

WORLD HARVEST MISSION

REPORT ON EXAMINATION

DECEMBER 31, 2008

WORLD HARVEST MISSION
DECEMBER 31, 2008

<u>TABLE OF CONTENTS</u>	<u>Page No.</u>
INDEPENDENT AUDITORS REPORT	2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to the Financial Statements	6



HOLMES, SIMMONS & OSWALD, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
WORLD HARVEST MISSION
Jenkintown, Pennsylvania

We have audited the accompanying statement of financial position of World Harvest Mission (a non-profit organization) as of December 31, 2008 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2007 financial statements, and in our report dated April 30, 2008, we expressed an unqualified opinion on those financial statements.

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 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 audit provides 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 Harvest Mission as of December 31, 2008, and the changes in its net assets and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Holmes, Simmons & Oswald, PC

April 28, 2009

WORLD HARVEST MISSION
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2008
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2007

	<u>2008</u>	<u>2007</u>
Assets:		
Cash and cash equivalents [note 2]	\$ 825,454	\$ 1,092,621
Receivable – non trade	2,522	206,843
Unconditional pledges	0	50,000
Prepaid expenses [note 5]	32,158	95,686
Advances to missionaries	58,799	105,891
Inventory [note 4]	40,354	28,542
Investments [note 3]	2,305,585	2,124,450
Security deposits [note 6]	71,276	66,304
Land, building, and equipment, net [note 7]	<u>237,133</u>	<u>286,952</u>
 Total assets	 \$ <u>3,573,281</u>	 \$ <u>4,057,289</u>
 Liabilities and net assets:		
Liabilities:		
Accounts payable	\$ 195,177	\$ 164,978
Payroll withholdings	3,790	3,459
Monies to be remitted to the field	<u>29,569</u>	<u>10,199</u>
 Total liabilities	 <u>228,536</u>	 <u>178,636</u>
 Net assets:		
Unrestricted	3,193,319	3,751,287
Temporarily restricted [note 9]	<u>151,426</u>	<u>127,366</u>
 Total net asset	 <u>3,344,745</u>	 <u>3,878,653</u>
 Total liabilities and net assets	 \$ <u>3,573,281</u>	 \$ <u>4,057,289</u>

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

WORLD HARVEST MISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2008</u>	<u>Totals 2007</u>
Revenues, gains & other support:				
Contributions	\$ 8,118,949	\$ 131,589	\$ 8,250,538	\$ 8,403,925
Grants			0	69,648
Discipling / tuition	83,068		83,068	91,074
Literature, tapes and books	198,151		198,151	168,533
Investment income [note 3]	(389,233)		(389,233)	123,433
Other income	28,520		28,520	34,772
Net assets released from restrictions:				
Satisfaction of donor restrictions [note 8]	<u>183,595</u>	<u>(183,595)</u>	<u>0</u>	<u>0</u>
Total revenues, gains and other support	<u>8,223,050</u>	<u>(52,006)</u>	<u>8,171,044</u>	<u>8,891,385</u>
Expenses and losses:				
Field operations	7,022,140		7,022,140	6,890,810
Sending center	1,461,414		1,461,414	1,294,946
Fund raising	<u>221,398</u>		<u>221,398</u>	<u>201,661</u>
Total expenses and losses [note 15]	<u>8,704,952</u>	<u>0</u>	<u>8,704,952</u>	<u>8,387,417</u>
Surplus (deficit) of operating revenue over expenses before inter-fund transfers	(481,902)	(52,006)	(533,908)	503,968
Inter-fund transfers	<u>(76,066)</u>	<u>76,066</u>	<u>0</u>	<u>0</u>
Change in net assets	(557,968)	24,060	(533,908)	503,968
Net assets at beginning of year	<u>3,751,287</u>	<u>127,366</u>	<u>3,878,653</u>	<u>3,374,685</u>
Net assets at end of year	\$ <u>3,193,319</u>	\$ <u>151,426</u>	\$ <u>3,344,745</u>	\$ <u>3,878,653</u>

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

WORLD HARVEST MISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (533,908)	\$ 503,968
Adjustments to reconcile the change in net assets to net cash used by operating activities:		
Depreciation	81,543	76,589
Unrealized (gains) losses on investments	503,513	103,889
(Increase) decrease in operating assets:		
Accounts receivable	204,321	(117,332)
Unconditional pledges	50,000	(50,000)
Inventory	(11,812)	(1,502)
Advances to missionaries	47,092	56,619
Prepaid expenses	63,528	(63,840)
Security deposits	(4,972)	(9,241)
Increase (decrease) in operating liabilities:		
Accounts payable	30,530	29,890
Monies to be remitted to the field	<u>19,370</u>	<u>2,172</u>
 Total adjustments	 <u>983,113</u>	 <u>27,244</u>
 Net cash provided (used) by operating activities	 <u>449,205</u>	 <u>531,212</u>
 Cash flows from investing activities:		
Proceeds from the sale of securities	940,818	178,652
Purchase of investment securities	(1,625,466)	(51,961)
Purchase of equipment; refurbish new office	<u>(31,724)</u>	<u>(266,308)</u>
 Net cash provided (used) by investing activities	 <u>(716,372)</u>	 <u>(139,617)</u>
 Net increase (decrease) in cash and cash equivalents	 (267,167)	 391,595
 Cash and cash equivalents, beginning of the year	 <u>1,092,621</u>	 <u>701,026</u>
 Cash and cash equivalents, end of the year	 \$ <u>825,454</u>	 \$ <u>1,092,621</u>
 <u>Supplemental disclosures:</u>		
 Interest paid	 \$ <u> 0</u>	 \$ <u> 0</u>

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

WORLD HARVEST MISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

I. 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 missions sending agency founded in 1983; today, we have more than 155 missionaries in 12 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.

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 in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, an 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, World Harvest Mission considers all unrestricted 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.

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
DECEMBER 31, 2008

1. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued*

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

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 and 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.

Use of 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.

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.

WORLD HARVEST MISSION
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2008

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are summarized below:

Business checking	\$ <u>825,454</u>
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At the end of the year, \$151,426 was restricted for various purposes dependent upon the donor's intent.

3. INVESTMENTS

Investments are summarized below:

Cash and money markets	\$ 629,555
Bond funds	673,577
Mutual index funds	548,095
Equity funds	<u>454,358</u>
 Total investments	 \$ <u>2,305,585</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, net of fees	\$ 114,280
Unrealized gains (losses)	<u>(503,513)</u>
 Total investment returns	 \$ <u>(389,233)</u>

As of March 31, 2009, (the latest date that broker statements are available) the market value of the underlying assets in the investment funds held by the Organization decreased by approximately \$93,000.

4. INVENTORY

Inventories consist primarily of literature, books, and tapes held for resale and are valued at the lower of actual cost or market. Cost is determined using the FIFO method.

WORLD HARVEST MISSION
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2008

5. PREPAID EXPENSES

Prepaid expenses consisted of the following:

Prepaid airfare and conferences	\$ <u>32,158</u>
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6. SECURITY DEPOSITS

Security deposits consisted of the following:

Germany	\$ 2,278
Ireland	6,204
London	22,149
Rome	2,320
Home office	21,500
Spain	2,591
Kenya	2,613
Czech Republic	8,265
Other	<u>3,356</u>

Total security deposits	\$ <u>71,276</u>
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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 above amounts represent the amounts currently outstanding as a security deposit on the relevant rental.

7. 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>Book Value</u>
Furniture & equipment	\$ 217,736	\$ 50,339	\$ 121,562	\$ 96,174
Vehicles	172,540	5,600	155,740	16,800
Land & buildings	<u>242,858</u>	<u>25,604</u>	<u>118,699</u>	<u>124,159</u>
Totals	\$ <u>633,134</u>	\$ <u>81,543</u>	\$ <u>396,001</u>	\$ <u>237,133</u>

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

WORLD HARVEST MISSION
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2008

8. ***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 donors. Purpose for which restrictions were accomplished:

Field Operations:

Uganda Kwejuna Fund	\$ 20,696
Kianga Kids Diaconal	8,167
Kenya Famine Relief	6,990
Bundibugyo School	101,408
Mother Child Survival Project	126
Dr Jonah Memorial Leadership Fund	6,001
Kule Family Care Fund	17,463
London Capital Project	(2,676)
Ireland Church Planters	7,832
Africa Response Fund	<u>17,588</u>
Total restrictions released	\$ <u>183,595</u>

9. ***NET ASSETS: TEMPORARILY RESTRICTED***

Temporarily restricted net assets are available for the following purposes:

Field operations:

Uganda Kwejuna Fund	\$ (2,942)
Kianga Kids Diaconal	18,275
Kenya Famine Relief	11,724
Bundibugyo School	9,357
Dr Jonah Memorial Leadership Fund	21,148
Kule Family Care Fund	55,954
Mother Child Survival Project	2,205
Uganda Relief Projects	13,684
Ireland Church Planters	20,451
Africa Response Fund	<u>1,570</u>
Total net assets: temporarily restricted	\$ <u>151,426</u>

WORLD HARVEST MISSION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

10. OFFICE LEASE

During 2007, World Harvest entered into an agreement with ZAC Management Group LLC, to sublease office space at 101 West Avenue. World Harvest is also responsible for paying for all related utilities. The amount of rent paid in 2008 under this agreement was \$ 194,964.

As part of the agreement, ZAC Management waived the lease payments for the months August through December 2007. During that time, World Harvest was responsible only for paying the utilities. The agreement runs through June 2013 and requires the following rent payments:

Calendar year 2009	199,606
Calendar year 2010	204,248
Calendar year 2011	208,890
Calendar year 2012	213,532
January 2013 thru June 2013	109,090

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 \$ 200,885 to the plan during the year then ended.

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. Currently, the \$250,000 amount is set to expire on December 31, 2009. Therefore, unless the law is extended the insured amount will revert back to \$100,000. There are times throughout the year when the Organization's cash balances exceed the insured amount.

13. SHIPPING AND HANDLING COSTS

All amounts relating to shipping and handling that are billed to the customer are recorded as revenue in the statement of activities. This amount totaled \$23,548 during the current year.

14. FASB INTERPRETATION NO 48, ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The Organization has elected to defer the application of Interpretation 48 in accordance with FASB Staff Position (FSP) FIN 48-3 Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises. The FSP defers the effective date of Interpretation 48 for nonpublic enterprises included within the FSP's scope to the annual financial statements for fiscal years beginning after December 15, 2008.

WORLD HARVEST MISSION
SUPPLEMENTAL INFORMATION
DECEMBER 31, 2008

15. EXPENSES

Expenses were incurred as follows:

	Field <u>Operations</u>	Sending <u>Center</u>	Fund <u>Raising</u>	<u>Total</u>
Wages, taxes, benefits	\$ 4,598,064	\$ 804,249	\$ 147,877	\$ 5,550,190
Rent	43,145	180,096	75	223,316
Foreign National Wages	66,818			66,818
Computer equipment, maintenance & repair	27,305	12,201		39,506
Computer hardware & software	28,024	19,178	620	47,822
Supplies and cleaning	94,972	11,713	1,127	107,812
Insurance	362	17,436		17,798
Professional services	27,383	19,854	12,500	59,737
Other outside service	68,509	75,916	5,639	150,064
Cost of goods sold	33,217			33,217
Postage	19,896	22,479	11,193	53,568
Harvester, publications and website	417	32,575		32,992
Project expenses	72,376			72,376
Grants to foreign organizations	156,804			156,804
Travel	821,719	80,742	16,611	919,072
Medical expenses & supplies	23,576	419		23,995
Ministry account	187,347			187,347
Set up costs	33,378			33,378
Outreach	9,718			9,718
Education and schooling	163,163	5,925	528	169,616
Retreats and conference	108,618	10,002	1,829	120,449
Vehicle	26,766			26,766
Printing	36,250	12,839	10,876	59,965
Books and other literature	24,545	(9,393)	593	15,745
Dues and subscriptions	10,801	15,753	390	26,944
Board meetings		28,079		28,079
Business meals	42,026	16,946	1,381	60,353
Shipping and freight	77,631			77,631
Depreciation	10,522	71,021		81,543
Service charges, penalties	6,324	661	28	7,013
Advertising and promotions	(332)	385	600	653
Sponsoring confer/education	23,232			23,232
Utilities	55,070	15,973	88	71,131
COBRA expense		3,717		3,717
Close fund to another agency	19,497			19,497
Merchant discounts	19,003	43	26	19,072
Other	85,994	12,605	9,417	108,016
Totals - 2008	\$ <u>7,022,140</u>	\$ <u>1,461,414</u>	\$ <u>221,398</u>	\$ <u>8,704,952</u>
Totals - 2007	\$ <u>6,890,810</u>	\$ <u>1,294,946</u>	\$ <u>201,661</u>	\$ <u>8,387,417</u>