



WORLD HARVEST MISSION
FINANCIAL STATEMENTS

MAY 31, 2012



WORLD HARVEST MISSION
MAY 31, 2012

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MOREY, NEE, BUCK & OSWALD, LLC
Accountants and Advisors

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 nonprofit organization) as of May 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's 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 2011 financial statements, and in our report dated October 21, 2011, 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 May 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America

Morey, Nee, Buck & Oswald, LLC

September 20, 2012

WORLD HARVEST MISSION
STATEMENT OF FINANCIAL POSITION
AS OF MAY 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF MAY 31, 2011

ASSETS

Assets:		
Cash and cash equivalents	\$ 923,780	\$ 737,936
Deposit on vehicle	23,975	0
Prepaid expenses	70,340	47,583
Accounts receivable	26,064	30,409
Advances to missionaries	105,668	70,350
Inventory	1,780	8,733
Investments	2,882,414	2,887,232
Security deposits	97,745	99,199
Land, building, and equipment, net	<u>78,109</u>	<u>115,611</u>
 Total assets	 \$ <u>4,209,875</u>	 \$ <u>3,997,053</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 209,557	\$ 144,984
Payroll withholdings	557	1,793
Monies to be remitted to the filed	<u>15,210</u>	<u>0</u>
 Total liabilities	 <u>225,324</u>	 <u>146,777</u>
 Net assets:		
Unrestricted	3,879,650	3,755,780
Temporarily restricted	<u>104,901</u>	<u>94,496</u>
 Total net assets	 <u>3,984,551</u>	 <u>3,850,276</u>
 Total liabilities and net assets	 \$ <u>4,209,875</u>	 \$ <u>3,997,053</u>

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

WORLD HARVEST MISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED MAY 31, 2011

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
Revenues, gains & other support:				
Contributions	\$9,648,671	\$ 132,864	\$ 9,781,535	\$ 8,648,719
Discipling and tuition	58,754		58,754	41,550
Literature, tapes and books	66,315		66,315	117,598
Investment return	(71,756)		(71,756)	375,377
Other income	65,986		65,986	32,000
Gain on sale of fixed assets				19,039
Net assets released from restrictions:				
Satisfaction of donor restrictions	<u>172,241</u>	<u>(172,241)</u>	<u>0</u>	<u>0</u>
 Total revenues, gains and other support	 <u>9,940,211</u>	 <u>(39,377)</u>	 <u>9,900,834</u>	 <u>9,234,283</u>
 Expenses and losses:				
Field operations	7,964,752		7,964,752	7,137,642
Sending center	1,567,443		1,567,443	1,387,612
Fund raising	<u>234,364</u>	<u> </u>	<u>234,364</u>	<u>248,742</u>
 Total expenses and losses	 <u>9,766,559</u>	 <u>0</u>	 <u>9,766,559</u>	 <u>8,773,996</u>
 Surplus (deficit) of revenue over expenses before inter-fund transfers	 173,652	 (39,377)	 134,275	 460,287
Inter-fund transfers	<u>(49,782)</u>	<u>49,782</u>	<u>0</u>	<u>0</u>
 Change in net assets	 123,870	 10,405	 134,275	 460,287
 Net assets at beginning of year	 <u>3,755,780</u>	 <u>94,496</u>	 <u>3,850,276</u>	 <u>3,389,989</u>
 Net assets at end of year	 <u>\$3,879,650</u>	 <u>\$ 104,901</u>	 <u>\$ 3,984,551</u>	 <u>\$ 3,850,276</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, 2012

	<u>Field</u> <u>Operations</u>	<u>Sending</u> <u>Center</u>	<u>Fund</u> <u>Raising</u>	<u>Total</u>
Wages, taxes, benefits	\$5,261,785	\$ 883,184	\$113,139	\$ 6,258,108
Rent	65,123	240,476		305,599
Foreign National Wages	15,620			15,620
Computer equipment, maintenance & repair	20,696	30,408	(432)	50,672
Computer hardware & software	36,552	23,004		59,556
Supplies and cleaning	66,017	11,426	262	77,705
Insurance	385	18,968		19,353
Professional services	56,905	18,102	76,220	151,227
Other outside service	122,376	69,087	3,567	195,030
Cost of goods sold	22,526			22,526
Postage	16,805	23,220	4,476	44,501
Diaconal Needs	15,358			15,358
Project expenses	134,191			134,191
Grants to foreign organizations	271,115			271,115
Travel	818,333	89,275	21,426	929,034
Medical expenses & supplies	18,978	717	15	19,710
Ministry account	96,504			96,504
Set up costs	63,627			63,627
Outreach	21,775			21,775
Education and schooling	253,866	12,421		266,287
Retreats and conference	105,228	4,125		109,353
Vehicle	9,268			9,268
Printing	30,995	8,542	8,274	47,811
Books and other literature	18,421	2,035		20,456
Dues and subscriptions	2,693	14,151		16,844
Board meetings		20,203		20,203
Business meals	67,710	21,028	2,634	91,372
Shipping and freight	54,604			54,604
Depreciation	16,401	35,612		52,013
Service charges, penalties	10,802	221		11,023
Advertising and promotions	2,902	2,536	(534)	4,904
Sponsoring confer/education	66,363	690		67,053
Utilities	85,766	13,114		98,880
COBRA expense	4,214	7,268		11,482
Merchant discounts	30,941	(42)	292	31,191
Other	<u>79,907</u>	<u>17,672</u>	<u>5,025</u>	<u>102,604</u>
Totals	<u>\$7,964,752</u>	<u>\$1,567,443</u>	<u>\$234,364</u>	<u>\$ 9,766,559</u>

WORLD HARVEST MISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MAY 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED MAY 31, 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>134,275</u>	\$ <u>460,287</u>
Adjustments to reconcile the change in net assets to net cash used by operating activities:		
Depreciation	52,013	60,722
Unrealized and realized (gains) losses on investments	162,135	(291,997)
(Gains) losses on sale of fixed assets	-	(19,039)
(Increase) decrease in operating assets:		
Accounts receivable	4,345	(30,540)
Deposit on vehicle	(23,975)	-
Inventory	6,953	16,823
Advances to missionaries	(35,318)	9,781
Prepaid expenses	(22,757)	142,628
Security deposits	1,454	(18,548)
Increase (decrease) in operating liabilities:		
Accounts payable	64,573	43,535
Payroll withholdings	(1,236)	(5,071)
Monies to be remitted to the field	<u>15,211</u>	<u>(14,690)</u>
Total adjustments	<u>223,398</u>	<u>(106,396)</u>
Net cash provided (used) by operating activities	<u>357,673</u>	<u>353,891</u>
Cash flows from investing activities:		
Proceeds from the sale of securities	-	140,269
Purchase of investment securities	(157,318)	(317,576)
Proceeds from the sale of equipment	-	21,881
Purchase of equipment	<u>(14,511)</u>	<u>(3,921)</u>
Net cash provided (used) by investing activities	<u>(171,829)</u>	<u>(159,347)</u>
Net increase (decrease) in cash and cash equivalents	185,844	194,544
Cash and cash equivalents, beginning of the year	<u>737,936</u>	<u>543,392</u>
Cash and cash equivalents, end of the year	\$ <u>923,780</u>	\$ <u>737,936</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
MAY 31, 2012

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 164 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.

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, 2012

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 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 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.

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.

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.

WORLD HARVEST MISSION
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2012

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.

Fair Value Option for Financial Assets and Financial Liabilities

The fair value option for financial assets and liabilities 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.

World Harvest Mission 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
MAY 31, 2012

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are summarized below:

Business checking	\$ 376,445
Money market	<u>547,335</u>
Total cash and cash equivalents	\$ <u>923,780</u>

At the end of the year, \$104,901 was restricted for various purposes dependent upon the donor's intent.

3. INVESTMENTS

Investments are summarized below:

Cash and money markets	\$ 583,978
Bond funds	847,948
Mutual index funds	724,274
Equity funds	<u>726,214</u>
Total investments	\$ <u>2,882,414</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 of \$17,794	\$ 89,745
Realized gains (losses)	(307)
Unrealized gains (losses)	<u>(161,194)</u>
Total investment returns	\$ <u>(71,756)</u>

4. INVENTORY

Inventory consists of literature, books, and tapes to the Resources Program. Effective January 1, 2011 the Organization partnered with New Growth Press to act as official publisher for the resources produced by World Harvest Mission's Ministry. World Harvest Mission ceased fulfilling orders of resource materials and transferred those responsibilities to New Growth Press. Minimal inventory is on consignment at New Growth Press.

WORLD HARVEST MISSION
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2012

5. PREPAID EXPENSES

Prepaid expenses consisted of the following:

Prepaid airfare, conferences, and retreats	\$ <u>70,340</u>
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6. SECURITY DEPOSITS

Security deposits consisted of the following:

Chile	\$ 1,116
Ireland	7,625
London	23,106
Home office	20,000
Spain	10,913
Kenya	4,544
Czech Republic	6,341
Austria	17,722
North Africa	3,263
India	<u>3,115</u>
 Total security deposits	 \$ <u>97,745</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.

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	\$ 223,960	\$ 22,345	\$ 211,155	\$ 12,805
Vehicles	131,177	11,479	109,965	21,212
Land & buildings	<u>242,858</u>	<u>18,189</u>	<u>198,766</u>	<u>44,092</u>
 Totals	 \$ <u>597,995</u>	 \$ <u>52,013</u>	 \$ <u>519,886</u>	 \$ <u>78,109</u>

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

WORLD HARVEST MISSION
 NOTES TO THE FINANCIAL STATEMENTS
 MAY 31, 2012

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 the donors. Purpose for which restrictions were accomplished:

Field Operations:

Kianga Kids Diaconal	\$ 8,457
Kenya Famine Relief Fund	10,838
Bundibugyo (Christ) School	100,422
Mother Child Survival Project	9,150
Dr Jonah Memorial Leadership Fund	27,858
Kule Family Care Fund	6,633
Ireland Church Planters	6,293
Uganda Water Projects	<u>2,590</u>
 Total restrictions released	 \$ <u>172,241</u>

9. NET ASSETS: TEMPORARILY RESTRICTED

Temporarily restricted net assets are available for the following purposes:

Field Operations:

Kianga Kids Diaconal	\$ 3,922
Kenya Famine Relief	(870)
Bundibugyo (Christ) School	(4,908)
Dr Jonah Memorial Leadership Fund	25,121
Kule Family Care Fund	44,496
Ireland Church Planters	4,799
London Capital	91
Uganda Water Projects	<u>32,250</u>
 Total net assets: temporarily restricted	 \$ <u>104,901</u>

WORLD HARVEST MISSION
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2012

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 May 31, 2012:

	Quoted Prices in Active Markets <u>(Level 1)</u>	Other Observable inputs <u>(Level 2)</u>
Assets:		
Mutual funds- fixed income	\$ 726,214	
Mutual funds- index funds	724,274	
Bond funds	<u> </u>	\$ <u>847,948</u>
Total	\$ <u>1,450,488</u>	\$ <u>847,948</u>

The carrying amounts of cash and cash equivalents and accounts payable approximate fair value at May 31, 2012 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.

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, Jenkintown, PA. World Harvest is also responsible for paying for all related utilities. The amount of rent paid for the fiscal year ended May 31, 2012 was \$210,824. The agreement runs through June 2013 and requires the following rent payments:

Fiscal Year 2013	\$ 215,469
Fiscal Year 2014	18,182

WORLD HARVEST MISSION
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2012

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 \$ 229,853 to the plan during the fiscal year.

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.

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

15. DATE OF MANAGER'S REVIEW

Management has evaluated subsequent events and transactions for potential recognition or disclosure through September 20, 2012, the date which the financial statements were available to be issued.