



MIO FRONTIERS

Financial Statements  
With Independent Auditors' Report

June 30, 2018 and 2017

# 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, 2018 and 2017, 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, 2018 and 2017, 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 18, 2018

# MIO FRONTIERS

## Statements of Financial Position

	June 30,	
	<u>2018</u>	<u>2017</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 4,661,680	\$ 4,561,286
Investments	8,944,842	7,527,042
Staff advances and accounts receivable	56,958	50,884
Contributions receivable	333,692	146,500
Prepaid expenses and other assets	94,972	52,720
	<u>14,092,144</u>	<u>12,338,432</u>
Land, buildings, and equipment—net	<u>3,364,429</u>	<u>3,562,634</u>
Total Assets	<u>\$ 17,456,573</u>	<u>\$ 15,901,066</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 77,967	\$ 66,117
Accrued expenses	178,309	156,157
Amounts due to affiliates	64,348	228,678
	<u>320,624</u>	<u>450,952</u>
Net assets:		
Unrestricted:		
Undesignated	1,547,430	284,332
Board designated—investment reserve	687,530	375,915
Board designated—insurance reserve	390,304	390,304
Investment in land, buildings, and equipment	3,364,429	3,562,634
	<u>5,989,693</u>	<u>4,613,185</u>
Temporarily restricted—missionary accounts and projects	11,146,256	10,836,929
	<u>17,135,949</u>	<u>15,450,114</u>
Total Liabilities and Net Assets	<u>\$ 17,456,573</u>	<u>\$ 15,901,066</u>

See notes to financial statements

# MIO FRONTIERS

## Statements of Activities

	Year Ended June 30,					
	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 2,839,876	\$ 32,270,800	\$ 35,110,676	\$ 2,083,846	\$ 30,521,573	\$ 32,605,419
Investment income	408,715	-	408,715	435,155	-	435,155
Other income	249,218	-	249,218	205,287	-	205,287
Net assets released from restrictions:						
Administrative assessments	2,559,382	(2,559,382)	-	2,436,909	(2,436,909)	-
Satisfaction of field worker and project restrictions	29,402,091	(29,402,091)	-	27,167,117	(27,167,117)	-
<b>Total Support and Revenue</b>	<b>35,459,282</b>	<b>309,327</b>	<b>35,768,609</b>	<b>32,328,314</b>	<b>917,547</b>	<b>33,245,861</b>
<b>EXPENSES:</b>						
Field worker compensation	23,271,430	-	23,271,430	21,767,175	-	21,767,175
Ministry expense	6,141,647	-	6,141,647	5,379,866	-	5,379,866
International office assessment	873,303	-	873,303	757,757	-	757,757
Receipting	617,455	-	617,455	611,788	-	611,788
Finance/HR	496,928	-	496,928	502,559	-	502,559
Development	390,397	-	390,397	500,757	-	500,757
Information technology	508,275	-	508,275	495,861	-	495,861
Building and occupancy	423,331	-	423,331	400,994	-	400,994
Training	264,645	-	264,645	312,335	-	312,335
Administrative services	197,432	-	197,432	235,653	-	235,653
Communications	295,040	-	295,040	218,769	-	218,769
Overseas placement and support	234,414	-	234,414	200,748	-	200,748
Recruiting	184,268	-	184,268	199,679	-	199,679
USA director and board	127,195	-	127,195	135,892	-	135,892
Church-based teams/church relations	57,014	-	57,014	54,836	-	54,836
<b>Total Expenses</b>	<b>34,082,774</b>	<b>-</b>	<b>34,082,774</b>	<b>31,774,669</b>	<b>-</b>	<b>31,774,669</b>
<b>Change in Net Assets</b>	<b>1,376,508</b>	<b>309,327</b>	<b>1,685,835</b>	<b>553,645</b>	<b>917,547</b>	<b>1,471,192</b>
<b>Net Assets, Beginning of Year</b>	<b>4,613,185</b>	<b>10,836,929</b>	<b>15,450,114</b>	<b>4,059,540</b>	<b>9,919,382</b>	<b>13,978,922</b>
<b>Net Assets, End of Year</b>	<b>\$ 5,989,693</b>	<b>\$ 11,146,256</b>	<b>\$ 17,135,949</b>	<b>\$ 4,613,185</b>	<b>\$ 10,836,929</b>	<b>\$ 15,450,114</b>

See notes to financial statements

# MIO FRONTIERS

## Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,685,835	\$ 1,471,192
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	341,999	331,732
Recognition of contributions receivable	(333,692)	(146,500)
Realized and unrealized gain on investments	(153,495)	(256,928)
Changes in operating assets and liabilities:		
Staff advances and accounts receivable	(6,074)	43,309
Prepaid expenses and other assets	(42,252)	24,355
Accounts payable	11,850	(4,664)
Accrued expenses	22,152	(15,323)
Amounts due to affiliates	(164,330)	(32,055)
Net Cash Provided by Operating Activities	1,361,993	1,415,118
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(2,692,362)	(2,177,432)
Proceeds from sale of investments	1,428,057	1,006,905
Capital additions	(143,794)	(190,977)
Net Cash Used in Investing Activities	(1,408,099)	(1,361,504)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Collections of contributions receivable	146,500	390,541
Net Cash Provided by Financing Activities	146,500	390,541
Change in Cash and Cash Equivalents	100,394	444,155
Cash and Cash Equivalents, Beginning of Year	4,561,286	4,117,131
Cash and Cash Equivalents, End of Year	\$ 4,661,680	\$ 4,561,286

See notes to financial statements

# MIO FRONTIERS

## Notes to Financial Statements

June 30, 2018 and 2017

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 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, 2018 and 2017, Frontiers' cash balances exceeded federally insured limits by \$4,358,297 and \$3,907,713, respectively. Frontiers has not experienced any losses in such accounts.

### INVESTMENTS

Investments in mutual funds and 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.



# MIO FRONTIERS

## Notes to Financial Statements

June 30, 2018 and 2017

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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, 2018 or 2017.

#### LAND, BUILDINGS, AND EQUIPMENT

Expenditures of \$1,000 or more for land, buildings, 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:

*Unrestricted net assets* are 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, buildings, and equipment.

*Temporarily restricted net assets* are contributed with donor stipulations for specific operating purposes. As of June 30, 2018 and 2017, the temporarily restricted amounts represent monies collected for field workers and projects which have not yet been spent.

#### 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 temporarily 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, temporarily restricted net assets are reclassified to unrestricted net assets 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.

# MIO FRONTIERS

## Notes to Financial Statements

June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

### 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 the various program services and supporting activities have been summarized on a functional basis in note 6 to the financial statements. Accordingly, certain costs have been allocated among the program services and supporting activities.

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 6 to the financial statements.

# MIO FRONTIERS

## Notes to Financial Statements

June 30, 2018 and 2017

### 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, 2018 and 2017, are:

	June 30, 2018	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Equities:				
Large cap	\$ 2,471,848	\$ 2,471,848	\$ -	\$ -
Mid cap	717,298	717,298	-	-
Small cap	114,955	114,955	-	-
Fixed income:				
U.S. treasury securities	880,254	-	880,254	-
U.S. government agencies	591,314	-	591,314	-
Corporate bonds	2,965,263	-	2,965,263	-
Convertible bonds	776,284	-	776,284	-
Municipal Obligations	427,626	-	427,626	-
	<u>\$ 8,944,842</u>	<u>\$ 3,304,101</u>	<u>\$ 5,640,741</u>	<u>\$ -</u>

# MIO FRONTIERS

## Notes to Financial Statements

June 30, 2018 and 2017

### 3. FAIR VALUE MEASUREMENTS, continued:

	June 30, 2017	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Equities:				
Large cap	\$ 1,576,055	\$ 1,576,055	\$ -	\$ -
Mid cap	689,653	689,653	-	-
Small cap	210,886	210,886	-	-
Fixed income:				
U.S. treasury securities	1,091,941	-	1,091,941	-
U.S. government agencies	704,657	-	704,657	-
Corporate bonds	2,187,655	-	2,187,655	-
Convertible bonds	673,443	-	673,443	-
Municipal Obligations	392,752	-	392,752	-
	<u>\$ 7,527,042</u>	<u>\$ 2,476,594</u>	<u>\$ 5,050,448</u>	<u>\$ -</u>

Changes in valuation techniques: None.

# MIO FRONTIERS

## Notes to Financial Statements

June 30, 2018 and 2017

4. INVESTMENTS:

Investments consist of:

	June 30,	
	2018	2017
Equities	\$ 3,304,101	\$ 2,476,594
Fixed income	5,640,741	5,050,448
Mutual funds	-	-
	<u>\$ 8,944,842</u>	<u>\$ 7,527,042</u>

Investment income consists of:

Interest and dividends	\$ 255,220	\$ 178,227
Realized and unrealized gain on investments	153,495	256,928
	<u>\$ 408,715</u>	<u>\$ 435,155</u>

5. LAND, BUILDINGS, AND EQUIPMENT—NET:

Land, buildings, and equipment—net consist of:

	June 30,	
	2018	2017
Land	\$ 1,740,000	\$ 1,740,000
Buildings and improvements	3,726,470	3,707,923
Furniture and fixtures	489,021	484,391
Office equipment	828,862	764,029
Website and software development projects	382,406	326,622
	<u>7,166,759</u>	<u>7,022,965</u>
Less accumulated depreciation and amortization	<u>(3,802,330)</u>	<u>(3,460,331)</u>
	<u>\$ 3,364,429</u>	<u>\$ 3,562,634</u>

# MIO FRONTIERS

## Notes to Financial Statements

June 30, 2018 and 2017

6. FUNCTIONAL ALLOCATION OF EXPENSES:

Expenses incurred were spent in the following categories:

	June 30,	
	2018	2017
Program services	\$ 28,287,366	\$ 26,239,378
Supporting activities:		
General and administrative	2,014,562	2,050,915
Fundraising	3,780,846	3,484,376
	<u>\$ 34,082,774</u>	<u>\$ 31,774,669</u>

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,	
	2018	2017
Program services	\$ 1,591,565	\$ 1,452,208
Fundraising	3,159,858	2,882,649
	<u>\$ 4,751,423</u>	<u>\$ 4,334,857</u>

7. LINE OF CREDIT:

Frontiers has a line of credit from a financial institution in the amount of \$1,000,000. The line of credit has a variable rate, and matured on January 15, 2017. In June 2017, Frontiers renewed the \$1,000,000 line of credit. The line of credit has a variable rate and matures on December 9, 2018. As of June 30, 2018 and 2017, there were no outstanding borrowings on the line of credit.

# MIO FRONTIERS

## Notes to Financial Statements

June 30, 2018 and 2017

8. LEASES:

Frontiers leases certain office equipment under an operating lease agreement that expires November 2020. The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 32,424
2020	32,424
2021	<u>10,808</u>
	<u>\$ 75,656</u>

Lease expense for the years ended June 30, 2018 and 2017, was \$32,582 and \$29,641, respectively.

9. 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, 2018 and 2017, Frontiers contributions to the 403(b) plan were \$112,943 and \$98,706, respectively.

10. AFFILIATED MINISTRIES:

Frontiers is affiliated with a number of sister organizations located throughout the world. The activity of the affiliates is not included in these financial statements because Frontiers does not control the affiliates.

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.

11. SUBSEQUENT EVENTS:

Subsequent events were evaluated through September 18, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.