



**STUDENT MOBILIZATION, INC.
AND AFFILIATES**

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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
September 1, 2021

STUDENT MOBILIZATION, INC. AND AFFILIATES

Consolidated Statements of Financial Position

	December 31,	
	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 6,828,035	\$ 4,645,766
Accounts receivable	7,038	33,168
Prepaid expenses and other assets	326,173	153,125
Inventory	40,702	46,621
Investments	1,457,709	1,402,548
Property and equipment–net	191,118	129,818
Total Assets	\$ 8,850,775	\$ 6,411,046
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 452,965	\$ 451,902
Deferred income	673,207	549,626
	1,126,172	1,001,528
Net assets:		
Without donor restrictions:		
Operating	2,915,952	1,533,951
Board designated – emergency reserve	293,443	285,274
	3,209,395	1,819,225
With donor restrictions	4,515,208	3,590,293
	7,724,603	5,409,518
Total Liabilities and Net Assets	\$ 8,850,775	\$ 6,411,046

See notes to consolidated financial statements

STUDENT MOBILIZATION, INC. AND AFFILIATES

Consolidated Statements of Activities

	Year Ended December 31,					
	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 1,886,165	\$ 16,836,494	\$ 18,722,659	\$ 20,227	\$ 16,845,636	\$ 16,865,863
Kaleo contributions	913,499	-	913,499	-	1,890,443	1,890,443
Program and conference fees	1,239,065	-	1,239,065	1,753,880	-	1,753,880
Sales income	104,742	-	104,742	192,566	-	192,566
Other income	82,484	-	82,484	37,044	-	37,044
Total Support and Revenue	4,225,955	16,836,494	21,062,449	2,003,717	18,736,079	20,739,796
NET ASSETS RELEASED:						
Purpose restrictions	14,653,703	(14,653,703)	-	17,057,736	(17,057,736)	-
Administrative assessments	1,257,876	(1,257,876)	-	1,580,494	(1,580,494)	-
Total Net Assets Released	15,911,579	(15,911,579)	-	18,638,230	(18,638,230)	-
EXPENSES:						
Program services	15,762,233	-	15,762,233	17,488,856	-	17,488,856
Supporting services:						
Management and general	1,365,588	-	1,365,588	1,282,537	-	1,282,537
Fundraising	1,619,543	-	1,619,543	1,624,803	-	1,624,803
	2,985,131	-	2,985,131	2,907,340	-	2,907,340
Total Expenses	18,747,364	-	18,747,364	20,396,196	-	20,396,196
Change in Net Assets	1,390,170	924,915	2,315,085	245,751	97,849	343,600
Net Assets, Beginning of Year	1,819,225	3,590,293	5,409,518	1,573,474	3,492,444	5,065,918
Net Assets, End of Year	\$ 3,209,395	\$ 4,515,208	\$ 7,724,603	\$ 1,819,225	\$ 3,590,293	\$ 5,409,518

See notes to consolidated financial statements

STUDENT MOBILIZATION, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries, wages, and taxes	\$ 11,233,248	\$ 867,677	\$ 1,376,034	\$ 13,476,959
Travel	1,503,903	9,040	165,506	1,678,449
Conferences, conventions, and meetings	1,639,238	3,444	399	1,643,081
Meals and entertainment	413,614	3,692	31,518	448,824
Office general	248,505	106,844	12,062	367,411
Professional fees	122,768	133,884	7,118	263,770
Facility and equipment	81,369	120,552	500	202,421
Staff and board training	182,748	2,402	1,001	186,151
Information technology	66,020	78,940	769	145,729
Ministry materials	102,134	-	-	102,134
Grants to other organizations	78,694	-	-	78,694
Other expenses	25,129	15,426	24,636	65,191
Depreciation and amortization	56,988	5,635	-	62,623
Taxes and fines	-	18,052	-	18,052
Cost of sales	7,875	-	-	7,875
Total expenses	\$ 15,762,233	\$ 1,365,588	\$ 1,619,543	\$ 18,747,364
Percent of total expenses	84%	7%	9%	100%

See notes to consolidated financial statements

STUDENT MOBILIZATION, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries, wages, and taxes	\$ 10,451,280	\$ 716,092	\$ 1,268,440	\$ 12,435,812
Travel	2,661,955	-	169,912	2,831,867
Conferences, conventions, and meetings	2,875,789	719	-	2,876,508
Meals and entertainment	452,052	-	44,708	496,760
Office general	314,124	171,609	87,195	572,928
Professional fees	-	178,926	1,057	179,983
Facility and equipment	63,806	99,909	5,779	169,494
Staff and board training	247,573	7,657	-	255,230
Information technology	30,941	67,870	998	99,809
Ministry materials	133,849	-	-	133,849
Other expenses	68,636	34,034	46,714	149,384
Depreciation and amortization	108,690	5,721	-	114,411
Cost of sales	80,161	-	-	80,161
Total expenses	\$ 17,488,856	\$ 1,282,537	\$ 1,624,803	\$ 20,396,196
Percent of total expenses	86%	6%	8%	100%

See notes to consolidated financial statements

STUDENT MOBILIZATION, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,315,085	\$ 343,600
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	62,623	114,411
Loss on disposal of property and equipment	664	-
Net realized and unrealized gains on investments	(24,968)	(14,557)
Forgiveness of Paycheck Protection Program loans	(1,972,100)	-
Change in operating assets and liabilities:		
Accounts receivable	26,130	(12,823)
Inventory	5,919	5,231
Prepaid expenses and other assets	(173,048)	218,025
Accounts payable and accrued expenses	1,063	214,572
Deferred income	123,581	(96,883)
Net Cash Provided by Operating Activities	364,949	771,576
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	2,071,335	155,762
Purchases of investments	(2,101,528)	(1,351,566)
Purchases of property and equipment	(124,587)	(41,306)
Net Cash Provided (Used) by Investing Activities	(154,780)	(1,237,110)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loans	1,972,100	-
Net Cash Provided by Financing Activities	1,972,100	-
Net Change in Cash and Cash Equivalents	2,182,269	(465,534)
Cash and Cash Equivalents, Beginning of Year	4,645,766	5,111,300
Cash and Cash Equivalents, End of Year	\$ 6,828,035	\$ 4,645,766
SUPPLEMENTAL DISCLOSURE:		
Forgiveness of Paycheck Protection Program loans	\$ 1,972,100	\$ -

See notes to consolidated financial statements

STUDENT MOBILIZATION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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. The Entity is formed as a for profit organization.

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 and International Cultural Exchange, Inc. (ICE) 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.

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.

STUDENT MOBILIZATION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2020 and 2019, the Organization has cash and cash equivalents on deposit with financial institutions that exceed the federally insured (FDIC) balance by approximately \$6,472,000 and \$3,260,000, 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.

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.

STUDENT MOBILIZATION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 7% and 8% was applied against restricted gifts for general overhead purposes, during the years ended December 31, 2020 and 2019, respectively. All contributions are considered available for use without donor restrictions unless specifically restricted by the donor.

During the year ended December 31, 2020, the Organization received Paycheck Protection Program loans total of \$1,972,100. The loans are eligible for forgiveness based on the Organization's incurring various qualifying expenses such as normal payroll and facilities costs. The Organization incurred \$1,972,100 in qualifying expenses, as of December 31, 2020. Because the Organization has overcome the required barriers related to these funds, the \$1,972,000 of qualifying expenses have been recorded as contributions revenue on the consolidated statement of activities as of December 31, 2020.

The Organization has adopted the simultaneous release option for funds received through conditional grants. Therefore, all conditional grants received for which the Organization has met the barriers for revenue recognition have been treated as grants without donor restrictions in the consolidated statements of activities.

Kaleo contributions consists of gifts given by donors towards the Organization's Kaleo summer experience program.

PROGRAM AND CONFERENCE FEES

The Organization has revenue from contracts with customers related to program and conferences fees. Program and conference fees consist of events and conferences. The revenue is recognized upon the fulfillment of the performance obligation, which is when the Kaleo program, event, or conference occurs. Should the performance obligation be satisfied over multiple years, the Organization records a receivable or deferred revenue. The Organization earned \$1,239,428 and \$1,753,880, for the years ended December 31, 2020 and 2019, respectively. If the Organization is unable to fulfil or satisfy the performance obligation, the Organization is subject to refund the funds received.

STUDENT MOBILIZATION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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,	
	2020	2019
Kaleo projects	\$ 873,989	\$ 1,819,739
Student Mobilization conference	649,117	813,130
Campus ministry development	116,024	140,480
International ministry development	2,788	4,015
Intensive training project	1,163	99,144
	<u>\$ 1,643,081</u>	<u>\$ 2,876,508</u>

CHANGE IN ACCOUNTING PRINCIPLE

In 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers*. The Organization adopted the provisions of this new standard during the year ended December 31, 2020. This new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. 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, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECLASSIFICATIONS

Management discovered that program and conference fees were incorrectly included within the contributions and the Kaleo contributions lines on the consolidated statements of activities for the year ended December 31, 2019. As a result, \$69,072 of revenue with donor restrictions was moved out of the contributions line, and also \$954,681 of revenue with donor restrictions was removed from the Kaleo contributions line, and both amounts were added to the without donor restrictions program and conference line on the consolidated statements of activities for the year ended December 31, 2019. Based on this change, a total of \$1,023,753 was also deducted from purpose restrictions released for the year ended December 31, 2019. Therefore, no change was made to the ending balance of net assets without donor restrictions or the ending balance of net assets with donor restrictions as of December 31, 2019.

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 \$1,811 and \$4,216 for the years ended December 31, 2020 and 2019, 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 interest earned of \$3,953 and \$4,637, this fund has a balance of \$293,443 and \$285,274, as of December 31, 2020 and 2019, respectively. The amount of \$1,811 was transferred to the reserve account after the December 31, 2020 accounting records were closed in 2021.

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

	December 31,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 6,828,035	\$ 4,645,766
Accounts receivable	7,038	33,168
Investments	1,457,709	1,402,548
Financial assets, at year-end	<u>8,292,782</u>	<u>6,081,482</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>(293,443)</u>	<u>(285,274)</u>
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 7,949,339</u>	<u>\$ 5,746,208</u>

STUDENT MOBILIZATION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

4. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	December 31,	
	2020	2019
Furniture and fixtures	\$ 6,939	\$ 6,939
Office equipment	145,057	139,275
Vehicles	48,387	49,977
Intellectual property development	344,587	306,574
	544,970	502,765
Less: accumulated depreciation and amortization	(433,875)	(372,947)
	111,095	129,818
Work in progress	80,023	-
	\$ 191,118	\$ 129,818

5. DEFERRED REVENUE:

Deferred revenue consists of:

	December 31,	
	2020	2019
Conference fees	\$ 638,874	\$ 534,626
Other	34,333	15,000
	\$ 673,207	\$ 549,626

6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	December 31,	
	2020	2019
Field ministry staff support	\$ 4,175,453	\$ 3,491,288
Campus events and other	145,627	49,005
Freedom Fight	144,128	-
Kaleo home base	50,000	50,000
	\$ 4,515,208	\$ 3,590,293

STUDENT MOBILIZATION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

7. OPERATING LEASES:

Operating leases consist of certain non-cancelable leases for office space and equipment. Total operating lease expense was \$163,535 and \$66,482, for the years ended December 31, 2020 and 2019, respectively. Future minimum payments are:

<u>Year Ending December 31,</u>	
2021	\$ 54,591
2022	4,043
2023	2,543
2024	2,543
2025	1,271
	<hr/>
	\$ 64,991
	<hr/>

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, 2020 and 2019, respectively, totaled \$44,019 and \$39,407.

9. RISKS AND UNCERTAINTIES:

The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, operations, and cash flows. Possible effects may include, but are not limited to, disruption to the Organization's program services, contribution revenue, absenteeism in workforce, and a decline in value of assets held. The financial impact cannot be estimated at this time.

10. SUBSEQUENT EVENTS:

On April 27th, 2021, Student Mobilization purchased a 12.8 acre parcel of land in West Bay Florida for \$900,000. The official plan for this land is a project called Kaleo Home Base, which consists of condo style living units used primarily to house multiple Kaleo summer projects. The land will be maintained by StuMo until funding becomes available to begin phase one of the construction project. There is no set date for the commencement of constructions as of this time.

Subsequent events were evaluated through September 1, 2021, which is the date the consolidated financial statements were available to be issued.