	-	368,197
Cost of goods sold	420,631	-	-	-	420,631
Professional fees	210,440	237,094	89,481	-	537,015
Bank fees and other expense	218,112	58,979	29,364	-	306,455
Travel and transportation	135,885	22,939	18,294	-	177,118
	7,265,684	879,813	709,025	-	8,854,522
Special event expenses	-	-	-	743,481	743,481
	\$ 7,265,684	\$ 879,813	\$ 709,025	\$ 743,481	\$ 9,598,003

See notes to consolidated financial statements

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 835,317	\$ 1,415,138
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	645,193	474,021
Gain on investments	(17,759)	-
Non-cash effect of change in accounting principle	(830)	-
Change in operating assets and liabilities:		
Accounts receivable and other assets	36,816	1,143,057
Inventory	16,101	27,371
Accounts payable	(16,348)	(88,278)
Accrued expenses and other liabilities	51,224	(117,233)
Royalty advances	572,552	-
Net Cash Provided by Operating Activities	2,122,266	2,854,076
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(2,550,000)	-
Purchases of property and equipment	(35,438)	(5,132)
Purchases of product development costs	(1,151,544)	(1,214,979)
Net Cash Used by Investing Activities	(3,736,982)	(1,220,111)
Change in Cash and Cash Equivalents	(1,614,716)	1,633,965
Cash and Cash Equivalents, Beginning of Year	5,684,618	4,050,653
Cash and Cash Equivalents, End of Year	\$ 4,069,902	\$ 5,684,618
SUPPLEMENTAL DISCLOSURES:		
Change in deferred compensation assets and liabilities	\$ 49,098	\$ 117,687
Right-of-use assets obtained in exchange for operating lease obligations	\$ 13,645	\$ -

See notes to consolidated financial statements

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

1. NATURE OF ORGANIZATION:

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of checking, savings, and money market accounts. As of December 31, 2022 and 2021, Messenger International, Inc. has cash and cash equivalents on deposit with financial institutions that exceed the federally insured balance by approximately \$3,326,000 and \$4,650,000, respectively.

INVESTMENTS

Investments consist of money markets, treasury bills, and readably marketable securities and are measured at fair value. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in program income and other on the consolidated statements of activities as without donor restrictions unless a donor has restricted their purpose. Donated securities are recorded at fair value at the date of the donation and thereafter carried in conformity with the stated policy.

ACCOUNTS RECEIVABLE AND OTHER ASSETS

Accounts receivable and other assets 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, 2022 and 2021, was \$29,260 and \$330,221, respectively. 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 \$88,765 and \$159,367, at December 31, 2022 and 2021, respectively.

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

OPERATING LEASE RIGHT-OF-USE ASSETS AND OBLIGATIONS

Messenger International, Inc. adopted Accounting Standards Update (ASU) 2016-02 (see recently adopted accounting standard below) and its related amendments as of January 1, 2022, which resulted in the recognition of operating lease right-of-use assets totaling \$9,609 as of December 31, 2022, as well as operating lease obligations totaling \$8,779. Messenger International, Inc. elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2022 without restating any prior-year amounts. Total operating lease costs during the year ended December 31, 2022, were \$5,443 and total short-term lease costs were \$189,768. The weighted-average discount rate was 2.02% and the weighted-average remaining lease term was 1.96 years as of December 31, 2022.

DEFERRED COMPENSATION ASSETS AND LIABILITIES

Deferred compensation assets 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. These assets are to fund the deferred compensation liability, which is payable to certain employees of Messenger International, Inc. under a non-qualified deferred compensation plan.

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, 2022 and 2021, totaled \$2,379,660 and \$1,814,492, respectively. Total amortization expense for the years ended December 31, 2022 and 2021, was \$565,168 and \$377,575, respectively.

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.

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS, continued

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. During the years ended December 31, 2022 and 2021, there were no contributed nonfinancial assets.

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. Program and other income consists mainly of returns on investments and is recognized when earned.

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 \$6,482,000 and \$4,316,000 of special event revenue during the years ended December 31, 2022 and 2021, respectively. This amount is reduced by the costs of direct benefits to donors of approximately \$831,000 and \$743,000, respectively on the consolidated statements 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 and amortization, office, and occupancy which are allocated based on usage of property and equipment. Costs of other categories are allocated on estimates of time and effort.

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

JOINT COSTS

Messenger International, Inc. hosts events and other information activities throughout the year that result in joint costs. 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 are:

	Year Ended December 31,	
	2022	2021
Program services	\$ 258,767	\$ 128,096
General and administrative	47,049	23,290
Fund-raising	164,670	81,516
	<u>\$ 470,486</u>	<u>\$ 232,902</u>

RECENTLY ADOPTED ACCOUNTING STANDARD

In 2016, Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842 of the ASC). The amendments in this update require organizations that lease assets to recognize on the consolidated statements of financial position the assets and liabilities for the rights and obligations created by the leases. The amendments are effective for fiscal years beginning after December 15, 2021. Messenger International, Inc.'s contracts contain the right to control the use of property or asset and is therefore considered a lease. Messenger International, Inc. elected to adopt the transition relief provisions from ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements* and recorded the impact of adoption as of January 1, 2022, without restating any prior-year amounts. Messenger International, Inc. also elected to exclude leases with terms of less than 12 months and elected the practical expedient to not separate lease and nonlease components. The non-cash effect of the change in accounting principle to the opening balance of net assets totaled \$830 and was adjusted through other expenses on the consolidated statements of activities and statements of functional expenses.

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects Messenger International, Inc.'s financial assets as, 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.

	December 31,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 4,069,902	\$ 5,684,618
Investments	2,567,759	-
Accounts and contributions receivable	123,490	125,344
Assets held for deferred compensation	596,477	547,379
Financial assets, at year-end	<u>7,357,628</u>	<u>6,357,341</u>
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	(1,300,000)	(700,000)
Assets held for deferred compensation	<u>(596,477)</u>	<u>(547,379)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,461,151</u>	<u>\$ 5,109,962</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.

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS:

Fair values of assets measured on a recurring basis at December 31, 2022 are:

	December 31, 2022	Fair Value Measurements Using:	
		Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments:			
Mutual funds	\$ 383,095	\$ 383,095	\$ -
Exchange traded funds	289,570	289,570	-
Treasury bills	<u>1,857,038</u>	<u>-</u>	<u>1,857,038</u>
	\$ 2,529,703	<u>\$ 672,665</u>	<u>\$ 1,857,038</u>
Money market held at contract value	<u>38,056</u>		
	<u>\$ 2,567,759</u>		

There were no investments held at fair value during the year ended December 31, 2021

The Fair Value Measurements Topic of the FASB Accounting Standards Codification (ASC) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. When available, Messenger International, Inc. measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or 2 inputs are not available.

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

5. ACCOUNTS RECEIVABLES AND OTHER ASSETS:

Accounts receivable and other assets consist of:

	Year Ended December 31,	
	2022	2021
Accounts receivable	\$ 152,750	\$ 162,397
Contributions receivable	-	391,528
	152,750	553,925
Allowance for doubtful accounts	(29,260)	(330,221)
	123,490	223,704
Prepaid expenses and other assets	33,477	68,439
	<u>\$ 156,967</u>	<u>\$ 292,143</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.

6. INVENTORY, NET:

Inventory, net consists of:

	December 31,	
	2022	2021
Books and workbooks	\$ 263,168	\$ 361,637
Electronic media	35,286	14,399
Curriculum	5,314	8,146
Miscellaneous	5,305	11,594
	309,073	395,776
Less allowance for slow moving inventory	(88,765)	(159,367)
	<u>\$ 220,308</u>	<u>\$ 236,409</u>

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

7. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net consist of:

	December 31,	
	2022	2021
Land	\$ 246,710	\$ 246,710
Buildings and improvements	1,424,103	1,424,103
Furniture and equipment	556,070	520,632
Software	119,222	119,222
	<u>2,346,105</u>	<u>2,310,667</u>
Less accumulated depreciation and amortization	<u>(1,515,116)</u>	<u>(1,435,091)</u>
	<u>\$ 830,989</u>	<u>\$ 875,576</u>

Depreciation expense for the year ended December 31, 2022 and 2021 was \$80,025 and \$96,446, respectively.

8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	December 31,	
	2022	2021
Travel funds	\$ 775,731	\$ 631,825
Books for the world	715,100	852,004
Awe of God tour	447,100	-
Mobile messenger	115,932	-
Rescue (formerly Pearl Alliance)	63,356	70,653
Special designation	10,000	10,000
	<u>\$ 2,127,219</u>	<u>\$ 1,564,482</u>

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

9. GROSS MARGIN ON MINISTRY RESOURCE SALES:

Gross margin on ministry resource sales consist of:

	Year Ended December 31,	
	2022	2021
Ministry resource sales	\$ 859,744	\$ 1,051,666
Cost of ministry resources	<u>(348,795)</u>	<u>(420,631)</u>
Gross margin	<u>\$ 510,949</u>	<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 \$0 and \$17,430, during the years ended December 31, 2022 and 2021, respectively. Messenger International, Inc. paid FLAG LLC \$2,520 and \$1,836, during the years ended December 31, 2022 and 2021, respectively.

During the years ended December 31, 2022 and 2021, members of the board contributed approximately \$997,000 and \$972,000, respectively, to Messenger International, Inc. which makes up approximately 9% of total support and revenue received during each of the years.

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 \$69,948 and \$67,528, for the years ended December 31, 2022 and 2021, respectively.

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

12. OPERATING LEASES:

Prior to the adoption of ASU's 2016-02 and 2018-11 under Topic 842 as described in Note 2, Messenger International, Inc. was applying Topic 840 in relation to operating leases. For the comparable period Messenger International, Inc. had operating lease expenses of \$141,769 for the year ended December 31, 2021.

13. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 31, 2023, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.