

Financial Statements

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

July 31, 2023 and 2022

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

Financial Statements

July 31, 2023 and 2022

(With Independent Auditor's Report Thereon)

NEW MISSION SYSTEMS, INC.

Table of Contents

Independent Auditor's Report.....	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statement of Functional Expenses - Year ended July 31, 2023	5
Statement of Functional Expenses - Year ended July 31, 2022	6
Statements of Cash Flows	7
Notes to Financial Statements.....	8

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of New Mission Systems, Inc d/b/a New International (the Organization) (a nonprofit corporation), which comprise the statement of financial position as of July 31, 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of New Mission Systems, Inc d/b/a New International and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 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 the Organization'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 financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Schater, Tschagg, Whitcomb, Mitchell & Shuilen, LLP

August 31, 2023
Maitland, Florida

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

Statements of Financial Position

July 31, 2023 and 2022

	<u>Assets</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents		\$ 2,887,378	3,423,785
Prepaid expenses		83,076	99,976
Property and equipment, net (notes 3, 4 and 5)		<u>4,430,861</u>	<u>3,959,336</u>
Total assets		<u><u>\$ 7,401,315</u></u>	<u><u>7,483,097</u></u>
<u>Liabilities and Net Assets</u>			
Liabilities:			
Accounts payable and accrued expenses		\$ 20,128	17,672
Note payable, less debt issuance costs (note 4)		<u>513,519</u>	<u>577,367</u>
Total liabilities		533,647	595,039
Net assets without donor restrictions		<u>6,867,668</u>	<u>6,888,058</u>
Total net assets		6,867,668	6,888,058
Total liabilities and net assets		<u><u>\$ 7,401,315</u></u>	<u><u>7,483,097</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net assets without donor restrictions:		
Support and revenue:		
Contributions	\$ 10,288,824	10,933,209
Interest income	66,029	3,172
Rental income (note 7)	155,485	175,855
Sales and services	5,355	3,655
Other income	105,388	10,121
	<u>10,621,081</u>	<u>11,126,012</u>
Expenses:		
Program services	9,578,498	8,879,613
Management and general	783,193	562,082
Fund raising	279,780	285,154
	<u>10,641,471</u>	<u>9,726,849</u>
Change in net assets	(20,390)	1,399,163
Net assets, beginning of year	<u>6,888,058</u>	<u>5,488,895</u>
Net assets, end of year	<u><u>\$ 6,867,668</u></u>	<u><u>6,888,058</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, 2023

	Program Services	Management and General	Fund Raising	Total
Personnel expenses:				
Payroll	\$ 2,332,383	365,645	88,904	2,786,932
Employee benefits	464,411	72,805	17,702	554,918
Housing allowance	1,034,818	162,227	39,445	1,236,490
Total personnel expenses	3,831,612	600,677	146,051	4,578,340
Other expenses:				
Depreciation	274,577	45,202	10,990	330,769
Education	348,473	-	-	348,473
Conference	104,531	-	-	104,531
Insurance	35,438	5,556	1,350	42,344
Interest	11,174	11,175	-	22,349
Mission projects	4,239,972	-	-	4,239,972
Building materials	458,490	-	-	458,490
Occupancy	65,954	20,693	-	86,647
Office supplies	23,453	7,817	-	31,270
Postage	24,941	16,627	-	41,568
Printing	34,211	22,808	-	57,019
Professional fees	48,557	7,612	1,851	58,020
Recruiting	24,477	24,477	-	48,954
Bank fees	41,588	13,863	-	55,451
Telephone	9,716	6,477	-	16,193
Supporter relationships	-	-	119,486	119,486
Noncash interest expense	1,334	209	52	1,595
Total expenses	<u>\$ 9,578,498</u>	<u>783,193</u>	<u>279,780</u>	<u>10,641,471</u>

See accompanying notes to financial statements.

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

Statement of Functional Expenses

Year ended July 31, 2022

	Program Services	Management and General	Fund Raising	Total
Personnel expenses:				
Payroll	\$ 2,350,039	252,118	97,176	2,699,333
Employee benefits	487,029	52,249	20,139	559,417
Housing allowance	992,910	106,522	41,057	1,140,489
Total personnel expenses	3,829,978	410,889	158,372	4,399,239
Other expenses:				
Depreciation	245,842	26,374	10,166	282,382
Education	274,275	-	-	274,275
Conference	71,572	-	-	71,572
Insurance	36,936	3,963	1,526	42,425
Interest	12,455	12,455	-	24,910
Mission projects	3,893,483	-	-	3,893,483
Building materials	287,767	-	-	287,767
Occupancy	58,300	18,362	-	76,662
Office supplies	25,999	8,666	-	34,665
Postage	25,264	16,843	-	42,107
Printing	28,006	18,671	-	46,677
Professional fees	22,094	7,365	-	29,459
Recruiting	19,233	19,233	-	38,466
Bank fees	36,704	12,235	-	48,939
Telephone	10,316	6,877	-	17,193
Supporter relationships	-	-	115,033	115,033
Noncash interest expense	1,389	149	57	1,595
Total expenses	<u>\$ 8,879,613</u>	<u>562,082</u>	<u>285,154</u>	<u>9,726,849</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended July 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from		
Change in net assets	\$ (20,390)	1,399,163
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	330,769	282,382
Gain on sale of equipment	-	(10,121)
Non-cash interest expense	1,595	1,595
Change in operating assets and liabilities:		
Prepaid expenses	16,900	(37,896)
Accounts payable and accrued expenses	2,456	(105)
Net cash provided by operating activities	<u>331,330</u>	<u>1,635,018</u>
Cash flows from investing activities:		
Purchase of property and equipment	(802,294)	(330,614)
Proceeds from sale of equipment	-	10,121
Net cash used in investing activities	<u>(802,294)</u>	<u>(320,493)</u>
Cash flows from financing activities:		
Payments on note payable	(65,443)	(62,881)
Net cash used in financing activities	<u>(65,443)</u>	<u>(62,881)</u>
Net change in cash and cash equivalents	(536,407)	1,251,644
Cash and cash equivalents at beginning of year	<u>3,423,785</u>	<u>2,172,141</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,887,378</u></u>	<u><u>3,423,785</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u><u>\$ 22,349</u></u>	<u><u>24,910</u></u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

July 31, 2023 and 2022

(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.
- ◆ 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.

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

Notes to Financial Statements

July 31, 2023 and 2022

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

(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.

(f) Deferred Loan Costs

Deferred loan costs of \$23,895 for the years ending July 31, 2023 and 2022 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, 2023 and 2022, accumulated noncash interest expense related to the deferred loan costs totaled \$14,355 and \$12,760, respectively.

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

Notes to Financial Statements

July 31, 2023 and 2022

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

(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.

(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, 2023, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

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

Notes to Financial Statements

July 31, 2023 and 2022

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

(k) Income Tax Status (Continued)

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 2020 to 2022 are open to examination by federal authorities.

(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 donors. These funds are held by the Organization. As of July 31, 2023 and 2022, the funds held for employee's and projects totaled \$3,971,389 and \$3,996,974, respectively. New International makes every effort to honor preference of gifts given, however, retains discretion and control over their use. In the unlikely event it is not able to the intended purpose, gifts will be applied where most needed.

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

Notes to Financial Statements

July 31, 2023 and 2022

(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 August 31, 2023, which is the date the financial statements were available to be issued.

(2) Liquidity and Availability

As of July 31, 2023, the Organization has \$2,887,378 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 financial assets subject to donor or other restrictions in the amount of \$1,637,454 as of July 31, 2023. 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, 2023 reduced by amounts that are not available to meet general expenditures within one year of the statement of position date.

Cash and cash equivalents	<u>\$ 2,887,378</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,887,378</u>

(3) Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 528,367	528,367
Buildings	4,037,233	3,975,400
Equipment	551,868	484,282
Furniture	122,967	121,076
Vehicles	702,964	557,195
Leasehold improvements	27,770	27,770
Construction in progress	628,621	103,406
	<u>6,599,790</u>	<u>5,803,496</u>
Less: accumulated depreciation	<u>(2,168,929)</u>	<u>(1,838,160)</u>
	<u>\$ 4,430,861</u>	<u>3,959,336</u>

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

Notes to Financial Statements

July 31, 2023 and 2022

(4) Note Payable

Note payable consists of the following at July 31:

	<u>2023</u>	<u>2022</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>\$ 523,059</u>	<u>588,502</u>

The unamortized loan costs which are shown as a reduction of the notes payable at July 31, 2023 and 2022 were \$9,540 and \$11,135, respectively.

Future maturities of note payable are as follows:

<u>Year ended July 31,</u>	
2024	\$ 68,812
2025	71,616
2026	74,534
2027	77,570
2028	80,731
Thereafter	<u>149,796</u>
	<u>\$ 523,059</u>

(5) Line of Credit

The Organization has a line of credit arrangement maturing in September 2024, 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, 2023.

(6) Leases

The Organization leases space in its main office location to other non related parties. Total lease income for the year ended July 31, 2023 and 2022 amounted to \$155,485 and \$145,044, respectively.

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

Notes to Financial Statements

July 31, 2023 and 2022

(6) Leases (Continued)

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

<u>Year ended July 31,</u>	
2024	\$ 71,102
2025	63,482
2026	38,062
2027	34,250
2028	34,250
Thereafter	68,500