



MIO FRONTIERS

Financial Statements
With Independent Auditors' Report

June 30, 2020 and 2019

MIO FRONTIERS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
MIO Frontiers
Tempe, Arizona

We have audited the accompanying financial statements of MIO Frontiers, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, 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 audits. We conducted our audits 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 auditor's 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.

Board of Directors
MIO Frontiers
Tempe, Arizona

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MIO Frontiers as of June 30, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Brea, California
September 21, 2020

MIO FRONTIERS

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 7,659,069	\$ 4,942,170
Investments	9,977,862	9,640,825
Staff advances and other receivables	32,712	38,681
Contributions receivable	149,500	212,948
Prepaid expenses and other assets	132,898	126,277
	17,952,041	14,960,901
Land, building, and equipment–net	3,158,579	3,423,030
Total Assets	\$ 21,110,620	\$ 18,383,931
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 165,638	\$ 67,873
Accrued expenses	164,973	186,733
Refundable advance	52,610	-
Amounts due to affiliates	126,105	235,785
	509,326	490,391
Net assets:		
Without donor restrictions:		
Undesignated	2,897,008	2,103,495
Board designated–investment reserve	793,378	750,117
Board designated–insurance reserve	390,304	390,304
Investment in land, building, and equipment	3,158,579	3,423,030
	7,239,269	6,666,946
With donor restrictions–missionary accounts and projects	13,362,025	11,226,594
	20,601,294	17,893,540
Total Liabilities and Net Assets	\$ 21,110,620	\$ 18,383,931

See notes to financial statements

MIO FRONTIERS

Statements of Activities

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 2,123,924	\$ 34,042,429	\$ 36,166,353	\$ 1,965,597	\$ 32,974,909	\$ 34,940,506
Investment income	414,685	-	414,685	601,951	-	601,951
Other income	152,969	-	152,969	173,561	-	173,561
Net assets released from restrictions:						
Administrative assessments	2,659,498	(2,659,498)	-	2,605,577	(2,605,577)	-
Satisfaction of field worker and project restrictions	29,247,500	(29,247,500)	-	30,288,994	(30,288,994)	-
Total Support and Revenue	34,598,576	2,135,431	36,734,007	35,635,680	80,338	35,716,018
EXPENSES:						
Field worker compensation	24,063,861	-	24,063,861	24,603,909	-	24,603,909
Ministry expense	5,166,550	-	5,166,550	5,627,016	-	5,627,016
International office assessment	940,939	-	940,939	926,091	-	926,091
Information technology	665,661	-	665,661	551,617	-	551,617
Finance/human resources	527,073	-	527,073	507,771	-	507,771
Receipting	523,735	-	523,735	542,343	-	542,343
Building and occupancy	407,260	-	407,260	410,431	-	410,431
Development	355,829	-	355,829	333,759	-	333,759
Communications	340,826	-	340,826	239,765	-	239,765
Overseas placement and support	250,618	-	250,618	260,886	-	260,886
Training	225,974	-	225,974	300,295	-	300,295
Recruiting	201,330	-	201,330	254,558	-	254,558
USA director and board	174,790	-	174,790	158,215	-	158,215
Administrative services	116,947	-	116,947	177,331	-	177,331
Church-based teams/church relations	64,860	-	64,860	64,440	-	64,440
Total Expenses	34,026,253	-	34,026,253	34,958,427	-	34,958,427
Change in Net Assets	572,323	2,135,431	2,707,754	677,253	80,338	757,591
Net Assets, Beginning of Year	6,666,946	11,226,594	17,893,540	5,989,693	11,146,256	17,135,949
Net Assets, End of Year	\$ 7,239,269	\$ 13,362,025	\$ 20,601,294	\$ 6,666,946	\$ 11,226,594	\$ 17,893,540

See notes to financial statements

MIO FRONTIERS

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,707,754	\$ 757,591
Adjustments to reconcile change in net assets to net cash provided (used in) by operating activities:		
Depreciation and amortization	369,188	352,081
Realized and unrealized gain on investments	(111,856)	(300,801)
Changes in operating assets and liabilities:		
Staff advances	5,969	18,277
Contributions receivable	63,448	120,744
Prepaid expenses and other assets	(6,621)	(31,305)
Accounts payable	97,765	(10,094)
Accrued expenses	(21,760)	8,424
Deferred revenue	52,610	-
Amounts due to affiliates	(109,680)	171,437
Net Cash Provided by Operating Activities	3,046,817	1,086,354
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(3,459,331)	(3,507,133)
Proceeds from sale of investments	3,234,150	3,111,951
Capital additions	(104,737)	(410,682)
Net Cash Used in Investing Activities	(329,918)	(805,864)
Change in Cash and Cash Equivalents	2,716,899	280,490
Cash and Cash Equivalents, Beginning of Year	4,942,170	4,661,680
Cash and Cash Equivalents, End of Year	\$ 7,659,069	\$ 4,942,170
SUPPLEMENTAL INFORMATION:		
Write-off of fully depreciated fixed assets	\$ -	\$ 260,661

See notes to financial statements

MIO FRONTIERS

Notes to Financial Statements

June 30, 2020 and 2019

1. NATURE OF ORGANIZATION:

MIO Frontiers (Frontiers) is organized as a not-for-profit religious corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). It is also exempt from state income taxes. Frontiers has been classified as a publicly supported organization, which is not a private foundation, under Section 509(a) of the IRC. Contributions by the public are deductible for income tax purposes. Income for Frontiers primarily consists of contributions from individuals and churches.

The mission of Frontiers is to plant churches that lead to movements among the least-evangelized peoples of the world through recruiting, training, sending, and serving field workers. Some of Frontiers' field workers are self-supporting (tent-makers) and therefore a portion of their support is not reflected in the financial statements of Frontiers.

Frontiers works in partnership with the international movement of Frontiers in accordance with the International Cooperative Agreement. The Frontiers International Office, located in England, provides vision, coordination, and leadership to Frontiers. The financial statements of Frontiers are not consolidated with Frontiers International in accordance with U.S. generally accepted accounting principles under the Accounting Standards Codification (ASC) consolidation rules.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Frontiers uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

For statements of financial position and cash flow purposes, cash and cash equivalents include cash on hand, cash on deposit, and money market accounts. These accounts may, at times, exceed federally insured limits. At June 30, 2020 and 2019, Frontiers' cash balances on deposit exceeded federally insured limits by approximately \$7,168,900 and \$4,476,000, respectively. Frontiers has not experienced any losses in such accounts.

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Notes to Financial Statements

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments in equity securities are reported at fair value based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy. Investments in debt securities are reported at fair value based on significant other observable inputs, which is Level 2 of the fair value hierarchy. Donated securities are recorded at fair value on the date of the gift and sold as soon as possible thereafter. Unrealized gains or losses in fair value are recognized in the year in which they occur. Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of Frontiers' investments and total net assets balance could fluctuate materially.

CONTRIBUTIONS RECEIVABLE

Contributions receivable are reported as income when the unconditional promise to give is made. Contributions receivable are recorded at net realizable value. All contributions receivable are expected to be collected within one year and management believes these receivables are fully collectible, therefore no allowance for doubtful accounts is necessary for June 30, 2020 or 2019.

LAND, BUILDING, AND EQUIPMENT

Expenditures of \$1,000 or more for land, building, and equipment were capitalized at cost. Donated items are recorded at the fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from two to twenty years.

NET ASSETS

The financial statements report amounts by class of net assets:

Net assets without donor restrictions are those net assets currently available at the discretion of the board for use in Frontiers' operations, those designated by the board for specified purposes, and those resources invested in land, building, and equipment. The board designated investment reserves reflected on the statements of financial position are calculated at a maximum of 7.5% of total investment holdings, including the portion held as cash.

Net assets with donor restrictions are contributed with donor stipulations for specific operating purposes. As of June 30, 2020 and 2019, the donor restricted amounts represent monies collected for field workers and projects which have not yet been spent. The donor restricted amounts held for fieldworkers totaled \$11,766,497 and \$9,554,301, as of June 30, 2020 and 2019, respectively. The donor restricted amounts held for projects totaled \$1,595,528 and \$1,672,293, as of June 30, 2020 and 2019, respectively.

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Notes to Financial Statements

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PUBLIC SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when cash or unconditional promises-to-give have been received, or ownership of donated assets is transferred to the ministry. Frontiers records contributions as donor restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions, or both. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, 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.

Frontiers receives non-cash gifts, which are recorded as contributions at the estimated fair market value on the date of the gift. Other income is recorded when earned.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

CONTRIBUTED SERVICES

Accounting standards require that the value of donated services that create or enhance non-financial assets or require specialized skills be recorded. Many volunteers have contributed significant amounts of their time to activities of Frontiers; 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 various programs and supporting services are summarized on a functional basis in Note 9. Expenses are directly charged to the appropriate activity, where feasible. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Such expenses require allocation on a reasonable basis that is consistently applied. Allocated expenses include depreciation and office and occupancy costs, which are allocated on a square footage basis; and personnel costs (not directly charged), which are allocated based on estimates of time and effort. Frontiers evaluates the allocation methodology periodically.

Accounting standards require all costs which contain any fundraising appeal to be allocated to fundraising unless all of the following three tests are met: purpose, audience, and content. The allocation of these joint costs is disclosed in Note 9 to the financial statements.

RECENTLY ADOPTED ACCOUNTING STANDARD

In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received*. Frontiers adopted the provisions of this new standard during the year ended June 30, 2020. This new standard provides guidance on determining whether individual transactions should be accounted for as an exchange transaction, and how to recognize revenue on contributions. This ASU had no impact on revenue or net assets for Frontiers.

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Notes to Financial Statements

June 30, 2020 and 2019

3. FAIR VALUE MEASUREMENTS:

Frontiers uses appropriate valuation techniques to determine fair value based on inputs available. When available, Frontiers measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Fair values of assets measured on a recurring basis at June 30, 2020 and 2019, are:

	Fair Value Measurements Using:			
	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Equities	\$ 2,979,746	\$ 2,979,746	\$ -	\$ -
Fixed income	6,998,116	-	6,998,116	-
	<u>\$ 9,977,862</u>	<u>\$ 2,979,746</u>	<u>\$ 6,998,116</u>	<u>\$ -</u>
	Fair Value Measurements Using:			
	June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Equities	\$ 3,072,577	\$ 3,072,577	\$ -	\$ -
Fixed income	6,568,248	-	6,568,248	-
	<u>\$ 9,640,825</u>	<u>\$ 3,072,577</u>	<u>\$ 6,568,248</u>	<u>\$ -</u>

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Notes to Financial Statements

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4. LAND, BUILDING, AND EQUIPMENT–NET:

Land, building, and equipment–net consist of:

	June 30,	
	2020	2019
Land	\$ 1,740,000	\$ 1,740,000
Building and improvements	4,022,975	3,963,013
Furniture and fixtures	469,006	468,070
Office equipment	794,004	753,865
Website and software development projects	395,532	391,832
	<u>7,421,517</u>	<u>7,316,780</u>
Less accumulated depreciation and amortization	<u>(4,262,938)</u>	<u>(3,893,750)</u>
	<u>\$ 3,158,579</u>	<u>\$ 3,423,030</u>

5. LINE OF CREDIT:

Frontiers has a line of credit from a financial institution in the amount of \$1,000,000. The line of credit accrues interest based on a variable rate, and matured on December 9, 2019. In March 2020, Frontiers renewed the \$1,000,000 line of credit. The line of credit has a variable rate of LIBOR + 3.414% and matures on April 1, 2021. As of June 30, 2020 and 2019, there were no outstanding borrowings on the line of credit.

6. LEASES:

Frontiers leases certain office equipment under an operating lease agreement that expires December 2021. The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 27,612
2022	<u>13,806</u>
	<u>\$ 41,418</u>

Lease expense for the years ended June 30, 2020 and 2019, was \$27,407 and \$32,424, respectively.

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Notes to Financial Statements

June 30, 2020 and 2019

7. 403(b) PENSION PLAN:

Frontiers maintains a 403(b) pension plan for its employees. Employees who have been full-time for more than one year and have obtained the age of twenty-one are eligible to receive employer matching contributions on their discretionary contributions. Frontiers matches 25% of the first 4% of employee discretionary contributions, increasing to 50% of the first 4% once the participant has been credited with two years of service as defined. During the years ended June 30, 2020 and 2019, Frontiers contributions to the 403(b) plan were \$151,528 and \$127,422, respectively.

8. INTERNATIONAL OFFICE ASSESSMENT:

The contributions raised by Frontiers' field workers are assessed a fee to fund fieldworker oversight and other contracted services provided by the international office. These amounts are included in international office assessments in the statements of activities.

9. FUNCTIONAL ALLOCATION OF EXPENSES:

The table below presents expenses by both their nature and function for the years ending:

	June 30, 2020			Total
	Program Activities	Management and General	Fundraising	
Salaries and benefits	\$ 22,717,691	\$ 986,888	\$ 2,353,970	\$ 26,058,549
Travel and meals	1,273,849	7,295	462,393	1,743,537
Grants to other organizations	1,596,318	-	-	1,596,318
Office expenses	482,851	351,491	273,591	1,107,933
Payments to affiliates	958,846	-	7,293	966,139
Outside services	360,389	189,320	136,739	686,448
Training and conferences	505,643	522	157,534	663,699
Other fieldworker expenses	366,236	-	149,171	515,407
All other expenses	454,242	145,365	88,616	688,223
	<u>\$ 28,716,065</u>	<u>\$ 1,680,881</u>	<u>\$ 3,629,307</u>	<u>\$ 34,026,253</u>
	<u>84.4%</u>	<u>4.9%</u>	<u>10.7%</u>	<u>100%</u>

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Notes to Financial Statements

June 30, 2020 and 2019

9. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

	Year Ended June 30, 2019			
	Program Activities	Management and General	Fundraising	Total
Salaries and benefits	\$ 23,093,839	\$ 937,279	\$ 2,422,552	\$ 26,453,670
Travel and meals	1,506,247	4,424	543,388	2,054,059
Grants to other organizations	1,706,333	-	-	1,706,333
Office expenses	516,485	346,713	247,609	1,110,807
Training and conferences	741,051	2,150	244,365	987,566
Payments to affiliates	942,252	-	6,507	948,759
Outside services	421,648	177,453	110,105	709,206
Other fieldworker expenses	222,510	-	88,491	311,001
All other expenses	420,767	163,463	92,796	677,026
	\$ 29,571,132	\$ 1,631,482	\$ 3,755,813	\$ 34,958,427
	84.6%	4.7%	10.7%	100%

As stated in Note 2, Frontiers incurs costs for field worker deputation which includes time spent performing fundraising functions. These costs are referred to as joint costs and are allocated to program services and fundraising. Joint cost allocations are as follows:

	June 30,	
	2020	2019
Program services	\$ 1,527,337	\$ 1,596,066
Fundraising	3,030,610	3,167,528
	\$ 4,557,947	\$ 4,763,594

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Notes to Financial Statements

June 30, 2020 and 2019

10. LIQUIDITY:

The following reflects Frontiers' financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general expenditure within one year of the statement of financial position date:

	June 30,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 7,659,069	\$ 4,942,170
Investments	9,977,862	9,640,825
Contributions receivable	149,500	212,948
Financial assets, at year end	<u>17,786,431</u>	<u>14,795,943</u>
Less those unavailable for general expenditure within one year due to:		
Restricted by donors with time and purpose restrictions	(521,937)	(521,937)
Board designated reserves	(1,183,682)	(1,140,421)
	<u>(1,705,619)</u>	<u>(1,662,358)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 16,080,812</u>	<u>\$ 13,133,585</u>

Frontiers manages its liquid resources by employing a number of different measures. Frontiers focuses on generating adequate contributions to cover its activities, while investing excess cash in investments to maximize earnings in light of Frontiers' risk tolerance. Expenses are reviewed frequently as part of the monitoring process over budget-to-actual results. As discussed in Note 5, Frontiers maintains a revolving line of credit with a balance up to \$1,000,000 available in the event of an unanticipated liquidity need. Frontiers did not draw on the line of credit during either of the years ended June 30, 2020 and 2019.

11. RISKS AND UNCERTAINTIES

Frontiers' operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on Frontiers' financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to Frontiers' donor population and revenue, absenteeism in Frontiers' workforce, and a decline in value of assets held by Frontiers, including property and equipment, and marketable securities. The financial impact cannot be estimated at this time, but Frontiers estimates it has not suffered an overall negative financial impact from the pandemic, through the date the financial statements were available to be issued.

12. SUBSEQUENT EVENTS:

Subsequent events were evaluated through September 21, 2020, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.