



MESSINGER INTERNATIONAL, INC.
AND SUBSIDIARY

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2019 and 2018

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Messenger International, Inc.
and Subsidiary
Palmer Lake, Colorado

We have audited the accompanying consolidated financial statements of Messenger International, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, 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
Messenger International, Inc.
and Subsidiary
Palmer Lake, Colorado

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Messenger International, Inc. and Subsidiary as of June 30, 2019 and 2018, 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.

Emphasis of Matter

Messenger International, Inc., and Subsidiary has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This has had a material effect on the presentation of the June 30, 2019 and 2018 consolidated financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Colorado Springs, Colorado
November 25, 2019

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

	June 30,	
	2019	2018
ASSETS:		
Cash and cash equivalents	\$ 3,815,822	\$ 4,281,777
Accounts and contributions receivable, net	512,903	551,400
Inventory, net	476,915	532,198
Deposits and other assets	273,848	320,690
Assets held for deferred compensation	324,745	224,659
Product development costs, net	169,833	176,995
Property and equipment, net	1,029,923	1,046,063
	<u>\$ 6,603,989</u>	<u>\$ 7,133,782</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 523,793	\$ 607,009
Accrued expenses and other liabilities	116,955	139,986
Deferred revenue	682,997	615,151
Deferred compensation liability	324,745	224,659
	<u>1,648,490</u>	<u>1,586,805</u>
Net assets:		
Without donor restrictions	3,265,626	3,905,222
With donor restrictions	1,689,873	1,641,755
	<u>4,955,499</u>	<u>5,546,977</u>
	<u>\$ 6,603,989</u>	<u>\$ 7,133,782</u>
Total Liabilities and Net Assets	\$ 6,603,989	\$ 7,133,782

See notes to consolidated financial statements

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Consolidated Statements of Activities

	Year Ended June 30,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Ministry resource sales	\$ 2,621,963	\$ -	\$ 2,621,963	\$ 3,042,907	\$ -	\$ 3,042,907
Contributions	1,688,055	2,175,204	3,863,259	1,574,529	2,434,455	4,008,984
Honorariums	802,048	-	802,048	764,464	-	764,464
Special events:						
Revenue	636,722	-	636,722	665,225	-	665,225
Costs of direct benefits to donors	(541,798)	-	(541,798)	(471,033)	-	(471,033)
Net special events income	94,924	-	94,924	194,192	-	194,192
Royalty income	185,951	-	185,951	166,405	-	166,405
Interest income and other	123,920	-	123,920	123,649	-	123,649
Total Support and Revenue	<u>5,516,861</u>	<u>2,175,204</u>	<u>7,692,065</u>	<u>5,866,146</u>	<u>2,434,455</u>	<u>8,300,601</u>
NET ASSETS RELEASED:						
Purpose restrictions	<u>2,127,086</u>	<u>(2,127,086)</u>	<u>-</u>	<u>1,984,154</u>	<u>(1,984,154)</u>	<u>-</u>
EXPENSES:						
Program services	<u>6,900,306</u>	<u>-</u>	<u>6,900,306</u>	<u>6,574,510</u>	<u>-</u>	<u>6,574,510</u>
Support activities:						
General and administrative	896,682	-	896,682	849,024	-	849,024
Fund-raising	486,555	-	486,555	384,097	-	384,097
	<u>1,383,237</u>	<u>-</u>	<u>1,383,237</u>	<u>1,233,121</u>	<u>-</u>	<u>1,233,121</u>
Total Expenses	<u>8,283,543</u>	<u>-</u>	<u>8,283,543</u>	<u>7,807,631</u>	<u>-</u>	<u>7,807,631</u>
Change in Net Assets	(639,596)	48,118	(591,478)	42,669	450,301	492,970
Net Assets, Beginning of Year	<u>3,905,222</u>	<u>1,641,755</u>	<u>5,546,977</u>	<u>3,862,553</u>	<u>1,191,454</u>	<u>5,054,007</u>
Net Assets, End of Year	<u>\$ 3,265,626</u>	<u>\$ 1,689,873</u>	<u>\$ 4,955,499</u>	<u>\$ 3,905,222</u>	<u>\$ 1,641,755</u>	<u>\$ 5,546,977</u>

See notes to consolidated financial statements

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services	Supporting Activities:			Total
		General and Administrative	Fund-raising	Cost of Direct Benefits to Donors	
Salaries and wages	\$ 1,987,193	\$ 437,866	\$ 196,746	\$ -	2,621,805
Foreign translation expenses	1,845,815	-	-	-	1,845,815
Office and occupancy	708,051	140,302	86,992	-	935,345
Cost of goods sold	586,842	-	-	-	586,842
Employee benefits	368,783	81,259	36,512	-	486,554
Advertising expenses	288,032	66,469	88,625	-	443,126
Professional fees	242,314	118,023	1,936	-	362,273
Depreciation and amortization	211,272	24,856	12,428	-	248,556
Grants to other organizations	152,236	-	-	-	152,236
Royalties expense	150,083	-	-	-	150,083
Payroll taxes	106,410	23,447	10,535	-	140,392
Travel and transportation	140,178	-	-	-	140,178
Other expense	113,097	4,460	3,405	-	120,962
Conferences and events	-	-	49,376	-	49,376
	6,900,306	896,682	486,555	-	8,283,543
Special event expenses	-	-	-	541,798	541,798
	\$ 6,900,306	\$ 896,682	\$ 486,555	\$ 541,798	\$ 8,283,543

See notes to consolidated financial statements

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services	Supporting Activities:			Total
		General and Administrative	Fund-raising	Cost of Direct Benefits to Donors	
Salaries and wages	\$ 1,815,777	\$ 391,633	\$ 159,241	\$ -	\$ 2,366,651
Foreign translation expenses	1,529,833	-	-	-	1,529,833
Office and occupancy	541,702	127,147	74,317	-	743,166
Cost of goods sold	713,682	-	-	-	713,682
Employee benefits	328,784	70,913	28,834	-	428,531
Advertising expenses	282,556	65,205	86,940	-	434,701
Professional fees	183,348	133,183	1,954	-	318,485
Depreciation and amortization	264,693	31,140	15,571	-	311,404
Grants to other organizations	222,720	-	-	-	222,720
Royalties expense	245,746	-	-	-	245,746
Payroll taxes	94,043	20,284	8,247	-	122,574
Travel and transportation	301,642	-	-	-	301,642
Other expense	49,984	9,519	5,468	-	64,971
Conferences and events	-	-	3,525	-	3,525
	6,574,510	849,024	384,097	-	7,807,631
Special event expenses	-	-	-	471,033	471,033
	\$ 6,574,510	\$ 849,024	\$ 384,097	\$ 471,033	\$ 8,278,664

See notes to consolidated financial statements

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (591,478)	\$ 492,970
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	248,556	311,404
Change in operating assets and liabilities:		
Accounts and contributions receivable	38,497	(60,303)
Inventory	55,283	(208,227)
Deposits and other assets	46,842	(4,805)
Accounts payable	(83,216)	279,246
Accrued expenses and other liabilities	(23,031)	22,722
Deferred revenue	67,846	25,538
Net Cash Provided (Used) by Operating Activities	(240,701)	858,545
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(56,451)	(105,919)
Payments for product development costs	(168,803)	(170,091)
Net Cash Used by Investing Activities	(225,254)	(276,010)
Change in Cash and Cash Equivalents	(465,955)	582,535
Cash and Cash Equivalents, Beginning of Year	4,281,777	3,699,242
Cash and Cash Equivalents, End of Year	\$ 3,815,822	\$ 4,281,777
SUPPLEMENTAL DISCLOSURE:		
Change in deferred compensation assets and liabilities	\$ 100,086	\$ 104,427

See notes to consolidated financial statements

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

1. NATURE OF ORGANIZATION:

Messenger International, Inc. and Subsidiary (Messenger International, Inc.) is a not-for-profit organization that exists to develop uncompromising followers of Christ who transform the world.

Teach: to instruct, edify, train, or demonstrate.

Messenger International, Inc. always has and always will be committed to the teaching of life-transforming truth. People are transformed through the power of God's Word, so it is Messenger International, Inc.'s aim to further equip individuals, churches, and leaders through God-inspired teaching.

So we tell others about Christ, warning everyone and teaching everyone with all the wisdom God has given us. Colossians 1:28

Reach: to touch, connect, stretch, or get a message to.

Messenger International, Inc. has a dedicated global focus to make these messages available to pastors and leaders regardless of location or financial position. Messenger International, Inc. supports this work through the translation and distribution of resources in over 90 languages and through the broadcast, The Messenger, which reaches over 180 nations.

Afterward Jesus himself sent them out from east to west with the sacred and unfailing message of salvation that gives eternal life. Mark 16:8

Rescue: to save, free, release, liberate, and restore.

The Church is His hands and feet to a lost and hurting world. Poverty and the tyranny of human trafficking have imprisoned multiple millions. Messenger International, Inc. is committed to rescue, restoration, and empowerment both near and far.

The LORD replies, "I have seen violence done to the helpless, and I have heard the groans of the poor. Now I will rise up to rescue them, as they have longed for me to do." Psalm 12:5

Messenger International, Inc. has been granted a tax exemption under section 501(c)(3) of the Internal Revenue Code and comparable state law. Messenger International, Inc. is not a private foundation under section 509(a) of the Internal Revenue Code.

The accompanying consolidated financial statements include the accounts of Messenger International, Inc. and Messenger Air, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation. Messenger International, Inc. owns 100% of Messenger Air, LLC. Throughout the consolidated financial statements, these two entities are collectively referred to as Messenger International, Inc.

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Messenger International, Inc. 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 include checking, savings, and money market accounts. These accounts may at times exceed federally insured limits, which was approximately \$3,000,000 and \$3,700,000 as of June 30, 2019 and 2018, respectively. Messenger International, Inc. has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk.

ACCOUNTS AND CONTRIBUTIONS RECEIVABLE, NET

Accounts and contributions receivable, net are stated at the amount billed to customers. Messenger International, Inc. records an allowance for doubtful accounts, which is based on a review of outstanding receivables, historical collection information, and existing economic conditions. The allowance for doubtful accounts as of June 30, 2019 and 2018, was \$84,506 and \$0, respectively. Accounts receivable are ordinarily due 30, 60, or 90 days after the issuance of the invoice. For accounts that are unpaid after the due date, Messenger International, Inc. has the option to charge interest at 1% per month. Accounts receivable past due for more than 120 days are considered delinquent. Interest continues to accrue on delinquent accounts until the account is past due more than one year, at which time interest accrual ceases and does not resume until the account is no longer classified as delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

INVENTORY, NET

Inventory consists of books, curriculums, and other media applications. Inventory is stated at the lower of cost or net realizable value, using the average cost method (this method approximates the first-in, first-out methodology), or, if donated, at fair value at the date of the gift. Inventory is shown net of a reserve for slow moving inventory of \$65,503 and \$68,739 at June 30, 2019 and 2018, respectively.

DEPOSITS AND OTHER ASSETS

Deposits and other assets result primarily from preparations for the Messenger Cup event held in July directly after fiscal year end. Purchases related to the event on the company credit cards were approximately \$271,476 and \$318,318 and are recorded in deposits and other assets and accounts payable as of June 30, 2019 and 2018, respectively.

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ASSETS HELD FOR DEFERRED COMPENSATION

Assets held for deferred compensation fully consist of the cash surrender value of life insurance policies, which are measured at contract value. The value of this asset is based on Messenger International, Inc.'s share of the cash surrender value of the respective life insurance policies as represented by the insurance company.

PRODUCT DEVELOPMENT COSTS, NET

Product development costs are amortized over the estimated period during which the related income is expected to be earned (2 years). Accumulated amortization has been recorded at \$1,297,607 and \$1,121,642 at June 30, 2019 and 2018, respectively.

PROPERTY AND EQUIPMENT, NET

Property and equipment are capitalized at cost or, if donated, at fair value at the date of the gift. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets which range from 3 to 39 years. Purchases of long-lived assets in excess of \$2,000 with a useful life in excess of one year are capitalized, and lesser amounts are charged to expense as incurred.

DEFERRED REVENUE

Deferred revenue consists of registration fees for the annual Messenger Cup and is recognized when earned. The Messenger Cup occurs in July of each year and therefore is fully recognized as revenue the month subsequent to year end.

NET ASSETS

The consolidated financial statements report amounts by class of net assets as follows:

Net assets without donor restrictions are those currently available to support Messenger International, Inc.'s operations and those resources invested in property and equipment.

Net assets with donor restrictions are comprised of donor-restricted contributions for the support of Messenger International, Inc. projects.

SUPPORT AND REVENUE

Ministry resource sales consist of sales of books, curriculum, and other resources sold by Messenger International, Inc., and are recorded when earned which is when the resource is shipped to the customer. Any amounts received prior to shipment of the resource are recorded as deferred revenue. Honorariums are received for speaking done by staff members, and are recorded as revenue once the speaking engagement has occurred. Royalty income consists of royalties received from ministry resource sales and is recognized when earned.

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued

Contributions are recorded when made, which may be when cash and other assets are received or when 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 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. Donated materials, professional services, and other noncash gifts are recorded at their estimated fair value at the date of donation.

FUNCTIONAL ALLOCATION OF EXPENSES

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of Messenger International, Inc. The expenses that are allocated include depreciation, occupancy, and maintenance which are allocated based on square footage. Costs of other categories were allocated on estimates of time and effort.

JOINT COSTS

Messenger International, Inc. hosts events and other information activities throughout the year that result in joint cost. Joint costs are incurred when requests for contributions and program service activities are conducted simultaneously. Management and general functions may also concurrently occur. Total joint costs consist of the following:

	Year Ended June 30,	
	2019	2018
Program services	\$ 30,135	\$ 36,706
General and administrative	5,662	6,300
Fund-raising	30,600	10,930
	<u>\$ 66,397</u>	<u>\$ 53,936</u>

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENT

In 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Messenger International, Inc. adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets throughout the consolidated financial statements, new disclosures were added including liquidity and funds available (Note 3) and the disclosure of expenses by both nature and function (statements of functional expenses, and Note 2, above).

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects Messenger International, Inc.'s financial assets as of June 30, 2019, 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, assets held for others, or because the board of directors has set aside the funds for specific contingency reserves and projects. These board designations could be drawn upon if the board approves that action.

Financial assets:	
Cash and cash equivalents	\$ 3,815,822
Accounts and contributions receivable, net	512,903
Assets held for deferred compensation	324,745
Financial assets, at year-end	<u>4,653,470</u>
Financial assets not available to be used for general expenditures in one year:	
Assets held for deferred compensation	<u>(324,745)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 4,328,725</u></u>

Messenger International, Inc. 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 leadership team meetings.

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

4. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE:

Accounts and contributions receivable, net consist of:

	June 30,	
	2019	2018
Accounts receivable	\$ 393,587	\$ 330,786
Contributions receivable	203,822	220,614
	<u>597,409</u>	<u>551,400</u>
Allowance for doubtful accounts	(84,506)	-
	<u>\$ 512,903</u>	<u>\$ 551,400</u>

Contributions receivable consist of pledges received during the Messenger Cup. Management believes all amounts to be fully collectible. All receivables are to be collected within one year; therefore, no discount has been recorded.

5. INVENTORY:

Inventory, net consists of:

	June 30,	
	2019	2018
Books and workbooks	\$ 308,990	\$ 251,156
Curriculum	134,543	133,954
Miscellaneous	62,586	97,588
Electronic media	32,274	48,983
Gift-in-kind inventory	4,025	69,256
	<u>542,418</u>	<u>600,937</u>
Less allowance for slow moving inventory	(65,503)	(68,739)
	<u>\$ 476,915</u>	<u>\$ 532,198</u>

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

6. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net consist of:

	June 30,	
	2019	2018
Land	\$ 246,710	\$ 246,710
Buildings and improvements	1,417,633	1,375,025
Furniture and equipment	498,653	486,820
Software	483,696	483,696
	<u>2,646,692</u>	<u>2,592,251</u>
Less accumulated depreciation and amortization	<u>(1,616,769)</u>	<u>(1,546,188)</u>
	<u>\$ 1,029,923</u>	<u>\$ 1,046,063</u>

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of:

	June 30,	
	2019	2018
Books for the world	\$ 1,207,310	\$ 1,251,810
Travel funds	412,162	350,927
Rescue (formerly Pearl Alliance)	59,901	39,018
Special designation	10,500	-
	<u>\$ 1,689,873</u>	<u>\$ 1,641,755</u>

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

8. GROSS MARGIN ON MINISTRY RESOURCE SALES:

	June 30,	
	2019	2018
Ministry resource sales	\$ 2,621,963	\$ 3,042,907
Cost of ministry resources	<u>(521,611)</u>	<u>(681,958)</u>
Gross margin	<u>\$ 2,100,352</u>	<u>\$ 2,360,949</u>

Cost of ministry resources represents the actual cost incurred for product and materials recorded as ministry resource sales when sold to constituents. Ministry resource distribution expenses are costs incurred related to goods and services in developing and distributing life-transforming messages.

9. RELATED PARTY TRANSACTIONS:

Messenger International, Inc. was related to Messenger International United Kingdom through common board members during prior years. Messenger International, Inc. is related to TEACH Global LLC and FLAG LLC, through common members.

Related party ministry resource sales consist of sales to Messenger International United Kingdom of \$0 and \$18,795, for the years ended June 30, 2019 and 2018, respectively.

Related party accounts receivable consist of amounts due from Messenger International United Kingdom of \$0 and \$91,754, for the years ended June 30, 2019 and 2018, respectively.

Related party accounts payable consist of amounts due TEACH Global LLC of \$210,533 and \$160,472, for the years ended June 30, 2019 and 2018, respectively.

Related party accounts payable consist of amounts due FLAG LLC of \$9,009 and \$2,171, for the years ended June 30, 2019 and 2018, respectively.

MESSENGER INTERNATIONAL, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

10. RETIREMENT PLAN:

Messenger International, Inc. sponsors a 401(k) profit sharing plan (the Plan) covering all employees who have completed one year of service (1,000 hours) and are at least 21 years of age. Messenger International Inc. provides a contribution of 3% of compensation for each eligible employee in the Plan. Messenger International, Inc. may also elect to make a profit-sharing contribution, at the discretion of the board of directors. Participant interest is fully vested after six years of employment on the elective profit sharing contribution and immediately vested on all other contributions. Total contributions were \$61,359 and \$54,483, for the years ended June 30, 2019 and 2018, respectively.

11. OPERATING LEASES:

As part of its exempt activities, Messenger International, Inc. has incurred certain obligations and commitments relating to warehouse storage, internet services, and office equipment. Total lease expense for the years ended June 30, 2019 and 2018, was \$91,258 and \$68,319, respectively. Future minimum payments are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 45,930
2021	44,020
2022	<u>30,375</u>
	<u>\$ 120,325</u>

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 25, 2019, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.