

World Missionary Press, Inc.

Financial Statements

September 30, 2007 and 2006



McGladrey & Pullen

Certified Public Accountants

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Independent Auditor's Report

To the Board of Directors
World Missionary Press, Inc.
New Paris, Indiana

We have audited the accompanying balance sheets of **World Missionary Press, Inc.** as of September 30, 2007 and 2006, and the related statements of activities and cash flows for the years 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 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 audits 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 Missionary Press, Inc.** as of September 30, 2007 and 2006, 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.

McGladrey & Pullen, LLP

November 5, 2007

World Missionary Press, Inc.

Balance Sheets

September 30, 2007 and 2006

	2007				2006			
	General	Stewardship	Annuity	Total All Funds	General	Stewardship	Annuity	Total All Funds
ASSETS								
Current Assets								
Cash and cash equivalents	\$ 115,346	\$ 33,725	\$ 8,945	\$ 158,016	\$ 36,472	\$ 85,919	\$ 7,429	\$ 129,820
Short-term investments	185,000	75,000	-	260,000	135,000	-	-	135,000
Accounts receivable	1,613	20	-	1,633	7,739	18	-	7,757
Contributions receivable	-	-	-	-	-	15,000	-	15,000
Inventories	97,394	-	-	97,394	86,099	-	-	86,099
Prepaid expenses	84,517	1,656	-	86,173	113,592	1,692	-	115,284
Total current assets	483,870	110,401	8,945	603,216	378,902	102,629	7,429	488,960
Property and Equipment								
Land	5,124	32,175	-	37,299	2,879	33,675	-	36,554
Buildings	731,207	488,275	-	1,219,482	552,860	483,156	-	1,036,016
Machinery and equipment	885,703	874	-	886,577	853,433	4,388	-	857,821
Furniture, fixtures and office equipment	206,617	11,883	-	218,500	215,017	13,156	-	228,173
	1,828,651	533,207	-	2,361,858	1,624,189	534,375	-	2,158,564
Less accumulated depreciation	(970,641)	(334,748)	-	(1,305,389)	(949,061)	(332,041)	-	(1,281,102)
Net property and equipment	858,010	198,459	-	1,056,469	675,128	202,334	-	877,462
Other Assets								
Long-term investments	27,030	-	-	27,030	27,030	-	-	27,030
Investment in annuities	-	-	379,239	379,239	-	-	401,696	401,696
Total other assets	27,030	-	379,239	406,269	27,030	-	401,696	428,726
Total assets	\$ 1,368,910	\$ 308,860	\$ 388,184	\$ 2,065,954	\$ 1,081,060	\$ 304,963	\$ 409,125	\$ 1,795,148
LIABILITIES AND NET ASSETS								
Current Liabilities								
Accounts payable	\$ 89,117	\$ 483	\$ -	\$ 89,600	\$ 111,699	\$ 780	\$ -	\$ 112,479
Accrued expenses	26,056	18,669	-	44,725	21,366	15,334	-	36,700
Notes payable	-	64,045	-	64,045	-	68,882	-	68,882
Current portion of long-term liabilities	-	-	18,090	18,090	-	-	16,919	16,919
Total current liabilities	115,173	83,197	18,090	216,460	133,065	84,996	16,919	234,980
Long-Term Liabilities								
Annuity obligations	-	-	357,602	357,602	-	-	380,445	380,445
Total liabilities	115,173	83,197	375,692	574,062	133,065	84,996	397,364	615,425
Net Assets								
Unrestricted	1,166,116	225,663	12,492	1,404,271	909,395	219,967	11,761	1,141,123
Temporarily restricted	87,621	-	-	87,621	38,600	-	-	38,600
Total net assets	1,253,737	225,663	12,492	1,491,892	947,995	219,967	11,761	1,179,723
Total liabilities and net assets	\$ 1,368,910	\$ 308,860	\$ 388,184	\$ 2,065,954	\$ 1,081,060	\$ 304,963	\$ 409,125	\$ 1,795,148

See Notes to Financial Statements.

World Missionary Press, Inc.

Statements of Activities

Years Ended September 30, 2007 and 2006

CHANGES IN UNRESTRICTED NET ASSETS	2007				2006			
	General	Stewardship	Annuity	Total All Funds	General	Stewardship	Annuity	Total All Funds
Revenues:								
Unrestricted contributions	\$ 2,760,070	\$ 5,000	\$ -	\$ 2,765,070	\$ 2,191,810	\$ -	\$ -	\$ 2,191,810
Rental income	-	45,549	-	45,549	-	39,045	-	39,045
Gain (loss) on sale of assets	1,216	(1,869)	-	(653)	-	58,154	-	58,154
Interests and dividends	24,613	2,104	60	26,777	7,754	477	38	8,269
Miscellaneous income	23,324	-	1,456	24,780	25,189	-	1,169	26,358
Total unrestricted revenues	2,809,223	50,784	1,516	2,861,523	2,224,753	97,676	1,207	2,323,636
Net assets released from restrictions:								
Satisfaction of operating restrictions	554,214	-	-	554,214	400,682	-	-	400,682
Satisfaction of capital acquisition restrictions	63,445	-	-	63,445	92,998	-	-	92,998
Total net assets released from restrictions	617,659	-	-	617,659	493,680	-	-	493,680
Total unrestricted revenues and other support	3,426,882	50,784	1,516	3,479,182	2,718,433	97,676	1,207	2,817,316
Expenses:								
Program services:								
Production	1,998,186	-	-	1,998,186	1,514,378	-	-	1,514,378
Shipping	673,599	-	-	673,599	668,377	-	-	668,377
Total program services	2,671,785	-	-	2,671,785	2,182,755	-	-	2,182,755
Supporting activities:								
Development	148,666	-	-	148,666	119,706	-	-	119,706
General administration	349,710	45,088	785	395,583	325,816	45,248	1,544	372,608
Total supporting activities	498,376	45,088	785	544,249	445,522	45,248	1,544	492,314
Total expenses	3,170,161	45,088	785	3,216,034	2,628,277	45,248	1,544	2,675,069
Increase (decrease) in unrestricted net assets	256,721	5,696	731	263,148	90,156	52,428	(337)	142,247
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS								
Restricted contributions	666,680	-	-	666,680	487,459	-	-	487,459
Net assets released from restrictions	(617,659)	-	-	(617,659)	(493,680)	-	-	(493,680)
Increase (decrease) in temporarily restricted net assets	49,021	-	-	49,021	(6,221)	-	-	(6,221)
Change in net assets	305,742	5,696	731	312,169	83,935	52,428	(337)	136,026
Net assets, beginning	947,995	219,967	11,761	1,179,723	864,060	167,539	12,098	1,043,697
Net assets, ending	\$ 1,253,737	\$ 225,663	\$ 12,492	\$ 1,491,892	\$ 947,995	\$ 219,967	\$ 11,761	\$ 1,179,723

See Notes to Financial Statements.

World Missionary Press, Inc.

Statements of Cash Flows
Years Ending September 30, 2007 and 2006

	2007				2006			
	General	Stewardship	Annuity	Total	General	Stewardship	Annuity	Total
Cash flows from operating activities:								
Change in net assets	\$ 305,742	\$ 5,696	\$ 731	\$ 312,169	\$ 83,935	\$ 52,428	\$ (337)	\$ 136,026
Adjustments to reconcile change in net assets to net cash provided by operating activities:								
Depreciation	68,229	15,336	-	83,565	61,412	15,526	-	76,938
(Gain) loss on disposal of assets	(1,216)	1,869	-	653	-	(58,154)	-	(58,154)
Notes payable forgiven	-	(5,000)	-	(5,000)	-	-	-	-
Annuity (gain) loss adjustment	-	-	(671)	(671)	-	-	350	350
Contribution revenue restricted for long-term purposes	(71,466)	-	-	(71,466)	(86,777)	-	-	(86,777)
(Increase) decrease in:								
Accounts receivable	6,126	(2)	-	6,124	(2,628)	(18)	-	(2,646)
Contributions receivable	-	15,000	-	15,000	-	-	-	-
Inventories	(11,295)	-	-	(11,295)	(26,577)	-	-	(26,577)
Prepaid expenses	29,075	36	-	29,111	(27,862)	(47)	-	(27,909)
Increase (decrease) in:								
Accounts payable	(22,582)	(297)	-	(22,879)	34,887	189	-	35,076
Accrued expenses	4,690	3,335	-	8,025	1,478	269	-	1,747
Net cash provided by operating activities	307,303	35,973	60	343,336	37,868	10,193	13	48,074
Cash flows from investing activities:								
Acquisitions of property and equipment	(251,111)	(13,330)	-	(264,441)	(134,412)	(5,372)	-	(139,784)
Proceeds from sale of property and equipment	1,216	-	-	1,216	-	58,648	-	58,648
Purchase of investments	(185,000)	(75,000)	-	(260,000)	(135,000)	-	-	(135,000)
Proceeds from sale of investments	135,000	-	-	135,000	50,000	-	-	50,000
Net cash provided by (used in) investing activities	(299,895)	(88,330)	-	(388,225)	(219,412)	53,276	-	(166,136)
Cash flows from financing activities:								
Reinsured annuity payments received	-	-	71,563	71,563	-	-	71,813	71,813
Annuity payments	-	-	(70,107)	(70,107)	-	-	(70,644)	(70,644)
Collections of contributions restricted for long-term purposes	71,466	-	-	71,466	86,777	-	-	86,777
Proceeds from notes payable	-	163	-	163	-	154	-	154
Net cash provided by financing activities	71,466	163	1,456	73,085	86,777	154	1,169	88,100
Increase (decrease) in cash and cash equivalents	78,874	(52,194)	1,516	28,196	(94,767)	63,623	1,182	(29,962)
Cash and cash equivalents, beginning	36,472	85,919	7,429	129,820	131,239	22,296	6,247	159,782
Cash and cash equivalents, ending	\$ 115,346	\$ 33,725	\$ 8,945	\$ 158,016	\$ 36,472	\$ 85,919	\$ 7,429	\$ 129,820
Supplemental disclosures of cash flows information:								
Cash payments for interest	\$ -	\$ 1,857	\$ -	\$ 1,857	\$ -	\$ 1,960	\$ -	\$ 1,960

See Notes to Financial Statements.

World Missionary Press, Inc.

Notes to Financial Statements

Note 1. Nature of the Organization and Significant Accounting Policies

Nature of the Organization:

World Missionary Press, Inc. (the Organization) was established in 1961 to publish and distribute Scripture booklets, Bible studies, and other gospel literature worldwide at no cost to the recipient, relying on contributions to support operations. The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state statutes, and has been determined by the Internal Revenue Service not to be a private foundation. Contributions to the Organization are deductible to the donor.

Significant accounting policies:

Basis of accounting:

The Organization's accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; accordingly, all financial transactions have been recorded and reported by fund.

The assets, liabilities, and net assets of the Organization are reported on the accrual basis in three self-balancing funds, as follows:

The General Fund includes restricted and unrestricted resources and presents the portion of expendable funds that is available for support of program services (production and shipping) and supporting activities (development and general).

The Stewardship Fund includes rental properties and revocable life loans, the proceeds from which are invested primarily in rental properties for Organization workers.

The Annuity Fund includes gift annuity agreements whereby the Organization accepted a principal sum from an individual and, in return, pays the individual a fixed sum for life, or for two lives in the case of joint gift annuities, at rates consistent with Revenue Rule 72-438 of the Internal Revenue Service. The liability for annuities payable is the present value of all future annuity payments based upon the life expectancy of the annuitant and the anticipated rate of return of funds invested. The difference between the total payments and the reduction in the computed liability each year is netted to unrestricted income for the Annuity Fund.

Basis of reporting:

The Organization prepares its financial statements on the accrual basis of accounting wherein revenue and expenses are recognized in the period earned or incurred.

Revenue and support:

Contributions received by the Organization are recorded as either unrestricted or temporarily restricted, depending on the existence and/or nature of any donor restrictions. Contributions are included in income in the period the gifts are pledged or received.

World Missionary Press, Inc.

Notes to Financial Statements

All donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Cash and cash equivalents:

For purposes of this report, all highly liquid investments purchased with a maturity of three months or less are considered to be cash and cash equivalents.

Inventories:

Inventories of raw materials and printing supplies are stated at the lower of cost (first-in, first-out) or market. The cost of materials used is charged to expense when the materials enter production since the finished product is distributed at no charge to the recipient.

Property and equipment:

Property and equipment are stated at cost, or for donated property and equipment, at fair market value as of the date of donation and include expenditures for new additions and repairs that substantially increase the useful lives of existing property and equipment. Normal repairs and maintenance are recorded as operating expenditures. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited to or charged against operations for the period.

Donations of property and equipment are reported as increases in unrestricted net assets 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 as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings	10-40
Machinery and equipment	5-20
Furniture, fixtures and office equipment	3-10

Investments:

Investments include certificates of deposit and bonds with readily determinable fair values and are stated at fair value based on quoted market prices. Donated securities are recorded at fair value on the date of donation. Donated securities are immediately liquidated upon receipt from donor.

World Missionary Press, Inc.

Notes to Financial Statements

Donated materials and services:

Donated materials are recorded as contributions in the accompanying statements at fair market value at date of receipt. No amounts have been reflected in the financial statements for donated services. The Organization pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and supporting activities.

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited, which include development (fundraising) and general administration.

Concentration of credit risk:

The Organization maintains deposits in federally insured financial institutions. At various times throughout the year these deposits may exceed federally insured limits; however, management monitors the soundness of these financial institutions and feels the Organization's risk is negligible.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Inventories

Inventories at September 30, 2007 and 2006 are composed of the following:

	<u>2007</u>	<u>2006</u>
Paper, ink, and printing supplies	<u>\$ 97,394</u>	<u>\$ 86,099</u>

World Missionary Press, Inc.

Notes to Financial Statements

Note 3. Investments

Investments as of September 30, 2007 and 2006 consisted of the following:

	<u>2007</u>	<u>2006</u>
Certificates of deposits with maturity dates of one year or less from date of purchase	\$ 260,000	\$ 135,000
Certificates of deposits with maturity dates greater than one year from date of purchase	27,000	26,000
Bonds held at fair value	30	1,030
	<u>\$ 287,030</u>	<u>\$ 162,030</u>

Note 4. Charitable Gift Annuities

The Organization has in the past received assets from various individuals under agreements which require World Missionary Press, Inc. to pay the donors varying amounts during their lifetimes. These assets were recognized at their fair market value at the time of their receipt. An actuarial present value of the assets based on the donor's present age is used to determine the obligation. The value of the gifts received was based on the value of the assets less the obligation at the time the gifts were received. The total annuity obligation as of September 30, 2007 and 2006 was \$375,692 and \$397,364 respectively.

During the year ended September 30, 1991, the Organization's Board of Directors approved a policy to begin reinsuring all of its gift annuities. The present value of the reinsured gift annuities at September 30, 2007 and 2006, is \$379,239 and \$401,696, respectively, and has been reported as a long-term asset in the Organization's balance sheet.

World Missionary Press, Inc.

Notes to Financial Statements

Note 5. Property and Equipment

Property and equipment assets for the years ended September 30, 2007 and 2006 are as follows:

	2007				
	Balance September 30, 2006	Additions and (Disposals)	Balance September 30, 2007	Accumulated Depreciation	Net Book Value
General Fund:					
Land	\$ 2,879	\$ 2,245	\$ 5,124	\$ -	\$ 5,124
Buildings	552,860	178,347	731,207	306,617	424,590
Machinery and equipment	853,433	32,270	885,703	482,651	403,052
Furniture, fixtures, and office equipment	215,017	(8,400)	206,617	181,373	25,244
	<u>\$ 1,624,189</u>	<u>\$ 204,462</u>	<u>\$ 1,828,651</u>	<u>\$ 970,641</u>	<u>\$ 858,010</u>
Stewardship Fund:					
Land	\$ 33,675	\$ (1,500)	\$ 32,175	\$ -	\$ 32,175
Buildings	483,156	5,119	488,275	321,991	166,284
Machinery and equipment	4,388	(3,514)	874	874	-
Furniture and fixtures	13,156	(1,273)	11,883	11,883	-
	<u>\$ 534,375</u>	<u>\$ (1,168)</u>	<u>\$ 533,207</u>	<u>\$ 334,748</u>	<u>\$ 198,459</u>
2006					
	Balance September 30, 2005	Additions and (Disposals)	Balance September 30, 2006	Accumulated Depreciation	Net Book Value
General Fund:					
Land	\$ 2,879	\$ -	\$ 2,879	\$ -	\$ 2,879
Buildings	514,477	38,383	552,860	291,307	261,553
Machinery and equipment	833,139	20,294	853,433	468,252	385,181
Furniture, fixtures, and office equipment	208,199	6,818	215,017	189,502	25,515
	<u>\$ 1,558,694</u>	<u>\$ 65,495</u>	<u>\$ 1,624,189</u>	<u>\$ 949,061</u>	<u>\$ 675,128</u>
Stewardship Fund:					
Land	\$ 33,675	\$ -	\$ 33,675	\$ -	\$ 33,675
Buildings	495,936	(12,780)	483,156	314,786	168,370
Machinery and equipment	4,388	-	4,388	4,388	-
Furniture and fixtures	13,156	-	13,156	12,867	289
	<u>\$ 547,155</u>	<u>\$ (12,780)</u>	<u>\$ 534,375</u>	<u>\$ 332,041</u>	<u>\$ 202,334</u>

World Missionary Press, Inc.

Notes to Financial Statements

Note 6. Notes Payable

At September 30, 2007 and 2006, the Organization has unsecured notes payable to various individuals as follows:

	<u>2007</u>	<u>2006</u>
Stewardship Fund:		
*Payable within 30 days of demand, non-interest bearing	\$ 20,500	\$ 20,500
*Payable within 30 days of demand, 4.36% to 6.0%	43,545	48,382
	<u>\$ 64,045</u>	<u>\$ 68,882</u>

* Includes revocable life loans, 0% to 6.0%, unsecured; the notes are canceled if not called by the lender during his lifetime. Revocable life loans at September 30, 2007 and 2006 were \$56,545 and \$61,382 respectively in the Stewardship Fund.

Interest expense for the years ended September 30, 2007 and 2006, was \$1,699 and \$1,991 respectively in the Stewardship Fund.

Note 7. Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2007</u>	<u>2006</u>
Specified booklets	\$ 11,600	\$ 11,600
Overseas printings	41,000	-
Plant equipment	8,021	-
Term endowments (time restricted until 9/2010)	27,000	27,000
	<u>\$ 87,621</u>	<u>\$ 38,600</u>

Note 8. Description of Leasing Arrangements

The Organization owns several properties it leases as low rental housing to its workers or others in Christian ministry on a month-to-month basis. The Organization is responsible for all property taxes and maintenance on these units. A schedule of the properties held for lease is shown as property and equipment in the Stewardship Fund in Note 5.