



WORLD HARVEST MISSION
FINANCIAL STATEMENTS
MAY 31, 2013



WORLD HARVEST MISSION
MAY 31, 2013

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Morey, Nee, Buck & Oswald, LLC

Certified Public Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
WORLD HARVEST MISSION
Jenkintown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of World Harvest Mission (a non-profit organization), which comprise the statement of financial position as of May 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 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 statement.

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 Harvest Mission as of May 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited World Harvest Mission's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 20, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2012, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Morey, Nee, Buck & Oswald, LLC

Morey Nee Buck & Oswald, LLC
Spring House, PA
October 8, 2013

WORLD HARVEST MISSION
STATEMENT OF FINANCIAL POSITION
AS OF MAY 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF MAY 31, 2012

	ASSETS	
	2013	2012
Assets:		
Cash and cash equivalents	\$ 1,347,813	\$ 923,780
Prepaid expenses	67,997	70,340
Accounts receivable	22,584	26,064
Advances to missionaries	83,306	105,668
Inventory	-	1,780
Investments	3,308,343	2,882,414
Security deposits	90,521	97,745
Other asset	43,263	-
Deposit on vehicle	-	23,975
Land, building, and equipment, net	134,837	78,109
 Total assets	 \$ 5,098,664	 \$ 4,209,875

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 257,597	\$ 209,557
Payroll withholdings	2,181	557
Monies to be remitted to the filed	904	15,210
 Total liabilities	 260,682	 225,324
 Net assets:		
Unrestricted	842,963	581,860
Board designated-missionary and project accounts	3,908,451	3,297,790
Total unrestricted	4,751,414	3,879,650
Temporarily restricted	86,568	104,901
 Total net assets	 4,837,982	 3,984,551
 Total liabilities and net assets	 \$ 5,098,664	 \$ 4,209,875

The accompanying footnotes are an integral part of the audited financial statements.

WORLD HARVEST MISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED MAY 31, 2012

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2013 Totals</u>	<u>2012 Totals</u>
Revenues, gains & other support:				
Contributions	\$ 10,823,991	\$ 171,104	\$ 10,995,095	\$ 9,781,535
Discipling and tuition	38,824		38,824	58,754
Literature, tapes and books	43,824		43,824	66,315
Investment return	342,929		342,929	(71,756)
Other income	104,215		104,215	65,986
Net assets released from restrictions:				
Satisfaction of donor restrictions	<u>222,353</u>	<u>(222,353)</u>	<u>-</u>	<u>-</u>
 Total revenues, gains and other support	 <u>11,576,136</u>	 <u>(51,249)</u>	 <u>11,524,887</u>	 <u>9,900,834</u>
 Expenses and losses:				
Field operations	8,872,533		8,872,533	7,964,752
Sending center	1,657,377		1,657,377	1,567,443
Fund raising	<u>141,546</u>	<u>-</u>	<u>141,546</u>	<u>234,364</u>
 Total expenses and losses	 <u>10,671,456</u>	 <u>-</u>	 <u>10,671,456</u>	 <u>9,766,559</u>
 Surplus (deficit) of revenue over expenses before inter-fund transfers	 904,680	 (51,249)	 853,431	 134,275
Inter-fund transfers	<u>(32,916)</u>	<u>32,916</u>	<u>-</u>	<u>-</u>
Change in net assets	871,764	(18,333)	853,431	134,275
Net assets at beginning of year	<u>3,879,650</u>	<u>104,901</u>	<u>3,984,551</u>	<u>3,850,276</u>
Net assets at end of year	<u>\$ 4,751,414</u>	<u>\$ 86,568</u>	<u>\$ 4,837,982</u>	<u>\$ 3,984,551</u>

The accompanying footnotes are an integral part of the audited financial statements.

WORLD HARVEST MISSION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MAY 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED MAY 31, 2012

	<u>Field Operations</u>	<u>Sending Center</u>	<u>Fund Raising</u>	<u>2013 Totals</u>	<u>2012 Totals</u>
Wages, taxes, benefits	\$ 5,294,969	\$ 948,435	\$ 108,969	\$ 6,352,373	\$ 6,258,108
Rent	71,579	240,496	-	312,075	305,599
Foreign National Wages	16,243	-	-	16,243	15,620
Computer equipment, maintenance repair	39,347	14,593	-	53,940	50,672
Computer hardware and software	62,322	14,469	-	76,791	59,556
Supplies and cleaning	58,524	11,958	333	70,815	77,705
Insurance	757	19,641	-	20,398	19,353
Professional services	59,462	57,734	1,900	119,096	151,227
Other outside service	358,081	79,446	4,004	441,531	195,030
Cost of goods sold	16,022	-	-	16,022	22,526
Postage	17,874	14,674	3,784	36,332	44,501
Diaconal Needs	20,004	-	-	20,004	15,358
Project expenses	101,626	-	-	101,626	134,191
Grants to foreign organizations	296,141	-	-	296,141	271,115
Travel	1,069,553	86,179	12,495	1,168,227	929,034
Medical expenses and supplies	23,415	360	-	23,775	19,710
Ministry account	99,143	-	-	99,143	96,504
Set up costs	83,847	-	-	83,847	63,627
Outreach	29,723	-	-	29,723	21,775
Education and schooling	298,171	2,468	-	300,639	266,287
Retreats and conference	77,490	8,894	-	86,384	109,353
Vehicle	10,136	-	-	10,136	9,268
Printing	29,976	14,169	5,893	50,038	47,811
Books and other literature	21,179	2,074	77	23,330	20,456
Dues and subscriptions	10,574	16,489	-	27,063	16,844
Board meetings	-	28,446	-	28,446	20,203
Business meals	51,135	22,995	1,116	75,246	91,372
Shipping and freight	35,396	-	-	35,396	54,604
Depreciation	31,669	12,338	-	44,007	52,013
Service charges, penalties	7,000	467	-	7,467	11,023
Promotions	-	2,611	147	2,758	4,904
Sponsoring conference/education	402,678	13,763	-	416,441	67,053
Utilities	69,137	13,100	-	82,237	98,880
COBRA expense	12,720	18,076	-	30,796	11,482
Merchant discounts	39,855	(2,923)	(2)	36,930	31,191
Other	<u>56,785</u>	<u>16,425</u>	<u>2,830</u>	<u>76,040</u>	<u>102,604</u>
Totals - 2013	<u>\$ 8,872,533</u>	<u>\$ 1,657,377</u>	<u>\$ 141,546</u>	<u>\$ 10,671,456</u>	
Totals - 2012	<u>\$ 7,964,752</u>	<u>\$ 1,567,443</u>	<u>\$ 234,364</u>		<u>\$ 9,766,559</u>

The accompanying footnotes are an integral part of the audited financial statements.

WORLD HARVEST MISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2013
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED MAY 31, 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>853,431</u>	\$ <u>134,275</u>
Adjustments to reconcile the change in net assets to net cash used by operating activities:		
Depreciation	44,007	52,013
Unrealized and realized (gains) losses on investments	(250,277)	162,135
(Increase) decrease in operating assets:		
Accounts receivable	3,480	4,345
Deposit on vehicle	23,975	(23,975)
Inventory	1,780	6,953
Advances to missionaries	22,362	(35,318)
Prepaid expenses	2,343	(22,757)
Security deposits	7,224	1,454
Other asset	(43,263)	-
Increase (decrease) in operating liabilities:		
Accounts payable	48,040	64,573
Payroll withholdings	1,624	(1,236)
Monies to be remitted to the field	<u>(14,306)</u>	<u>15,211</u>
Total adjustments	<u>(153,011)</u>	<u>223,398</u>
Net cash provided (used) by operating activities	<u>700,420</u>	<u>357,673</u>
Cash flows from investing activities:		
Proceeds from the sale of securities	279,468	-
Purchase of investment securities	(455,120)	(157,318)
Purchase of equipment	<u>(100,735)</u>	<u>(14,511)</u>
Net cash provided (used) by investing activities	<u>(276,387)</u>	<u>(171,829)</u>
Net increase (decrease) in cash and cash equivalents	424,033	185,844
Cash and cash equivalents, beginning of the year	<u>923,780</u>	<u>737,936</u>
Cash and cash equivalents, end of the year	<u>\$ 1,347,813</u>	<u>\$ 923,780</u>
<u>Supplemental disclosures:</u>		
Interest paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying footnotes are an integral part of the audited financial statements.

WORLD HARVEST MISSION
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

World Harvest Mission is a Pennsylvania Corporation recognized as a non-profit religious corporation exempt from federal income tax under the provisions of Section 501 (c) (3) of the Internal Revenue Code.

World Harvest Mission (WHM) is a mission sending agency founded in 1983; today, we have more than 202 missionaries in 13 countries. We believe the motive and power for mission is the gospel of grace at work in the life of a believer. Our vision is to see movements of churches empowered by grace for the world's good and God's glory. We pursue this vision through incarnational ministry, with an emphasis on church planting, incarnating mercy, and equipping church leaders. WHM exists to see individuals, families, communities, and cultures so changed and renewed by the gospel of grace that they passionately pursue their role in the great story of redemption.

New Accounting Pronouncements

New guidance established the Financial Accounting Standards Board Accounting Standards Codification (FASBASC) as the source of authoritative US accounting and reporting standards for nongovernmental entities (GAAP). The Codification effectively organizes accounting and reporting guidance by subject matter without regard to the original standard setter or standard from which the guidance was derived. Use of the Codification has no impact on the Organization's financial condition or results of operations. In connection with the use of the Codification, this report no longer makes reference to specific accounting standards by number or title.

Fund Accounting

Resources available to World Harvest Mission are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. Board designated funds are allocated to specific purposes by action of the Board of Directors. Externally restricted funds may only be utilized in accordance with the purpose established by the source of such funds, and are in contrast with board designated funds over which the Board of Directors retains full control to use in achieving any of its specified purposes.

Basis of Presentation

Financial presentation follows the recommendations of the Financial Accounting Standards Board under which the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

WORLD HARVEST MISSION
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2013

Cash and Cash Equivalents

For purposes of the statement of cash flows, World Harvest Mission considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Funds held in money market accounts by external investment managers are reported as investments.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Investments

World Harvest Mission carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Property, Equipment and Depreciation

Property and equipment are recorded at cost, or if donated, at fair market value at the date of the gift. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets ranging from three to thirty years. Assets that are valued over \$5,000 and have an estimated useful life of more than one year are capitalized, while assets that are less than this threshold are directly expensed.

Use of Estimates

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 certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounting for Uncertainty in Income Taxes

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires World Harvest Mission to report information regarding its exposure to various tax positions taken. Management has performed their evaluation and believes there are no unrecognized tax positions that are required to be disclosed.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2009.

The Organization's policy is to classify income tax related interest and penalties in interest expenses and other expenses, respectively.

WORLD HARVEST MISSION
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2013

Expense Allocation

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements include a hierarchy which prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1- Fair value is based on unadjusted quoted prices in active markets that are accessible to the Organization for identical assets. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2- Fair Value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the full term of the asset through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets, and other observable inputs.

Level 3- Fair value would be based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows, and other similar techniques.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are summarized below:

Business checking	\$ 555,915
Money market	<u>791,898</u>
Total cash and cash equivalents	<u>\$ 1,347,813</u>

At the end of the year, \$86,568 was restricted for various purposes dependent upon the donor's intent.

WORLD HARVEST MISSION
 NOTES TO THE FINANCIAL STATEMENTS
 MAY 31, 2013

3. INVESTMENTS

Investments are summarized below:

Cash and money markets	\$ 677,522
Bond funds	1,073,617
Mutual index funds	749,287
Equity funds	<u>807,917</u>
 Total investments	 <u>\$ 3,308,343</u>

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

The following schedule summarizes the investment return and its classification in the statement of activities for the year then ended:

<u>Unrestricted</u>	
Investment income	\$ 92,652
Unrealized and realized gains (losses)	<u>250,277</u>
 Total investment returns	 <u>\$ 342,929</u>

4. SECURITY DEPOSITS

Security deposits consisted of the following:

Chile	\$ 1,116
Ireland	7,443
London	19,112
Home office	20,000
Spain	11,717
Kenya	7,246
Czech Republic	6,223
Austria	14,549
India	<u>3,115</u>
 Total security deposits	 <u>\$ 90,521</u>

When a missionary is sent overseas he or she lives in a rented apartment; most often a security deposit is needed at the signing of the lease. The deposit total represents amounts currently outstanding as a security deposit on the relevant rental.

WORLD HARVEST MISSION
 NOTES TO THE FINANCIAL STATEMENTS
 MAY 31, 2013

5. PREPAID EXPENSES

Prepaid expenses consisted of the following:

Prepaid airfare, conferences, and retreats \$ 67,997

6. LAND, BUILDINGS AND EQUIPMENT, NET

Fixed assets and accumulated depreciation accounts are composed of the following:

<u>Description</u>	<u>Cost</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>	<u>Net book Value</u>
Furniture & equipment	\$ 145,437	\$ 10,654	\$ 135,225	\$ 10,212
Vehicles	223,851	26,747	136,712	87,139
Land	4,100	-	-	4,100
Land & buildings	<u>238,758</u>	<u>6,606</u>	<u>205,372</u>	<u>33,386</u>
Totals	<u>\$ 612,146</u>	<u>\$ 44,007</u>	<u>\$ 477,309</u>	<u>\$ 134,837</u>

Currently, there are no planned major maintenance activities in the upcoming year.

7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by the donors. The purpose for which restrictions were accomplished:

Field Operations:

Kianga Kids Diaconal	\$ 12,945
Kenya Famine Relief Fund	128
Bundibugyo (Christ) School	125,143
Dr Jonah Memorial Leadership Fund	22,331
Kule Family Care Fund	5,973
Ireland Church Planters	9,522
BundiWater Fund	44,749
BundiMedical Fund	<u>1,562</u>
Total restrictions released	<u>\$ 222,353</u>

WORLD HARVEST MISSION
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2013

8. NET ASSETS: TEMPORARILY RESTRICTED

Temporarily restricted net assets are available for the following purposes:

Field Operations:

Kianga Kids Diaconal	\$ (6,253)
Kenya Famine Relief	278
Bundibugyo (Christ) School	9,774
Dr Jonah Memorial Leadership Fund	19,608
Kule Family Care Fund	41,853
Ireland Church Planters	2,280
London Capital	91
BundiMedical Fund	<u>18,937</u>

Total net assets: temporarily restricted \$ 86,568

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization measures its investments on a recurring basis at fair value. These items were measured using the following inputs as of May 31, 2013:

	Quoted Prices in Active Markets <u>(Level 1)</u>	Other Observable inputs <u>(Level 2)</u>
Assets:		
Money market accounts	\$ 677,522	
Mutual funds- equity funds	807,917	
Mutual funds- index funds	749,287	
Bond funds	<u> </u>	\$ 1,073,617
Total	<u>\$ 2,234,726</u>	<u>\$ 1,073,617</u>

The carrying amounts of cash and cash equivalents and accounts payable approximate fair value at May 31, 2013 due to short-term nature of those instruments.

Mutual funds are valued at the net asset value (“NAV”) of shares held by the Organization at year end. Marketable equity securities are valued at the closing price reported on the active market on which the individual securities are traded. Bond funds are valued at the closing price reported on the active market on which the individual bonds are traded.

There was no change in the valuation techniques used to value these assets and during the year, there were no transfers between level 1 and level 2 inputs.

WORLD HARVEST MISSION
NOTES TO THE FINANCIAL STATEMENTS
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9. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

10. OFFICE LEASE

World Harvest had entered into an agreement with ZAC Management Group LLC, to sublease office space at 101 West Avenue, Jenkintown, PA. World Harvest was also responsible for paying all related utility bills relating to its space. The amount of rent paid for the fiscal year ended May 31, 2013 was \$215,468. The agreement runs through June 2013. In May of 2013, the Organization signed a new lease with 101 West Avenue Partners, LP which extends their lease at 101 West Avenue through November 2023. Future lease payments are as follows:

Fiscal year ended:	
2014	\$ 175,623
2015	161,310
2016	165,565
2017	169,820
2018	174,075
2019 and thereafter	<u>1,111,758</u>
 Total	 <u>\$ 1,958,151</u>

11. PENSION PLAN

World Harvest Mission maintains a defined contribution plan which covers substantially all employees, as defined in the plan. World Harvest Mission contributed \$255,011 to the plan during the fiscal year.

12. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

World Harvest Mission maintains its cash balances in three financial institutions located in Pennsylvania. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

There are times throughout the year when the Organization's cash balances exceed the federally insured limit. The Organization considers the risk of total loss associated with exceeding the federally insured limits minimal.

WORLD HARVEST MISSION
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2013

13. *SHIPPING AND HANDLING COSTS*

All shipping and handling costs are expensed when incurred and are presented in the statement of activities as a component of expenses.

14. *DATE OF MANAGERMENTS REVIEW*

Management has evaluated subsequent events and transactions for potential recognition or disclosure through October 8, 2013, the date which the financial statements were available to be issued.