

WORLD MISSION
FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

WORLD MISSION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

World Mission:

We have audited the accompanying statements of financial position of World Mission (a non-profit organization) as of June 30, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organizations' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Buddell & Associates

Grand Rapids, MI
October 21, 2010

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

ASSETS	<u>2010</u>	<u>2009</u>
Current assets		
Cash	\$ 122,861	\$ 100,007
Accounts receivable	8,531	999
Inventory	289,496	411,895
Prepays	1,500	12,570
	<u>422,388</u>	<u>525,471</u>
Property and equipment, net	3,917,437	4,104,946
Other assets		
Rental deposits	6,667	6,667
Goodwill, net	352,514	352,514
	<u>359,181</u>	<u>359,181</u>
Total Assets	<u><u>4,699,006</u></u>	<u><u>4,989,598</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Line of credit, bank	169,175	170,000
Note payable, bank	-	168,352
Note payable, other	10,000	20,000
Current portion of long-term debt	953,400	420,600
Accounts payable, related party	-	230,110
Accounts payable, other	67,878	66,027
Accrued liabilities -		
Accrued sales tax	9,240	8,622
Accrued rent	-	6,556
Accrued interest	9,333	10,436
Accrued payroll and related taxes	59,838	46,886
	<u>1,278,864</u>	<u>1,147,589</u>
Long-term debt, less current portion above	<u>1,560,627</u>	<u>2,154,863</u>
Total Liabilities	<u><u>2,839,491</u></u>	<u><u>3,302,452</u></u>
NET ASSETS		
Unrestricted	1,817,491	1,653,067
Temporarily restricted	42,024	34,079
	<u>1,859,515</u>	<u>1,687,146</u>
Total Net Assets	<u><u>1,859,515</u></u>	<u><u>1,687,146</u></u>
Total Liabilities and Net Assets	<u><u>\$ 4,699,006</u></u>	<u><u>\$ 4,989,598</u></u>

The accompanying notes to the financial statements
are an integral part of these statements.

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

CHANGES IN UNRESTRICTED NET ASSETS -

	<u>2010</u>	<u>2009</u>
REVENUE AND GAINS		
Contributions	\$ 696,619	\$ 227,207
Retail store sales	2,419,930	2,141,722
The Treasure sales	34,296	12,600
Miscellaneous income	6,554	14,805
Investment income	-	83
	<u>3,157,399</u>	<u>2,396,417</u>
 Net assets released from temporarily restricted assets for programs and projects	 <u>278,621</u>	 <u>252,252</u>
Total unrestricted revenue and gains	<u>3,436,020</u>	<u>2,648,669</u>
 EXPENSES		
Retail store expenses	2,583,092	2,360,598
The Treasure expenses	341,375	251,859
Project activities expenses	98,436	115,232
Management and general expenses	193,214	219,081
Fund raising expenses	55,479	66,191
Loss on sale of fixed assets	-	161,123
Total unrestricted expenses	<u>3,271,596</u>	<u>3,174,084</u>
 Increase (Decrease) in Unrestricted Net Assets	 <u>164,424</u>	 <u>(525,415)</u>
 CHANGES IN TEMPORARILY RESTRICTED NET ASSETS -		
Contributions	286,566	250,059
Net assets released from restrictions	<u>(278,621)</u>	<u>(252,252)</u>
 Increase (Decrease) in Temporarily Restricted Net Assets	 <u>7,945</u>	 <u>(2,193)</u>
 Increase (Decrease) in Net Assets	 172,369	 (527,608)
 NET ASSETS, beginning of year	 <u>1,687,146</u>	 <u>2,214,754</u>
 NET ASSETS, end of year	 <u>\$ 1,859,515</u>	 <u>\$ 1,687,146</u>

The accompanying notes to the financial statements
are an integral part of these statements.

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

INCREASE (DECREASE) IN CASH

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 172,369	\$ (527,608)
Adjustments to reconcile above to net cash provided by operating activities		
Non-cash items:		
Contributions	(502,086)	-
Depreciation	203,037	213,221
Loss on sale of fixed assets	-	161,123
(Increase) decrease in assets:		
Receivables	(7,532)	181,713
Inventory	122,399	210,657
Prepays	11,070	45,499
Increase (decrease) in liabilities:		
Accounts payable	273,827	30,352
Accrued expenses	5,911	(489)
Net cash provided by operating activities	278,995	314,468
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(15,528)	(123,223)
Net cash used by investing activities	(15,528)	(123,223)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in lines of credit, bank	(825)	(162,500)
Net (decrease) increase in notes payable	(178,352)	188,352
Borrowings of long-term debt	135,000	30,000
Payments on long-term debt	(196,436)	(221,451)
Net cash (used) provided by financing activities	(240,613)	(165,599)
 Net increase in cash	22,854	25,646
 Cash - beginning of year	100,007	74,361
 Cash - end of year	\$ 122,861	\$ 100,007
 Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 155,995	\$ 170,321

The accompanying notes to the financial statements
are an integral part of these statements.

**WORLD MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

(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. In addition, the Organization has a talking bible (The Treasure) in various languages available for sale.

(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 Goods and Services

No amounts have been reflected in the financial statements for donated goods and services. Many individuals donate goods and volunteer their time and perform a variety of tasks that assist the Organization but these donations do not meet the criteria for recognition as contributed goods and 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
JUNE 30, 2010 AND 2009**

(Continued)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Goodwill

As of June 30, 2010 and 2009, the gross carrying amount of goodwill is \$377,693 less accumulated amortization of \$25,179. The accompanying statements of activities reflect no goodwill amortization expense for the years ended June 30, 2010 and 2009.

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 of \$100,000.

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 Values of Financial Instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

- a) Cash, accounts receivable, notes payable, and lines of credit due in less than one year: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.
- b) Long-term debt: The fair values of the notes payable are based on their carrying amount.

Supplemental Disclosure of Non Cash Transactions

During fiscal 2010, board members contributed \$502,086 by reducing notes and accounts payable owed to them by the Organization. This amount is reflected as 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.

**WORLD MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

(Continued)

(3) PROPERTY AND EQUIPMENT

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

	<u>2010</u>	<u>2009</u>
Land	\$ 601,519	\$ 601,519
Buildings	4,112,067	4,112,067
Leasehold improvements	421,929	421,929
Equipment, furniture, and furnishings	832,858	817,331
Vehicles	<u>268,165</u>	<u>268,165</u>
	6,236,538	6,221,011
Accumulated depreciation	<u>(2,319,101)</u>	<u>(2,116,065)</u>
	<u>\$ 3,917,437</u>	<u>\$ 4,104,946</u>

(4) LINE OF CREDIT AGREEMENT

The Organization has a \$250,000 line of credit agreement with a bank with interest at 1% over the bank's prime rate but not less than 5.5%. The line matures July 23, 2010. As of June 30, 2010 and 2009, the amounts outstanding on this line of credit were \$169,175 and \$170,000, respectively.

(5) LONG-TERM DEBT

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

	<u>2010</u>	<u>2009</u>
Note payable to bank, due in monthly installments of \$4,244 including interest at 8%, secured by related property.	\$ 135,000	\$ -
Note payable to bank, due in monthly installments of \$10,786 including interest at 7%, balance due October 4, 2012, secured by related property.	1,069,811	1,121,837
Note payable to bank, due in monthly installments of \$5,907 including interest at 1.25% over the bank's prime rate, balance due June 26, 2011, secured by related property.	579,740	623,067
Note payable to non-profit organization, due in monthly installments of \$9,770 including interest at 5%, secured by related property.	517,707	584,815
Note payable to bank, due in monthly installments of \$1,825, plus interest at the bank's prime rate, balance due September 13, 2010, secured by related property.	201,679	225,655
Note payable to finance company, due in monthly installments of \$845 including interest at .9%, secured by related vehicle.	<u>10,090</u>	<u>20,089</u>
	2,514,027	2,575,463
Less current portion	<u>(953,400)</u>	<u>(420,600)</u>
	<u>\$ 1,560,627</u>	<u>\$ 2,154,863</u>

**WORLD MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

(Continued)

(5) LONG-TERM DEBT, continued

Annual principle payments on long-term debt over the next five years are as follows at June 30, 2010:

2010/11	\$ 953,400
2011/12	200,900
2012/13	1,110,800
2013/14	107,200
2014/15	112,700
Thereafter	<u>29,027</u>
	<u>\$ 2,514,027</u>

(6) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2010 and 2009 are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Congo	\$ -	\$ 5,935
The Treasure Distribution	<u>42,024</u>	<u>28,144</u>
	<u>\$ 42,024</u>	<u>\$ 34,079</u>

(7) LEASES

During fiscal 2007, the Organization entered into a five-year rental agreement for a retail store. Monthly rental payments of \$5,795 are currently required. Rent expense related to this lease agreement for the years ended June 30, 2010 and 2009 totaled \$67,913 and \$68,535, respectively and is included in the accompany statements of activities.

During fiscal 2010 and 2009, the Organization leased additional retail store space on a month-to-month basis. Rent expense related to these lease agreements for the years ended June 30, 2010 and 2009 totaled \$94,845 and \$107,671, 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, 2010 and 2009 totaled \$143,486 and \$99,326, respectively and is included in the accompanying statements of activities as contribution income and rental expense.

(8) RELATED PARTY TRANSACTIONS

In addition to the related party accounts payable reflected in the statements of financial position and the related party leases disclosed in note 7, board members contributed \$502,086 for the year ended June 30, 2010 by reducing notes and accounts payable owed to them by the Organization. This amount is reflected as contributions in the accompanying statements of activities.

(9) EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 21, 2010, the date the financial statements were available to be issued.

WORLD MISSION
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	Retail Sales	The Treasure	Project Activities	Management and General	Fund-raising	Total
Purchases and supplies	\$ 231,553	\$ 131,309	\$ -	\$ 53	\$ -	\$ 362,915
Wages, payroll taxes and employee benefits	1,336,868	14,000	-	77,396	38,699	1,466,963
Rent	271,004	1,990	-	24,591	12,296	309,881
Telephone	23,397	2,283	-	1,021	1,021	27,722
Repair and maintenance	74,663	3	-	181	-	74,847
Utilities	137,123	2,841	-	1,018	509	141,491
Property Taxes	13,687	-	-	-	-	13,687
Insurance	59,379	10,000	-	8,026	-	77,405
Truck and vehicle expense	46,246	1,989	-	103	103	48,441
Depreciation	130,759	2,794	6,274	63,210	-	203,037
Advertising and mailings	11,918	4,454	-	149	449	16,970
Office supplies and postage	33,263	1,147	-	1,895	1,896	38,201
Computer expense	4,100	2,966	-	447	447	7,960
Bank fees	19,157	937	-	4,021	-	24,115
Professional fees	21,058	7,010	-	3,051	-	31,119
Contributions	-	137,080	92,162	-	-	229,242
Travel	2,397	10,564	-	176	59	13,196
Dues and subscriptions	25,225	678	-	2,587	-	28,490
Miscellaneous	471	-	-	552	-	1,023
Interest expense	140,824	9,330	-	4,737	-	154,891
	<u>\$ 2,583,092</u>	<u>\$ 341,375</u>	<u>\$ 98,436</u>	<u>\$ 193,214</u>	<u>\$ 55,479</u>	<u>\$ 3,271,596</u>