



FINANCIAL STATEMENTS

Years Ended February 29, 2020 and February 28, 2019

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 29, 2020 and February 28, 2019 and the related statements of activities, functional expenses, and cash flows for the years 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 29, 2020 and February 28, 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter - Adoption of New Accounting Standard

As discussed in *Note 2* to the financial statements, MSEI has adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Hellman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
August 20, 2020

MIKE SILVA EVANGELISM INTERNATIONAL, INC.

Statements of Financial Position

February 29 and 28,	2020	2019
ASSETS		
Cash and cash equivalents	\$ 277,591	\$ 315,432
Prepaid expenses	76,302	87,027
Contributions receivable	138,554	6,049
Equipment - net	<u>6,016</u>	<u>4,501</u>
Total assets	<u>\$ 498,463</u>	<u>\$ 413,009</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other accrued expenses	\$ 17,409	\$ 10,800
Net assets:		
Net assets without donor restrictions	296,282	213,572
Net assets with donor restrictions	<u>184,772</u>	<u>188,637</u>
Total net assets	<u>481,054</u>	<u>402,209</u>
Total liabilities and net assets	<u>\$ 498,463</u>	<u>\$ 413,009</u>

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

MIKE SILVA EVANGELISM INTERNATIONAL, INC.

Statements of Activities

Years Ended February 29 and February 28,	2020	2019
Change in net assets without donor restrictions:		
Support and revenue:		
Contributions	\$ 1,213,965	\$ 961,126
Interest income	373	196
Net assets released from restrictions:		
Collection of time restricted contributions receivable	6,049	455,518
Satisfaction of purpose restrictions	170,886	4,114
	<u>176,935</u>	<u>459,632</u>
Total net assets released from restrictions	176,935	459,632
Total support and revenue	1,391,273	1,420,954
Expenses:		
Program activities:		
Ministries	946,345	814,349
Supporting activities:		
General and administrative	168,612	168,442
Fundraising	193,606	125,697
	<u>1,308,563</u>	<u>1,108,488</u>
Total expenses	1,308,563	1,108,488
Increase in net assets without donor restrictions	82,710	312,466
Change in net assets with donor restrictions:		
Contributions	173,070	175,000
Loss on uncollectible contributions receivable	-	(73,500)
Net assets released from restrictions	(176,935)	(459,632)
	<u>(3,865)</u>	<u>(358,132)</u>
Decrease in net assets with donor restrictions	(3,865)	(358,132)
Increase (decrease) in net assets	78,845	(45,666)
Net assets, beginning of year	402,209	447,875
Net assets, end of year	<u>\$ 481,054</u>	<u>\$ 402,209</u>

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

MIKE SILVA EVANGELISM INTERNATIONAL, INC.

Statement of Functional Expenses

Year Ended February 29, 2020

	Program Activities	General and Administrative	Fundraising	Total
Salaries and related expenses	\$ 269,496	\$ 104,999	\$ 62,999	\$ 437,494
International ministry	304,786	-	-	304,786
United States ministry	222,003	-	-	222,003
Finance	-	21,184	21,184	42,368
Marketing	48,609	-	-	48,609
Development	65,176	-	97,764	162,940
Depreciation	708	1,062	-	1,770
Board of Directors expenses	-	22,005	-	22,005
Office expenses	35,567	11,659	11,659	58,885
Professional development	-	1,962	-	1,962
Other	-	5,741	-	5,741
Total expenses	<u>\$ 946,345</u>	<u>\$ 168,612</u>	<u>\$ 193,606</u>	<u>\$ 1,308,563</u>

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

MIKE SILVA EVANGELISM INTERNATIONAL, INC.

Statement of Functional Expenses

Year Ended February 28, 2019

	Program Activities	General and Administrative	Fundraising	Total
Salaries and related expenses	\$ 260,477	\$ 101,484	\$ 60,891	\$ 422,852
International ministry	427,659	-	-	427,659
United States ministry	4,114	-	-	4,114
Finance	-	24,803	24,803	49,606
Marketing	58,577	-	-	58,577
Development	16,726	-	25,089	41,815
Depreciation	1,301	1,953	-	3,254
Board of Directors expenses	-	9,995	-	9,995
Office expenses	45,495	14,914	14,914	75,323
Professional development	-	8,214	-	8,214
Other	-	7,079	-	7,079
Total expenses	<u>\$ 814,349</u>	<u>\$ 168,442</u>	<u>\$ 125,697</u>	<u>\$ 1,108,488</u>

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

MIKE SILVA EVANGELISM INTERNATIONAL, INC.

Statement of Cash Flows

Years Ended February 29 and February 28,	2020	2019
Cash flows from operating activities:		
Cash receipts:		
Contributions	\$ 1,254,530	\$ 1,591,644
Interest and other income	373	196
	<u>1,254,903</u>	<u>1,591,840</u>
Cash disbursements:		
Payroll and related expenses	(437,494)	(422,852)
International and United States ministry	(509,455)	(628,690)
Other operating expenses	(342,510)	(250,609)
	<u>(1,289,459)</u>	<u>(1,302,151)</u>
Net cash provided (used) by operating activities	(34,556)	289,689
Cash flows from investing activities:		
Purchase of equipment	<u>(3,285)</u>	<u>-</u>
Net cash used by investing activities	(3,285)	-
Increase (decrease) in cash and cash equivalents	(37,841)	289,689
Cash and cash equivalents, beginning of year	<u>315,432</u>	<u>25,743</u>
Cash and cash equivalents, end of year	<u>\$ 277,591</u>	<u>\$ 315,432</u>

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:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. These 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.

Net assets with donor restrictions - 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 net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

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.

Restricted contributions are classified as net assets without donor restrictions when the restriction is met in the same year the contribution is received. As such, restricted contributions for specific festivals totaling \$117,821 and \$257,986 for the years ended February 29, 2020 and February 28, 2019, respectively, have been classified as net assets without donor restrictions 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 - MSEI recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

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 presented on a functional basis on the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting activities. Such allocations are determined by management on an equitable basis. The expenses allocated include: salaries and related expenses, finance, development, depreciation, and office expenses. They are allocated using estimates of time and effort.

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 29, 2020 and February 28, 2019, cost of equipment was \$59,472 and 56,187 and accumulated depreciation totaled \$53,456 and 51,686, respectively.

MIKE SILVA EVANGELISM INTERNATIONAL, INC.

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies - Continued

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.

Subsequent Events - Management has evaluated subsequent events through August 20, 2020, the date the financial statements were available to be issued.

As of that date financial markets and economic conditions in general had undergone a significant negative impact as a result of the COVID-19 health crisis. The extent of the impact of COVID-19 on MSEI's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on donors, employees, and vendors all of which are uncertain and cannot be predicted. As such, the extent to which COVID-19 may impact MSEI's financial position and results of operations cannot be reasonably estimated at this time.

In May 2020, MSEI secured a \$60,424 loan from the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). If MSEI meets certain criteria under the CARES Act, all or a portion of the loan may be forgiven. Any portion of the loan not forgiven will bear interest at one percent per annum over a two year period. MSEI may elect to defer initial loan payments up to six months. Future monthly repayments will range from \$-0- to \$3,400 per month depending on the amount of the loan that is forgiven.

New Accounting Standard - MSEI adopted ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. MSEI implemented the provisions of ASU 2018-08 applicable to contributions received in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in MSEI's implementation of ASU 2018-08.

MIKE SILVA EVANGELISM INTERNATIONAL, INC.

Notes to Financial Statements - Continued

3. Liquidity and Availability of Resources

MSEI's financial assets available for general expenditure within one year of the statement of financial position date consist of the following:

	2020	2019
Cash and cash equivalents	\$ 277,591	\$ 315,432
Contributions receivable	<u>138,554</u>	<u>6,049</u>
	416,145	321,481
Less amounts unavailable for general expenditure within one year:		
Net assets with donor restrictions	<u>(184,772)</u>	<u>(188,637)</u>
Financial assets available for general expenditure within one year	<u>\$ 231,373</u>	<u>\$ 132,844</u>

MSEI maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

4. Contributions Receivable

At February 29, 2020 and February 28, 2019, MSEI had contributions receivable consisting of amounts from the Friends Conference. All amounts are expected to be received within one year.

MIKE SILVA EVANGELISM INTERNATIONAL, INC.

Notes to Financial Statements - Continued

5. Operating Leases

MSEI leases office space in Beaverton and Redmond, Oregon, under operating leases expiring through December 2021. Future minimum lease payments under the leases are as follows at February 29, 2020:

Years Ending February 29	Amount
2021	\$ 21,920
2022	<u>13,000</u>
	<u><u>\$ 34,920</u></u>

For the years ended February 29, 2020 and February 28, 2019, rent expense totaled \$22,184 and \$17,824, respectively, and is included with office expenses in the accompanying statement of functional expenses.

6. 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 year ended February 29, 2020 and February 28, 2019 was \$4,931 and \$5,015, respectively.

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of the following at February 29, 2020 and February 28, 2019:

	2020	2019
Time restricted Friends Conference pledges	\$ 138,554	\$ 6,049
Santiago, Dominican Republic festival	34,516	-
Louisville, Kentucky festival	-	170,886
School of Evangelism	<u>11,702</u>	<u>11,702</u>
	<u><u>\$ 184,772</u></u>	<u><u>\$ 188,637</u></u>

MIKE SILVA EVANGELISM INTERNATIONAL, INC.

Notes to Financial Statements - Continued

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 year ended February 29, 2020 and February 28, 2019:

	2020	2019
Program activities	\$ 65,176	\$ 16,726
Fundraising	<u>97,764</u>	<u>25,089</u>
	<u>\$ 162,940</u>	<u>\$ 41,815</u>