

MULTIPLICATION NETWORK MINISTRIES

Financial Statements
With Independent Auditors' Report

December 31, 2022 and 2021

MULTIPLICATION NETWORK MINISTRIES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Multiplication Network Ministries
Sauk Village, Illinois

Opinion

We have audited the accompanying financial statements of Multiplication Network Ministries, which comprise the statements of financial position as of December 31, 2022 and 2021, 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 Multiplication Network Ministries as of December 31, 2022 and 2021, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Multiplication Network Ministries, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, 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 Multiplication Network Ministries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Multiplication Network Ministries
Sauk Village, Illinois

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 auditors' 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 or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated 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 Multiplication Network Ministries' 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 Multiplication Network Ministries' 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.

Capin Crouse LLP

Naperville, Illinois
May 16, 2023

MULTIPLICATION NETWORK MINISTRIES

Statements of Financial Position

	December 31,	
	2022	2021
ASSETS:		
Cash and cash equivalents	\$ 3,233,070	\$ 4,404,363
Investments	1,006,282	-
Contributions receivable	-	60,000
Total Assets	<u>\$ 4,239,352</u>	<u>\$ 4,464,363</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 290,777	\$ 90,632
Accrued expenses	99,613	84,911
Total liabilities	<u>390,390</u>	<u>175,543</u>
Net assets:		
Without donor restrictions—available at Board discretion	3,593,059	3,857,420
With donor restrictions by purpose	255,903	431,400
Total net assets	<u>3,848,962</u>	<u>4,288,820</u>
Total Liabilities and Net Assets	<u>\$ 4,239,352</u>	<u>\$ 4,464,363</u>

See notes to financial statements

MULTIPLICATION NETWORK MINISTRIES

Statements of Activities

	Year Ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 2,774,594	\$ 1,606,134	\$ 4,380,728	\$ 1,821,345	\$ 2,097,186	\$ 3,918,531
Grant income	419,900	577,854	997,754	666,676	282,573	949,249
Investment income	17,098	-	17,098	8,752	-	8,752
	<u>3,211,592</u>	<u>2,183,988</u>	<u>5,395,580</u>	<u>2,496,773</u>	<u>2,379,759</u>	<u>4,876,532</u>
RECLASSIFICATIONS:						
Net assets released:						
Satisfaction of purpose restrictions	2,359,485	(2,359,485)	-	2,215,320	(2,215,320)	-
	<u>2,359,485</u>	<u>(2,359,485)</u>	<u>-</u>	<u>2,215,320</u>	<u>(2,215,320)</u>	<u>-</u>
EXPENSES:						
Program Services:						
Asia	875,490	-	875,490	548,440	-	548,440
Latin America	1,028,391	-	1,028,391	914,058	-	914,058
Africa	536,832	-	536,832	282,832	-	282,832
Spain/Europe	235,141	-	235,141	118,791	-	118,791
Eurasia	261,475	-	261,475	138,836	-	138,836
Caribbean & US Hispanics	285,925	-	285,925	173,007	-	173,007
Technology	291,385	-	291,385	176,832	-	176,832
	<u>3,514,639</u>	<u>-</u>	<u>3,514,639</u>	<u>2,352,796</u>	<u>-</u>	<u>2,352,796</u>
General and administration	500,818	-	500,818	262,479	-	262,479
Fundraising	1,819,981	-	1,819,981	1,485,035	-	1,485,035
	<u>5,835,438</u>	<u>-</u>	<u>5,835,438</u>	<u>4,100,310</u>	<u>-</u>	<u>4,100,310</u>
Change in Net Assets	(264,361)	(175,497)	(439,858)	611,783	164,439	776,222
Net Assets, Beginning of Year	<u>3,857,420</u>	<u>431,400</u>	<u>4,288,820</u>	<u>3,245,637</u>	<u>266,961</u>	<u>3,512,598</u>
Net Assets, End of Year	<u>\$ 3,593,059</u>	<u>\$ 255,903</u>	<u>\$ 3,848,962</u>	<u>\$ 3,857,420</u>	<u>\$ 431,400</u>	<u>\$ 4,288,820</u>

See notes to financial statements

MULTIPLICATION NETWORK MINISTRIES

Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services							Supporting Activities					Total
	Asia	Latin America	Africa	Spain / Europe	Eurasia	Caribbean & US Hispanics	Technology	Ministry Support	Total Ministry	General and Administration	Fundraising	Total Supporting	
Grants	\$652,019	\$ 806,285	\$368,656	\$ 109,009	\$ 135,342	\$ 243,881	\$ 59,073	\$ -	\$ 2,374,265	\$ -	\$ -	\$ -	\$ 2,374,265
Salaries	-	56,586	-	-	-	-	78,756	349,340	484,682	273,425	908,685	1,182,110	1,666,792
Employee benefits	-	33,442	-	-	-	-	6,362	154,321	194,125	119,780	347,377	467,157	661,282
Travel, meals & lodging	-	2,195	-	-	-	-	15,304	157,364	174,863	20,650	260,431	281,081	455,944
Contracted service	6,250	3,750	-	-	-	-	70,371	45,557	125,928	11,868	135,243	147,111	273,039
Promotional	-	-	-	-	-	-	-	507	507	-	92,442	92,442	92,949
Conferences	-	-	-	-	-	-	-	91,775	91,775	18,916	5,134	24,050	115,825
Banking fees	-	-	-	-	-	-	-	-	-	19,038	-	19,038	19,038
Printing & training material	7,000	-	-	-	-	-	-	20,518	27,518	1,505	9,760	11,265	38,783
Technology	-	-	-	-	-	-	11,417	2,344	13,761	4,285	38,506	42,791	56,552
Legal & professional	-	-	-	-	-	-	-	-	-	12,403	-	12,403	12,403
Office/rent expenses	-	-	-	-	-	-	2,400	2,904	5,304	-	2,004	2,004	7,308
Software licenses & fees	-	-	-	-	-	-	5,659	4,167	9,826	8,936	8,130	17,066	26,892
Office supplies	-	-	-	-	-	-	-	6,909	6,909	3,147	5,278	8,425	15,334
Postage	-	-	-	-	-	-	-	1,148	1,148	475	4,766	5,241	6,389
Insurance	-	-	-	-	-	-	-	-	-	3,728	-	3,728	3,728
Subscriptions & dues	-	-	-	-	-	-	-	4,028	4,028	2,662	2,225	4,887	8,915
Allocated costs	210,221	126,133	168,176	126,132	126,133	42,044	42,043	(840,882)	-	-	-	-	-
Total	\$875,490	\$1,028,391	\$536,832	\$ 235,141	\$ 261,475	\$ 285,925	\$ 291,385	\$ -	\$ 3,514,639	\$ 500,818	\$ 1,819,981	\$ 2,320,799	\$ 5,835,438

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on estimates of time and effort, and rent expense, which is allocated on a square footage basis.

See notes to financial statements

MULTIPLICATION NETWORK MINISTRIES

Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services							Supporting Activities					
	Asia	Latin America	Africa	Spain / Europe	Eurasia	Caribbean & US Hispanics	Technology	Ministry Support	Total Ministry	General and Administration	Fundraising	Total Supporting	Total
Grants	\$449,506	\$ 578,505	\$210,505	\$ 63,492	\$ 83,538	\$ 117,709	\$ 636	\$ -	\$ 1,503,891	\$ -	\$ -	\$ -	\$ 1,503,891
Salaries	-	204,436	-	-	-	-	14,175	185,677	404,288	159,066	851,408	1,010,474	1,414,762
Employee benefits	-	46,557	-	-	-	-	1,138	53,209	100,904	48,218	304,411	352,629	453,533
Travel, meals & lodging	-	-	8,970	-	-	-	14,878	71,938	95,786	6,627	140,009	146,636	242,422
Contracted service	\$7,933	5,000	7,500	-	-	-	51,420	13,153	85,006	4,284	103,406	107,690	192,696
Promotional	-	-	-	-	-	-	-	366	366	-	38,131	38,131	38,497
Conferences	-	1,300	-	-	-	-	-	25,616	26,916	1,321	3,232	4,553	31,469
Banking fees	-	-	-	-	-	-	-	-	-	18,534	-	18,534	18,534
Printing & training material	31,006	22,842	-	-	-	-	-	3,866	57,714	-	-	-	57,714
Technology	4,457	-	-	-	-	-	55,457	5,448	65,362	1,773	5,463	7,236	72,598
Legal & professional	-	-	-	-	-	-	-	-	-	11,041	-	11,041	11,041
Office/rent expenses	-	-	-	-	-	-	1,800	2,703	4,503	-	2,405	2,405	6,908
Software licenses & fees	240	120	559	-	-	-	462	3,359	4,740	2,890	16,126	19,016	23,756
Office supplies	-	-	-	-	-	-	-	2,063	2,063	3,636	13,220	16,856	18,919
Postage	-	-	-	-	-	-	-	137	137	106	5,145	5,251	5,388
Insurance	-	-	-	-	-	-	-	-	-	3,516	-	3,516	3,516
Subscriptions & dues	-	-	-	-	-	-	-	1,120	1,120	1,467	2,079	3,546	4,666
Allocated costs	55,298	55,298	55,298	55,299	55,298	55,298	36,866	(368,655)	-	-	-	-	-
Total	\$548,440	\$ 914,058	\$282,832	\$ 118,791	\$ 138,836	\$ 173,007	\$ 176,832	\$ -	\$ 2,352,796	\$ 262,479	\$ 1,485,035	\$ 1,747,514	\$ 4,100,310

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on estimates of time and effort, and rent expense, which is allocated on a square footage basis.

See notes to financial statements

MULTIPLICATION NETWORK MINISTRIES

Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (439,858)	\$ 776,222
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net realized/unrealized gain on investments	(4,048)	(932)
Changes in:		
Contributions receivable	60,000	-
Accounts payable	200,145	31,592
Accrued expenses	14,702	16,391
Net Cash (Used) Provided by Operating Activities	<u>(169,059)</u>	<u>763,273</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(2,252,234)	
Sale of investments	<u>1,250,000</u>	<u>437,672</u>
Net Cash (Used) Provided by Investing Activities	<u>(1,002,234)</u>	<u>437,672</u>
Net Change in Cash and Cash Equivalents	(1,171,293)	1,200,945
Cash and Cash Equivalents, Beginning of Year	<u>4,404,363</u>	<u>3,203,418</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,233,070</u>	<u>\$ 4,404,363</u>

See notes to financial statements

MULTIPLICATION NETWORK MINISTRIES

Notes to Financial Statements

December 31, 2022 and 2021

1. NATURE OF ORGANIZATION:

Multiplication Network Ministries (MNM) is a religious organization incorporated in the State of Illinois within the meaning of Section 501(c)(3) of the Internal Revenue Code (the Code). It is exempt from federal and state income taxes and contributions by the public are deductible for income tax purposes. MNM is not a private foundation under section 509(a)(1) of the Code.

MNM seeks to equip indigenous church leaders with the tools and resources to strengthen and multiply healthy churches. The efforts set out to accomplish this mission are by training leaders through developing a network of national mentors who will be able to train church planters and provide reproducible materials that can be downloaded and used freely across the world. MNM is supported primarily through donor contributions and grants.

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The more significant accounting policies are summarized below.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, checking and money market accounts. At December 31, 2022 and 2021, MNM's cash balances exceeded federally insured limits by \$2,600,519 and \$3,971,803, respectively.

INVESTMENTS

Investments in U.S. treasury securities with readily determinable fair values and certificates of deposit are recorded at fair value with gains and losses reported in the statements of activities. Investment income is recorded without donor restrictions unless a donor or law temporarily or permanently restricts their use. As of December 31, 2022 and 2021, investment income consists of interest income and unrealized gains of \$17,098 and \$8,752, respectively.

CLASSES OF NET ASSETS

Net assets are classified in the financial statements as follows:

Net assets without donor restrictions are those currently available at the discretion of the Board for use in MNM's operations.

Net assets with donor restrictions are those stipulated by donors for specific ministry purposes.

MULTIPLICATION NETWORK MINISTRIES

Notes to Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE

Contributions and grants are reported as income when made, which may be when cash is received, unconditional promises are made or when ownership of donated assets is transferred. All contributions and grants are considered available for use without donor restrictions, unless specifically restricted by the donor or subject to legal restrictions. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are recorded when incurred. The costs of providing the various program services and supporting activities of the organization have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting activities. Salaries of certain personnel are allocated based on the amount of time spent in connection with the various programs.

3. NET ASSETS WITH DONOR RESTRICTIONS BY PURPOSE:

Net assets with donor restrictions are available for the following ministry purposes:

	December 31, 2022	
	2022	2021
Asia–Scriptures & Bibles	\$ 11,398	\$ 25,828
India & Nepal–church planters	108,122	151,900
Pastor missions trips	15,613	100,000
Advertising in publications	1,713	46,980
President's office - networking initiatives	43,672	19,038
Virtual reality development	1,367	-
Center for innovation and technology	74,018	87,654
	<u>\$ 255,903</u>	<u>\$ 431,400</u>

MULTIPLICATION NETWORK MINISTRIES

Notes to Financial Statements

December 31, 2022 and 2021

4. FAIR VALUE MEASUREMENTS:

MNM has adopted the provisions of the *Fair Value Measurements and Disclosure* topic of the FASB Accounting Standards Codification. These standards define fair value, establish a framework for measuring fair value and enhance disclosures about fair value measurements. Fair value is defined under the standards as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market between market participants on the measurement date.

The fair values of investments are based on the framework established in the standards which establishes a three-level hierarchy for determining fair value. The valuations for each of these levels are determined as follows:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The tables below presents the level within the fair value hierarchy at which investments were measured as of December 31, 2022:

		December 31, 2022		
	Total	Level 1	Level 2	Level 3
Certificates of deposit	\$ 23,004	\$ -	\$ 23,004	\$ -
U.S. treasury securities	983,278	983,278	-	-
	<u>\$ 1,006,282</u>	<u>\$ 983,278</u>	<u>\$ 23,004</u>	<u>\$ -</u>

The following methods and assumptions were used by MNM to estimate the fair value of each class of financial instruments as of December 31, 2022:

Investments - The fair value for U.S. treasury securities are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of certificates of deposit are based on yields currently available on comparable securities of issuers with similar credit ratings.

MULTIPLICATION NETWORK MINISTRIES

Notes to Financial Statements

December 31, 2022 and 2021

5. JOINT MINISTRY AGREEMENT:

Beginning in September 2019, MNM's operations in Latin America are conducted in part under the terms of a joint ministry agreement between MNM and The Bible League Canada (BLC). The agreement was for a period of one year, but can be renewed annually. The agreement was renewed for an additional year upon expiration. While there is representation on each board, MNM and BLC have independent boards and are primarily affiliated through the joint ministry agreement. Accordingly, only the financial position and activity of MNM has been included in these financial statements. As part of the joint ministry agreement, BLC provided contributions totaling \$577,854 and \$282,573 (in U.S. dollars) to MNM during the years ended December 31, 2022 and 2021, respectively. MNM's expenses related to this joint ministry agreement totaled \$1,171,058 and \$1,264,929 during the years ended December 31, 2022 and 2021, respectively. The following table lists the financial activity for the years ended December 31, 2022 and 2021, related to this joint ministry agreement:

	2022	2021
Support and revenue:		
MNM support	\$ 593,204	\$ 982,356
BLC support	577,854	282,573
	<u>\$ 1,171,058</u>	<u>\$ 1,264,929</u>
Expenses:		
Compensation and benefits	\$ 192,381	\$ 549,453
Grants	972,732	686,214
Contracted service	3,750	5,000
Conferences	2,195	1,300
Printing and publications	-	22,962
	<u>\$ 1,171,058</u>	<u>\$ 1,264,929</u>

6. CONCENTRATIONS:

During the year ended December 31, 2022, three donors contributed approximately 29% of total contributions and grants. During the year ended December 31, 2021, three donors contributed approximately 33% of total contributions and grants.

7. RELATED PARTY TRANSACTIONS:

A board member of MNM is also a board member of BLC. BLC provided contributions to MNM totaling \$997,754 and \$949,249 during the years ended December 31, 2022 and 2021, respectively. MNM also provided contributions restricted toward China ministry of \$324,157 and \$371,475 to BLC during the years ended December 31, 2022 and 2021, respectively.

MULTIPLICATION NETWORK MINISTRIES

Notes to Financial Statements

December 31, 2022 and 2021

8. RETIREMENT BENEFITS PLAN:

MNM participates in a SIMPLE IRA plan offered to all regular, full-time employees working 40 or more hours a week. Employees make voluntary contributions, and MNM contributes a percentage of annual compensation for each participating employee. MNM contributed \$41,335 and \$34,987 in 2022 and 2021, respectively.

9. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects MNM's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because of contractual or donor-imposed restrictions.

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 3,233,070	\$ 4,404,363
Investments	1,006,282	-
Contributions receivable	-	60,000
Financial assets, at year-end	<u>4,239,352</u>	<u>4,464,363</u>
Less those unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions by purpose	<u>(255,903)</u>	<u>(431,400)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,983,449</u>	<u>\$ 4,032,963</u>

MNM structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of MNM's liquidity management, it has established guidelines for making decisions related to managing short term cash reserves in a prudent manner. Management has internally set 3-6 months of operating expenses as a reasonable cash reserve on an ongoing basis.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through May 16, 2023, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.