MIKE SILVA
INTERNATIONAL

FINANCIAL STATEMENTS

Years Ended February 28, 2023 and 2022

with

Independent Auditors' Report

MIKE SILVA INTERNATIONAL

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Independent Auditors' Report

The Board of Directors
Mike Silva Evangelism International, Inc.

Opinion

We have audited the accompanying financial statements of Mike Silva Evangelism International, Inc. (MSEI) which comprise the statements of financial position as of February 28, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MSEI as of February 28, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MSEI and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in *Note 2* to the financial statements, MSEI has adopted Accounting Standards Update (ASUE) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MSEI's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 MSEI's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MSEI's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
June 27, 2023

Mike Silva Evangelism International, Inc.
Statements of Financial Position

February 28,	2023	2022
ASSETS		
Cash and cash equivalents	$ 388,749	$ 576,923
Prepaid expenses	95,022	39,359
Contributions receivable	-	1,767
Other receivables	6,750	-
Equipment - net	10,611	6,261
Operating lease right-of-use asset *(Note 4)*	31,767	-
Total assets	**$ 532,899**	**$ 624,310**
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	$ 41,298	$ 18,261
Operating lease liability *(Note 4)*	32,838	-
Total liabilities	**74,136**	**18,261**
Net assets:		
Without donor restrictions	168,324	508,455
With donor restrictions *(Note 6)*	290,439	97,594
Total net assets	**$ 458,763**	**$ 606,049**
Total liabilities and net assets	**$ 532,899**	**$ 624,310**

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

Mike Silva Evangelism International, Inc.

Statements of Activities

Years Ended February 28,	2023	2022
Change in net assets without donor restrictions:		
Support and revenue:		
Contributions	$ 1,380,491	$ 1,320,685
Interest income	213	38
Loss on disposal of equipment	(542)	-
Employee retention credits *(Note 9)*	131,621	-
Net assets released from restrictions:		
Collection of time restricted contributions receivable	1,767	4,733
Satisfaction of purpose restrictions	95,827	29,802
Total net assets released from restrictions	97,594	34,535
Total support and revenue	**1,609,377**	**1,355,258**
Expenses:		
Program activities:		
Ministries	1,533,234	947,673
Supporting activities:		
General and administrative	260,360	174,930
Fundraising	155,914	129,752
Total expenses	**1,949,508**	**1,252,355**
Increase (decrease) in net assets without donor restrictions	**(340,131)**	**102,903**
Change in net assets with donor restrictions:		
Contributions	290,439	88,745
Loss on uncollectible contributions receivable	-	(7,900)
Net asset released from restrictions	(97,594)	(34,535)
Increase in net assets with donor restrictions	**192,845**	**46,310**
Increase (decrease) in net assets	**(147,286)**	**149,213**
Net assets, beginning of year	606,049	456,836
Net assets, end of year	**$ 458,763**	**$ 606,049**

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

Mike Silva Evangelism International, Inc.
Statement of Functional Expenses

Year Ended February 28, 2023

	Program Activities	General and Administration	Fundraising	Total
Salaries and related expenses	$ 345,593	$ 132,893	$ 79,736	$ 558,222
International ministry	944,485	-	-	944,485
United States ministry	86,943	-	-	86,943
Finance	-	39,311	23,139	62,450
Marketing	81,636	-	-	81,636
Development	24,410	-	36,616	61,026
Depreciation	912	1,367	-	2,279
Board of Directors expenses	-	48,387	-	48,387
Office expenses	49,255	16,423	16,423	82,101
Professional development	-	12,221	-	12,221
Other	-	9,758	-	9,758
Total expenses	**$ 1,533,234**	**$ 260,360**	**$ 155,914**	**$ 1,949,508**

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

Mike Silva Evangelism International, Inc.

Statement of Functional Expenses

Year Ended February 28, 2022

	Program Activities	General and Administration	Fundraising	Total
Salaries and related expenses	$ 275,377	$ 107,290	$ 64,374	$ 447,041
International ministry	247,439	-	-	247,439
United States ministry	324,484	-	-	324,484
Finance	-	22,536	22,536	45,072
Marketing	45,671	-	-	45,671
Development	20,372	-	31,877	52,249
Depreciation	880	1,320	-	2,200
Board of Directors expenses	-	21,697	-	21,697
Office expenses	33,450	10,965	10,965	55,380
Professional development	-	1,289	-	1,289
Other	-	9,833	-	9,833
Total expenses	**$ 947,673**	**$ 174,930**	**$ 129,752**	**$ 1,252,355**

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

Mike Silva Evangelism International, Inc.
Statements of Cash Flows

Years Ended February 28,	2023	2022
Cash flows from operating activities:		
Cash receipts:		
Contributions	$ 1,672,697	$ 1,414,163
Interest	213	38
Employee retention credits	131,621	-
	1,804,531	1,414,201
Cash disbursements:		
Salaries and related expenses	(564,972)	(447,041)
International and United States ministry	(1,064,054)	(590,748)
Other operating expenses	(356,508)	(231,191)
	(1,985,534)	(1,268,980)
Net cash provided (used) by operating activities	**(181,003)**	**145,221**
Cash flows from investing activities:		
Purchase of equipment	(7,171)	(2,378)
Net cash used by investing activities	**(7,171)**	**(2,378)**
Net increase (decrease) in cash and cash equivalents	**(188,174)**	**142,843**
Cash and cash equivalents, beginning of year	576,923	434,080
Cash and cash equivalents, end of year	**$ 388,749**	**$ 576,923**

The accompanying notes are an integral part of the 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 the 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 $381,699 and $196,537 for the years ended February 28, 2023 and 2022, 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.

2. Summary of Significant Accounting Policies - Continued

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used in the financial statements for, among other things, the calculation of depreciation expense. Actual results could differ from those estimates.

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 estimated 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, 2023 and 2022, cost of equipment was $47,207 and $41,597 and accumulated depreciation totaled $36,596 and $35,336, respectively.

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, balances may exceed these specified limits.

Subsequent Events - Management has evaluated subsequent events through June 27, 2023, the date the financial statements were available to be issued.

Adoption of a New Accounting Standards - Effective March 1, 2022, MSEI adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842),* which requires a lessee to record a right-of-use (ROU) asset and a lease liability for all leases with an initial term greater than 12 months. Leases are classified as either financing or operating, with classification affecting the recognition, measurement, and presentation of expenses and cash flows.

Upon adoption of the new guidance, MSEI elected to apply several practical expedients, including: (1) not reassessing existing contracts to determine whether they are or contain a lease; (2) not reassessing existing leases to determine whether they are an operating or financing lease; and (3) not reassessing any initial direct costs for existing leases.

MSEI adopted ASU 2016-02 using the modified retrospective approach, which resulted in the recognition of an operating lease ROU asset and associated operating lease liability of $48,004 as of March 1, 2022.

3. Availability of Financial Resources and Liquidity

MSEI's financial assets available for general expenditure within one year of the statement of financial position date consist of the following at February 28:

	2023	2022
Cash and cash equivalents	$ 388,749	$ 576,923
Contributions receivable	-	1,767
Other receivables	6,750	-
Total financial assets	395,499	578,690
Less amounts not available to be used within one year:		
Net assets restricted by donors as to purpose	(290,439)	(95,827)
Total financial assets available for general expenditure within one year	$ 105,060	$ 482,863

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

4. Leases

MSEI determines if an arrangement is a lease or a service contract at inception. A contract is determined to be or to contain a lease if the contract conveys the right to control the use of an identified asset in exchange for consideration. When an arrangement is a lease, MSEI determines whether it is an operating or finance lease.

Leases result in recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments, measured on a discounted basis. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability, adjusted for any direct costs, prepaid or deferred rent, and lease incentives. MSEI has elected not to separate lease components from non-lease components, and to apply the short-term lease exception, which does not require the capitalization of leases with a term of 12 months or less. Short-term leases are recognized as expense on a straight-line basis over the term of the lease. Variable lease payments, if any, are recognized as expense in the period in which the obligation for payment is incurred.

4. Leases - Continued

MSEI leases office space in Beaverton and Redmond, Oregon, under operating lease agreements with initial terms of 12 months and 3 years, respectively. The leases include renewal options which can extend the lease term. The exercise of these renewal options are at the discretion of MSEI, and only lease options that MSEI believes are reasonably certain to be exercised are included in the measurement of the lease assets and liabilities. The lease agreements do not include any residual value guarantees or restrictive covenants. MSEI has elected to use the risk-free rate of return as the discount rate as neither the rate implicit in the lease nor the MSEI's incremental borrowing rate are readily available.

Lease expense was comprised of the following for the years ended February 28, 2023:

Operating lease expense	$	17,100
Short-term lease expense		8,784
	$	25,884

Rent expense totaled $24,584 for the year ended February 28, 2022.

Lease expense (and rent expense) is included with office expense in the accompanying statements of functional expenses.

The following summarizes the cash flow information related to operating leases for the year ended February 28, 2023:

Cash paid for amounts included in the measurement of lease liabilities for operating leases included in operating cash flows	$	17,000
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	$	48,004

Weighted average lease term and discount rate were as follows at February 28, 2023:

Weighted-average remaining lease term (in years)	1.83
Weighted-average discount rate for operating leases	4.61%

4. Leases - Continued

The maturities of operating lease liabilities were as follows as of February 28, 2023:

Years Ending February 28,	**Amount**
2024	$ 18,200
2025	16,000
	34,200
Less present value discount	(1,362)
Operating lease liabilities	$ 32,838

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 years ended February 28, 2023 and 2022 was $11,089 and $6,886, respectively.

6. Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of the following at February 28:

	2023	**2022**
Time restricted Friends Conference pledges	$ -	$ 1,767
Santiago, Dominican Republic festival	-	84,125
Bend, Oregon festival	300	-
School of evangelism	-	11,702
Central Minnesota festival	290,139	-
	$ 290,439	$ 97,594

7. 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 years ended February 28:

	2023	**2022**
Program activities	$ 24,410	$ 20,372
Fundraising	36,616	31,877
	$ 61,026	$ 52,249

8. Concentrations in Revenue

For the years ended February 28, 2023 and 2022, 18 and 21 percent, respectively, of contribution revenue was from one donor.

9. Employee Retention Credits

The Employee Retention Credit (ERC), established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides fully refundable tax credits against the employer share of federal payroll taxes for employers who meet certain criteria.

The Organization has elected to account for ERC tax credits received as a government grant using accounting guidance provided by Accounting Standards Codification 958-605: *Not-for-Profit Entities – Revenue Recognition*. MSEI's management determined MSEI qualified for the ERC during the year ended February 28, 2023. Employee retention credits were applied for and received and accordingly, $131,621 was recognized as revenue and included in the accompanying statement of activities for the year ended February 28, 2023.