



Financial Statements  
With Independent Auditors' Report

May 31, 2020 and 2019

# CADENCE INTERNATIONAL

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Cadence International  
Englewood, Colorado

We have audited the accompanying financial statements of Cadence International, which comprise the statements of financial position as of May 31, 2020 and 2019, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Cadence International  
Englewood, Colorado

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cadence International as of May 31, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Centennial, Colorado  
October 16, 2020

# CADENCE INTERNATIONAL

## Statements of Financial Position

	May 31,	
	2020	2019
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 2,701,583	\$ 1,191,149
Investments	967,516	961,252
Prepaid expenses and other assets	338,383	257,713
Note receivable	150,000	-
Property and equipment—net	3,161,069	3,270,160
<b>Total Assets</b>	<b>\$ 7,318,551</b>	<b>\$ 5,680,274</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 133,539	\$ 126,200
Accrued expenses and other liabilities	49,115	54,054
Paycheck protection program loan	249,085	-
	431,739	180,254
<b>Net assets:</b>		
Without donor restrictions	4,714,885	3,899,672
With donor restrictions	2,171,927	1,600,348
	6,886,812	5,500,020
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,318,551</b>	<b>\$ 5,680,274</b>

See notes to financial statements

# CADENCE INTERNATIONAL

## Statements of Activities

	Year Ended May 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 170,005	\$ 10,186,883	\$ 10,356,888	\$ 66,088	\$ 9,616,974	\$ 9,683,062
Government grants	-	573,432	573,432	-	-	-
Military ministry contracts	163,782	-	163,782	144,600	-	144,600
Conference registration income	62,076	-	62,076	65,394	-	65,394
Rental and other income	55,100	-	55,100	55,534	-	55,534
<b>Total Support and Revenue</b>	<b>450,963</b>	<b>10,760,315</b>	<b>11,211,278</b>	<b>331,616</b>	<b>9,616,974</b>	<b>9,948,590</b>
<b>NET ASSETS RELEASED:</b>						
Purpose restrictions	8,773,737	(8,773,737)	-	7,990,275	(7,990,275)	-
Administrative assessments	1,406,975	(1,406,975)	-	1,312,540	(1,312,540)	-
Time restrictions	8,024	(8,024)	-	16,866	(16,866)	-
<b>Total Net Assets Released</b>	<b>10,188,736</b>	<b>(10,188,736)</b>	<b>-</b>	<b>9,319,681</b>	<b>(9,319,681)</b>	<b>-</b>

(continued)

See notes to financial statements

# CADENCE INTERNATIONAL

## Statements of Activities

(continued)

	Year Ended May 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES:						
Program services	8,079,691	-	8,079,691	8,060,446	-	8,060,446
Supporting activities:						
General and administrative	1,247,258	-	1,247,258	1,262,485	-	1,262,485
Fund-raising	497,537	-	497,537	450,759	-	450,759
	1,744,795	-	1,744,795	1,713,244	-	1,713,244
Total Expenses	9,824,486	-	9,824,486	9,773,690	-	9,773,690
Change in Net Assets	815,213	571,579	1,386,792	(122,393)	297,293	174,900
Net Assets, Beginning of Year	3,899,672	1,600,348	5,500,020	4,022,065	1,303,055	5,325,120
Net Assets, End of Year	\$ 4,714,885	\$ 2,171,927	\$ 6,886,812	\$ 3,899,672	\$ 1,600,348	\$ 5,500,020

See notes to financial statements

# CADENCE INTERNATIONAL

## Statements of Functional Expenses

	Year Ended May 31,								
	2020				2019				
	Program Services	Supporting Activities: Management and General		Fund- raising	Total	Program Services	Supporting Activities: Management and General		Fund- raising
Salaries and benefits	\$ 5,550,163	\$ 835,000	\$ 351,963	\$ 6,737,126	\$ 5,420,931	\$ 867,543	\$ 332,334	\$ 6,620,808	
Occupancy	739,246	18,381	9,231	766,858	713,709	25,627	2,020	741,356	
Travel	471,018	34,776	40,249	546,043	616,010	44,186	38,066	698,262	
Conferences, seminars, and meetings	458,872	26,687	15,388	500,947	462,711	32,151	4,815	499,677	
Equipment, technology, and maintenance	133,281	197,644	3,051	333,976	140,708	149,400	5,652	295,760	
Professional fees and services	173,905	60,236	17,035	251,176	176,190	50,464	9,884	236,538	
Materials and supplies	165,927	33,184	9,521	208,632	146,572	39,597	7,075	193,244	
Depreciation and amortization	156,394	19,330	-	175,724	139,643	34,911	-	174,554	
Other expense	113,051	10,317	44,286	167,654	109,074	8,681	47,883	165,638	
Insurance	117,834	11,703	6,813	136,350	134,898	9,925	3,030	147,853	
	<u>\$ 8,079,691</u>	<u>\$ 1,247,258</u>	<u>\$ 497,537</u>	<u>\$ 9,824,486</u>	<u>\$ 8,060,446</u>	<u>\$ 1,262,485</u>	<u>\$ 450,759</u>	<u>\$ 9,773,690</u>	

See notes to financial statements



# CADENCE INTERNATIONAL

## Statements of Cash Flows

	Year Ended May 31,	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,386,792	\$ 174,900
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	175,724	174,554
Gain on sale of property held for sale	(4,756)	(8,957)
Net realized and unrealized losses on investments	20,538	7,012
Forgiveness of paycheck protection program loan	(573,432)	-
Change in operating assets and liabilities:		
Prepaid expenses and other assets	(80,670)	(2,052)
Accounts payable	7,339	23,839
Accrued expenses and other liabilities	(4,939)	12,461
Net Cash Provided by Operating Activities	926,596	381,757
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	196,669	160,263
Purchases of investments and reinvested interest and dividends	(223,471)	(157,301)
Proceeds from sale of property and equipment	17,562	16,150
Purchases of property and equipment	(79,439)	(155,986)
Issuance of note receivable	(150,000)	-
Net Cash Used by Investing Activities	(238,679)	(136,874)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from paycheck protection program loan	822,517	-
Principal payments on notes payable	-	(86,234)
Net Cash Provided (Used) by Financing Activities	822,517	(86,234)
Net Change in Cash and Cash Equivalents	1,510,434	158,649
Cash and Cash Equivalents, Beginning of Year	1,191,149	1,032,500
Cash and Cash Equivalents, End of Year	\$ 2,701,583	\$ 1,191,149
<b>SUPPLEMENTAL INFORMATION:</b>		
Non-cash transaction to recognize loan forgiveness	\$ 573,432	\$ -

See notes to financial statements

# CADENCE INTERNATIONAL

## Notes to Financial Statements

May 31, 2020 and 2019

1. NATURE OF ORGANIZATION:

Cadence International (Cadence) is a not-for-profit corporation dedicated to ‘sharing the gospel and our lives with the military community.’ Cadence’s mission and vision is to see Christ exalted in the nations through the lives of transformed military people. Cadence’s staff ministers in such a way that God’s heart for the world is prayerfully infused into the lives of military people. The United States of America military community is a fruitful and strategic harvest field. Through open-home ministries, on-base coffee houses, youth programs, after-school clubs for children, and evangelistic, retreat ministries, Cadence ministers in creative and powerful ways to military people and their families. Cadence also reaches out to the armed forces of other nations, such as the Philippines, Thailand, and Cambodia.

Cadence, a nonprofit organization incorporated in the State of California, is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code), and is not a private foundation under Section 509(a) of the Code. However, Cadence is subject to federal income tax on any unrelated business taxable income. Contributions are Cadence’s primary source of support and revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Cadence maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of 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 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 financial statements to the reader.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking, savings, and interest-bearing money market accounts. Cadence maintains its cash in banks and other deposit accounts at high credit quality financial institutions. As of May 31, 2020 and 2019, cash exceeded federally insured limits by approximately \$2,161,000 and \$782,000, respectively. Cadence has not experienced any losses in such accounts, and it believes it is not exposed to any significant credit risk on cash.

### INVESTMENTS

Investments consist of certificates of deposit, fixed income annuities, and mutual funds. Certificates of deposit are reported at contract value and fixed income annuities and mutual funds are reported at fair value. Donated securities are initially recorded at fair value on the date of the gift and thereafter carried in accordance with the above policy. Unrealized gains and losses, interest, and dividends are reported in the statements of activities within rental and other income in the year in which they occur.

# CADENCE INTERNATIONAL

## Notes to Financial Statements

May 31, 2020 and 2019

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

#### PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation and amortization is recorded using the straight-line method over the estimated useful lives, which range from four to fifty years. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in revenue for the period. Purchases in excess of \$5,000 with a useful life of greater than one year are capitalized. In addition, all vehicles are capitalized.

#### NET ASSETS

The net assets of Cadence are reported in the following categories:

*Net assets without donor restrictions* include those resources available for current operations and those resources invested in property and equipment—net.

*Net assets with donor restrictions* are comprised of donor-restricted contributions for the support of missionaries and projects.

#### SUPPORT AND REVENUE

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 statements of activities as net assets released from restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor or grantor. Conference registration income is recorded when earned, which is when the event occurs. All other income is also recorded when earned.

#### FOREIGN OPERATIONS

In connection with its ministry, Cadence maintains projects in Europe and Asia. As of May 31, 2020 and 2019, assets in other countries totaled \$704,761 and \$752,609, respectively, and there were no liabilities in other countries. Total support and revenue received from foreign sources totaled approximately \$84,420 and \$129,594, for the years ended May 31, 2020 and 2019, respectively. The account balances relating to foreign operations are reflected in the financial statements in United States dollars.

#### ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities of Cadence have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities were allocated on estimates of time, effort, and department benefited. Main program activities of Cadence are described in Note 1.

# CADENCE INTERNATIONAL

## Notes to Financial Statements

May 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOCATION OF EXPENSES, continued

Accounting standards require all costs which contain any fundraising appeal to be allocated to fundraising unless all of the following three tests are met: purpose, audience, and content. Cadence incurs costs for field worker deputation which includes time spent performing fundraising functions. These costs are referred to as joint costs and are allocated to program services and fundraising. Joint cost allocations are as follows:

	Year Ended May 31,	
	2020	2019
Program services	\$ 388,764	\$ 244,509
Fundraising	392,406	394,837
	<u>\$ 781,170</u>	<u>\$ 639,346</u>

RECENTLY ADOPTED ACCOUNTING STANDARD

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*. Cadence adopted the provisions of this new standard during the year ended May 31, 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.

# CADENCE INTERNATIONAL

## Notes to Financial Statements

May 31, 2020 and 2019

### 3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects Cadence's financial assets reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	May 31,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 2,701,583	\$ 1,191,149
Investments	967,516	961,252
Note receivable	150,000	-
	<u>3,819,099</u>	<u>2,152,401</u>
Less those unavailable for general expenditure within one year, due to:		
Note receivable due beyond one year	<u>(150,000)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,669,099</u>	<u>\$ 2,152,401</u>

Cadence structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management monitors cash flows closely through monthly reviews and board of director meetings.

### 4. INVESTMENTS AND RESTRICTED INVESTMENTS:

Investments and restricted investments consist of:

	May 31,	
	2020	2019
Certificates of deposit	\$ 360,337	\$ 352,147
Mutual funds	298,979	306,705
Fixed income annuities	308,200	302,400
	<u>\$ 967,516</u>	<u>\$ 961,252</u>

# CADENCE INTERNATIONAL

## Notes to Financial Statements

May 31, 2020 and 2019

4. INVESTMENTS AND RESTRICTED INVESTMENTS, continued:

Investment income consists of:

	Year Ended May 31,	
	2020	2019
Net realized and unrealized losses	\$ (20,538)	\$ (7,012)
Dividend and interest income	34,934	28,362
	\$ 14,396	\$ 21,350

5. NOTE RECEIVABLE:

Cadence entered into a note receivable agreement with a production company in March 2020 for \$150,000 and earns interest at a 9% interest rate. This note is secured by the profits of the film generated by the marketing of the film. The full balance is due to Cadence by February 2, 2021.

6. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	May 31, 2020		
	United States	Foreign	Total
Land	\$ 683,480	\$ 25,000	\$ 708,480
Buildings and improvements	2,808,615	657,847	3,466,462
Vehicles	209,224	271,347	480,571
Equipment and furnishings	266,939	12,368	279,307
	3,968,258	966,562	4,934,820
Less accumulated depreciation	(1,367,731)	(406,020)	(1,773,751)
	\$ 2,600,527	\$ 560,542	\$ 3,161,069

# CADENCE INTERNATIONAL

## Notes to Financial Statements

May 31, 2020 and 2019

6. PROPERTY AND EQUIPMENT–NET, continued:

	May 31, 2019		
	United States	Foreign	Total
Land	\$ 683,480	\$ 25,000	\$ 708,480
Buildings and improvements	2,778,319	651,346	3,429,665
Vehicles	213,042	283,079	496,121
Equipment and furnishings	249,415	12,368	261,783
	<u>3,924,256</u>	<u>971,793</u>	<u>4,896,049</u>
Less accumulated depreciation	<u>(1,251,209)</u>	<u>(374,680)</u>	<u>(1,625,889)</u>
	<u>\$ 2,673,047</u>	<u>\$ 597,113</u>	<u>\$ 3,270,160</u>

Management has reviewed the assets in other countries and has determined that they are under the control and ownership of Cadence. While such items are recognized as assets of Cadence, it should be noted that the political situation in many countries is subject to rapid change. Therefore, the reader should be aware that while Cadence 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 that the carrying value of the assets in other countries may not be representative of the amount that would be realized should the asset be sold.

7. PAYCHECK PROTECTION PROGRAM LOAN:

Cadence received a Paycheck Protection Program loan for \$822,517, with interest at 1% that matures in April 2022. During the year ended May 31, 2020, Cadence met the barriers of forgiveness for \$573,432 of allowable costs, and therefore recognized that amount as government grant income. Subsequent to May 31, 2020, Cadence incurred the remaining amount of allowable costs. Cadence intends to apply for full forgiveness.

8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	May 31,	
	2020	2019
Purpose restricted:		
Missionaries	\$ 1,919,352	\$ 1,485,415
Projects	243,167	107,685
	<u>2,162,519</u>	<u>1,593,100</u>
Time restricted	9,408	7,248
	<u>\$ 2,171,927</u>	<u>\$ 1,600,348</u>

# CADENCE INTERNATIONAL

## Notes to Financial Statements

May 31, 2020 and 2019

9. FAIR VALUE MEASUREMENTS:

Cadence uses appropriate valuation techniques to determine fair value based on inputs available. When available, Cadence 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 were not available. The following tables present the fair value measurements of assets and liabilities, if any, recognized in the accompanying statements of financial position, when are measured at the fair value on a recurring basis, and the level within the fair value measurement hierarchy in which the fair value measurements fall.

	Fair Value Measurements Using:	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
	Fair Value	
May 31, 2020:		
Investments at fair value:		
Mutual funds:		
Fixed income	\$ 192,779	\$ 192,779    \$ -
Equity	106,200	106,200    -
Fixed income annuities	308,200	-    308,200
	607,179	\$ 298,979    \$ 308,200
Investments at contract value:		
Certificates of deposit	360,337	
Total Investments	\$ 967,516	



# CADENCE INTERNATIONAL

## Notes to Financial Statements

May 31, 2020 and 2019

9. FAIR VALUE MEASUREMENTS, continued:

		Fair Value Measurements Using:	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
May 31, 2019:			
Investments at fair value:			
Mutual funds:			
Fixed income	\$ 195,782	\$ 195,782	\$ -
Equity	110,923	110,923	-
Fixed income annuities	302,400	-	302,400
	609,105	\$ 306,705	\$ 302,400
Investments at contract value:			
Certificates of deposit	352,147		
Total Investments	\$ 961,252		

Valuation techniques: Fair values for mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for the fixed income annuity and are based on the estimated fair value of the underlying securities as represented by the investment company. Certificates of deposit are valued at contract value.

Changes in valuation techniques: None.

# CADENCE INTERNATIONAL

## Notes to Financial Statements

May 31, 2020 and 2019

### 10. OPERATING LEASES:

Cadence leases several office machines under operating leases. Lease expenses under these agreements for the years ended May 31, 2020 and 2019, was \$44,816 and \$49,605, respectively. Future minimum lease payments are:

<u>Year Ending May 31,</u>	
2021	\$ 37,687
2022	34,968
2023	32,720
2024	32,720
2025	9,554
	<hr/>
	\$ 147,649
	<hr/> <hr/>

### 11. RETIREMENT PLAN:

Cadence maintains a 403(b) defined contributions retirement plan. No employer contributions were made for the years ended May 31, 2020 and 2019.

### 12. 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 Cadence for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

### 13. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 16, 2020, which is the date the financial statements were available to be issued.