

World Missionary Press, Inc.

Financial Report
09.30.2006



McGladrey & Pullen

Certified Public Accountants

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying balance sheet of **World Missionary Press, Inc.** as of September 30, 2006, and the related statements of activities 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 financial statements of **World Missionary Press, Inc.** as of and for the year ended September 30, 2005, were audited by Stauffer & Company, LLC, independent accountants, whose members became members of McGladrey & Pullen, LLP on February 1, 2006. Stauffer & Company, LLC's report, dated October 28, 2005, expressed an unqualified opinion on those 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 Missionary Press, Inc.** as of September 30, 2006, 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.

McGladrey & Pullen, LLP

Goshen, Indiana
October 31, 2006

World Missionary Press, Inc.
Balance Sheets
September 30, 2006 and 2005

	2006			2005			
	General Fund	Stewardship Fund	Annuity Fund	General Fund	Stewardship Fund	Annuity Fund	Total All Funds
ASSETS							
Current Assets							
Cash and cash equivalents	\$ 36,472	\$ 85,919	\$ 7,429	\$	\$ 22,296	\$ 6,247	\$ 159,782
Short-term investments	135,000	-	-	50,000	-	-	50,000
Accounts receivable	7,739	18	-	5,111	-	-	5,111
Contributions receivable	-	15,000	-	-	15,000	-	15,000
Inventories	86,099	-	-	59,522	-	-	59,522
Prepaid expenses	113,592	1,692	-	85,730	1,645	-	87,375
Total current assets	378,902	102,629	7,429	331,602	38,941	6,247	376,790
Property and Equipment							
Land	2,879	33,675	-	2,879	33,675	-	36,554
Buildings	552,860	483,156	-	514,477	495,936	-	1,010,413
Machinery and equipment	853,433	4,388	-	833,139	4,388	-	837,527
Furniture, fixtures and office equipment	215,017	13,156	-	208,199	13,156	-	221,355
Less accumulated depreciation	1,624,189	534,375	-	1,558,694	547,155	-	2,105,849
	(949,061)	(332,041)	-	(956,566)	(334,173)	-	(1,290,739)
Net property and equipment	675,128	202,334	-	602,128	212,982	-	815,110
Other Assets							
Long-term investments	27,030	-	-	27,030	-	-	27,030
Investment in annuities	-	-	401,696	-	-	423,148	423,148
Total other assets	27,030	-	401,696	27,030	-	423,148	450,178
Total assets	1,081,060	304,963	409,125	960,760	251,923	429,395	1,642,078
LIABILITIES AND NET ASSETS							
Current Liabilities							
Accounts payable	\$ 111,699	\$ 780	\$ -	\$ 76,812	\$ 591	\$ -	\$ 77,403
Accrued expenses	21,366	15,334	-	19,888	15,065	-	34,953
Notes payable	-	68,882	-	-	68,728	-	68,728
Current portion of long-term liabilities	-	-	16,919	-	-	18,579	18,579
Total current liabilities	133,065	84,996	16,919	96,700	84,384	18,579	199,663
Long-Term Liabilities							
Annuity obligations	-	-	380,445	-	-	398,718	398,718
Total liabilities	133,065	84,996	397,364	96,700	84,384	417,297	598,381
Net Assets							
Unrestricted	909,395	219,967	11,761	819,239	167,539	12,098	998,876
Temporarily restricted	38,600	-	-	44,821	-	-	44,821
Total net assets	947,995	219,967	11,761	864,060	167,539	12,098	1,043,697
Total liabilities and net assets	1,081,060	304,963	409,125	960,760	251,923	429,395	1,642,078

See Notes to Financial Statements.

World Missionary Press, Inc.
Statements of Activities
Years Ended September 30, 2006 and 2005

	2006			2005				
	General	Stewardship	Annuity	Total All Funds	General	Stewardship	Annuity	Total All Funds
CHANGES IN UNRESTRICTED NET ASSETS								
Revenues:								
Unrestricted contributions	\$ 2,191,810	\$ -	\$ -	\$ 2,191,810	\$ 2,142,832	\$ 2,000	\$ -	\$ 2,144,832
Rental income	-	39,045	-	39,045	-	32,252	-	32,252
Gain on sale of assets	-	58,154	-	58,154	-	16,878	-	16,878
Interests and dividends	7,754	477	38	8,269	3,270	53	39	3,362
Miscellaneous income	25,189	-	1,169	26,358	17,103	624	1,839	19,566
Total unrestricted revenues	2,224,753	97,676	1,207	2,323,636	2,163,205	51,807	1,878	2,216,890
Net assets released from restrictions:								
Satisfaction of operating restrictions	400,682	-	-	400,682	342,796	-	-	342,796
Satisfaction of capital acquisition restrictions	92,998	-	-	92,998	2,396	-	-	2,396
Total net assets released from restrictions	493,680	-	-	493,680	345,192	-	-	345,192
Total unrestricted revenues and other support	2,718,433	97,676	1,207	2,817,316	2,508,397	51,807	1,878	2,562,082
Expenses:								
Program services:								
Production	1,514,378	-	-	1,514,378	1,431,544	-	-	1,431,544
Shipping	668,377	-	-	668,377	562,656	-	-	562,656
Total program services	2,182,755	-	-	2,182,755	1,994,200	-	-	1,994,200
Supporting activities:								
Development	119,706	-	-	119,706	122,929	-	-	122,929
General	325,816	45,248	1,544	372,608	314,452	49,546	2,079	366,077
Total supporting activities	445,522	45,248	1,544	492,314	437,381	49,546	2,079	489,006
Total expenses	2,628,277	45,248	1,544	2,675,069	2,431,581	49,546	2,079	2,483,206
Increase (decrease) in unrestricted net assets	90,156	52,428	(337)	142,247	76,816	2,261	(201)	78,876
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS								
Restricted contributions	487,459	-	-	487,459	377,913	-	-	377,913
Net assets released from restrictions	(493,680)	-	-	(493,680)	(345,192)	-	-	(345,192)
Increase (decrease) in temporarily restricted net assets	(6,221)	-	-	(6,221)	32,721	-	-	32,721
Change in net assets	83,935	52,428	(337)	136,026	109,537	2,261	(201)	111,597
Interfund transfers	-	-	-	-	2,000	-	(2,000)	-
Net assets, beginning	83,935	52,428	(337)	136,026	111,537	2,261	(2,201)	111,597
Net assets, ending	864,060	167,539	12,098	1,043,697	752,523	165,278	14,299	932,100
Net assets, ending	\$ 947,995	\$ 219,967	\$ 11,761	\$ 1,179,723	\$ 864,060	\$ 167,539	\$ 12,098	\$ 1,043,697

See Notes to Financial Statements.

World Missionary Press, Inc.
Statements of Cash Flows
Years Ending September 30, 2006 and 2005

	2006			2005				
	General	Stewardship	Annuity	Total	General	Stewardship	Annuity	Total
Cash flows from operating activities:								
Change in net assets	\$ 83,935	\$ 52,428	\$ (337)	\$ 136,026	\$ 109,537	\$ 2,261	\$ (201)	\$ 111,597
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:								
Depreciation	61,412	15,526	-	76,938	58,401	16,578	-	74,979
Gain on disposal of assets	-	(58,154)	-	(58,154)	-	(16,878)	-	(16,878)
Contribution revenue restricted for long-term purposes	-	-	-	-	(27,000)	-	-	(27,000)
Agreements donated	-	-	-	-	-	(2,000)	-	(2,000)
Annuity loss adjustment	-	-	350	350	-	-	240	240
(Increase) decrease in:								
Accounts receivable	(2,628)	(18)	-	(2,646)	2,580	164	338	3,082
Inventories	(26,577)	-	-	(26,577)	602	-	-	602
Prepaid expenses	(27,862)	(47)	-	(27,909)	(14,800)	230	-	(14,570)
Increase (decrease) in:								
Accounts payable	34,887	189	-	35,076	24,157	(5,555)	(230)	18,372
Accrued expenses	1,478	269	-	1,747	3,106	1,616	-	4,722
Net cash provided by (used in) operating activities	124,645	10,193	13	134,851	156,583	(3,584)	147	153,146
Cash flows from investing activities:								
Acquisitions of property and equipment	(134,412)	(5,372)	-	(139,784)	(56,881)	(3,080)	-	(59,961)
Proceeds from sale of property and equipment	-	58,648	-	58,648	-	24,503	-	24,503
Purchase of investments	(135,000)	-	-	(135,000)	(77,030)	-	-	(77,030)
Proceeds from sale of investments	50,000	-	-	50,000	-	-	-	-
Net cash provided by (used in) investing activities	(219,412)	53,276	-	(166,136)	(133,911)	21,423	-	(112,488)
Cash flows from financing activities:								
Reinsured annuity payments received	-	-	71,813	71,813	-	-	73,287	73,287
Annuity payments	-	-	(70,644)	(70,644)	-	-	(71,448)	(71,448)
Contributions restricted for long-term purposes	-	-	-	-	27,000	-	-	27,000
Proceeds from revocable life loans	-	154	-	154	-	145	-	145
Interfund transfers	-	-	-	-	2,000	-	(2,000)	-
Net cash provided by (used in) financing activities	-	154	1,169	1,323	29,000	145	(161)	28,984
Increase (decrease) in cash and cash equivalents	(94,767)	63,623	1,182	(29,962)	51,672	17,984	(14)	69,642
Cash and cash equivalents, beginning	131,239	22,296	6,247	159,782	79,567	4,312	6,261	90,140
Cash and cash equivalents, ending	\$ 36,472	\$ 85,919	\$ 7,429	\$ 129,820	\$ 131,239	\$ 22,296	\$ 6,247	\$ 159,782
Supplemental data:								
Interest paid	\$ -	\$ 1,960	\$ -	\$ 1,960	\$ -	\$ 1,682	\$ -	\$ 1,682

See 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:

The Organization considers all highly liquid investments purchased with a maturity of three months or less 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, money market funds, 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.

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.

Reclassifications:

Certain revenues on the statement of activities for the year ended September 30, 2005 have been reclassified, with no effect on net income, to be consistent with the classifications adopted for the year ended September 30, 2006.

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, 2006 and 2005 are composed of the following:

	<u>2006</u>	<u>2005</u>
Paper, ink, and printing supplies	<u>\$ 86,099</u>	<u>\$ 59,522</u>

World Missionary Press, Inc.

Notes to Financial Statements

Note 3. Investments

Investments as of September 30, 2006 and 2005 consisted of the following:

	<u>2006</u>	<u>2005</u>
Certificates of deposits with maturity dates of one year or less from date of purchase	\$ 135,000	\$ 50,000
Certificates of deposits with maturity dates greater than one year from date of purchase	26,000	26,000
Bonds held at fair value	1,030	1,030
	<u>\$ 162,030</u>	<u>\$ 77,030</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, 2006 and 2005 was \$397,364 and \$417,297, 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, 2006 and 2005, is \$401,696 and \$423,148, 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, 2006 and 2005 are as follows:

	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>
	2005				
	Balance September 30, 2004	Additions and (Disposals)	Balance September 30, 2005	Accumulated Depreciation	Net Book Value
General Fund:					
Land	\$ 2,879	\$ -	\$ 2,879	\$ -	\$ 2,879
Buildings	504,998	9,479	514,477	277,552	236,925
Machinery and equipment	808,776	24,363	833,139	486,768	346,371
Furniture, fixtures, and office equipment	208,591	(392)	208,199	192,246	15,953
	<u>\$ 1,525,244</u>	<u>\$ 33,450</u>	<u>\$ 1,558,694</u>	<u>\$ 956,566</u>	<u>\$ 602,128</u>
Stewardship Fund:					
Land	\$ 33,675	\$ -	\$ 33,675	\$ -	\$ 33,675
Buildings	494,064	1,872	495,936	316,954	178,982
Machinery and equipment	4,388	-	4,388	4,388	-
Furniture and fixtures	13,156	-	13,156	12,831	325
	<u>\$ 545,283</u>	<u>\$ 1,872</u>	<u>\$ 547,155</u>	<u>\$ 334,173</u>	<u>\$ 212,982</u>

World Missionary Press, Inc.

Notes to Financial Statements

Note 6. Notes Payable

At September 30, 2006 and 2005, the Organization has unsecured notes payable to various individuals as follows:

	<u>2006</u>	<u>2005</u>
Stewardship Fund:		
*Payable within 30 days of demand, non-interest bearing	\$ 20,500	\$ 20,500
*Payable within 30 days of demand, 2.55% to 6.0%	48,382	48,228
	<u>\$ 68,882</u>	<u>\$ 68,728</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, 2006 and 2005 were \$61,382 and \$61,228, respectively, in the Stewardship Fund.

Interest expense for the years ended September 30, 2006 and 2005, was \$1,991 and \$1,696, respectively, in the Stewardship Fund.

Note 7. Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2006</u>	<u>2005</u>
Specified booklets	\$ 11,600	\$ 11,600
Building	-	6,221
Term endowments	27,000	27,000
	<u>\$ 38,600</u>	<u>\$ 44,821</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.