

**WORLD MISSION**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

**WORLD MISSION**

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**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors**

**World Mission:**

We have audited the accompanying financial statements of World Mission (a nonprofit organization) which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World Mission as of June 30, 2013 and 2012, 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.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Bardolph & Associates*

**Grand Rapids, MI  
October 7, 2013**

**WORLD MISSION  
STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30,**

<b>ASSETS</b>	<b>2013</b>	<b>2012</b>
Current assets		
Cash	\$ 181,066	\$ 182,248
Accounts receivable	130	2,003
Inventory	303,926	258,781
Prepays	36,552	2,354
	<u>521,674</u>	<u>445,386</u>
Property and equipment, net	2,974,659	3,152,767
Other assets		
Rental deposits	6,667	10,450
Goodwill, net	352,514	352,514
	<u>3,855,514</u>	<u>3,961,117</u>
<b>Total Assets</b>	<b><u>3,855,514</u></b>	<b><u>3,961,117</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Current portion of long-term debt	145,600	1,539,100
Accounts payable	89,224	53,629
Accrued liabilities -		
Accrued sales tax	9,831	10,506
Accrued interest	5,589	6,841
Accrued payroll and related taxes	24,104	29,038
	<u>274,348</u>	<u>1,639,114</u>
Long-term debt, less current portion above	<u>1,529,893</u>	<u>360,346</u>
	<u>1,804,241</u>	<u>1,999,460</u>
<b>Total Liabilities</b>	<b><u>1,804,241</u></b>	<b><u>1,999,460</u></b>
<b>NET ASSETS</b>		
Unrestricted	1,958,895	1,902,314
Temporarily restricted	92,378	59,343
	<u>2,051,273</u>	<u>1,961,657</u>
<b>Total Net Assets</b>	<b><u>2,051,273</u></b>	<b><u>1,961,657</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 3,855,514</u></b>	<b><u>\$ 3,961,117</u></b>

See accompanying notes.

**WORLD MISSION  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30,**

**CHANGES IN UNRESTRICTED NET ASSETS -**

	<b>2013</b>	<b>2012</b>
<b>REVENUE AND GAINS</b>		
Contributions	\$ 383,467	\$ 594,463
Retail store sales	2,488,666	2,676,480
Royalty income	45,000	-
The Treasure sales	30,610	26,684
Miscellaneous income	589	430
	2,948,332	3,298,057
 Net assets released from temporarily restricted assets for programs and projects	 703,919	 551,232
Total unrestricted revenue and gains	3,652,251	3,849,289
 <b>EXPENSES</b>		
Retail store expenses	2,660,021	2,641,935
The Treasure expenses	22,957	20,013
Project activities expenses	704,950	550,758
Management and general expenses	118,944	125,184
Fund raising expenses	88,798	87,784
Loss on sale of fixed assets	-	34,052
Total unrestricted expenses	3,595,670	3,459,726
<b>Increase in Unrestricted Net Assets</b>	56,581	389,563
 <b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS -</b>		
Contributions	736,954	508,140
Net assets released from restrictions	(703,919)	(551,232)
<b>Increase (Decrease ) in Temporarily Restricted Net Assets</b>	33,035	(43,092)
<b>Increase in Net Assets</b>	89,616	346,471
<b>NET ASSETS, beginning of year</b>	1,961,657	1,615,186
<b>NET ASSETS, end of year</b>	\$ 2,051,273	\$ 1,961,657

See accompanying notes.

**WORLD MISSION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30,**

**INCREASE (DECREASE) IN CASH**

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 89,616	\$ 346,471
Adjustments to reconcile above to net cash provided by operating activities		
<b>Non-cash items:</b>		
Contributions	-	159,589
Depreciation	232,659	171,627
Loss on sale of fixed assets	-	34,052
<b>(Increase) decrease in assets:</b>		
Receivables	1,873	(1,242)
Inventory	(45,145)	(38,929)
Prepays	(34,198)	52,305
Rental deposits	3,783	(3,783)
<b>Increase (decrease) in liabilities:</b>		
Accounts payable	35,595	29,199
Accrued expenses	(6,861)	11,287
<b>Net cash provided by operating activities</b>	<b>277,322</b>	<b>760,576</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(73,251)	(165,148)
Proceeds from sale of fixed assets	18,700	73,375
<b>Net cash used by investing activities</b>	<b>(54,551)</b>	<b>(91,773)</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net decrease in lines of credit, bank	-	(106,384)
Net decrease in notes payable	-	(5,000)
Borrowings of long-term debt	-	-
Payments on long-term debt	(223,953)	(510,229)
<b>Net cash used by financing activities</b>	<b>(223,953)</b>	<b>(621,613)</b>
 <b>Net (decrease) increase in cash</b>	<b>(1,182)</b>	<b>47,190</b>
 <b>Cash - beginning of year</b>	<b>182,248</b>	<b>135,058</b>
 <b>Cash - end of year</b>	<b>\$ 181,066</b>	<b>\$ 182,248</b>
 <b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	\$ 98,831	\$ 116,562

See accompanying notes.

**WORLD MISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**(1) NATURE OF ACTIVITIES**

World Mission is a non-profit organization incorporated in the State of Michigan organized exclusively for charitable, religious, educational, and scientific purposes. The Organization operates several thrift retail stores located throughout Michigan which sell donated items, such as clothing and household goods. Profits from the thrift stores together with contributions from donors are primarily used by the Organization to distribute The Treasure, an audio bible which is available in various languages.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of World Mission have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Contributed Services**

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Inventory**

Inventory consisting mainly of used clothing, used household goods and talking bibles is stated at lower of cost or market on a first-in-first-out (FIFO) basis. Costs for used clothing and household goods are incurred in the procurement and sorting of goods for resale in the thrift stores.

**Property and Equipment**

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at the estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at the time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to forty years.



**WORLD MISSION**  
**NOTES TO FINANCIAL STATEMENTS, (Continued)**  
**JUNE 30, 2013 AND 2012**

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Goodwill**

As of June 30, 2013 and 2012, the gross carrying amount of goodwill is \$377,693 with accumulated amortization of \$25,179. The accompanying statements of activities reflect no goodwill amortization expense for the years ended June 30, 2013 and 2012 as there was no impairment of goodwill.

**Income Tax**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code.

**Concentration of Credit Risk**

The Company maintains cash deposits at a bank, which throughout the year may periodically exceed federally insured deposit limits.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Fair Value**

The carrying amount reflected in the statements of financial position for cash and accounts receivable approximate their respective fair values due to the short maturities of those instruments.

The fair value of long-term debt is based on the carrying amount.

**Supplemental Disclosure of Non Cash Transactions**

During fiscal 2012, a non-profit organization contributed \$159,589 by reducing a note payable owed to them by the Organization. This amount is reflected in contributions in the accompanying statements of activities.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Evaluation of Subsequent Events**

The Organization has evaluated subsequent events through October 7, 2013, the date the financial statements were available to be issued.

**WORLD MISSION**  
**NOTES TO FINANCIAL STATEMENTS, (Continued)**  
**JUNE 30, 2013 AND 2012**

**(3) PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30,:

	<u>2013</u>	<u>2012</u>
Land	\$ 501,519	\$ 501,519
Buildings	3,768,875	3,765,596
Leasehold improvements	367,799	367,799
Equipment, furniture, and furnishings	812,452	786,880
Vehicles	<u>302,505</u>	<u>276,805</u>
	5,753,150	5,698,599
Accumulated depreciation	<u>(2,778,491)</u>	<u>(2,545,832)</u>
	<u>\$ 2,974,659</u>	<u>\$ 3,152,767</u>

**(4) LONG-TERM DEBT**

Long-term debt consists of the following as of June 30:

	<u>2013</u>	<u>2012</u>
Note payable to board member, monthly interest only payments at 6%, note due in its entirety June 15, 2013, unsecured.	\$ -	\$ 65,000
Note payable to board member, annual interest only payments at 3.25%, note due in its entirety June 30, 2016, unsecured.	-	30,000
Note payable to bank, due in monthly installments of \$10,786 including interest at 7%, secured by related property. This note was refinanced during fiscal 2013.	-	955,557
Note payable to bank, due in monthly installments of \$10,786 including interest at 5.4%, balance due January 4, 2018, secured by related property.	891,115	-
Note payable to bank, due in monthly installments of \$7,300 including interest at 1.25% over the bank's prime rate, balance due December 31, 2012, secured by related property. This note was refinanced during fiscal 2013.	-	507,593
Note payable to bank, due in monthly installments of \$6,036 including interest at 5%, balance due January 31, 2018, secured by related property.	455,100	-
Note payable to non-profit organization, due in monthly installments of \$2,121 including interest at 4%, balance due September 1, 2016, secured by related property.	<u>329,278</u>	<u>341,296</u>
	1,675,493	1,899,446
Less current portion	<u>(145,600)</u>	<u>(1,539,100)</u>
	<u>\$ 1,529,893</u>	<u>\$ 360,346</u>

**WORLD MISSION**  
**NOTES TO FINANCIAL STATEMENTS, (Continued)**  
**JUNE 30, 2013 AND 2012**

**(4) LONG-TERM DEBT, Continued**

Annual principle payments on long-term debt over the next five years are as follows at June 30, 2013:

2013/14	\$	145,600
2014/15		154,400
2015/16		162,500
2016/17		448,400
2017/18		<u>764,593</u>
	<u>\$</u>	<u>1,675,493</u>

**(5) TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of June 30, 2013 and 2012 are available for the following purposes:

	<u>2013</u>	<u>2012</u>
The Treasure Distribution	\$ 59,879	\$ 16,678
Mission Trips	27,089	40,607
Miscellaneous Other	<u>5,410</u>	<u>2,058</u>
	<u>\$ 92,378</u>	<u>\$ 59,343</u>

**(6) ROYALTY INCOME**

World Mission operates several thrift stores throughout Michigan and therefore has developed name recognition. In October 2012, World Mission Clothing, LLC, a for-profit entity owned in part by a board member, started a used clothing acquisition and wholesale resale business.

In consideration of a monthly fee in the amount of \$5,000, World Mission has authorized World Mission Clothing, LLC to use World Mission in its name. Royalty income of \$45,000 for the year ended June 30, 2013 is included in the accompanying statements of activities related to this agreement.

**(7) LEASES**

During fiscal 2007, the Organization entered into a five-year rental agreement for a retail store. The lease expired February 2012. Rent expense related to this lease agreement for the year ended June 30, 2012 totaled \$39,442 and is included in the accompany statements of activities.

During fiscal 2013 and 2012, the Organization leased additional retail store space on a month-to-month basis. Rent expense related to this lease agreement for the year ended June 30, 2013 and 2012 totaled \$45,852 and \$55,080, respectively and is included in the accompanying statements of activities.

In addition, the Organization rents various office and warehouse space from a company owned by various board members on a month-to-month basis. This related company donates the rental fees it charges back to the Organization. Donated rent for the years ended June 30, 2013 and 2012 totaled \$137,134 and \$156,501, respectively and is included in the accompanying statements of activities as contribution income and rental expense.

**WORLD MISSION  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Retail Sales</b>	<b>The Treasure Sales</b>	<b>Project Activities</b>	<b>Management and General</b>	<b>Fund- raising</b>	<b>Total</b>
Purchases and supplies	\$ 500,739	\$ 22,957	\$ -	\$ -	\$ -	\$ 523,696
Wages, payroll taxes and employee benefits	1,260,513	-	76,910	57,139	57,139	1,451,701
Rent	188,819	-	3,260	3,260	3,260	198,599
Telephone	6,258	-	1,171	1,999	1,171	10,599
Repair and maintenance	72,628	-	-	358	-	72,986
Utilities	86,820	-	-	-	-	86,820
Insurance	47,328	-	1,500	5,300	-	54,128
Truck and vehicle expense	112,250	-	4,206	1,270	4,206	121,932
Depreciation	187,989	-	2,011	42,659	-	232,659
Advertising and mailings	5,195	-	4,848	-	10,748	20,791
Office supplies and postage	19,295	-	5,539	946	5,539	31,319
Computer expense	5,617	-	1,398	-	1,398	8,413
Bank fees	1,324	-	3,829	342	-	5,495
Professional fees	27,112	-	2,500	2,158	-	31,770
Contributions	-	-	587,634	-	-	587,634
Travel	4,036	-	5,337	-	5,337	14,710
Dues and subscriptions	38,665	-	4,752	523	-	43,940
Miscellaneous	502	-	55	-	-	557
Interest expense	94,931	-	-	2,990	-	97,921
	<u>\$ 2,660,021</u>	<u>\$ 22,957</u>	<u>\$ 704,950</u>	<u>\$ 118,944</u>	<u>\$ 88,798</u>	<u>\$ 3,595,670</u>

See accompanying notes.