

Financial Statements

**NEW MISSION SYSTEMS, INC.
d/b/a NEW INTERNATIONAL**

July 31, 2020 and 2019

**NEW MISSION SYSTEMS, INC.
d/b/a NEW INTERNATIONAL**

Financial Statements

July 31, 2020 and 2019

(With Independent Auditor's Report Thereon)

NEW MISSION SYSTEMS, INC.

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Independent Auditor's Report

The Board of Directors
New Mission Systems, Inc.
d/b/a New International

We have audited the accompanying financial statements of New Mission Systems, Inc. d/b/a New International (a nonprofit organization), which comprise the statements of financial position as of July 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 New Mission Systems, Inc. d/b/a New International as of July 31, 2020 and 2019, 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.

Schaefer, Tschoff, Whitcomb, Mitchell & Shuilen, LLP

September 16, 2020

NEW MISSION SYSTEMS, INC.
d/b/a NEW INTERNATIONAL

Statements of Financial Position

July 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,194,386	580,465
Accounts receivable	17,750	-
Prepaid expenses	63,888	28,223
Property and equipment, net (notes 3, 4 and 5)	<u>3,876,825</u>	<u>3,501,843</u>
Total assets	<u><u>\$ 5,152,849</u></u>	<u><u>4,110,531</u></u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 16,492	17,048
Note payable, less debt issuance costs (note 4)	<u>697,478</u>	<u>753,937</u>
Total liabilities	713,970	770,985
 Net assets without donor restrictions	 <u>4,438,879</u>	 <u>3,339,546</u>
Total liabilities and net assets	<u><u>\$ 5,152,849</u></u>	<u><u>4,110,531</u></u>

See accompanying notes to financial statements.

NEW MISSION SYSTEMS, INC.
d/b/a NEW INTERNATIONAL

Statements of Activities and Changes in Net Assets

Years ended July 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net assets without donor restrictions:		
Support and revenue:		
Contributions	\$ 7,879,046	7,166,998
Interest income	5,208	4,904
Rental income (note 6)	151,793	152,959
Sales and services	21,978	8,055
Payroll protection program grant (note 8)	336,500	-
Other income	2,775	923
	<u>8,397,300</u>	<u>7,333,839</u>
Expenses:		
Program services	6,574,151	6,585,276
Management and general	498,587	412,260
Fund raising	225,229	148,159
	<u>7,297,967</u>	<u>7,145,695</u>
Change in net assets	1,099,333	188,144
Net assets, beginning of year	<u>3,339,546</u>	<u>3,151,402</u>
Net assets, end of year	<u><u>\$ 4,438,879</u></u>	<u><u>3,339,546</u></u>

See accompanying notes to financial statements.

NEW MISSION SYSTEMS, INC.
d/b/a NEW INTERNATIONAL

Statement of Functional Expenses

Year ended July 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Personnel expenses:				
Payroll	\$ 2,057,881	250,898	38,257	2,347,036
Employee benefits	360,206	43,884	6,696	410,786
Housing allowance	650,349	79,291	12,090	741,730
Total personnel expenses	3,068,436	374,073	57,043	3,499,552
Other expenses:				
Depreciation	225,208	23,428	-	248,636
Education	138,733	-	-	138,733
Conference	35,869	-	-	35,869
Insurance	65,573	8,027	1,220	74,820
Interest	15,180	15,180	-	30,360
Mission projects	2,725,179	-	-	2,725,179
Building materials	87,720	-	-	87,720
Occupancy	63,729	19,735	-	83,464
Office supplies	26,777	8,925	-	35,702
Postage	15,648	10,432	-	26,080
Printing	28,470	18,980	-	47,450
Professional fees	14,392	4,798	-	19,190
Recruiting	28,559	-	-	28,559
Bank fees	21,672	7,224	-	28,896
Telephone	11,539	7,692	-	19,231
Supporter relationships	-	-	166,931	166,931
Noncash interest expense	1,467	93	35	1,595
Total expenses	<u>\$ 6,574,151</u>	<u>498,587</u>	<u>225,229</u>	<u>7,297,967</u>

See accompanying notes to financial statements.

NEW MISSION SYSTEMS, INC.
d/b/a NEW INTERNATIONAL

Statement of Functional Expenses

Year ended July 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Personnel expenses:				
Payroll	1,905,511	131,886	11,278	2,048,675
Employee benefits	412,965	36,185	3,180	452,330
Housing allowance	612,620	112,492	8,280	733,392
Total personnel expenses	2,931,096	280,563	22,738	3,234,397
Other expenses:				
Depreciation	190,083	15,911	1,452	207,446
Education	135,811	-	-	135,811
Conference	22,676	-	-	22,676
Insurance	73,549	6,157	562	80,268
Interest	16,420	16,420	-	32,840
Mission projects	2,827,944	-	-	2,827,944
Building materials	129,526	-	-	129,526
Occupancy	71,155	21,635	-	92,790
Office supplies	22,555	7,518	-	30,073
Postage	12,737	8,491	-	21,228
Printing	42,428	28,285	-	70,713
Professional fees	17,894	5,965	-	23,859
Recruiting	41,507	-	-	41,507
Bank fees	33,189	11,063	-	44,252
Telephone	15,239	10,159	-	25,398
Supporter relationships	-	-	123,372	123,372
Noncash interest expense	1,467	93	35	1,595
Total expenses	<u>6,585,276</u>	<u>412,260</u>	<u>148,159</u>	<u>7,145,695</u>

See accompanying notes to financial statements.

NEW MISSION SYSTEMS, INC.
d/b/a NEW INTERNATIONAL

Statements of Cash Flows

Years ended July 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,099,333	188,144
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	248,636	207,446
Non-cash interest expense	1,595	1,595
Change in operating assets and liabilities:		
Accounts receivable	(17,750)	-
Prepaid expenses	(35,665)	14,885
Accounts payable and accrued expenses	(556)	2,033
Net cash provided by operating activities	<u>1,295,593</u>	<u>414,103</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(623,618)</u>	<u>(268,671)</u>
Net cash used in investing activities	<u>(623,618)</u>	<u>(268,671)</u>
Cash flows from financing activities:		
Payments on note payable	<u>(58,054)</u>	<u>(55,782)</u>
Net cash used in financing activities	<u>(58,054)</u>	<u>(55,782)</u>
Net change in cash and cash equivalents	613,921	89,650
Cash and cash equivalents at beginning of year	<u>580,465</u>	<u>490,815</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,194,386</u></u>	<u><u>580,465</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u><u>\$ 30,360</u></u>	<u><u>32,840</u></u>

See accompanying notes to financial statements.

NEW MISSION SYSTEMS, INC.
d/b/a NEW INTERNATIONAL

Notes to Financial Statements

July 31, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

New Mission Systems, Inc. (Organization) exists to foster the emergence of Jesus following communities globally. Founded in 1989, its vision is to support and place individuals in fields of service to minister to people of all nations. The Organization's activities consist of recruiting, providing training and support and placing missionaries in the field both in the United States and foreign countries

The Organization's employees are responsible for raising their own funds through contributions from churches and individuals. Ten percent (10%) of the total funds raised is applied to cover administration costs and the remainder is maintained to cover the missionary and ministry expenses of the originating individual.

The Organization maintains a publications department that occasionally provides services to other 501(c)(3) religious charities and churches in addition to printing the materials of the Organization.

(b) Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Unconditional promises to give (pledges) are recorded as receivables and revenue, and the Organization distinguishes between promises received for each net asset category in accordance with donor restrictions, if any.

Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- ◆ Net assets without donor restrictions---Net assets that are not subject to donor-imposed stipulations.

NEW MISSION SYSTEMS, INC.
d/b/a NEW INTERNATIONAL

Notes to Financial Statements

July 31, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies (Continued)

(b) Basis of Accounting (Continued)

- ◆ Net assets with donor restrictions---Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions.

(c) Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers investments purchased with original maturities of three months or less to be cash equivalents.

Financial instruments which potentially subject the Organization to concentration of credit risk consist principally of cash and short-term investments. The Organization places its cash and investments with local financial institutions. At certain times throughout the year, cash and investments may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization management believes it is not exposed to any significant credit risk on cash and temporary cash investments.

(d) Investments

Investments are carried at fair market value, which is based upon quoted market prices. Realized and unrealized gains and losses are included in the statement of activities.

(e) Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

NEW MISSION SYSTEMS, INC.
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Notes to Financial Statements

July 31, 2020 and 2019

(2) Organization and Summary of Significant Accounting Policies (Continued)

(f) Deferred Loan Costs

Deferred loan costs of \$23,895 for the years ending July 31, 2020 and 2019 are being amortized utilizing a method that approximates the effective interest rate method over the term of the mortgage bonds payable.

The net book value of the deferred loan costs are presented in the statements of financial position as a reduction in the carrying amount of the associated liability. The amortization expense associated with the deferred loan costs is reflected as noncash interest expense on the accompanying statements of operations and cash flows. As of July 31, 2020 and 2019, accumulated noncash interest expense related to the deferred loan costs totaled \$9,570 and \$7,975, respectively.

(g) Property and Equipment

Buildings and equipment are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line or declining balance method. Currently the Organization capitalizes all fixed asset additions with a life greater than one year and a cost in excess of \$1,500. Certain property and equipment over \$1,500 is not capitalized as a function of a foreign ruling government's policy related to rights of ownership. In cases where clear title and ownership are encumbered by such policies these acquisitions are expensed.

(h) Land

Land purchased by the Organization is stated at cost. Donated land is stated at fair market value at the date of gift or at tax assessed value when the fair value is not reasonably obtainable.

(i) Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation.

NEW MISSION SYSTEMS, INC.
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Notes to Financial Statements

July 31, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies (Continued)

(j) Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

(k) Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It qualifies for the charitable contribution deduction under Section 701(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

In accordance with “Income Taxes” FASB Accounting Standards Codification Topic 740 (Topic 740), all entities are required to evaluate and disclose income tax risks. Topic 740 clarifies the accounting for uncertainty in tax positions and prescribes guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statements of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statements of activities and changes in net assets. As of July 31, 2020, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Organization’s income tax returns are subject to review and examination by federal authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The tax returns for the fiscal years ended from 2017 to 2019 are open to examination by federal authorities.

NEW MISSION SYSTEMS, INC.
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Notes to Financial Statements

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(1) Organization and Summary of Significant Accounting Policies (Continued)

(l) Functional Allocation of Expenses

The costs of providing programs and administration of the Organization have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation of expenses according to function, including payroll and occupancy costs which cannot be directly attributed to specific functions, is based on estimates by the Organization's management, of the time of employees involved and of percentages of assets utilized.

(m) Financial Instruments Fair Value, Concentration of Business and Credit Risks

The carrying amounts reported in the balance sheet for cash and cash equivalents, accounts payable and accrued expenses, and note payable approximate fair value because of the immediate or short-term maturity of these financial instruments, or they carry interest rates substantially similar to current rates offered on similar instruments.

(n) 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.

(o) Funds Held for Missionaries

The Organization's employees are responsible for raising their own support from churches and individuals. These funds are held by the Organization. As of July 31, 2020 and 2019, the funds held for employee's totaled \$2,264,167 and \$1,608,779, respectively.

NEW MISSION SYSTEMS, INC.
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Notes to Financial Statements

July 31, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies (Continued)

(p) Subsequent Events

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through September 16, 2020, which is the date the financial statements were available to be issued.

(2) Liquidity and Availability

As of July 31, 2020, the Organization has \$1,212,136 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. Additionally, the Organization has a line of credit under which it may borrow up to \$700,000 (see note 5). The Organization had no financial assets subject to donor or other restrictions as of July 31, 2020. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table reflects the Organization's financial assets as of July 31, 2020 reduced by amounts that are not available to meet general expenditures, as applicable, within one year of the statement of financial position date.

Cash and cash equivalents	\$ 1,194,386
Accounts receivable	<u>17,750</u>
	<u>\$ 1,212,136</u>

NEW MISSION SYSTEMS, INC.
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Notes to Financial Statements

July 31, 2020 and 2019

(3) Property and Equipment

Property, equipment and related accumulated depreciation consist of the following at July 31:

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 528,367	528,367
Buildings	3,478,674	3,478,674
Equipment	666,577	599,712
Furniture	129,274	41,463
Vehicles	719,276	608,889
Leasehold improvements	5,920	5,920
Construction in progress	370,588	12,034
	<u>5,898,676</u>	<u>5,275,059</u>
Less: accumulated depreciation	<u>(2,021,851)</u>	<u>(1,773,216)</u>
	<u>\$ 3,876,825</u>	<u>3,501,843</u>

(4) Note Payable

Note payable consists of the following at July 31:

	<u>2020</u>	<u>2019</u>
Loan payable to bank with original borrowings of \$990,000; interest bearing at 4.0%, due in monthly payments of \$7,316 including interest through February 2030; collateralized by building.	<u>\$ 711,803</u>	<u>769,857</u>

The unamortized loan costs which are shown as a reduction of the notes payable at July 31, 2020 and 2019 were \$14,325 and \$15,920, respectively.

Future maturities of note payable are as follows:

<u>Year ended July 31,</u>	
2021	\$ 61,043
2022	63,530
2023	66,119
2024	68,812
2025	71,616
Thereafter	<u>380,683</u>
	<u>\$ 711,803</u>

NEW MISSION SYSTEMS, INC.
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Notes to Financial Statements

July 31, 2020 and 2019

(5) Line of Credit

The Organization has a line of credit arrangement maturing in September 2022, due on demand, under which it may borrow up to \$700,000 from time to time with interest at the lender's prime rate. The line of credit is collateralized by a security interest in certain land and buildings of the Organization. The entire amount of the line was available at July 31, 2020.

(6) Retirement Plan

The Organization permits every employee to participate in an individually owned 403(b) plan (Plan). Employees may elect to defer a portion of salary up to \$18,500 per calendar year, with an additional \$5,000 if they have attained age 50 by the end of the calendar year (limits indexed annually). These voluntary deferral amounts reduce the employee salary and are deposited by the employer into the individual's 403(b) account. Deposits are invested at the direction of the employee. There were no contributions to the Plan by the Organization in 2019 or 2018.

(7) Leases

The Organization leases space in its main office location to other non related parties. Total lease income for the year ended July 31, 2020 and 2019 amounted to \$151,793 and \$152,959, respectively.

Future lease payments expected to be received under these lease agreements are as follows:

Year ended July 31,

2021	\$ 128,635
2022	138,751
2023	114,925
2024	85,214
2025	83,539
Thereafter	174,785

NEW MISSION SYSTEMS, INC.
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Notes to Financial Statements

July 31, 2020 and 2019

(8) Paycheck Protection Program (PPP) Loan

In April 2020 the Organization applied for and received a loan in the amount of \$336,500 pursuant to the Paycheck Protection Program (PPP) established by the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide relief in connection with the coronavirus pandemic. The note bears interest at 1% and is subject to a payment deferral period of six months. However, the note and related interest are subject to forgiveness when the proceeds of the loan are used to fund payroll and other allowable expenses as defined by the PPP. As of July 31, 2020, the Organization incurred \$336,500 of qualifying expenditures and, accordingly, has recorded that amount as PPP grant revenue in the accompanying statement of activities. In addition, as a result of the forgiveness described herein, the loan balance is considered satisfied in full as of July 31, 2020.

(9) Subsequent Event - Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that the effects of the pandemic will continue for some time. With respect to the Organization's operations, future potential impacts may include disruptions or restrictions on our employees' ability to work or on our supporters, members and participant's ability to pay. Changes to the operating environment may increase operating costs. Additional effects may include the ability of donors to continue making donations as a result of job loss, overall economic slowdown or other pandemic related issues. The ultimate outcome of these matters on the Organization cannot be determined at this time.