



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

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2022 and 2021

GREATER EUROPE MISSION AND AFFILIATES
dba GEM USA

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Greater Europe Mission and Affiliates dba GEM USA as of June, 30 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Greater Europe Mission and Affiliates dba GEM USA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Greater Europe Mission and Affiliates dba GEM USA's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

Auditor's Responsibilities for all the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Greater Europe Mission and Affiliates dba GEM USA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Greater Europe Mission and Affiliates dba GEM USA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Colorado Springs, Colorado
November 17, 2022

GREATER EUROPE MISSION AND AFFILIATES
dba GEM USA

Consolidated Statements of Financial Position

	June 30,	
	2022	2021
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 2,626,891	\$ 2,422,858
Advances and other receivables	277,453	238,296
Related party receivable	11,019	-
Estate receivables—current portion	50,010	411,020
Loans receivable—current portion	18,951	7,808
Prepaid expense and other assets	854,328	83,481
Amounts held for others	104,149	144,998
	<u>3,942,801</u>	<u>3,308,461</u>
Board designated cash	250,512	1,180,643
Loans receivable—net of current portion	74,583	119,738
Investments	10,710,694	10,618,212
Estate receivables—net of current portion	164,906	164,906
Real estate held for investment	358,791	358,791
Land, buildings, and equipment—net	<u>2,304,189</u>	<u>3,586,182</u>
Total Assets	<u><u>\$ 17,806,476</u></u>	<u><u>\$ 19,336,933</u></u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 677,182	\$ 520,941
Related party payable	-	194,589
Deferred revenue	17,835	138,899
Investments held for others	104,149	144,998
Note payable—current portion	17,495	19,220
Annuities payable—current portion	5,938	6,105
Deferred compensation liability—current portion	64,175	62,720
	<u>886,774</u>	<u>1,087,472</u>
Note payable—net of current portion	368,571	437,835
Annuities payable—net of current portion	31,741	42,530
Deferred compensation liability—net of current portion	<u>424,400</u>	<u>577,347</u>
Total liabilities	<u><u>1,711,486</u></u>	<u><u>2,145,184</u></u>

(continued)

See notes to consolidated financial statements

GREATER EUROPE MISSION AND AFFILIATES
dba GEM USA

Consolidated Statements of Financial Position
(continued)

	June 30,	
	2022	2021
LIABILITIES AND NET ASSETS, continued:		
Net assets:		
Without donor restrictions	5,190,098	7,013,058
With donor restrictions	10,904,892	10,178,691
Total net assets	16,094,990	17,191,749
Total Liabilities and Net Assets	\$ 17,806,476	\$ 19,336,933

See notes to consolidated financial statements

GREATER EUROPE MISSION AND AFFILIATES
dba GEM USA

Consolidated Statements of Activities

Year Ended June 30,						
2022			2021			
Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING:						
SUPPORT AND REVENUE:						
Contributions	\$ 1,837,638	\$ 24,090,914	\$ 25,928,552	\$ 1,831,242	\$ 21,458,203	\$ 23,289,445
Camper registration fees	309,506	-	309,506	77,175	-	77,175
Investment income	2,749	-	2,749	14,094	-	14,094
Change in value of gift annuities	5,331	-	5,331	10,966	-	10,966
Adjustment to market value on inherent donation of net assets	2,824,493	-	2,824,493	-	-	-
Other income	283,609	-	283,609	303,754	-	303,754
Total Support and Revenue	5,263,326	24,090,914	29,354,240	2,237,231	21,458,203	23,695,434
NET ASSETS RELEASED:						
Purpose restrictions	20,859,890	(20,859,890)	-	18,272,510	(18,272,510)	-
Administrative assessments	2,504,823	(2,504,823)	-	2,221,750	(2,221,750)	-
Total Net Assets Released	23,364,713	(23,364,713)	-	20,494,260	(20,494,260)	-
EXPENSES:						
Program services	24,841,572	-	24,841,572	17,441,785	-	17,441,785
Supporting activities:						
Management and general	3,290,339	-	3,290,339	2,839,977	-	2,839,977
Fund-raising	1,680,902	-	1,680,902	2,457,993	-	2,457,993
	4,971,241	-	4,971,241	5,297,970	-	5,297,970
Total Expenses	29,812,813	-	29,812,813	22,739,755	-	22,739,755

(continued)

See notes to consolidated financial statements

GREATER EUROPE MISSION AND AFFILIATES
dba GEM USA

Consolidated Statements of Activities
(continued)

	Year Ended June 30,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Change in Net Assets From Operations	(1,184,774)	726,201	(458,573)	(8,264)	963,943	955,679
NON-OPERATING:						
Investment (loss) income	(762,253)	-	(762,253)	567,899	-	567,899
Change in value of deferred compensation liability	151,492	-	151,492	36,937	-	36,937
Valuation adjustment on non- operating land and buildings	(27,425)	-	(27,425)	(30,698)	-	(30,698)
Change in Net Assets From Non-Operating Activities	(638,186)	-	(638,186)	574,138	-	574,138
Change in Net Assets	(1,822,960)	726,201	(1,096,759)	565,874	963,943	1,529,817
Net Assets, Beginning of Year	7,013,058	10,178,691	17,191,749	6,447,184	9,214,748	15,661,932
Net Assets, End of Year	<u>\$ 5,190,098</u>	<u>\$ 10,904,892</u>	<u>\$ 16,094,990</u>	<u>\$ 7,013,058</u>	<u>\$ 10,178,691</u>	<u>\$ 17,191,749</u>

See notes to consolidated financial statements

GREATER EUROPE MISSION AND AFFILIATES
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Consolidated Statement of Functional Expenses

	Year Ended June 30, 2022			
		Supporting Activities		
	Program Services	General and Administrative	Fund-raising	Total
OPERATING:				
Salaries and benefits	\$ 13,965,413	\$ 1,847,654	\$ 1,360,925	\$ 17,173,992
Grants to others	7,271,070	-	-	7,271,070
Travel and hospitality	1,689,521	81,246	198,708	1,969,475
Professional fees	95,282	1,005,845	23,692	1,124,819
Office and information technology	786,440	141,243	52,338	980,021
Equipment and facilities	472,650	76,113	8,914	557,677
Other	445,021	25,077	36,325	506,423
Depreciation and depletion	116,175	113,161	-	229,336
Total Operating Expenses	<u>24,841,572</u>	<u>3,290,339</u>	<u>1,680,902</u>	<u>29,812,813</u>
NON-OPERATING:				
Valuation adjustment on non-operating land and buildings	<u>18,101</u>	<u>9,325</u>	<u>-</u>	<u>27,426</u>
Total Expenses	<u>\$ 24,859,673</u>	<u>\$ 3,299,664</u>	<u>\$ 1,680,902</u>	<u>\$ 29,840,239</u>

See notes to consolidated financial statements

GREATER EUROPE MISSION AND AFFILIATES
dba GEM USA

Consolidated Statement of Functional Expenses

	Year Ended June 30, 2021			
	Supporting Activities			Total
	Program Services	General and Administrative	Fund-raising	
OPERATING:				
Salaries and benefits	\$ 12,641,082	\$ 1,469,466	\$ 1,511,530	\$ 15,622,078
Grants to others	2,744,827	-	-	2,744,827
Travel and hospitality	822,406	46,537	462,053	1,330,996
Professional fees	92,521	990,903	38,544	1,121,968
Office and information technology	539,087	138,700	130,767	808,554
Equipment and facilities	261,656	64,222	11,143	337,021
Other	214,989	22,008	303,956	540,953
Depreciation and depletion	125,217	108,141	-	233,358
Total Operating Expenses	<u>17,441,785</u>	<u>2,839,977</u>	<u>2,457,993</u>	<u>22,739,755</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>\$ 17,462,046</u>	<u>\$ 2,850,414</u>	<u>\$ 2,457,993</u>	<u>\$ 22,770,453</u>

See notes to consolidated financial statements

GREATER EUROPE MISSION AND AFFILIATES
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Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,096,759)	\$ 1,529,817
Adjustments to reconcile to net cash provided (used) by operating activities:		
Depreciation and depletion	256,762	264,056
Reinvested dividends	(255,835)	(233,457)
Net realized and unrealized losses (gains) on investments	1,087,587	(224,103)
Change in value of gift annuities	(5,331)	(10,966)
Gain on disposal of land, buildings, and equipment	(6,556)	-
Adjustment to market value on inherent donation of net assets	(2,824,493)	-
Land, buildings, and equipment granted to other organization	4,082,484	-
Change in operating assets and liabilities:		
Advances and other receivables	(39,157)	30,252
Estate receivables	361,010	18,858
Prepaid expenses and other assets	(770,847)	78,026
Amounts held for others	40,849	(27,638)
Accounts payable and accrued expenses	156,241	174,646
Related party receivable and payable	(205,608)	91,189
Deferred revenue	(121,064)	62,682
Investments held for others	(40,849)	27,638
Deferred compensation liability	(151,492)	(36,937)
Net Cash Provided by Operating Activities	<u>466,942</u>	<u>1,744,063</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(2,572,485)	(1,213,924)
Proceeds from sales of investments	1,617,391	181,329
Insurance proceeds on land, buildings, and equipment	49,430	-
Purchases of land, buildings, and equipment	(244,774)	(261,158)
Loans issued and foreign currency valuation adjustment	9,165	(5,824)
Collections of loans receivable	24,847	48,161
Net Cash Used by Investing Activities	<u>(1,116,426)</u>	<u>(1,251,416)</u>

(continued)

See notes to consolidated financial statements

GREATER EUROPE MISSION AND AFFILIATES
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Consolidated Statements of Cash Flows
(continued)

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(19,185)	(19,185)
Foreign currency valuation adjustment on note payable	(51,804)	28,014
Maturity of annuities	(342)	(432)
Payments on annuities	(5,283)	(5,760)
Net Cash Provided (Used) by Financing Activities	(76,614)	2,637
 Net Change in Cash, Cash Equivalents, and Board Designated Cash	 (726,098)	 495,284
 Cash, Cash Equivalents, and Board Designated Cash, Beginning of Year	 3,603,501	 3,108,217
 Cash, Cash Equivalents, and Board Designated Cash, End of Year	 <u>\$ 2,877,403</u>	 <u>\$ 3,603,501</u>
 CASH, CASH EQUIVALENTS, AND BOARD DESIGNATED CASH CONSIST OF:		
Cash and cash equivalents	\$ 2,626,891	\$ 2,422,858
Board designated cash	250,512	1,180,643
	<u>\$ 2,877,403</u>	<u>\$ 3,603,501</u>
 SUPPLEMENTAL DISCLOSURES:		
Interest paid	<u>\$ 7,195</u>	<u>\$ 7,985</u>
 Land, buildings, and equipment granted to other organization	 <u>\$ 4,082,484</u>	 <u>\$ -</u>
 Transfer of estate receivable to investments	 <u>\$ -</u>	 <u>\$ 221,298</u>

See notes to consolidated financial statements

GREATER EUROPE MISSION AND AFFILIATES

dba GEM USA

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

1. **NATURE OF ORGANIZATION:**

Greater Europe Mission and Affiliates dba GEM USA (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, GEM USA 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 primary focus is to send and support workers to engage with GEM USA's wider mission of Discipleship Multiplication Training with areas of focus on the following programs:

Discipleship Multiplication Training - At our core, GEM USA believes that disciple multiplication is the key to transformation in Europe. Multiplying disciples means not only introducing people to the good news of Jesus Christ, but being present with them as they grow in their faith. As such, a movement of multiplying disciples infiltrates all relational networks, ethnic groups, social sectors, and every place in Europe with the transforming presence of God.

Church Planting - Wherever there has been a missional desire in the world, churches were planted. GEM USA mobilizes, equips, trains, and sends out church planters to reach the many unchurched people in Europe. We do this both with local churches to create movements of church multiplication, and in collaboration with other partners and church planting initiatives in Europe.

Biblical Education - GEM USA ministry in theological education seeks to join with God's Spirit in equipping Europeans to be renewed in heart and mind through Biblical and Theological study. Theological educators in GEM USA work to equip pastors, evangelists, and shepherds to navigate the complexities of ministering in a post-Christian environment and live out the Way of Jesus Christ.

Refugee Ministry - To follow Jesus means to minister to the physical and spiritual needs of those who are hurting. With thousands of refugees daily seeking refuge from war, famine, rape, and murder, GEM USA is positioned to be the hands and feet of Jesus in Europe.

GREATER EUROPE MISSION AND AFFILIATES

dba GEM USA

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

1. NATURE OF ORGANIZATION, continued:

Justice Ministry - "Rescue the weak and the needy; deliver them from the hand of the wicked." (Psalm 82:4). The goal of GEM USA's Justice Ministry work is to not only illuminate the needs of those that are hurting and trapped in modern slavery, but to walk alongside them in the recovery process. GEM USA workers are establishing ministries and partnerships in order to be the hands and feet of Christ and meet the needs of victims of sex trafficking.

Professional Services - We believe that God has equipped all of us with unique gifts and experiences that have the potential to be used for His glory in reaching Europe. Whether that's videography, financial know-how, construction, pottery, or technology, GEM USA has successfully placed workers in Europe to draw on these for the expansion of the Kingdom.

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 included 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), Camp des Cimes (dba Camp of the Peaks) and Greater Europe Mission e.V. As of June 30, 2022, the operations of L'Arcada, which were previously consolidated with GEM USA, have been spun off into a separate organization which is not controlled by GEM USA and its assets, liabilities, and net assets are not reflected in the consolidated statement of financial position as of June 30, 2022.

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.

GREATER EUROPE MISSION AND AFFILIATES

dba GEM USA

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, 2022 and 2021, GEM USA had cash, cash equivalents, and board designated cash on deposit with financial institutions that exceeded federally insured (FDIC) balances by approximately \$1,667,000 and \$2,338,000, 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.

BOARD DESIGNATED CASH

Board designated cash consists of amounts set aside by the board for investment reserves.

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, 2022 and 2021, 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 related 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 \$104,149 and \$144,998, held for the Portuguese Bible Institute as of June 30, 2022 and 2021, respectively.

GREATER EUROPE MISSION AND AFFILIATES

dba GEM USA

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments, with the exception of private equity shares and 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 generally are sold as soon as possible thereafter. Unrealized gains or losses in fair value are recognized in the year in which they occur. Private equity was initially recorded at fair market value on the date of the gift, and is stated at cost less any impairment.

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 consist of resources that are available for current operations and those designated by the board for investment reserves.

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

dba GEM USA

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

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. Any funds collected prior to the event are recorded as deferred revenue.

Other income consists of rental income and miscellaneous fees, and is recorded when earned.

The adjustment to market value on inherent donation of net assets is the gain recorded to adjust the property net book value to estimated fair market value as of June 30, 2022, the date which the assets were granted to L'Arcada by GEM USA, as described in Note 1. As part of this spin off, GEM USA granted total assets of \$4,290,383 and L'Arcada also assumed liabilities of \$187,847; therefore, the total amount granted to L'Arcada was \$4,102,536 which is included in grants to others on the consolidated statement of functional expenses for the year ended June 30, 2022.

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

GREATER EUROPE MISSION AND AFFILIATES

dba GEM USA

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The consolidated statements 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.

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,	
	2022	2021
Program services	\$ 1,660,386	\$ 1,498,282
Supporting activities:		
Management and general	2,599	2,882
Fund-raising	1,641,662	1,546,599
	<u>\$ 3,304,647</u>	<u>\$ 3,047,763</u>

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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, 2022 and 2021, 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.

	Year Ended June 30,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 2,626,891	\$ 2,422,858
Board designated cash	250,512	1,180,643
Estate receivables	214,916	575,926
Advances and other receivables	277,453	238,296
Loans receivable	93,534	127,546
Amounts held for others	104,149	144,998
Investments	10,710,694	10,618,212
Financial assets, at year-end	14,278,149	15,308,479
Less those unavailable for general expenditure within one year, due to:		
Investments held for others	(104,149)	(144,998)
Estate receivables—net of current portion	(164,906)	(164,906)
Time restricted funds not expected to be used within one year	(214,916)	(575,926)
Loans receivable—net of current portion	(74,583)	(119,738)
Board designated funds for investment reserves	(250,512)	(1,180,623)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,469,083</u>	<u>\$ 13,122,288</u>

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.

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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, 2022 and 2021 are:

		Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
	June 30, 2022		
Investments:			
Mutual funds	\$ 1,193,737	\$ 1,193,737	\$ -
Corporate bonds	7,910,935	-	7,910,935
	9,104,672	<u>\$ 1,193,737</u>	<u>\$ 7,910,935</u>
Private equity shares held at cost	151,500		
Cash surrender value held at contract value	<u>1,454,522</u>		
	<u>\$ 10,710,694</u>		
		Fair Value Measurements Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
	June 30, 2021		
Investments:			
Mutual funds	\$ 143,174	\$ 143,174	\$ -
Corporate bonds	8,552,177	-	8,552,177
	8,695,351	<u>\$ 143,174</u>	<u>\$ 8,552,177</u>
Private equity shares held at cost	182,360		
Cash surrender value held at contract value	<u>1,740,501</u>		
	<u>\$ 10,618,212</u>		

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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. The private equity shares are held at cost as the fair market value is not readily determinable. 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,	
	2022	2021
Corporate bonds	\$ 7,910,935	\$ 8,552,177
Cash surrender value of life insurance	1,454,522	1,740,501
Private equity shares	151,500	182,360
Mutual funds	1,193,737	143,174
	<u>\$ 10,710,694</u>	<u>\$ 10,618,212</u>

Investment income (loss) consists of:

	Year Ended June 30,	
	2022	2021
Operating investment income:		
Interest and dividends	\$ 2,749	\$ 14,094
Non-operating investment income:		
Interest and dividends	259,277	235,065
Net realized and unrealized gains (losses)	(977,649)	366,143
Investment management expenses	(43,881)	(33,309)
	<u>(762,253)</u>	<u>567,899</u>
	<u>\$ (759,504)</u>	<u>\$ 581,993</u>

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6. LOANS RECEIVABLE:

Loans receivable consist of:

	June 30,	
	2022	2021
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.	\$ 32,000	\$ 50,000
Unsecured note receivable from a French church, monthly interest and principal payments of 300€, equivalent of \$357, as of June 30, 2021, interest at 1%. The note matures in July 2032.	30,965	38,995
Unsecured note receivable from a French church, monthly interest and principal payments of 300€, equivalent of \$357, as of June 30, 2021, interest at 1%. The note matures in December 2030.	30,569	38,551
	93,534	127,546
Less current portion	(18,951)	(7,808)
	\$ 74,583	\$ 119,738

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7. LAND, BUILDINGS, AND EQUIPMENT–NET:

Land, buildings, and equipment–net consist of:

	June 30, 2022		
	U.S. Headquarters	Field Assets	Total
Operating land, buildings, and equipment–net:			
Land	\$ 139,717	\$ 510,889	\$ 650,606
Buildings and improvements	1,337,521	2,415,518	3,753,039
Furniture, equipment, and other	213,606	64,642	278,248
Vehicles	23,800	89,255	113,055
	<u>1,714,644</u>	<u>3,080,304</u>	<u>4,794,948</u>
Accumulated depreciation	<u>(1,401,177)</u>	<u>(1,749,876)</u>	<u>(3,151,053)</u>
	<u>313,467</u>	<u>1,330,428</u>	<u>1,643,895</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>(582,078)</u>	<u>(582,078)</u>
	-	<u>660,294</u>	<u>660,294</u>
	<u>\$ 313,467</u>	<u>\$ 1,990,722</u>	<u>\$ 2,304,189</u>

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

Land, buildings, and equipment–net consist of, continued:

	June 30, 2021		
	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, equipment, and other	213,606	342,151	555,757
Vehicles	23,800	244,571	268,371
	<u>1,843,271</u>	<u>4,379,384</u>	<u>6,222,655</u>
Accumulated depreciation	(1,395,305)	(2,317,748)	(3,713,053)
	<u>447,966</u>	<u>2,061,636</u>	<u>2,509,602</u>
Construction in process	-	358,173	358,173
	<u>447,966</u>	<u>2,419,809</u>	<u>2,867,775</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	-	(523,965)	(523,965)
	-	<u>718,407</u>	<u>718,407</u>
	<u>\$ 447,966</u>	<u>\$ 3,138,216</u>	<u>\$ 3,586,182</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,	
	2022	2021
Note payable to a German financial institution, monthly principal and interest payments of 1,900€ (\$1,993 as of June 30, 2022), 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.	\$ 386,066	\$ 457,055
Less current portion	(17,495)	(19,220)
	<u>\$ 368,571</u>	<u>\$ 437,835</u>

Future minimum payments related to the note payable are:

<u>Year Ending June 30,</u>	
2023	\$ 17,495
2024	17,794
2025	18,125
2026	18,409
2027	18,725
Thereafter	295,518
	<u>\$ 386,066</u>

GEM USA was in compliance with all financial and reporting covenants at June 30, 2022.

9. NET ASSETS:

Net assets without donor restrictions consist of:

	June 30,	
	2022	2021
Operating	\$ 4,939,586	\$ 5,832,415
Board designated	250,512	1,180,643
	<u>\$ 5,190,098</u>	<u>\$ 7,013,058</u>

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9. NET ASSETS, continued:

Net assets with donor restrictions consist of:

	June 30,	
	2022	2021
Missionary support	\$ 8,655,190	\$ 8,067,092
International projects	2,034,786	1,535,673
Time restrictions	214,916	575,926
	\$ 10,904,892	\$ 10,178,691

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 4.63% and 2.84% for the years ended June 30, 2022 and 2021, 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 \$488,575 and \$640,067, as of June 30, 2022 and 2021, respectively. Payments recorded as expenses were \$64,175 and \$62,720, the years ended June 30, 2022 and 2021, 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 \$480,932 and \$456,629, for the years ended June 30, 2022 and 2021, respectively.

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 \$713,300 and \$666,519, for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, respectively.

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12. RELATED PARTY TRANSACTIONS, continued:

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 \$168,241 and \$240,081, (in U.S. dollars) to GEM USA during the years ended June 30, 2022 and 2021, respectively. GEM USA provided contributions of \$228,729 and \$196,723, to GEM Canada during the years ended June 30, 2022 and 2021, 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 GEM USA 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 years ended June 30, 2022 and 2021, six GEM board members also served on the board of GEMi. The GEM USA board members do not have the ability to appoint or ratify the GEMi board members. 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 \$1,484,131 and \$1,508,550, respectively, to GEMi during the years ended June 30, 2022 and 2021, which included assessment fees due to the international entity, and a percent of general fund contributions. This is recorded as international office assessment on the consolidated statements of functional expenses. During the years ended June 30, 2022 and 2021, GEMi reimbursed GEM USA for approximately \$780,000 and \$645,000, respectively, of salary expense, which is netted against salaries and benefits in the consolidated statements of functional expenses. A related party receivable of \$11,019 and \$0, and a related party payable of \$0 and \$194,589, respectively, is included in the consolidated statement of financial position as of June 30, 2022 and 2021, which represents the amount due to/from GEM USA and GEMi.

During the years ended June 30, 2022 and 2021, GEM USA board members contributed approximately \$1,041,000 and \$249,000, respectively, to GEM USA.

13. SUBSEQUENT EVENTS:

Subsequent events were evaluated through November 17, 2022, which is the date the consolidated financial statements were available to be issued.