



FINANCIAL STATEMENTS

Fourteen Months Ended February 28, 2018

with

Independent Auditors' Report

MIKE SILVA EVANGELISM INTERNATIONAL, INC.

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Independent Auditors' Report

The Board of Directors
Mike Silva Evangelism International, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Mike Silva Evangelism International, Inc. (MSEI) which comprise the statement of financial position as of February 28, 2018, and the related statements of activities, functional expenses, and cash flows for the fourteen months 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MSEI as of February 28, 2018, and the changes in its net assets and its cash flows for the fourteen months then ended in accordance with accounting principles generally accepted in the United States of America.

Hoffman, Stewart & Schmitt, P.C.

Lake Oswego, Oregon
June 21, 2018

MIKE SILVA EVANGELISM INTERNATIONAL, INC.

Statement of Financial Position

February 28, 2018

ASSETS

Cash and cash equivalents	\$ 25,743
Prepaid expenses	1,596
Contributions receivable	535,067
Equipment - net	<u>7,755</u>
Total assets	<u><u>\$ 570,161</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and other accrued expenses	<u>\$ 122,286</u>
Total liabilities	122,286
Net assets:	
Unrestricted deficit	(98,894)
Temporarily restricted	<u>546,769</u>
Total net assets	<u><u>447,875</u></u>
Total liabilities and net assets	<u><u>\$ 570,161</u></u>

The accompanying notes are an integral part of the financial statements.

MIKE SILVA EVANGELISM INTERNATIONAL, INC.

Statement of Activities

Fourteen Months Ended February 28, 2018

Change in unrestricted net assets:

Support and revenue:

Contributions	\$ 1,152,613
Interest income	24
Collection of time restricted contributions receivable	464,642

Total support and revenue **1,617,279**

Expenses:

Program activities:	
Ministries	1,273,324
Supporting activities:	
General and administrative	196,428
Fundraising	252,339

Total expenses **1,722,091**

Decrease in unrestricted net assets **(104,812)**

Change in temporarily restricted net assets:

Contributions	537,005
Loss on uncollectible contributions receivable	(57,888)
Net assets released from restriction	(464,642)

Increase in temporarily restricted net assets **14,475**

Decrease in net assets **(90,337)**

Net assets, beginning of period 538,212

Net assets, end of period **\$ 447,875**

The accompanying notes are an integral part of the financial statements.

MIKE SILVA EVANGELISM INTERNATIONAL, INC.

Statement of Functional Expenses

Fourteen Months Ended February 28, 2018

	Program Activities	General and Administrative	Fundraising	Total
Salaries and related expenses	\$ 296,882	\$ 133,776	\$ 80,266	\$ 510,924
International ministry	780,071	-	-	780,071
United States ministry	27,378	-	-	27,378
Finance	-	23,290	23,290	46,580
Marketing	44,758	-	-	44,758
Development	78,742	-	129,811	208,553
Depreciation	1,315	1,973	-	3,288
Board of Directors expenses	-	11,209	-	11,209
Office expenses	44,178	18,972	18,972	82,122
Other	-	7,208	-	7,208
Total expenses	\$ 1,273,324	\$ 196,428	\$ 252,339	\$ 1,722,091

The accompanying notes are an integral part of the financial statements.

MIKE SILVA EVANGELISM INTERNATIONAL, INC.

Statement of Cash Flows

Fourteen Months Ended February 28, 2018

Cash flows from operating activities:

Cash receipts:

Contributions	\$ 1,626,080
Interest and other income	<u>24</u>

1,626,104

Cash disbursements:

Payroll and related expenses	(510,924)
International and United States ministry	(742,201)
Other operating expenses	<u>(400,430)</u>

(1,653,555)

Net cash used by operating activities **(27,451)**

Cash flows from investing activities:

Purchases of equipment	<u>(5,911)</u>
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Net cash used by investing activities **(5,911)**

Decrease in cash and cash equivalents **(33,362)**

Cash and cash equivalents, beginning of period 59,105

Cash and cash equivalents, end of period **\$ 25,743**

Reconciliation of decrease in net assets to net cash used by operating activities:

Decrease in net assets	\$ (90,337)
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Adjustments to reconcile decrease in net assets to net cash used by operating activities:

Depreciation	3,288
Loss on uncollectible contributions receivable	57,888

Changes in:

Prepaid expenses	13,190
Contributions receivable	(63,538)
Accounts payable and other accrued expenses	<u>52,058</u>

Net cash used by operating activities **\$ (27,451)**

The accompanying notes are an integral part of the financial statements.

MIKE SILVA EVANGELISM INTERNATIONAL, INC.

Notes to Financial Statements

1. Nature of Organization

The mission of Mike Silva Evangelism International, Inc. (MSEI) is to practice and proclaim the life-changing message of the Lord Jesus Christ in the world's most spiritually receptive places.

Mike Silva, President of MSEI, is a nationally recognized evangelist, strategist, and consultant. He has preached the Gospel to thousands of people around the world in crusades, conferences, festivals, and churches.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by MSEI are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation - MSEI's financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of MSEI and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. Unrestricted net assets include those amounts available at the discretion of the Board of Directors for use in MSEI's operations and those resources invested in equipment.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met by either actions of MSEI and/or the passage of time.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction.

All contributions are considered available for unrestricted use, unless specifically restricted by the donors or subject to legal restrictions. For contributions restricted by donors for the acquisition of property or other long-lived assets, the restriction is considered to be met when the property or other long-lived asset is placed in service.

Temporarily restricted contributions are classified as unrestricted when the restriction is met in the same year the contribution is received. As such, temporarily restricted contributions for specific festivals totaling \$351,223 for the fourteen months ended February 28, 2018, have been classified as unrestricted as the donor-stipulated purpose restriction was met in the same period these contributions were received.

MIKE SILVA EVANGELISM INTERNATIONAL, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Use of Estimates - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. Among other things, estimates are used in the financial statements to determine any required allowance for doubtful accounts and to allocate certain expenses by function.

Cash and Cash Equivalents - For purposes of the financial statements, MSEI considers all liquid investments having initial maturities of three months or less to be cash equivalents.

Revenue Recognition - Contributions are recorded when cash or unconditional promises to give have been received, or ownership of donated assets is transferred to MSEI. MSEI records contributions as temporarily restricted if they are received with donor stipulations that limit their use through purpose and/or time restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. When cash is received for the unconditional promise, it is recorded as a reduction of the receivable. Management does not believe an allowance for uncollectable receivables is necessary.

A conditional promise to give is considered to be contingent upon specified requirements and is recognized as income when the conditions on which the promise depends are substantially met. At February 28, 2018, there were no conditional promises to give.

Non-cash gifts are recorded at their estimated fair value on the date of the gift.

Contributed Services - The estimated fair value of donated services is recorded if the services create or enhance nonfinancial assets or require specialized skills, are performed by an individual possessing those skills, and represent services that would have been purchased if not donated. Many volunteers have contributed significant amounts of their time to activities of MSEI; however, since the above requirements were not met, the value of the contributed services is not recorded in the financial statements.

Functional Allocation of Expenses - The costs of providing the various program services and supporting activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the program and supporting activities.

MIKE SILVA EVANGELISM INTERNATIONAL, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

Equipment - Expenditures for equipment are capitalized at cost. Donated items are recorded at the fair value on the date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is typically three years.

At February 28, 2018, cost of equipment was \$42,726 and accumulated depreciation totaled \$34,971.

Income Taxes - MSEI is organized as a not-for-profit religious corporation exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes. MSEI has been classified as a publicly supported organization, which is not a private foundation, under Section 509(a) of the Internal Revenue Code.

GAAP prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and provides guidance on various related matters such as interest, penalties, and required disclosures. Management believes MSEI does not have any uncertain tax positions. MSEI files informational returns. Generally, the returns are subject to examination by income tax authorities for three years from the filing of a return. Interest or penalties assessed by taxing authorities, if any, would be included with general and administrative expenses. Currently, there are no tax examinations in progress.

Concentrations of Credit Risk - MSEI maintains a majority of its cash balances in a bank located in Portland, Oregon. These balances are insured by the Federal Deposit Insurance Corporation up to specified limits. At times, these balances may exceed these specified limits. MSEI also has cash invested in a money market fund, which is not insured.

Subsequent Events - Management has evaluated subsequent events through June 21, 2018, the date the financial statements were available to be issued.

3. Contributions Receivable

At February 28, 2018, MSEI had contributions receivable consisting of amounts from the Friends Conference. All amounts are expected to be received within one year.

4. Operating Leases

MSEI leases office space in Beaverton and Sisters, Oregon, under 12 month operating leases expiring through April 2019. Rent expense for the fourteen months ended February 28, 2018, totaled \$19,320 and is included with office expenses in the accompanying statement of functional expenses. As of February 28, 2018, \$15,528 will be due under those leases during the year ended February 28, 2019, and \$1,368 will be due during the year ended February 29, 2020.

MIKE SILVA EVANGELISM INTERNATIONAL, INC.

Notes to Financial Statements - Continued

5. Retirement Plan

MSEI provides retirement benefits through a Simple IRA plan. Employees with compensation greater than \$5,000 are eligible to participate. MSEI matches employee contributions up to 3 percent. Total retirement expense under this plan during the fourteen months ended February 28, 2018, was approximately \$6,700.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following at February 28, 2018:

Time restricted Friends Conference pledges	\$ 535,067
School of Evangelism	<u>11,702</u>
	<u><u>\$ 546,769</u></u>

During the fourteen months ended February 28, 2018, time restricted Friends Conference pledges, totaling \$464,642, were collected and therefore, the associated time restriction was released.

7. Concentrations

For the fourteen months ended February 28, 2018, one donor accounted for 18 percent of MSEI's total contribution revenue. At February 28, 2018, the same donor accounted for 56 percent of net contributions receivable.

8. Allocation of Costs of Activities that Involve Fundraising

MSEI achieves some of its program goals via mailings and conferences that may include requests for contributions. The cost of mailings and conferences are reported as development expenses in the accompanying statement of functional expenses. These costs included joint costs not directly attributable to either the program or fundraising component of the activity. These joint costs were allocated as follows for the fourteen months ended February 28, 2018:

Program activities	\$ 78,742
Fundraising	<u>129,811</u>
	<u><u>\$ 208,553</u></u>