

MISSION WITHOUT BORDERS, INCORPORATED
An Affiliate of Mission Without Borders International

Financial Statements for the Years
Ended December 31, 2017 and 2016
and Independent Auditor's Report

Fanning & Karrh

Certified Public Accountants

A Professional Corporation



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mission Without Borders, Incorporated:

We have audited the accompanying financial statements of Mission Without Borders, Incorporated (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, 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.

Auditor's 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 of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mission Without Borders, Incorporated as of December 31, 2017 and 2016, 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.

Janning : Karr

Ventura, California
March 1, 2018

MISSION WITHOUT BORDERS, INCORPORATED
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STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

<u>ASSETS</u>	<u>NOTES</u>	<u>2017</u>	<u>2016</u>
CURRENT ASSETS			
Cash and cash equivalents		\$ 116,795	\$ 111,915
Accounts receivables		-	125
Prepaid expenses and other current assets		<u>2,467</u>	<u>1,445</u>
Total current assets		<u>119,262</u>	<u>113,485</u>
NON-CURRENT ASSETS			
Restricted cash and cash equivalents		1,146	1,353
Property and equipment, net	3	<u>-</u>	<u>174</u>
Total non current assets		<u>1,146</u>	<u>1,527</u>
TOTAL ASSETS		<u>\$ 120,408</u>	<u>\$ 115,012</u>
<u>LIABILITIES AND NET ASSETS</u>			
CURRENT LIABILITIES			
Accounts payable and accrued expenses		<u>\$ 16,673</u>	<u>\$ 12,099</u>
NON-CURRENT LIABILITIES			
Annuities - Stewardship		<u>1,146</u>	<u>1,353</u>
Total liabilities		<u>17,819</u>	<u>13,452</u>
NET ASSETS			
Unrestricted		<u>102,589</u>	<u>101,560</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 120,408</u>	<u>\$ 115,012</u>

See independent auditor's report and accompanying notes to financial statements.

MISSION WITHOUT BORDERS, INCORPORATED
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STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
SUPPORT AND REVENUE		
Cash contributions	\$ 195,349	\$ 222,454
In-kind contributions	1,004,150	621,963
Contributed services	<u>3,378</u>	<u>3,029</u>
Total support and revenue	<u>1,202,877</u>	<u>847,446</u>
EXPENSES		
Program services	1,118,524	745,946
Administration	43,086	45,790
Fundraising	<u>40,238</u>	<u>58,974</u>
Total expenses	<u>1,201,848</u>	<u>850,710</u>
Change in net assets	<u>1,029</u>	<u>(3,264)</u>
NET ASSETS, BEGINNING OF YEAR	<u>101,560</u>	<u>104,824</u>
NET ASSETS, END OF YEAR	<u>\$ 102,589</u>	<u>\$ 101,560</u>

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MISSION WITHOUT BORDERS, INCORPORATED
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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related expenses:				
Salaries	\$ 22,358	\$ 43,303	\$ 4,685	\$ 70,346
Employee benefits	801	468	19	1,288
Payroll taxes	1,910	3,918	431	6,259
Compensation expenses reimbursed from MWBI	<u>-</u>	<u>(25,967)</u>	<u>-</u>	<u>(25,967)</u>
Total compensation and related expenses	<u>25,069</u>	<u>21,722</u>	<u>5,135</u>	<u>51,926</u>
Other expenses:				
Gifts-in-kind distributions to MWBI for field programs	1,004,150	-	-	1,004,150
Cash distributions to MWBI for field programs	66,024	-	-	66,024
Occupancy	10,047	10,047	10,047	30,141
Professional fees	10,526	7,575	7,438	25,539
Donated services provided by MWBI	-	3,378	-	3,378
Advertising	-	-	9,968	9,968
Travel	-	-	128	128
Supplies	226	27	180	433
Postage and shipping	2,020	95	5,088	7,203
Printing	314	113	1,410	1,837
Bank fees	-	-	581	581
Miscellaneous expense	90	71	205	366
Total other expenses	<u>1,093,397</u>	<u>21,306</u>	<u>35,045</u>	<u>1,149,748</u>
Total expenses before depreciation expense	1,118,466	43,028	40,180	1,201,674
Depreciation	<u>58</u>	<u>58</u>	<u>58</u>	<u>174</u>
Total functional expenses	<u>\$ 1,118,524</u>	<u>\$ 43,086</u>	<u>\$ 40,238</u>	<u>\$ 1,201,848</u>

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MISSION WITHOUT BORDERS, INCORPORATED
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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related expenses:				
Salaries	\$ 22,599	\$ 45,893	\$ 4,708	\$ 73,200
Employee benefits	746	436	124	1,306
Payroll taxes	1,935	4,120	436	6,491
Compensation expenses reimbursed from MWBI	<u>-</u>	<u>(25,893)</u>	<u>-</u>	<u>(25,893)</u>
Total compensation and related expenses	<u>25,280</u>	<u>24,556</u>	<u>5,268</u>	<u>55,104</u>
Other expenses:				
Gifts-in-kind distributions to MWBI for field programs	621,963	-	-	621,963
Cash distributions to MWBI for field programs	74,663	-	-	74,663
Occupancy	10,641	10,640	10,641	31,922
Professional fees	9,774	6,994	12,790	29,558
Donated services provided by MWBI	-	3,029	-	3,029
Advertising	-	-	14,828	14,828
Travel	67	-	81	148
Supplies	639	64	22	725
Postage and shipping	2,279	105	4,276	6,660
Printing	125	-	9,992	10,117
Bank fees	-	-	624	624
Miscellaneous expense	245	132	182	559
Total other expenses	<u>720,396</u>	<u>20,964</u>	<u>53,436</u>	<u>794,796</u>
Total expenses before depreciation expense	745,676	45,520	58,704	849,900
Depreciation	<u>270</u>	<u>270</u>	<u>270</u>	<u>810</u>
Total functional expenses	<u>\$ 745,946</u>	<u>\$ 45,790</u>	<u>\$ 58,974</u>	<u>\$ 850,710</u>

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MISSION WITHOUT BORDERS, INCORPORATED
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STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,029	\$ (3,264)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	174	810
Change in operating assets and liabilities:		
Decrease in accounts receivable	125	240
Increase in prepaid expenses	(1,022)	(751)
Increase in accounts payable and accrued expenses	<u>4,574</u>	<u>873</u>
Net cash provided by (used for) operating activities	<u>4,880</u>	<u>(2,092)</u>
NET INCREASE (DECREASE) IN CASH	4,880	(2,092)
CASH, BEGINNING OF YEAR	<u>111,915</u>	<u>114,007</u>
CASH, END OF YEAR	<u>\$ 116,795</u>	<u>\$ 111,915</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Contributed services	\$ 3,378	\$ 3,029
Contributed gifts-in-kind	\$ 1,004,150	\$ 621,963

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MISSION WITHOUT BORDERS, INCORPORATED
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NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

General

Mission Without Borders, Incorporated (Organization) is a nonprofit religious organization, and is affiliated with Mission Without Borders International (MWBI). The Organization is organized under the laws of California. On July 13, 1992, the Organization changed its name from Underground Evangelism to Mission Without Borders, Incorporated. The Organization raises funds through cash contributions, in-kind donations and other miscellaneous sources, and distributes these funds to MWBI. MWBI coordinates funding programs and provides funding for program services worldwide, primarily Eastern Europe and China. MWBI has a majority voting interest in the Organization and has an economic interest through a contractual fundraising agreement.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at December 31, 2017 and 2016, and the reported amounts of revenue and expenses for the years then ended. Actual results could differ from those estimates.

The valuation of gifts-in-kind received requires the use of estimates. The Organization believes the techniques and assumptions used in establishing these values are appropriate.

Subsequent Events

The Organization has evaluated subsequent events through March 1, 2018, the date which the financial statements were available to be issued.

Description of Program

Expenses classified as field programs represent the distribution of funds and gifts-in-kind to MWBI for the coordination of worldwide funding to relief programs.

The Organization and MWBI are dedicated to reaching people for Christ and dedicated to serving the spiritual, physical, emotional and educational needs of those suffering the effects of poverty or persecution without regard to their religion or ethnic background worldwide.

MWBI partners with churches, children's homes, schools, hospitals and prisons along with community centers to reach and meet the needs of poor, hungry and needy people.

Child Rescue International, Child Recovery Homes and other child care programs touch the lives of tens of thousands of children living in institutions. Orphaned, abandoned or handicapped children receive food, clothing, school supplies, go to summer camps, vocational training, are taught life skills and receive emotional support. MWBI helps with the upkeep and renovation of the institutions and offers medical assistance and spiritual guidance to all children.

Family-to-Family, community centers and other family care programs help families and elderly people experiencing physical, social and economic hardships. Churches and community centers provide Christian literature, donated goods such as food, clothing, blankets, and furniture. Additionally, vocational training, health, hygiene and medical aid are also provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mission Without Borders, Incorporated's significant accounting policies are as follows:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles (GAAP) for non-profit organizations.

Financial Statement Presentation

The Organization classifies its net assets, revenue, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Board designated assets are included in unrestricted net assets.

Temporarily restricted – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. At December 31, 2017 and 2016, the Organization had no temporarily restricted net assets.

Permanently restricted – Net assets subject to donor-imposed restrictions that are required to be maintained permanently by the Organization. At December 31, 2017 and 2016, the Organization had no permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of any donor imposed restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. Upon satisfaction of donor restrictions, assets are reclassified as increases to unrestricted net assets.

Contributed Services

The Organization received donated administrative services from MWBI, an affiliated organization (see Note 1) valued at \$3,378 and \$3,029 for the years ended December 31, 2017 and 2016, respectively. This amount is included in unrestricted in-kind contributions in the accompanying financial statements.

Gifts-in-Kind

The Organization receives donations of clothing, food, medical supplies, household goods and other commodities for use in relief programs. Such gifts are recorded at their estimated fair value at the date of donation. Based upon quantities donated, such gifts were recorded at estimated wholesale value of gifts received considering their condition and utility for use. Gifts-in-kind of \$1,004,150 and \$621,963 were received in 2017 and 2016, respectively, through private donations or from other non-profit organizations. These gifts were valued at the estimated wholesale value at the date of receipt and recognized as revenue when received and expensed from inventory when shipped.

The Organization follows Accord's standards as it relates to gifts-in-kind transactions. These standards provide guidance for the procurement, valuation, documentation, reporting and use of gifts-in-kind. Accord (formerly the Association of Evangelical Relief and Development Agencies) is a membership of Christian organizations and churches involved in the learning, collaboration and building of Christ-centered unity around the shared vision of eliminating poverty.

Cash and Cash Equivalents

The Organization considers all liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Property and Equipment

The Organization's property and equipment are recorded at cost. Assets donated are recorded at their fair value at the date of gift. Depreciation is computed on the straight-line method over the estimated lives as follows:

Furniture and equipment	3 to 10 years
Films	3 to 5 years
Data processing equipment	3 to 5 years

Expenditures that increase an asset's useful life are capitalized; expenses for repairs and maintenance are charged to operations as incurred. The cost and related accumulated depreciation or amortization of property and equipment sold or disposed of are removed from the accounts and any resulting gain or loss is included in operations.

Advertising

The Organization uses advertising to promote its programs within the audiences it serves. The advertising costs are expensed as incurred and totaled \$9,968 and \$14,828 for 2017 and 2016, respectively.

Functional Allocation of Expenses

The costs of providing the program services and management activities have been summarized on a functional basis in the statement of activities. While some expenses are allocated in their entirety to a single function through specific identification, most expenses relate to more than one function and are allocated among the functions benefited.

Income Taxes

The Organization's activities are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Franchise Tax Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Financial Accounting Standards Board ASC 740-10 provides guidance for reporting uncertainty in income taxes. Accordingly, the Organization is not aware of any material uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization is no longer subject to U.S. federal income tax examinations for years before 2014 or state income tax examinations for years before 2013.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 13,154	\$ 13,154
Data processing equipment	9,171	9,171
Film	<u>13,489</u>	<u>13,489</u>
	35,814	35,814
Less accumulated depreciation and amortization	<u>(35,814)</u>	<u>(35,640)</u>
Total	<u>\$ -</u>	<u>\$ 174</u>

Depreciation expense was \$174 and \$810 for the years ended December 31, 2017 and 2016, respectively.

4. RELATED PARTY TRANSACTIONS

The Organization has a fundraising agreement, and works in cooperation, with MWBI to provide funding for relief programs. As reflected on the accompanying Statement of Functional Expenses, cash and in-kind gifts were distributed to MWBI for use in field programs. MWBI provides a variety of support services to the Organization and other affiliated organizations to assist in their fundraising efforts. Generally, the costs of these supporting services are not allocated to affiliated organizations.

The Organization subleases office space from MWBI on a month-to-month basis for its headquarters in Camarillo, California. Rent expense was \$30,141 and \$31,922 in 2017 and 2016, respectively.

The Organization shares accounting staff with MWBI and MWBI reimburses the Organization for allocated compensation expenses. Total reimbursement recognized in 2017 and 2016 was \$25,967 and \$25,893, respectively.
