

**WORLD HARVEST MISSION**

**DECEMBER 31, 2009**

WORLD HARVEST MISSION  
DECEMBER 31, 2009

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HOLMES & 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, 2009 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 2008 financial statements, and in our report dated April 28, 2009, 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, 2009, 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 & Oswald, PC*

May 10, 2010

WORLD HARVEST MISSION  
STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2009  
WITH SUMMARIZED FINANCIAL INFORMATION  
AS OF DECEMBER 31, 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Assets:		
Cash and cash equivalents [note 2]	\$ 681,813	\$ 825,454
Receivable – non trade	0	2,522
Prepaid expenses [note 5]	56,200	32,158
Advances to missionaries	44,864	58,799
Inventory [note 4]	27,366	40,354
Investments [note 3]	2,692,387	2,305,585
Security deposits [note 6]	65,640	71,276
Land, building, and equipment, net [note 7]	<u>167,897</u>	<u>237,133</u>
Total assets	\$ <u>3,736,167</u>	\$ <u>3,573,281</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 164,634	\$ 195,177
Payroll withholdings	3,752	3,790
Monies to be remitted to the field	<u>24,125</u>	<u>29,569</u>
Total liabilities	<u>192,511</u>	<u>228,536</u>
Net assets:		
Unrestricted	3,431,322	3,193,319
Temporarily restricted [note 9]	<u>112,334</u>	<u>151,426</u>
Total net assets	<u>3,543,656</u>	<u>3,344,745</u>
Total liabilities and net assets	\$ <u>3,736,167</u>	\$ <u>3,573,281</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, 2009  
WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals 2009</u>	<u>Totals 2008</u>
Revenues, gains & other support:				
Contributions	\$ 7,689,097	\$ 192,342	\$ 7,881,439	\$ 8,250,538
Discipling / tuition	56,445		56,445	83,068
Literature, tapes and books	181,341		181,341	198,151
Investment income [note 3]	388,142		388,142	(389,233)
Other income	32,998		32,998	28,520
Net assets released from restrictions:				
Satisfaction of donor restrictions [note 8]	<u>239,183</u>	<u>(239,183)</u>	<u>0</u>	<u>0</u>
 Total revenues, gains and other support	 <u>8,587,206</u>	 <u>(46,841)</u>	 <u>8,540,365</u>	 <u>8,171,044</u>
 Expenses and losses:				
Field operations	6,703,840		6,703,840	7,022,140
Sending center	1,449,921		1,449,921	1,461,414
Fund raising	<u>187,693</u>	<u>          </u>	<u>187,693</u>	<u>221,398</u>
 Total expenses and losses [note 15]	 <u>8,341,454</u>	 <u>0</u>	 <u>8,341,454</u>	 <u>8,704,952</u>
 Surplus (deficit) of operating revenue over expenses before inter-fund transfers	 245,752	 (46,841)	 198,911	 (533,908)
Inter-fund transfers	<u>(7,749)</u>	<u>7,749</u>	<u>0</u>	<u>0</u>
Change in net assets	238,003	(39,092)	198,911	(533,908)
Net assets at beginning of year	<u>3,193,319</u>	<u>151,426</u>	<u>3,344,745</u>	<u>3,878,653</u>
Net assets at end of year	\$ <u>3,431,322</u>	\$ <u>112,334</u>	\$ <u>3,543,656</u>	\$ <u>3,344,745</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, 2009  
WITH SUMMARIZED FINANCIAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>198,911</u>	\$ <u>(533,908)</u>
Adjustments to reconcile the change in net assets to net cash used by operating activities:		
Depreciation	81,863	81,543
Unrealized and realized (gains) losses on investments	(321,947)	503,513
(Increase) decrease in operating assets:		
Accounts receivable	3,527	204,321
Unconditional pledges	0	50,000
Inventory	12,988	(11,812)
Advances to missionaries	13,935	47,092
Prepaid expenses	(24,042)	63,528
Security deposits	5,636	(4,972)
Increase (decrease) in operating liabilities:		
Accounts payable	(31,587)	30,530
Monies to be remitted to the field	<u>(5,444)</u>	<u>19,370</u>
Total adjustments	<u>(265,071)</u>	<u>983,113</u>
Net cash provided (used) by operating activities	<u>(66,160)</u>	<u>449,205</u>
Cash flows from investing activities:		
Proceeds from the sale of securities	48,148	940,818
Purchase of investment securities	(113,002)	(1,625,466)
Purchase of equipment	<u>(12,627)</u>	<u>(31,724)</u>
Net cash provided (used) by investing activities	<u>(77,481)</u>	<u>(716,372)</u>
Net increase (decrease) in cash and cash equivalents	(143,641)	(267,167)
Cash and cash equivalents, beginning of the year	<u>825,454</u>	<u>1,092,621</u>
Cash and cash equivalents, end of the year	\$ <u>681,813</u>	\$ <u>825,454</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, 2009

**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 mission sending agency founded in 1983; today, we have more than 155 missionaries in 11 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**

On July 1, 2009, World Harvest Mission adopted new guidance that 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  
DECEMBER 31, 2009

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued***

**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.

**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, 2008, 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain the reported amounts of assets and liabilities and disclosure of contingent 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.

**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, 2009

**Accounting for Uncertainty in Income Taxes**

The Organization adopted the additional disclosure requirements relating to accounting for uncertainty in income taxes which includes nonpublic entities. Organizations are now required to disclose positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date. Generally speaking, a nonprofit organization's exposure to the additional disclosure requirement is limited to tax positions taken which would affect their tax-exempt status and / or the reporting of unrelated business income.

Management is unaware of any positions taken that would affect its tax-exempt status or require it to file and report unrelated business income.

**Fair Value Measurements**

Effective January 1, 2009, the Organization adopted certain disclosure requirements which established a framework for measuring fair value under accounting principles generally accepted in the United States of America, and enhances disclosures about fair value measurements. The adoption did not have a material effect on the financial statements, but expanded disclosure with respect to fair value measurement. 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. The framework includes 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.

**Fair Value Option for Financial Assets and Financial Liabilities**

Effective January 1, 2009, the Organization adopted "The Fair Value Option for Financial Assets and Financial Liabilities" which permits organizations to make an irrevocable election to value certain financial assets and liabilities, on an instrument-by-instrument basis, at fair value and include the change in fair value within change in net assets from operating activities. The Organization did not elect the fair value option for eligible items. The adoption had no effect on the change in unrestricted net assets or the carrying value of the Organization's financial instruments.

WORLD HARVEST MISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2009

**2. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are summarized below:

Business checking	\$ <u>681,813</u>
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At the end of the year, \$112,334 was restricted for various purposes dependent upon the donor's intent.

**3. INVESTMENTS**

Investments are summarized below:

Cash and money markets	\$ 666,889
Bond funds	713,116
Mutual index funds	633,658
Equity funds	<u>678,724</u>
 Total investments	 \$ <u>2,692,387</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	\$ 66,196
Realized gains (losses)	9,002
Unrealized gains (losses)	<u>312,944</u>
 Total investment returns	 \$ <u>388,142</u>

**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, 2009

**5. PREPAID EXPENSES**

Prepaid expenses consisted of the following:

Prepaid airfare, conferences, and retreats	\$ <u>56,200</u>
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**6. SECURITY DEPOSITS**

Security deposits consisted of the following:

Ireland	2,096
London	23,113
Home office	20,000
Spain	3,592
Kenya	1,936
Czech Republic	2,404
Austria	10,699
Morocco	<u>1,800</u>

Total security deposits	\$ <u>65,640</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	\$ 214,225	\$ 49,559	\$ 160,483	\$ 53,742
Vehicles	147,054	6,700	131,454	15,600
Land & buildings	<u>242,858</u>	<u>25,604</u>	<u>144,303</u>	<u>98,555</u>
Totals	\$ <u>604,137</u>	\$ <u>81,863</u>	\$ <u>436,240</u>	\$ <u>167,897</u>

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

WORLD HARVEST MISSION  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2009

**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	\$ 23,505
Kianga Kids Diaconal	7,540
Kenya Famine Relief Fund	15,598
Bundibugyo (Christ) School	145,833
Mother Child Survival Project	722
Dr Jonah Memorial Leadership Fund	9,257
Kule Family Care Fund	4,443
London Capital Project	11
Ireland Church Planters	19,041
Uganda Relief Project	<u>13,233</u>
 Total restrictions released	 \$ <u>239,183</u>

**9. NET ASSETS: TEMPORARILY RESTRICTED**

Temporarily restricted net assets are available for the following purposes:

Field operations:

Kianga Kids Diaconal	\$ 20,091
Kenya Famine Relief	5,462
Bundibugyo (Christ) School	(3,348)
Dr Jonah Memorial Leadership Fund	24,448
Kule Family Care Fund	54,096
Ireland Church Planters	11,445
London Capital	<u>140</u>
 Total net assets: temporarily restricted	 \$ <u>112,334</u>

WORLD HARVEST MISSION  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009

**10. 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 December 31, 2009:

	Quoted Prices in Active Markets <u>(Level 1)</u>
Assets:	
Mutual funds- fixed income	\$ 713,116
Mutual funds- index funds	633,658
Marketable equity securities	<u>678,724</u>
Total	\$ <u>2,025,498</u>

The carrying amounts of cash and cash equivalents and accounts payable approximate fair value at December 31, 2009 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, which are considered Level 1 inputs.

Marketable equity securities are valued at the closing price reported on the active market on which the individual securities are traded which are considered Level 1 inputs.

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.

**11. OFFICE LEASE**

World Harvest has 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 2009 under this agreement was \$ 199,606. The agreement runs through June 2013 and requires the following rent payments:

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

WORLD HARVEST MISSION  
SUPPLEMENTAL INFORMATION  
DECEMBER 31, 2009

**12. PENSION PLAN**

World Harvest Mission maintains a defined contribution plan which covers substantially all employees, as defined in the plan. World Harvest Mission contributed \$ 218,782 to the plan during the year then ended.

**13. 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. The \$250,000 amount is in effect through December 31, 2013. On January 1, 2014, the standard insurance amount will return to \$ 100,000 per depositor for all account categories except IRAs and other certain retirement accounts, which will remain at \$ 250,000 per depositor. 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.

**14. 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 \$16,561 during the current year.

WORLD HARVEST MISSION  
SUPPLEMENTAL INFORMATION  
DECEMBER 31, 2009

**15. EXPENSES**

Expenses were incurred as follows:

	<u>Field</u> <u>Operations</u>	<u>Sending</u> <u>Center</u>	<u>Fund</u> <u>Raising</u>	<u>Total</u>
Wages, taxes, benefits	\$ 4,470,321	\$ 800,249	\$ 101,807	\$ 5,372,377
Rent	79,422	231,056		310,478
Foreign National Wages	29,317			29,317
Computer equipment, maintenance & repair	23,172	1,629		24,801
Computer hardware & software	25,756	19,679	484	45,919
Supplies and cleaning	74,163	10,038	740	84,941
Insurance	961	16,765		17,726
Professional services	25,251	22,572	58,500	106,323
Other outside service	59,179	76,446	1,751	137,376
Cost of goods sold	29,122			29,122
Postage	16,579	26,996	5,879	49,454
Diaconal Needs	53,058			53,058
Project expenses	71,502			71,502
Grants to foreign organizations	285,159			285,159
Travel	692,882	69,772	1,689	764,343
Medical expenses & supplies	23,944	388		24,332
Ministry account	123,995			123,995
Set up costs	31,016			31,016
Outreach	12,513			12,513
Education and schooling	165,448	2,320		167,768
Retreats and conference	65,863	4,424	1,345	71,632
Vehicle	20,531			20,531
Printing	31,766	15,931	8,332	56,029
Books and other literature	12,889	370	178	13,437
Dues and subscriptions	1,230	16,067		17,297
Board meetings		13,250		13,250
Business meals	47,584	15,510	787	63,881
Shipping and freight	72,757			72,757
Depreciation	11,622	70,241		81,863
Service charges, penalties	6,649	528		7,177
Advertising and promotions	4,160	9,363		13,523
Sponsoring confer/education	29,765			29,765
Utilities	54,565	17,724	19	72,308
COBRA expense		1,862		1,862
Merchant discounts	21,676	295		21,971
Other	<u>30,023</u>	<u>6,446</u>	<u>6,182</u>	<u>42,651</u>
Totals - 2009	\$ <u>6,703,840</u>	\$ <u>1,449,921</u>	\$ <u>187,693</u>	\$ <u>8,341,454</u>
Totals - 2008	\$ <u>7,022,140</u>	\$ <u>1,461,414</u>	\$ <u>221,398</u>	\$ <u>8,704,952</u>