



**GREATER EUROPE MISSION AND
AFFILIATES dba GEM USA**

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2020 and 2019

**GREATER EUROPE MISSION AND AFFILIATES
AFFILIATES dba GEM USA**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Greater Europe Mission and Affiliates
dba GEM USA
Monument, Colorado

We have audited the accompanying consolidated financial statements of Greater Europe Mission and Affiliates dba GEM USA, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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
Greater Europe Mission and Affiliates
dba GEM USA
Monument, Colorado

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Greater Europe Mission and Affiliates dba GEM USA as of June 30, 2020 and 2019, and the changes in their 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

Colorado Springs, Colorado
November 17, 2020

**GREATER EUROPE MISSION AND AFFILIATES
AFFILIATES dba GEM USA**

Consolidated Statements of Financial Position

	June 30,	
	2020	2019
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 3,108,217	\$ 3,138,764
Advances and other receivables	268,548	187,552
Estate receivables—current portion	501,901	-
Loans receivable—current portion	36,579	43,972
Prepaid expense and other assets	161,507	547,463
Amounts held for others	117,360	120,624
	4,194,112	4,038,375
Loans receivable—net of current portion	133,304	113,228
Investments	8,945,697	8,315,030
Estate receivables—net of current portion	314,181	315,217
Real estate held for investment	358,791	358,791
Land, buildings, and equipment—net	3,550,142	3,769,207
	4,194,112	4,038,375
Total Assets	\$ 17,496,227	\$ 16,909,848
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 346,295	\$ 508,049
Related party payable	103,400	-
Deferred revenue	76,217	160,051
Investments held for others	117,360	120,624
Note payable—current portion	18,056	18,069
Annuities payable—current portion	7,538	12,028
Deferred compensation liability—current portion	61,344	61,344
	730,210	880,165
Note payable—net of current portion	430,170	456,230
Annuities payable—net of current portion	58,255	47,440
Deferred compensation liability—net of current portion	615,660	620,971
	1,834,295	2,004,806
Net assets:		
Without donor restrictions	6,447,184	6,895,624
With donor restrictions	9,214,748	8,009,418
	15,661,932	14,905,042
Total Liabilities and Net Assets	\$ 17,496,227	\$ 16,909,848

See notes to consolidated financial statements

**GREATER EUROPE MISSION AND AFFILIATES
AFFILIATES dba GEM USA**

Consolidated Statements of Activities

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING:						
SUPPORT AND REVENUE:						
Contributions	\$ 1,281,249	\$ 20,835,624	\$ 22,116,873	\$ 995,752	\$ 21,792,453	\$ 22,788,205
Camper registration fees	344,263	-	344,263	348,734	-	348,734
Investment income	12,609	-	12,609	8,115	-	8,115
Change in value of gift annuities	(13,741)	-	(13,741)	(970)	-	(970)
Other income	328,799	-	328,799	337,604	-	337,604
Total Support and Revenue	1,953,179	20,835,624	22,788,803	1,689,235	21,792,453	23,481,688
NET ASSETS RELEASED:						
Purpose restrictions	17,456,753	(17,456,753)	-	18,252,247	(18,252,247)	-
Administrative assessments	2,173,541	(2,173,541)	-	2,215,808	(2,215,808)	-
Total Net Assets Released	19,630,294	(19,630,294)	-	20,468,055	(20,468,055)	-
EXPENSES:						
Program services	16,290,950	-	16,290,950	17,486,037	-	17,486,037
Supporting activities:						
Management and general	3,986,039	-	3,986,039	2,524,274	-	2,524,274
Fund-raising	2,049,959	-	2,049,959	2,406,564	-	2,406,564
	6,035,998	-	6,035,998	4,930,838	-	4,930,838
Total Expenses	22,326,948	-	22,326,948	22,416,875	-	22,416,875
Change in Net Assets From Operations	(743,475)	1,205,330	461,855	(259,585)	1,324,398	1,064,813

(continued)

See notes to consolidated financial statements

**GREATER EUROPE MISSION AND AFFILIATES
AFFILIATES dba GEM USA**

Consolidated Statements of Activities
(continued)

	Year Ended June 30,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
NON-OPERATING:						
Investment income	320,422	-	320,422	239,125	-	239,125
Change in value of deferred compensation liability	5,311	-	5,311	1,704	-	1,704
Valuation adjustment on non- operating land and buildings	<u>(30,698)</u>	<u>-</u>	<u>(30,698)</u>	<u>(30,698)</u>	<u>-</u>	<u>(30,698)</u>
Change in net assets from non-operating activities	<u>295,035</u>	<u>-</u>	<u>295,035</u>	<u>210,131</u>	<u>-</u>	<u>210,131</u>
Change in Net Assets	(448,440)	1,205,330	756,890	(49,454)	1,324,398	1,274,944
Net Assets, Beginning of Year	<u>6,895,624</u>	<u>8,009,418</u>	<u>14,905,042</u>	<u>6,945,078</u>	<u>6,685,020</u>	<u>13,630,098</u>
Net Assets, End of Year	<u>\$ 6,447,184</u>	<u>\$ 9,214,748</u>	<u>\$ 15,661,932</u>	<u>\$ 6,895,624</u>	<u>\$ 8,009,418</u>	<u>\$ 14,905,042</u>

See notes to consolidated financial statements

**GREATER EUROPE MISSION AND AFFILIATES
AFFILIATES dba GEM USA**

Consolidated Statements of Functional Expenses

	Year Ended June 30, 2020			Total
	Program Services	Supporting Activities		
		General and Administrative	Fund-raising	
OPERATING:				
Salaries and benefits	\$ 11,793,715	\$ 1,377,194	\$ 1,442,156	\$ 14,613,065
Travel and hospitality	1,762,573	53,005	247,989	2,063,567
Grants to others	1,360,131	232,821	33,261	1,626,213
International office assessment	-	1,101,114	63,877	1,164,991
Professional fees	89,483	886,918	60,627	1,037,028
Office and information technology	569,859	146,112	95,465	811,436
Equipment and facilities	285,506	104,374	8,572	398,452
Other	279,822	18,827	98,012	396,661
Depreciation	149,861	65,674	-	215,535
Total Operating Expenses	<u>16,290,950</u>	<u>3,986,039</u>	<u>2,049,959</u>	<u>22,326,948</u>
NON-OPERATING:				
Valuation adjustment on non-operating land and buildings	<u>20,261</u>	<u>10,437</u>	<u>-</u>	<u>30,698</u>
Total Expenses	<u>\$ 16,311,211</u>	<u>\$ 3,996,476</u>	<u>\$ 2,049,959</u>	<u>\$ 22,357,646</u>

(continued)

See notes to consolidated financial statements

**GREATER EUROPE MISSION AND AFFILIATES
AFFILIATES dba GEM USA**

Consolidated Statements of Functional Expenses
(continued)

	Year Ended June 30, 2019			Total
	Program Services	Supporting Activities		
		General and Administrative	Fund-raising	
OPERATING:				
Salaries and benefits	\$ 12,702,324	\$ 1,107,027	\$ 1,528,228	\$ 15,337,579
Travel and hospitality	2,390,710	153,888	407,615	2,952,213
Grants to others	763,292	21,375	27,146	811,813
Professional fees	124,107	850,770	211,512	1,186,389
Office and information technology	683,490	207,158	139,958	1,030,606
Equipment and facilities	354,935	95,478	15,351	465,764
Other	326,524	20,595	76,754	423,873
Depreciation	140,655	67,983	-	208,638
Total Operating Expenses	<u>17,486,037</u>	<u>2,524,274</u>	<u>2,406,564</u>	<u>22,416,875</u>
NON-OPERATING:				
Valuation adjustment on non-operating land and buildings	<u>20,261</u>	<u>10,437</u>	<u>-</u>	<u>30,698</u>
Total Expenses	<u>\$ 17,506,298</u>	<u>\$ 2,534,711</u>	<u>\$ 2,406,564</u>	<u>\$ 22,447,573</u>

See notes to consolidated financial statements

**GREATER EUROPE MISSION AND AFFILIATES
AFFILIATES dba GEM USA**

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 756,890	\$ 1,274,944
Adjustments to reconcile to net cash provided (used) by operating activities:		
Depreciation	246,233	239,336
Reinvested dividends	(233,387)	(223,904)
Net realized and unrealized gains on investments	(87,034)	(15,220)
Change in value of gift annuities	13,741	970
Change in operating assets and liabilities:		
Advances and other receivables	(80,996)	(240,099)
Estate receivables	(500,865)	-
Prepaid expenses and other assets	385,956	113,177
Amounts held for others	3,264	21,183
Accounts payable and accrued expenses	(161,754)	115,225
Related party payable	103,400	-
Deferred revenue	(83,834)	3,306
Investments held for others	(3,264)	(21,183)
Deferred compensation liability	(5,311)	(1,704)
Net Cash Provided by Operating Activities	<u>353,039</u>	<u>1,266,031</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(330,245)	(146,477)
Proceeds from sales of investments	27,537	190,963
Purchases of land, buildings, and equipment	(27,168)	(220,433)
Loans issued and foreign currency valuation adjustment	(47,950)	3,710
Collections of loans receivable	35,267	40,527
Net Cash Used by Investing Activities	<u>(342,559)</u>	<u>(131,710)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(17,752)	(17,765)
Foreign currency valuation adjustment on note payable	(8,321)	(12,948)
Maturity of annuities	(7,416)	(11,883)
Payments on annuities	(7,538)	(12,028)
Net Cash Used by Financing Activities	<u>(41,027)</u>	<u>(54,624)</u>
Net Change in Cash and Cash Equivalents	(30,547)	1,079,697
Cash and Cash Equivalents, Beginning of Year	<u>3,138,764</u>	<u>2,059,067</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,108,217</u>	<u>\$ 3,138,764</u>
SUPPLEMENTAL DISCLOSURE:		
Interest paid	<u>\$ 7,685</u>	<u>\$ 8,233</u>

See notes to consolidated financial statements

GREATER EUROPE MISSION AND AFFILIATES AFFILIATES dba GEM USA

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

1. NATURE OF ORGANIZATION:

Greater Europe Mission and Affiliates dba GEM USA is an evangelical and nondenominational missionary fellowship representing churches, societies, and individuals in reaching Europe by multiplying disciples and growing Christ's Church. GEM USA operates in affiliation with other Greater Europe Mission entities incorporated in other countries that share the same vision and mission.

GEM USA is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state laws. However, GEM USA is subject to federal income tax on any unrelated business taxable income. In addition Greater Europe Mission is not classified as a private foundation within the meaning of Section 509(a) of the IRC. Contributions from the public are deductible for income tax purposes and are the primary source of support and revenue.

GEM USA's three primary programs are as follows:

Church Planting - Sharing the good news of Jesus Christ with the people of Europe and establishing new evangelical churches where none exist.

Bible Schools - Training Europeans in a formal setting (such as a Bible school) to prepare them to serve the body of Christ in Europe as pastors, teachers, or music/worship leaders.

Home Ministry Assignment and North American Ministries - Home ministry assignment (HMA) allows missionaries to report to their support team what God has been doing in their ministry, to maintain or develop financial and prayer support from churches and individuals, and to minister to individuals, challenging them to become more involved in foreign missions.

REPORTING ENTITIES

These consolidated financial statements also include the material assets, liabilities, net assets, revenue, and expenses of certain international fields throughout Europe. All intercompany transactions have been eliminated on the consolidated financial statements. GEM USA is also affiliated with certain national ministries throughout Europe. Although GEM USA missionaries in those areas work with the national ministries, the national ministries are not under GEM USA control. Accordingly, assets and expenditures are treated as grants and not consolidated in these consolidated financial statements.

FOREIGN OPERATIONS

In connection with its worldwide ministry, GEM USA maintains locations in several countries outside the United States. The operations of these fields are included in these consolidated financial statements, and include the following fields: La Ligue Biblique Francaise (dba GEM France), L'Arcada, Camp des Cimes (dba Camp of the Peaks), and Greater Europe Mission e.V.

GREATER EUROPE MISSION AND AFFILIATES

AFFILIATES dba GEM USA

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

GEM USA maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the consolidated financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes checking, savings, and money market accounts. These accounts may, at times, exceed federally insured limits. As of June 30, 2020 and 2019, GEM USA had cash and cash equivalents on deposit with financial institutions that exceeded federally insured balances by approximately \$1,935,000 and \$2,069,000, respectively. However, GEM USA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

ADVANCES AND OTHER RECEIVABLES

Advances and other receivables consist of ministry advances and other miscellaneous receivables. Based on historical collections and management's current analysis, an allowance for doubtful accounts was not recorded as of June 30, 2020 and 2019, because all amounts were considered to be fully collectible.

ESTATE RECEIVABLES

Estate receivables consist of unconditional receivables recorded at net realizable values, as provided by the estate trustees.

AMOUNTS HELD FOR OTHERS

Amounts held for others consists of an annuity asset held for the Portuguese Bible Institute. This location's control and assets were transferred from GEM USA to the Portuguese Bible Institute during the year ended June 30, 2011. However, due to foreign tax implications, GEM USA is holding the annuity asset on behalf of the Portuguese Bible Institute. Included in amounts held for others on the consolidated statements of financial position is \$117,360 and \$120,624, held for the Portuguese Bible Institute as of June 30, 2020 and 2019, respectively.

GREATER EUROPE MISSION AND AFFILIATES AFFILIATES dba GEM USA

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments, with the exception of real estate held for investment, are recorded at fair value. Real estate held for investment is stated at the lower of cost or market. 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 GEM USA's investments and total net assets could fluctuate materially.

LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are recorded at cost at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to thirty years. Purchases of long-lived assets in excess of \$5,000 with a useful life in excess of one year are capitalized.

ANNUITIES PAYABLE

GEM USA has established a gift annuity plan whereby donors may contribute assets to the organization in exchange for the right to receive a fixed dollar annual return during their lifetimes. A portion of the transfer is considered to be a charitable contribution for income tax purposes. The difference between the amount provided for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as contribution income at the date of the gift. The annuity liability is revalued annually based upon actuarially computed present values. Assets funding charitable gift annuities are included in investments.

NET ASSETS

The net assets of GEM USA are reported in the following classes:

Net assets without donor restrictions include resources that management and the board of directors have designated for specific purposes and resources that are used to support GEM USA's current operations, including real estate held for investment, and land, buildings, and equipment.

Net assets with donor restrictions include contributions designated by donors for specific purposes, as well as amounts received with implicit time restrictions. Significant programs supported by donors included in net assets with donor restrictions are primarily support of field ministry staff and related projects.

GREATER EUROPE MISSION AND AFFILIATES

AFFILIATES dba GEM USA

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. This reclassification is made by GEM USA when the funds are transferred from headquarters to the field. All contributions are considered available for unrestricted use unless specifically restricted by the donor. GEM USA reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how those long-lived assets must be maintained, GEM USA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Contributed services are reflected in the financial statements only if they meet appropriate recognition criteria. Accordingly, the value of the contributed services not meeting the requirements for recognition are not reflected in the consolidated financial statements.

Camper registration fees are related to the operation of GEM USA–sponsored conferences and camps. The revenue is recognized when earned.

FUNCTIONAL ALLOCATION OF EXPENSES

The consolidated statement of functional expenses report certain categories of expenses that are attributable to program or support activities of GEM USA. Accordingly, certain costs relating to more than one function, such as salaries and benefits, travel and hospitality, and professional fees have been allocated among the program and supporting activities. Depreciation is allocated based on square footage. All other expenses, such as salaries and benefits, are allocated based on estimates of time and effort.

ADMINISTRATIVE ASSESSMENTS

In an effort to cover overhead costs, GEM USA charges an administrative assessment on contributions with donor restrictions. The administrative fee varies between 5%-12%, based upon the type of gift given.

OPERATING AND NON-OPERATING ACTIVITIES

The activity of GEM USA has been reported in the consolidated statements of activities in the following two categories: operating and non-operating. Operating includes the core activities of the organization. Non-operating includes all other activity that is not considered to be part of GEM USA's core activities, such as investment income from long-term investments, changes in the deferred compensation liability and valuation adjustments on non-operating land and buildings.

**GREATER EUROPE MISSION AND AFFILIATES
AFFILIATES dba GEM USA**

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOCATION OF JOINT COSTS

GEM USA incurs joint costs relating to printing, media, and the expenses of furloughing missionaries. These expenses have been allocated as follows:

	Year Ended June 30,	
	2020	2019
Program services	\$ 1,427,214	\$ 1,509,142
Supporting activities:		
Management and general	5,342	8,770
Fund-raising	1,442,581	1,552,023
	\$ 2,875,137	\$ 3,069,935

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In 2018, the Financial Accounting Standards Board issued Accounting Standards Update No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. GEM USA adopted the provisions of this new standard during the year ended June 30, 2020. This new standard provides guidance on determining whether transactions should be accounted for as an exchange transaction or a contribution and whether a contribution should be recorded as conditional or unconditional. Adoption of this standard had no effect on change in net assets or net assets in total.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects GEM USA's financial assets reduced by amounts not available for general expenditures within one year as of June 30, 2020 and 2019, respectively. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, designated by the board of directors for specific projects not expected to be released with one year, or long-term receivables and not available for general expenditure.

**GREATER EUROPE MISSION AND AFFILIATES
AFFILIATES dba GEM USA**

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

3. LIQUIDITY AND FUNDS AVAILABLE, continued:

	Year Ended June 30,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 3,108,217	\$ 3,138,764
Estate receivables	816,082	315,217
Advances and other receivables	268,548	502,769
Loans receivable	169,883	157,200
Amounts held for others	117,360	120,624
Investments	8,945,697	8,315,030
Financial assets, at year-end	13,425,787	12,549,604
Less those unavailable for general expenditure within one year, due to:		
Investments held for others	(117,360)	(120,624)
Estate receivables—net of current portion	(314,181)	-
Time restricted funds not expected to be used within one year	(816,082)	(315,217)
Loans receivable—net of current portion	(133,304)	(113,228)
Board designated funds for long-term use	(1,080,623)	(1,314,874)
Financial assets available to meet cash needs for general expenditures within one year	\$ 10,964,237	\$ 10,685,661

GEM USA has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows through board meetings and detailed financial analysis.

**GREATER EUROPE MISSION AND AFFILIATES
AFFILIATES dba GEM USA**

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

4. FAIR VALUE MEASUREMENTS:

GEM USA uses appropriate valuation techniques to determine fair value based on inputs available. When available, GEM USA 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:

	June 30, 2020	<u>Fair Value Measurements Using:</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Investments:			
Mutual funds	\$ 123,283	\$ 123,283	\$ -
Corporate bonds	7,465,841	-	7,465,841
	7,589,124	\$ 123,283	\$ 7,465,841
Cash surrender value held at contract value	1,356,573		
	\$ 8,945,697		
	June 30, 2019	<u>Fair Value Measurements Using:</u>	
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Investments:			
Mutual funds	\$ 124,651	\$ 124,651	\$ -
Corporate bonds	6,794,873	-	6,794,873
	6,919,524	\$ 124,651	\$ 6,794,873
Cash surrender value held at contract value	1,395,506		
	\$ 8,315,030		

**GREATER EUROPE MISSION AND AFFILIATES
AFFILIATES dba GEM USA**

Notes to Consolidated Financial Statements

June 30, 2020 and 2019

4. FAIR VALUE MEASUREMENTS, continued:

Valuation Techniques: The fair values of mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair values of corporate bonds are based on observable inputs other than the quoted prices included in Level 1 and thus are Level 2 based on yields for securities of comparable maturity, quality, and type as obtained from market makers. Cash surrender value is held at contract value and therefore is not valued using fair value measurements.

Changes in valuation techniques: None.

5. INVESTMENTS:

Investments consist of:

	June 30,	
	2020	2019
Corporate bonds	\$ 7,465,841	\$ 6,794,873
Cash surrender value	1,356,573	1,395,506
Mutual funds	123,283	124,651
	\$ 8,945,697	\$ 8,315,030

Investment income consists of:

	Year Ended June 30,	
	2020	2019
Operating investment income:		
Interest and dividends	\$ 12,609	\$ 8,115
Non-operating investment income:		
Interest and dividends	236,753	229,077
Net realized and unrealized gains	119,361	44,725
Investment management expenses	(35,692)	(34,677)
	320,422	239,125
	\$ 333,031	\$ 247,240

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Notes to Consolidated Financial Statements

June 30, 2020 and 2019

6. LOANS RECEIVABLE:

Loans receivable consist of:

	June 30,	
	2020	2019
Unsecured note receivable from a French church, monthly interest and principal payments of 300€, equivalent of \$336, as of June 30, 2020, interest at 1%. The note matures in July 2032.	\$ 45,758	\$ 50,184
Unsecured note receivable from a French church, monthly interest and principal payments of 300€, equivalent of \$336, as of June 30, 2020, interest at 1%. The note matures in December 2030.	40,073	44,454
Unsecured note receivable from a French church, monthly interest and principal payment of 1,102€, equivalent of \$1,234, as of June 30, 2020, interest at 2%. The note matures in December 2020.	7,361	22,254
Unsecured note receivable from a mission partner, quarterly interest and principal payments of \$3,000, beginning September 2017, interest at 0%. The note matured in May 2020 but was extended through the year ended June 30, 2020.	16,639	20,160
Unsecured note receivable from a mission partner, annual interest and principal payments of \$10,000, beginning July 2018, interest at 0%. The note matures in July 2021.	10,052	20,148
Unsecured note receivable from a mission partner, monthly principal payments of \$1,000, beginning December 2019, interest at 0%. The note matures in March 2025.	50,000	-
Less current portion	169,883 (36,579)	157,200 (43,972)
	\$ 133,304	\$ 113,228

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7. LAND, BUILDINGS, AND EQUIPMENT–NET:

Land, buildings, and equipment–net consist of:

	June 30, 2020		
	U.S. Headquarters	Field Assets	Total
Operating land, buildings, and equipment–net:			
Land	\$ 139,717	\$ 1,070,889	\$ 1,210,606
Buildings and improvements	1,466,148	2,721,773	4,187,921
Furniture and equipment	313,248	310,581	623,829
Vehicles	23,800	214,538	238,338
	1,942,913	4,317,781	6,260,694
Accumulated depreciation	(1,509,308)	(2,172,271)	(3,681,579)
	433,605	2,145,510	2,579,115
Construction in process	19,736	232,884	252,620
	453,341	2,378,394	2,831,735
Non-operating land, buildings, and equipment–net:			
Land	-	370,370	370,370
Buildings and improvements	-	872,002	872,002
	-	1,242,372	1,242,372
Accumulated depreciation	-	(523,965)	(523,965)
	-	718,407	718,407
	\$ 453,341	\$ 3,096,801	\$ 3,550,142

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Notes to Consolidated Financial Statements

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7. LAND, BUILDINGS, AND EQUIPMENT–NET, continued:

	June 30, 2019		
	U.S. Headquarters	Field Assets	Total
Operating land, buildings, and equipment–net:			
Land	\$ 139,717	\$ 1,070,889	\$ 1,210,606
Buildings and improvements	1,466,148	2,613,197	4,079,345
Furniture and equipment	313,248	247,118	560,366
Vehicles	23,800	214,538	238,338
	<u>1,942,913</u>	<u>4,145,742</u>	<u>6,088,655</u>
Accumulated depreciation	<u>(1,433,197)</u>	<u>(2,032,848)</u>	<u>(3,466,045)</u>
	509,716	2,112,894	2,622,610
Construction in process	-	397,492	397,492
	<u>509,716</u>	<u>2,510,386</u>	<u>3,020,102</u>
Non-operating land, buildings, and equipment–net:			
Land	-	370,370	370,370
Buildings and improvements	-	872,002	872,002
	-	<u>1,242,372</u>	<u>1,242,372</u>
Accumulated depreciation	-	<u>(493,267)</u>	<u>(493,267)</u>
	-	<u>749,105</u>	<u>749,105</u>
	<u>\$ 509,716</u>	<u>\$ 3,259,491</u>	<u>\$ 3,769,207</u>

Management has reviewed the assets in other countries and, in its opinion, determined they are under the control and ownership of the ministry or meet the requirements for consolidation as set forth by the Not-for-Profit-Entities Topic of the Financial Accounting Standards Board Accounting Standards Codification. While such items are recognized as assets of the ministry, it should be noted that the political situation in many other countries is subject to rapid change. Therefore, the reader should be aware that while the ministry believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the realizable value of the assets in other countries. In addition, it should be understood the carrying value of the assets in other countries may not be representative of the amount that could be realized should the assets be sold.

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8. NOTE PAYABLE:

Note payable consists of:

	June 30,	
	2020	2019
Note payable to a German financial institution, monthly principal and interest payments of 1,900€ (\$2,128 as of June 30, 2020), with an interest rate of 1.7% and maturity date of November 2027, at which time the interest rate will be adjustable until the note matures in May 2041. The note is secured by real property in Kandern, Germany.	\$ 448,226	\$ 474,299
Less current portion	(18,056)	(18,069)
	\$ 430,170	\$ 456,230

Future minimum payments related to the note payable are:

<u>Year Ending June 30,</u>	
2021	\$ 18,056
2022	18,366
2023	18,680
2024	19,001
2025	19,353
Thereafter	354,770
	\$ 448,226

GEM USA was in compliance with all financial and reporting covenants at June 30, 2020.

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9. NET ASSETS:

Net assets without donor restrictions consist of:

	June 30,	
	2020	2019
Operating	\$ 4,991,561	\$ 5,580,750
Board designated	1,455,623	1,314,874
	\$ 6,447,184	\$ 6,895,624

Net assets with donor restrictions consist of:

	June 30,	
	2020	2019
Missionary support	\$ 7,072,381	\$ 6,000,329
International projects	1,326,285	1,693,872
Time restrictions	816,082	315,217
	\$ 9,214,748	\$ 8,009,418

10. DEFERRED COMPENSATION BENEFITS:

Pursuant to ongoing efforts to provide deferred compensation benefits for certain missionaries in prior years, GEM USA agreed to an arrangement whereby benefits were paid to certain missionaries with at least 30 years of service upon retirement. During fiscal year 1994, due to an increase in benefit payments and a decision to officially adopt and freeze benefits under this nonqualified deferred compensation arrangement effective December 31, 1995, GEM USA decided to change its method of accounting and accrue all existing benefits.

Using group annuity and mortality tables and a discount rate of 2.77% and 3.53% for the years ended June 30, 2020 and 2019, respectively, GEM USA has estimated the present value of benefits based on credit for past service that will be payable under the plan to be \$677,004 and \$682,315, as of June 30, 2020 and 2019, respectively. Payments recorded as expenses were \$61,344 and \$61,566, the years ended June 30, 2020 and 2019, respectively. Currently, no assets are set aside to fund the benefits.

11. RETIREMENT PLAN:

GEM USA sponsors an ERISA-exempt 403(b) defined contribution plan for all full-time employees. GEM USA contributes 4% of eligible salary to an employee-directed plan. Total contributions were \$431,505 and \$426,152, for the years ended June 30, 2020 and 2019, respectively.

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Notes to Consolidated Financial Statements

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12. RELATED PARTY TRANSACTIONS:

GEM USA has a contract for accounting and management services provided by a related party. Total expense under this contract was \$632,620 and \$596,594, for the years ended June 30, 2020 and 2019, respectively. These expenses are included in supporting activities expenses. The contract is an activity-based five-year contract, which is adjusted annually. There are no minimum commitments under this contract, so no future minimum payments have been disclosed. One of GEM USA's voting board members and one of GEM USA's ex officio board members are currently voting board members of this organization which has nine total voting board members. The organization also paid expenses related to a facility rental for \$61,068 to GEM USA for both years ended June 30, 2020 and 2019, respectively.

GEM USA's operations are conducted under the terms of a joint ministries agreement between GEM USA and Greater Europe Mission in Canada (GEM Canada). While there is representation on each board, GEM USA and GEM Canada have independent boards and are primarily affiliated through the joint ministries agreement. One of GEM USA's ex officio board members is currently a voting member of the GEM Canada board. Accordingly, only the financial position and activity of GEM USA has been included in these consolidated financial statements. As part of the joint ministries agreement, GEM Canada provided contributions of \$140,728 and \$243,557 (in U.S. dollars) to GEM USA during the years ended June 30, 2020 and 2019, respectively. GEM USA provided contributions of \$223,578 and \$107,230 to GEM Canada during the years ended June 30, 2020 and 2019, respectively. Amounts due from GEM Canada for the years ended June 30, 2020 and 2019 are \$0 and \$2,173, respectively. Amounts due to GEM Canada for the years ended June 30, 2020 and 2019 are \$5,038 and \$0, respectively.

Greater Europe Mission International (GEMi), a separate legal entity, began financial operations on July 1, 2019. GEMi is incorporated in the United States of America for the purpose of coordinating the efforts of the various national Greater Europe Mission entities around the world, including GEM USA, toward reaching Europe by multiplying disciples and growing Christ's Church. GEM USA operates under the terms of an affiliation agreement between GEM USA and GEMi. During the year ended June 30, 2020, eight GEM board members also served on the board of GEMi. This board overlap is intended to be temporary, and accordingly, the financial position and activity of GEMi have not been included in these consolidated financial statements. As part of the joint ministries agreement, GEM USA paid \$1,164,991 to GEMi during the year ended June 30, 2020 which included an initial granting of assets, assessment fees due to the international entity, and a percent of general fund contributions. This is recorded as international office assessment on the statement of functional expenses. During the year ended June 30, 2020, GEMi reimbursed GEM USA for \$726,500 of salary expense, which is netted against salaries and benefits in the statement of functional expenses. A related party payable is included in the statement of financial position as of June 30, 2020, which represents the amount due from GEM USA to GEMi.

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13. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of GEM USA for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

14. SUBSEQUENT EVENTS:

Subsequent events were evaluated through November 17, 2020, which is the date the consolidated financial statements were available to be issued.