

MULTIPLICATION NETWORK MINISTRIES

Financial Statements
With Independent Auditors' Report

December 31, 2023 and 2022

MULTIPLICATION NETWORK MINISTRIES

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8

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, 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 Multiplication Network Ministries as of December 31, 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 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 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 24, 2024

MULTIPLICATION NETWORK MINISTRIES

Statements of Financial Position

	December 31,	
	2023	2022
ASSETS:		
Cash and cash equivalents	\$ 2,860,715	\$ 3,233,070
Investments	1,044,778	1,006,282
Total Assets	<u>\$ 3,905,493</u>	<u>\$ 4,239,352</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 210,088	\$ 290,777
Accrued expenses	97,159	99,613
Total liabilities	<u>307,247</u>	<u>390,390</u>
Net assets:		
Without donor restriction—available at Board discretion	3,180,875	3,593,059
With donor restriction:	417,371	255,903
Total net assets	<u>3,598,246</u>	<u>3,848,962</u>
Total Liabilities and Net Assets	<u>\$ 3,905,493</u>	<u>\$ 4,239,352</u>

See notes to financial statements

MULTIPLICATION NETWORK MINISTRIES

Statements of Activities

	Year Ended December 31,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 3,232,011	\$ 1,859,116	\$ 5,091,127	\$ 2,774,594	\$ 1,606,134	\$ 4,380,728
Grant income	473,654	556,563	1,030,217	419,900	577,854	997,754
Investment income	81,000	-	81,000	17,098	-	17,098
Total Support and Revenue	3,786,665	2,415,679	6,202,344	3,211,592	2,183,988	5,395,580
RECLASSIFICATIONS:						
Net assets released:						
Satisfaction of purpose restrictions	2,254,211	(2,254,211)	-	2,359,485	(2,359,485)	-
EXPENSES:						
Program Services:						
Asia	797,507	-	797,507	875,490	-	875,490
Latin America	1,076,573	-	1,076,573	1,028,391	-	1,028,391
Africa	785,173	-	785,173	536,832	-	536,832
Spain/Europe	263,833	-	263,833	235,141	-	235,141
Eurasia	319,165	-	319,165	261,475	-	261,475
Caribbean & US Hispanics	300,239	-	300,239	285,925	-	285,925
Technology	307,308	-	307,308	291,385	-	291,385
	3,849,798	-	3,849,798	3,514,639	-	3,514,639
General and administration	589,566	-	589,566	500,818	-	500,818
Fundraising	2,013,696	-	2,013,696	1,819,981	-	1,819,981
Total Expenses	6,453,060	-	6,453,060	5,835,438	-	5,835,438
Change in Net Assets	(412,184)	161,468	(250,716)	(264,361)	(175,497)	(439,858)
Net Assets, Beginning of Year	3,593,059	255,903	3,848,962	3,857,420	431,400	4,288,820
Net Assets, End of Year	\$ 3,180,875	\$ 417,371	\$ 3,598,246	\$ 3,593,059	\$ 255,903	\$ 3,848,962

See notes to financial statements

MULTIPLICATION NETWORK MINISTRIES

Statement of Functional Expenses

Year Ended December 31, 2023

	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	\$522,187	\$ 791,198	\$541,218	\$105,614	\$160,947	\$247,500	\$ 41,157	\$ 36,461	\$ 2,446,282	\$ -	\$ 5,300	\$ 5,300	\$ 2,451,582
Salaries	-	58,842	-	-	-	-	84,712	424,927	568,481	363,712	1,179,100	1,542,812	2,111,293
Employee benefits	-	32,118	-	-	-	-	7,108	216,484	255,710	146,199	395,918	542,117	797,827
Travel, meals & lodging	-	32,326	7,033	-	-	-	15,769	270,232	325,360	16,200	131,120	147,320	472,680
Contracted service	7,300	3,750	21,000	-	-	-	83,074	29,457	144,581	3,216	62,604	65,820	210,401
Promotional	-	-	-	-	-	-	-	-	-	-	1,600	1,600	1,600
Conferences	4,323	-	3,516	-	-	-	1,041	33,437	42,317	2,237	197,072	199,309	241,626
Banking fees	-	-	-	-	-	-	-	-	-	20,519	-	20,519	20,519
Printing & training material	-	-	-	-	-	-	2,936	13,658	16,594	-	-	-	16,594
Legal & professional	-	-	-	-	-	-	-	-	-	18,465	450	18,915	18,915
Office/rent expenses	-	-	-	-	-	-	2,400	5,161	7,561	-	-	-	7,561
Software licenses & fees	-	120	240	-	-	-	12,817	13,946	27,123	9,157	12,223	21,380	48,503
Office supplies	-	-	1,209	-	-	-	3,556	9,289	14,054	4,476	21,287	25,763	39,817
Insurance	-	-	-	-	-	-	-	-	-	4,330	-	4,330	4,330
Subscriptions & dues	-	-	-	-	-	-	-	1,735	1,735	1,055	7,022	8,077	9,812
Allocated costs	263,697	158,219	210,957	158,219	158,218	52,739	52,738	(1,054,787)	-	-	-	-	-
Total	\$797,507	\$1,076,573	\$785,173	\$263,833	\$319,165	\$300,239	\$ 307,308	\$ -	\$ 3,849,798	\$ 589,566	\$ 2,013,696	\$ 2,603,262	\$ 6,453,060

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, 2022

	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	\$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

Statements of Cash Flows

	Year Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (250,716)	\$ (439,858)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net realized/unrealized gain on investments	(24,497)	(4,048)
Changes in:		
Contributions receivable	-	60,000
Accounts payable	(80,689)	200,145
Accrued expenses	(2,454)	14,702
Net Cash Used by Operating Activities	(358,356)	(169,059)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(1,036,999)	(2,252,234)
Sale of investments	1,023,000	1,250,000
Net Cash Used by Investing Activities	(13,999)	(1,002,234)
Net Change in Cash and Cash Equivalents	(372,355)	(1,171,293)
Cash and Cash Equivalents, Beginning of Year	3,233,070	4,404,363
Cash and Cash Equivalents, End of Year	\$ 2,860,715	\$ 3,233,070

See notes to financial statements

MULTIPLICATION NETWORK MINISTRIES

Notes to Financial Statements

December 31, 2023 and 2022

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, 2023 and 2022, MNM's cash balances exceeded federally insured limits by \$2,425,552 and \$2,600,519, respectively.

INVESTMENTS

Investments in U.S. treasury securities and corporate bonds 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, 2023 and 2022, investment income consists of interest income and unrealized gains of \$81,000 and \$17,098, respectively.

CLASSES OF NET ASSETS

Net assets are classified in the financial statements as follows:

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

Net assets with donor restriction are those stipulated by donors for specific ministry purposes or for time.

MULTIPLICATION NETWORK MINISTRIES

Notes to Financial Statements

December 31, 2023 and 2022

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 RESTRICTION:

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

	December 31,	
	2023	2022
India & Nepal—church planters	\$ 104,457	\$ 108,122
Tanzania—church planters (time restricted)	100,000	-
China—church planters	67,330	-
Asia—Scriptures & Bibles	51,126	11,398
Center for innovation and technology	50,762	74,018
Pastor missions trips	43,696	15,613
President's office - networking initiatives	-	43,672
Advertising in publications	-	1,713
Virtual reality development	-	1,367
	<u>\$ 417,371</u>	<u>\$ 255,903</u>

MULTIPLICATION NETWORK MINISTRIES

Notes to Financial Statements

December 31, 2023 and 2022

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 table below presents the level within the fair value hierarchy at which investments were measured as of December 31, 2023:

	December 31, 2023			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate bonds	\$ 795,989	\$ 795,989	\$ -	\$ -
U.S. treasury securities	<u>248,789</u>	<u>248,789</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,044,778</u>	<u>\$ 1,044,778</u>	<u>\$ -</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, 2023:

Investments - The fair value for corporate bonds and U.S. treasury securities are determined by reference to quoted market prices and other relevant information generated by market transactions.

MULTIPLICATION NETWORK MINISTRIES

Notes to Financial Statements

December 31, 2023 and 2022

4. FAIR VALUE MEASUREMENTS, continued:

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

		December 31, 2022		
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 23,004	\$ -	\$ 23,004	\$ -
U.S. treasury securities	<u>983,278</u>	<u>983,278</u>	<u>-</u>	<u>-</u>
	<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, 2023 and 2022

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 \$556,563 and \$577,854 (in U.S. dollars) to MNM during the years ended December 31, 2023 and 2022, respectively. MNM's expenses related to this joint ministry agreement totaled \$1,215,507 and \$1,171,058 during the years ended December 31, 2023 and 2022, respectively. The following table lists the financial activity related to this joint ministry agreement:

	Year Ended December 31,	
	2023	2022
Support and revenue:		
MNM support	\$ 658,944	\$ 593,204
BLC support	556,563	577,854
	<u>\$ 1,215,507</u>	<u>\$ 1,171,058</u>
Expenses:		
Compensation and benefits	\$ 199,902	\$ 192,381
Grants	979,409	972,732
Contracted service	3,750	3,750
Travel	32,326	-
Software licenses and fees	120	-
Conferences	-	2,195
	<u>\$ 1,215,507</u>	<u>\$ 1,171,058</u>

6. CONCENTRATIONS:

During the year ended December 31, 2023, two donors contributed approximately 23% of total contributions and grants. During the year ended December 31, 2022, three donors contributed approximately 29% 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 \$1,057,220 and \$997,754 during the years ended December 31, 2023 and 2022, respectively. MNM also provided contributions restricted toward China ministry of \$375,813 and \$324,157 to BLC during the years ended December 31, 2023 and 2022, respectively.

MULTIPLICATION NETWORK MINISTRIES

Notes to Financial Statements

December 31, 2023 and 2022

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 \$48,783 and \$41,335 in 2023 and 2022, respectively.

9. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects MNM's financial assets as of the balance sheet date, 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.

	December 31,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 2,860,715	\$ 3,233,070
Investments	1,044,778	1,006,282
Financial assets, at year-end	<u>3,905,493</u>	<u>4,239,352</u>
Less those unavailable for general expenditures within one year, due to:		
Net assets with donor restriction	<u>(417,371)</u>	<u>(255,903)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,488,122</u>	<u>\$ 3,983,449</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 24, 2024, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.