



**STUDENT MOBILIZATION, INC.
AND AFFILIATES**

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2019 and 2018

STUDENT MOBILIZATION, INC. AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Student Mobilization, Inc. and Affiliates
Conway, Arkansas

We have audited the accompanying consolidated financial statements of Student Mobilization, Inc. and Affiliates (the Organization), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, 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.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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
Student Mobilization, Inc. and Affiliates
Conway, Arkansas

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Student Mobilization, Inc. and Affiliates as of December 31, 2019 and 2018, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Colorado Springs, Colorado
August 25, 2020

STUDENT MOBILIZATION, INC. AND AFFILIATES

Consolidated Statements of Financial Position

	December 31,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 4,645,766	\$ 5,111,300
Accounts receivable	33,168	20,345
Prepaid expenses and other assets	153,125	371,150
Inventory	46,621	51,852
Investments	1,402,548	192,187
Property and equipment–net	129,818	202,923
Total Assets	\$ 6,411,046	\$ 5,949,757
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 451,902	\$ 237,330
Deferred income	549,626	646,509
	1,001,528	883,839
Net assets:		
Without donor restrictions:		
Operating	1,533,951	1,293,034
Board designated – emergency reserve	285,274	280,440
	1,819,225	1,573,474
With donor restrictions	3,590,293	3,492,444
	5,409,518	5,065,918
Total Liabilities and Net Assets	\$ 6,411,046	\$ 5,949,757

See notes to consolidated financial statements

STUDENT MOBILIZATION, INC. AND AFFILIATES

Consolidated Statements of Activities

	Year Ended December 31,					
	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 20,227	\$ 16,914,708	\$ 16,934,935	\$ 9,596	\$ 15,040,687	\$ 15,050,283
Kaleo contributions	-	2,845,124	2,845,124	-	2,764,161	2,764,161
Program and conference fees	730,127	-	730,127	612,854	-	612,854
Sales income	192,566	-	192,566	247,707	-	247,707
Loss on disposal of property and equipment	-	-	-	(28,128)	-	(28,128)
Other income	37,044	-	37,044	76,969	-	76,969
Total Support and Revenue	979,964	19,759,832	20,739,796	918,998	17,804,848	18,723,846
NET ASSETS RELEASED:						
Purpose and time restrictions	18,081,489	(18,081,489)	-	16,287,775	(16,287,775)	-
Administrative assessments	1,580,494	(1,580,494)	-	1,392,509	(1,392,509)	-
Total Net Assets Released	19,661,983	(19,661,983)	-	17,680,284	(17,680,284)	-
EXPENSES:						
Program services	17,488,856	-	17,488,856	15,868,298	-	15,868,298
Supporting services:						
Management and general	1,282,537	-	1,282,537	1,229,270	-	1,229,270
Fundraising	1,624,803	-	1,624,803	1,426,629	-	1,426,629
	2,907,340	-	2,907,340	2,655,899	-	2,655,899
Total Expenses	20,396,196	-	20,396,196	18,524,197	-	18,524,197
Change in Net Assets	245,751	97,849	343,600	75,085	124,564	199,649
Net Assets, Beginning of Year	1,573,474	3,492,444	5,065,918	1,498,389	3,367,880	4,866,269
Net Assets, End of Year	\$ 1,819,225	\$ 3,590,293	\$ 5,409,518	\$ 1,573,474	\$ 3,492,444	\$ 5,065,918

See notes to consolidated financial statements

STUDENT MOBILIZATION, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Salaries, wages, and taxes	\$ 9,406,689	\$ 651,749	\$ 1,140,001	\$ 11,198,439
Conferences, conventions, and meetings	2,875,789	719	-	2,876,508
Travel	2,661,955	-	169,912	2,831,867
Staff benefits and insurance	1,044,591	64,343	128,439	1,237,373
Meals and entertainment	452,052	-	44,708	496,760
Staff and board training	247,573	7,657	-	255,230
Bank charges	160,535	59,376	-	219,911
Other supplies	112,261	22,452	14,968	149,681
Miscellaneous	68,636	34,034	46,714	149,384
Occupancy	44,784	93,902	5,779	144,465
Trade show supplies	133,849	-	-	133,849
Depreciation and amortization	108,690	5,721	-	114,411
Advertising	-	104,641	1,057	105,698
Information technology	30,941	67,870	998	99,809
Postage and shipping	1,839	22,067	68,039	91,945
Accounting and legal	-	74,285	-	74,285
Cost of sales	62,457	-	-	62,457
Printing and publication	39,489	16,155	4,188	59,832
Office general	-	51,559	-	51,559
Equipment and auto	19,022	6,007	-	25,029
Bookstore and tape library supplies	17,704	-	-	17,704
Total expenses	<u>\$ 17,488,856</u>	<u>\$ 1,282,537</u>	<u>\$ 1,624,803</u>	<u>\$ 20,396,196</u>
Percent of total expenses	<u>85.7%</u>	<u>6.3%</u>	<u>8.0%</u>	<u>100%</u>

See notes to consolidated financial statements

STUDENT MOBILIZATION, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Salaries, wages, and taxes	\$ 8,863,520	\$ 581,301	\$ 1,066,945	\$ 10,511,766
Conferences, conventions, and meetings	2,652,785	3,283	18,796	2,674,864
Travel	2,059,333	-	131,447	2,190,780
Staff benefits and insurance	977,169	68,166	119,903	1,165,238
Meals and entertainment	311,502	3,580	42,966	358,048
Staff and board training	198,457	10,445	-	208,902
Bank charges	180,831	45,208	-	226,039
Other supplies	7,599	9,499	1,900	18,998
Miscellaneous	50,700	86,490	-	137,190
Occupancy	77,711	56,517	7,065	141,293
Trade show supplies	139,126	-	-	139,126
Depreciation and amortization	115,538	3,573	-	119,111
Advertising	-	164,075	-	164,075
Information technology	70,106	70,106	-	140,212
Postage and shipping	2,491	23,041	36,740	62,272
Accounting and legal	-	73,751	-	73,751
Cost of sales	34,365	-	-	34,365
Printing and publication	21,681	20,814	867	43,362
Equipment and auto	66,254	7,362	-	73,616
Bookstore and tape library supplies	39,130	2,059	-	41,189
Total expenses	\$ 15,868,298	\$ 1,229,270	\$ 1,426,629	\$ 18,524,197
Percent of total expenses	85.7%	6.6%	7.7%	100%

See notes to consolidated financial statements

STUDENT MOBILIZATION, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 343,600	\$ 199,649
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	114,411	119,111
Loss on disposal of property and equipment	-	28,128
Net realized and unrealized gains on investments	(14,557)	(14,619)
Change in operating assets and liabilities:		
Accounts receivable	(12,823)	(6,965)
Inventory	5,231	22,981
Prepaid expenses and other assets	218,025	107,522
Accounts payable and accrued expenses	214,572	(48,879)
Deferred income	(96,883)	62,771
Net Cash Provided by Operating Activities	771,576	469,699
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	155,762	281,588
Purchases of investments	(1,351,566)	(100,000)
Purchases of property and equipment	(41,306)	(93,983)
Net Cash Provided (Used) by Investing Activities	(1,237,110)	87,605
Net Change in Cash and Cash Equivalents	(465,534)	557,304
Cash and Cash Equivalents, Beginning of Year	5,111,300	4,553,996
Cash and Cash Equivalents, End of Year	\$ 4,645,766	\$ 5,111,300

See notes to consolidated financial statements

STUDENT MOBILIZATION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

1. NATURE OF ORGANIZATIONS:

Student Mobilization, Inc. (StuMo) exists to build spiritual leaders for Christ from the college campuses of the world. StuMo's hope is that the students of today will be tomorrow's business men and women, church leaders, missionaries, educators and community leaders, pastors and teachers, and moms and dads. This is being accomplished through equipping college students to live for Christ wherever they may go by reaching them with the gospel of Jesus Christ and also mobilizing them to participate in worldwide Christian mission activities.

These consolidated financial statements also include the balances and activities of The Traveling Team, Inc. (TTT). TTT travels to universities and churches all over the world to educate and equip them for involvement in God's global mission.

In March 2016, StuMo formed another entity (the Entity). The purpose of the Entity is to serve organizations in developing and connecting human, economic, and networking resources worldwide for the holistic advancement of mankind.

StuMo is a nonprofit organization incorporated in the State of Arkansas, exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC) and comparable state laws. However, StuMo is subject to federal income taxes on any unrelated business taxable income. In addition StuMo is not a private foundation under Section 509(a) of the IRC. TTT, International Cultural Exchange, Inc. (ICE), and the Entity are also nonprofit organizations, exempt from federal income tax under Section 501(c)(3) of the IRC.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the consolidated balances and activities of StuMo, TTT, ICE, and the Entity. StuMo is the sole corporate member of TTT and ICE. StuMo has an economic interest and sufficient representation on the Entity's board of directors to permit it to consolidate the Entity in its financial statements. All entities are collectively referred to as the Organization. All material transactions and balances between these entities have been eliminated.

STUDENT MOBILIZATION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Organization 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 and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

CASH AND CASH EQUIVALENTS

For purposes of the consolidated statement of cash flows, cash and cash equivalents are defined as actual currency and highly liquid investments with original maturities of 90 days or less. As of December 31, 2019 and 2018, the Organization has cash and cash equivalents on deposit with financial institutions that exceed the federally insured (FDIC) balance by approximately \$3,260,000 and \$3,530,000, respectively. The Organization has not experienced any losses in such accounts, and it believes it is not exposed to any significant credit risk on cash and cash equivalents.

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist mainly of prepayments for conference services, prepayments for insurance, and housing deposits.

INVESTMENTS

Investments consist of certificates of deposit are carried at cost, plus any accrued interest. All certificates of deposit have an original maturity date of more than 90 days.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost or, if donated, estimated fair value at the date of receipt. Items, or groups of items, in excess of \$2,000 are capitalized, with lesser amounts expensed in the year purchased. Depreciation and amortization is provided on the straight-line method over an estimated useful life of three to fifteen years.

DEFERRED REVENUE

Deferred revenue consists mainly of conference fees. Deferred conference fees will be recognized as revenue when the event is held.

STUDENT MOBILIZATION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

Net assets without donor restrictions include resources that are used to support current operations, including amounts invested in property and equipment.

Net assets with donor restrictions include donor-restricted contributions for specified exempt purposes. Significant programs supported by donors included in net assets with donor restrictions are support of field ministry staff and related projects.

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash or other assets are received or 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 time restriction ends or 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. An average assessment of approximately 8.0% and 7.8% was applied against restricted gifts for general overhead purposes during the years ended December 31, 2019 and 2018, respectively. Management chose to allocate \$103,200 and \$52,250 of these funds during the years ended December 31, 2019 and 2018, respectively, to program costs instead of spending them on general overhead purposes. All contributions are considered available for use without donor restrictions unless specifically restricted by the donor.

Kaleo contributions consists of gifts given by donors towards the Organization's Kaleo summer experience program. All contributions are restricted for this program.

Program and conference fees income consists mainly of fees for events and conferences. Program and conference fees income is recognized when earned.

STUDENT MOBILIZATION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL EXPENSES

The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities and consolidated statements of functional expenses. Accordingly, certain costs, such as salaries, wages, and taxes, have been allocated among the program services and supporting activities benefited. All expenses are reported when costs are incurred. The consolidated financial statements present various categories of expenses that are attributable to more than one program or supporting function. The Organization performs its allocation of such expenses based on time and effort expended on behalf of the supported program activities, space occupied or shared services utilized by the supported program activities, and purpose of the expense.

Conferences, conventions, and meetings expense is further broken down into the following program services:

	December 31,	
	2019	2018
Kaleo projects	\$ 1,819,739	\$ 1,731,790
Student Mobilization conference	813,130	676,200
Campus ministry development	140,480	147,816
Intensive training project	99,144	100,031
International ministry development	4,015	19,027
	<u>\$ 2,876,508</u>	<u>\$ 2,674,864</u>

CHANGE IN ACCOUNTING PRINCIPLE

In 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Organization adopted the provisions of this new standard during the year ended December 31, 2019. This new standard provides guidance on determining whether transactions should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional. Adoption of this standard had no effect on change in net assets or net assets in total.

STUDENT MOBILIZATION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

3. LIQUIDITY AND FUNDS AVAILABLE:

As a part of the Organization's liquidity management, it invests a portion of cash in excess of daily requirement in certificates of deposit. Annually, the board designates five percent of that year's general fund contributions to a reserve account, which was \$4,216 and \$5,177 for the years ended December 31, 2019 and 2018, respectively. All interest earned in this account is designated to the reserve. This is held in an established board designated fund where the governing board has the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need. After the increase of \$4,216 and \$5,177, and interest earned of \$4,637 and \$2,934, this fund has a balance of \$285,274 and \$280,440, as of December 31, 2019 and 2018, respectively.

The following table reflects the Organization's financial assets reduced by amounts not available for general use within one year:

	December 31,	
	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 4,645,766	\$ 5,111,300
Accounts receivable	33,168	20,345
Investments	1,402,548	192,187
Financial assets, at year-end	<u>6,081,482</u>	<u>5,323,832</u>
Less those unavailable for general expenditure within one year, due to:		
Donor imposed restricted as to purpose and use	(50,000)	(50,000)
Board designated – emergency reserve	<u>(285,274)</u>	<u>(280,440)</u>
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 5,746,208</u>	<u>\$ 4,993,392</u>

STUDENT MOBILIZATION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

4. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	December 31,	
	2019	2018
Furniture and fixtures	\$ 6,939	\$ 6,939
Office equipment	139,275	131,474
Vehicles	49,977	49,977
Intellectual property development	306,574	273,070
	502,765	461,460
Accumulated depreciation and amortization	(372,947)	(258,537)
	\$ 129,818	\$ 202,923

5. DEFERRED REVENUE:

Deferred revenue consists of:

	December 31,	
	2019	2018
Conference fees	\$ 534,626	\$ 646,509
Other	15,000	-
	\$ 549,626	\$ 646,509

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consists of:

	December 31,	
	2019	2018
Field ministry staff support	\$ 3,491,288	\$ 3,403,395
Kaleo	50,000	50,000
Campus events and other	49,005	39,049
	\$ 3,590,293	\$ 3,492,444

STUDENT MOBILIZATION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

7. OPERATING LEASES:

Operating leases consist of certain non-cancelable leases for office space and equipment. Total operating lease expense was \$66,482 and \$61,657, for the years ended December 31, 2019 and 2018, respectively. Future minimum payments are:

<u>Year Ending December 31,</u>	
2020	\$ 64,382
2021	18,948
	<u>\$ 83,330</u>

8. RETIREMENT PLAN:

StuMo offers a 401(k) plan (the Plan) that covers all full-time and part-time employees over the age of 18. Once employed for two years, the Organization matches employee deferrals up to 1% of eligible compensation. Total employer contributions for the years ended December 31, 2019 and 2018, respectively, totaled \$39,407 and \$36,231.

9. SUBSEQUENT EVENTS:

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus as a “Public Health Emergency of International Concern,” ultimately classifying the resulting COVID-19 as a pandemic. Federal, state and local governments have mandated various restrictions, including travel restrictions, restrictions on public gatherings, stay at home advisories and quarantining of people who may have been exposed to the virus.

The duration of disruption and related impact cannot be reasonably estimated at this time. The Organization is monitoring donation income, program receipts, and mission-critical expenditures. Expenditures are being reduced as necessary. Management believes that the Organization has sufficient reserves and liquidity with ongoing monthly support to fund ongoing ministries through this time of uncertainty. We believe the mission of the Organization will not change.

To offset the potential negative impacts related to COVID-19, the Organization applied for and was awarded a Paycheck Protection Program loan under the U.S. CARES Act. The loan matures April 2022 and accrues interest at 1%. As part of this government program, this loan may be eligible for forgiveness. The Organization intends to apply for loan forgiveness when available.

Subsequent events were evaluated through August 25, 2020 which is the date the consolidated financial statements were available to be issued.