



CHURCH MINISTRIES INTERNATIONAL, INC.

Financial Statements  
With Independent Auditors' Report

May 31, 2016

# CHURCH MINISTRIES INTERNATIONAL, INC.

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Church Ministries International, Inc.  
Plano, Texas

We have audited the accompanying financial statements of Church Ministries International, Inc., which comprise the statement of financial position as of May 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors  
Church Ministries International, Inc.  
Plano, Texas

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Church Ministries International, Inc., as of May 31, 2016, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Dallas, Texas  
August 29, 2016

# CHURCH MINISTRIES INTERNATIONAL, INC.

## Statement of Financial Position

May 31, 2016

### ASSETS:

Cash and cash equivalents	\$ 232,242
Deposits and advances	11,562
Investments	2,571,262
Furniture and equipment—net	<u>2,686</u>

Total Assets \$ 2,817,752

### LIABILITIES AND NET ASSETS:

#### Liabilities:

Accounts payable and accrued expenses	<u>\$ 15,877</u>
---------------------------------------	------------------

#### Net assets:

Unrestricted	537,156
Temporarily restricted	2,260,396
Permanently restricted	<u>4,323</u>
	<u>2,801,875</u>

Total Liabilities and Net Assets \$ 2,817,752

See notes to financial statements

# CHURCH MINISTRIES INTERNATIONAL, INC.

## Statement of Activities

Year Ended May 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE:</b>				
Contributions	\$ 75,750	\$ 2,259,769	\$ -	\$ 2,335,519
Program service revenue	42,308	-	-	42,308
Non cash contributions	22,675	724,217	-	746,892
Other income	40	(43,962)	-	(43,922)
Total Support and Revenue	140,773	2,940,024	-	3,080,797
<b>RECLASSIFICATIONS:</b>				
Administration assessments	312,655	(312,655)	-	-
Satisfaction of purpose and time restrictions	395,522	(395,522)	-	-
Total Reclassifications	708,177	(708,177)	-	-
<b>EXPENSES:</b>				
Program services:				
Program development and ministry to constituency	477,789	-	-	477,789
Supporting activities:				
Management and general	119,450	-	-	119,450
Fund-raising	28,464	-	-	28,464
	147,914	-	-	147,914
Total Expenses	625,703	-	-	625,703
Change in Net Assets	223,247	2,231,847	-	2,455,094
Net Assets, Beginning of Year	313,909	28,549	4,323	346,781
Net Assets, End of Year	\$ 537,156	\$ 2,260,396	\$ 4,323	\$ 2,801,875

See notes to financial statements

# CHURCH MINISTRIES INTERNATIONAL, INC.

## Schedule of Functional Expenses

Year Ended May 31, 2016

	Program Development and Ministry to Constituency	Supporting Activities			TOTAL
		Management and General	Fund-raising	Total Supporting Activities	
Insurance and liability	\$ -	\$ 817	\$ -	\$ 817	\$ 817
Salaries and benefits	166,637	76,909	12,818	89,727	256,364
Events	23,579	4,208	5,694	9,902	33,481
Hospitality	7,209	1,807	333	2,140	9,349
Travel	25,409	860	3,950	4,810	30,219
Professional fees	13,722	14,384	-	14,384	28,106
Rent	26,032	16,566	4,733	21,299	47,331
Office supplies/equipment	880	776	337	1,113	1,993
Postage and printing	547	911	241	1,152	1,699
Depreciation	-	1,222	-	1,222	1,222
Telephone	2,236	990	358	1,348	3,584
Grants	211,538	-	-	-	211,538
	<u>\$ 477,789</u>	<u>\$ 119,450</u>	<u>\$ 28,464</u>	<u>\$ 147,914</u>	<u>\$ 625,703</u>

See notes to financial statements

# CHURCH MINISTRIES INTERNATIONAL, INC.

## Statement of Cash Flows

May 31, 2016

### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 2,455,094
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,222
Loss on disposal of asset	170
Unrealized losses on investments	43,791
Changes in operating assets and liabilities:	
Deposits and advances	(9,950)
Accounts payable and accrued expenses	(1,479)
Net Cash Provided by Operating Activities	<u>2,488,848</u>

### CASH FLOWS FROM INVESTING ACTIVITIES:

Investment purchases	(2,607,925)
Furniture and equipment purchases	(3,204)
Net Cash Used by Investing Activities	<u>(2,611,129)</u>

Net Change in Cash and Cash Equivalents	(122,281)
Cash and Cash Equivalents, Beginning of Year	<u>354,523</u>
Cash and Cash Equivalents, End of Year	<u>\$ 232,242</u>

See notes to financial statements

# CHURCH MINISTRIES INTERNATIONAL, INC.

## Notes to Financial Statements

May 31, 2016

### 1. NATURE OF ORGANIZATION:

Church Ministries International, Inc. (CMI) is a Texas nonprofit corporation exempt from federal income tax under Internal Revenue Code Section 501(c)(3), except on unrelated business income, if any. Contributions to CMI are tax deductible within the limitations prescribed by the Code. CMI has been classified as a publicly supported organization which is not a private foundation under Section 509(a) of the Code.

CMI's mission is to help reach nations for Christ by serving as a catalyst for urban churches toward strategic planning, partnerships, leadership training, and ministries that address the goal of evangelizing and discipling entire countries.

CMI's goals are:

- To motivate Christians to focus their time, resources, and prayer towards such efforts
- To inform and focus attention toward such programs within existing churches and missionary organizations
- To assist these missionary organizations in establishing, funding, and directing such programs
- To provide initial seed funding to participating organizations to expedite their programs

CMI receives support from individuals, churches, and foundations to fund its ministries. Workers raise support for their ministry based on ministry costs, including salary, housing, benefits, travel, ministry expenses, and an administrative assessment to underwrite administration costs.

CMI serves as a catalyst with the churches, donors, and mission organizations with whom it works. In this catalytic role, CMI promotes project funding through channels other than its own. As such, the income reflected in CMI's financial statements does not reflect the total project resources generated or the full impact of its ministry.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of CMI have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### CASH AND CASH EQUIVALENTS

Cash is considered to be cash held in checking and a money market account not held for investment purposes. These accounts may, at times, exceed federally insured limits. CMI believes it is not exposed to any significant credit risk on cash and cash equivalents.

# CHURCH MINISTRIES INTERNATIONAL, INC.

## Notes to Financial Statements

May 31, 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### INVESTMENTS

Investments consist of a bond market index fund, money market fund, and core value fund. The index fund is reported at fair market value based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy. The money market fund is reported at cost plus accrued interest. The core value fund is reported at net asset value based on information from underlying fund managers. Distributions from the core value fund are paid out only when the partners approve, are limited to 20% at a time, can be no more frequent than quarterly, and require a written request 65 days ahead of the end of the calendar quarter. No additional capital calls are allowed. Fund managers provide updated estimates monthly for valuation, but the final value will only be available upon distribution.

#### FURNITURE AND EQUIPMENT-NET

Furniture and equipment are recorded at cost. Contributed assets are recorded at estimated market value at the date of contribution. Depreciation is recognized on the straight-line method over the estimated useful lives of the assets ranging from 1 to 5 years. CMI's capitalization policy requires furniture and equipment additions to have a cost greater than \$500.

#### CLASSES OF NET ASSETS

The financial statements report amounts by class of net assets:

*Unrestricted net assets* are those currently available for use in the international ministries of CMI under the direction of the board and those resources invested in furniture and equipment.

*Temporarily restricted net assets* are those stipulated by donors for specific operating purposes, including projects and support of staff ministries or for the acquisition of property and equipment, or those with time restrictions not currently available for use until commitments regarding their use have been fulfilled.

*Permanently restricted net assets* are those which are contributed with donor restrictions requiring that they be held in perpetuity.

#### SUPPORT, REVENUE, AND EXPENSES

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to CMI.

Program service revenue represents payments from "Encounter with God" participants for supporting services provided by CMI, including training seminars for nationals and fund-raising. "Encounter with God" is a missions movement that employs a model for evangelism and church growth that combines biblically based principles, astute social analysis, and innovative missions methodology for the purpose of establishing dynamic, self-sustaining, and reproducing churches fully equipped to carry out the task of reaching their nation for Christ.

# CHURCH MINISTRIES INTERNATIONAL, INC.

## Notes to Financial Statements

May 31, 2016

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### SUPPORT, REVENUE, AND EXPENSES, continued

CMI reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions are subject to assessments ranging from 10% to 20%, which are used for general and administrative expenses.

CMI reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. CMI reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are reported when costs are incurred in accordance with the accrual basis of accounting.

#### ALLOCATION OF EXPENSES

The costs of providing the program services and supporting activities of CMI have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities benefited.

During the year ended May 31, 2016, CMI incurred joint costs (exclusive of salaries) of \$1,699 for printing, postage, and activities that included fund-raising appeals. These costs were allocated as follows: \$547 to program development and ministry to constituency, \$911 to management and general, and \$241 to fund-raising expense.

#### UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statement of activities. As of May 31, 2016, CMI had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

# CHURCH MINISTRIES INTERNATIONAL, INC.

## Notes to Financial Statements

May 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

ASU 2015-07 updates the *Fair Value Measurement* topic of the Accounting Standards Codification (ASC). The primary change resulting from ASU 2015-07 is updated disclosure requirements for investments valued at net asset value, which removes the requirement to categorize these investments within the fair value hierarchy. ASU 2015-07 is effective for fiscal years after December 15, 2016, with early adoption permitted. CMI has elected to adopt ASU 2015-07 for the year ended May 31, 2016. The financial statements and disclosures reflect these updates.

3. INVESTMENTS:

Investments consist of the following at May 31, 2016:

Bond market index fund	\$ 7,335
Money market fund	1,991,118
Core value fund	572,809
	<hr/>
	\$ 2,571,262
	<hr/> <hr/>

Investment income, included in other income on the statement of activities, consists of:

Interest and dividends	\$ 346
Unrealized/realized losses	(44,137)
	<hr/>
	\$ (43,791)
	<hr/> <hr/>

4. FURNITURE AND EQUIPMENT—NET:

Furniture and equipment—net consist of the following at May 31, 2016:

Furniture and equipment	\$ 42,443
Less accumulated depreciation	(39,757)
	<hr/>
	\$ 2,686
	<hr/> <hr/>

# CHURCH MINISTRIES INTERNATIONAL, INC.

## Notes to Financial Statements

May 31, 2016

5. NET ASSETS:

Net assets consist of the following at May 31, 2016:

Unrestricted:

Encounter mobilization fund	\$ 534,470
Investment in furniture and equipment-net	<u>2,686</u>
	<u>\$ 537,156</u>

Temporarily restricted:

Projects:

Quito initiative*	\$ 2,210,209
Chillos	20,000
Norte	7,200
Ecuador earthquake relief	7,750
John Turnidge support	13,063
Ricardo Diaz support	2,095
Vahik Baghdassarian memorial	<u>80</u>
	<u>\$ 2,260,396</u>

Permanently restricted:

The Roy S. LeTourneau endowment	<u>\$ 4,323</u>
---------------------------------	-----------------

\*The Quito Initiative incorporates funds for the Cumbaya and LeTourneau 20/20 projects, which are subsets of the initiative as they are restricted for the same end purpose.

# CHURCH MINISTRIES INTERNATIONAL, INC.

## Notes to Financial Statements

May 31, 2016

6. COMMITMENTS:

CMI is obligated under an operating lease for its office facilities under a 60-month lease commencing November 2014, at a monthly rate of \$1,875 through December 2014, and increased to \$2,055 in January 2015, until maturity. Future minimum lease payments are as follows:

<u>Year Ending May 31,</u>	<u>Amounts</u>
2017	\$ 24,656
2018	24,656
2019	24,656
2020	10,273
	<u>\$ 84,241</u>

The office rent expense totaled \$47,331 for the year ended May 31, 2016, which includes \$22,675 of donated rent.

7. RETIREMENT PLAN:

CMI has established a voluntary salary reduction arrangement under section 403(b) of the Code. CMI provides a 1, 3, or 5 percent match depending on years of service. Employer contributions totaled \$8,418 for the year ended May 31, 2016.

8. ENDOWMENT FUNDS:

CMI's endowments consist of one individual fund established to support the general fund. As required by the accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The management of CMI has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CMI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets due to the terms of the endowment that do not restrict the income.

# CHURCH MINISTRIES INTERNATIONAL, INC.

## Notes to Financial Statements

May 31, 2016

8. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of May 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 4,323
Total endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,323</u>

Change in endowment net assets for the year ended May 31, 2016, was \$178 and was immediately released from restriction because the endowment agreement does not impose a purpose restriction on these returns.

*Funds with deficiencies:* From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires CMI to retain as a fund of perpetual duration. There were no deficiencies as of May 31, 2016.

Other disclosures required by the *Reporting Endowment Funds* topic of the Financial Accounting Standards Board Accounting Standards Codification have not been included in these financial statements due to immateriality.

9. DONOR CONCENTRATION:

For the year ended May 31, 2016, approximately 91 percent of CMI's contributions were provided by five donors. The implications of this concentration are recognized by management and the board.

10. SUBSEQUENT EVENTS:

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