

World Missionary Press, Inc.

Financial Statements
September 30, 2008



McGladrey & Pullen

Certified Public Accountants

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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 sheets of **World Missionary Press, Inc.** as of September 30, 2008 and 2007, 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 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 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, 2008 and 2007, 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

Goshen, Indiana
November 3, 2008

World Missionary Press, Inc.
Balance Sheets
September 30, 2008 and 2007

ASSETS	2008			2007			
	General	Stewardship	Annuity	General	Stewardship	Annuity	Total All Funds
Current Assets							
Cash and cash equivalents	\$ 118,027	\$ 41,572	\$ 4,628	\$ 115,346	\$ 33,725	\$ 8,945	\$ 158,016
Short-term investments	285,000	-	-	185,000	75,000	-	260,000
Accounts receivable	6,555	-	180	1,613	20	-	1,633
Inventories	88,558	-	-	97,394	-	-	97,394
Prepaid expenses	116,601	1,671	-	84,517	1,656	-	86,173
Total current assets	614,741	43,243	4,808	483,870	110,401	8,945	603,216
Property and Equipment							
Land and land improvements				5,124	32,175	-	37,299
Buildings	6,262	32,175	-	731,207	488,275	-	1,219,482
Machinery and equipment	739,183	587,583	-	885,703	874	-	886,577
Furniture, fixtures and office equipment	927,496	874	-	206,617	11,883	-	218,500
	210,704	11,883	-	1,828,651	533,207	-	2,361,858
Less accumulated depreciation	(1,883,645)	(632,515)	-	(970,641)	(334,748)	-	(1,305,389)
	(1,033,399)	(352,226)	-	858,010	198,459	-	1,056,469
Net property and equipment	850,246	280,289	-	27,030	-	-	27,030
Other Assets							
Long-term investments	27,030	-	-	-	-	-	-
Investment in annuities	-	-	156,061	-	-	379,239	379,239
Total other assets	27,030	-	156,061	27,030	-	379,239	406,269
Total assets	\$ 1,492,017	\$ 323,532	\$ 160,869	\$ 1,368,910	\$ 308,860	\$ 388,184	\$ 2,065,954
LIABILITIES AND NET ASSETS							
Current Liabilities							
Accounts payable	\$ 90,900	\$ 11,959	\$ -	\$ 89,117	\$ 483	\$ -	\$ 89,600
Accrued expenses	33,047	25,029	-	26,056	18,669	-	44,725
Notes payable	-	66,167	-	-	64,045	-	64,045
Current portion of long-term liabilities	-	-	5,308	-	-	18,090	18,090
Total current liabilities	123,947	103,155	5,308	115,173	83,197	18,090	216,460
Long-Term Liabilities							
Annuity obligations	-	-	147,580	-	-	357,602	357,602
Total liabilities	123,947	103,155	152,888	115,173	83,197	375,692	574,062
Net Assets							
Unrestricted	1,316,474	220,377	7,981	1,166,116	225,663	12,492	1,404,271
Temporarily restricted	51,596	-	-	87,621	-	-	87,621
Total net assets	1,368,070	220,377	7,981	1,253,737	225,663	12,492	1,491,892
Total liabilities and net assets	\$ 1,492,017	\$ 323,532	\$ 160,869	\$ 1,368,910	\$ 308,860	\$ 388,184	\$ 2,065,954

See Notes to Financial Statements.

World Missionary Press, Inc.

Statements of Activities
Years Ended September 30, 2008 and 2007

	2008			2007			
	General	Stewardship	Annuity	General	Stewardship	Annuity	Total All Funds
CHANGES IN UNRESTRICTED NET ASSETS							
Revenues:							
Unrestricted contributions		\$ 3,295	\$ -	\$ 5,000	\$ -	\$ -	\$ 2,765,070
Rental income		38,260	-	45,549	-	-	45,549
Gain (loss) on sale of assets	400	-	-	(1,869)	-	-	(653)
Interests and dividends	16,161	3,909	19	24,613	2,104	60	26,777
Miscellaneous income	42,784	-	845	23,324	-	1,456	24,780
Total unrestricted revenues	3,117,617	45,464	864	2,809,223	50,784	1,516	2,861,523
Net assets released from restrictions:							
Satisfaction of operating restrictions	501,915	-	-	554,214	-	-	554,214
Satisfaction of capital acquisition restrictions	92,104	-	-	63,445	-	-	63,445
Total net assets released from restrictions	594,019	-	-	617,659	-	-	617,659
Total unrestricted revenues and other support	3,711,636	45,464	864	3,426,882	50,784	1,516	3,479,182
Expenses:							
Program services:							
Production	2,188,060	-	-	1,998,186	-	-	1,998,186
Shipping	844,822	-	-	673,599	-	-	673,599
Total program services	3,032,882	-	-	2,671,785	-	-	2,671,785
Supporting activities:							
Development	148,951	-	-	148,666	-	-	148,666
General	375,045	60,150	375	349,710	45,088	785	395,583
Total supporting activities	523,996	60,150	375	498,376	45,088	785	544,249
Total expenses	3,556,878	60,150	375	3,170,161	45,088	785	3,216,034
Increase (decrease) in unrestricted net assets	154,758	(14,686)	489	256,721	5,696	731	263,148
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS							
Restricted contributions	557,994	-	-	666,680	-	-	666,680
Net assets released from restrictions	(594,019)	-	-	(617,659)	-	-	(617,659)
Increase (decrease) in temporarily restricted net assets	(36,025)	-	-	49,021	-	-	49,021
Change in net assets	118,733	(14,686)	489	305,742	5,696	731	312,169
Net assets, beginning	1,253,737	225,663	12,492	947,995	219,967	11,761	1,179,723
Interfund transfers	(4,400)	9,400	(5,000)	-	-	-	-
Net assets, ending	\$ 1,368,070	\$ 220,377	\$ 7,981	\$ 1,253,737	\$ 225,663	\$ 12,492	\$ 1,491,892

See Notes to Financial Statements.

World Missionary Press, Inc.

Statements of Cash Flows

Years Ended September 30, 2008 and 2007

	2008				2007			
	General	Stewardship	Annuity	Total	General	Stewardship	Annuity	Total
Cash flows from operating activities:								
Change in net assets	\$ 118,733	\$ (14,686)	\$ 489	\$ 104,536	\$ 305,742	\$ 5,696	\$ 731	\$ 312,169
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:								
Depreciation	75,183	17,478	-	92,661	68,229	15,336	-	83,565
(Gain) loss on disposal of assets	(400)	-	-	(400)	(1,216)	1,869	-	653
Life loans donated	-	(2,878)	-	(2,878)	-	(5,000)	-	(5,000)
Annuity (gain) adjustment	-	-	(434)	(434)	-	-	(671)	(671)
Contribution revenue restricted for long-term purposes (increase) decrease in:	(84,083)	-	-	(84,083)	(71,466)	-	-	(71,466)
Accounts receivable	(4,942)	20	(180)	(5,102)	6,126	(2)	-	6,124
Contributions receivable	-	-	-	-	-	15,000	-	15,000
Inventories	8,836	-	-	8,836	(11,295)	-	-	(11,295)
Prepaid expenses	(32,084)	(15)	-	(32,099)	29,075	36	-	29,111
Increase (decrease) in:								
Accounts payable	1,783	11,476	-	13,259	(22,582)	(297)	-	(22,879)
Accrued expenses	6,991	6,360	-	13,351	4,690	3,335	-	8,025
Net cash provided by (used in) operating activities	90,017	17,755	(125)	107,647	307,303	35,973	60	343,336
Cash flows from investing activities:								
Acquisitions of property and equipment	(67,419)	(99,308)	-	(166,727)	(251,111)	(13,330)	-	(264,441)
Proceeds from sale of property and equipment	400	-	-	400	1,216	-	-	1,216
Purchase of investments	(285,000)	-	-	(285,000)	(185,000)	(75,000)	-	(260,000)
Proceeds from sale of investments	185,000	75,000	-	260,000	135,000	-	-	135,000
Net cash (used in) investing activities	(167,019)	(24,308)	-	(191,327)	(299,895)	(88,330)	-	(388,225)
Cash flows from financing activities:								
Reinsured annuity payments received	-	-	47,238	47,238	-	-	71,563	71,563
Annuity payments	-	-	(46,430)	(46,430)	-	-	(70,107)	(70,107)
Collections of contributions restricted for long-term purposes	84,083	-	-	84,083	71,466	-	-	71,466
Proceeds from life loans	-	5,000	-	5,000	-	163	-	163
Interfund transfers	(4,400)	9,400	(5,000)	-	-	-	-	-
Net cash provided by financing activities	79,683	14,400	(4,192)	89,891	71,466	163	1,456	73,085
Increase (decrease) in cash and cash equivalents	2,681	7,847	(4,317)	6,211	78,874	(52,194)	1,516	28,196
Cash and cash equivalents, beginning	115,346	33,725	8,945	158,016	36,472	85,919	7,429	129,820
Cash and cash equivalents, ending	\$ 118,027	\$ 41,572	\$ 4,628	\$ 164,227	\$ 115,346	\$ 33,725	\$ 8,945	\$ 158,016
Supplemental disclosures of cash flows information:								
Cash payments for interest	-	1,514	-	1,514	-	1,857	-	1,857

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 the purposes of this report, all funds in bank accounts and money market accounts are considered to be cash and cash equivalents. All certificates of deposits are considered to be held for investments.

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.

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.

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.

Recently issued accounting pronouncements:

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), "*Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109*". FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "*Accounting for Income Taxes*". FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. If there are changes in net assets as a result of application of FIN 48 these will be accounted for as an adjustment to the beginning unrestricted net assets. Additional disclosures about the amounts of such liabilities will be required also. In February 2008, the FASB delayed the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2007. The Organization will be required to adopt FIN 48 in its 2009 annual financial statements. Management will assess and will determine if the adoption of FIN 48 will have a material effect on its financial statements.

World Missionary Press, Inc.

Notes to Financial Statements

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, except for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for which delayed application is permitted until fiscal years beginning after November 15, 2008. The Organization will assess the potential effect of SFAS No. 157 on its financial position, results of operations and cash flows.

Note 2. Inventories

Inventories at September 30, 2008 and 2007 are composed of the following:

	<u>2008</u>	<u>2007</u>
Paper, ink, and printing supplies	\$ 88,558	\$ 97,394

Note 3. Investments

Investments as of September 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Certificates of deposits with maturity dates of one year or less from date of purchase	\$ 285,000	\$ 260,000
Certificates of deposits with maturity dates greater than one year from date of purchase	27,000	27,000
Bonds held at fair value	30	30
	<u>\$ 312,030</u>	<u>\$ 287,030</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, 2008 and 2007 was \$152,888 and \$375,692 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, 2008 and 2007, is \$156,061 and \$379,239, respectively, and has been reported as a long-term asset in the Organization's balance sheets. The Organization has not received new charitable gift annuities since 1998.

World Missionary Press, Inc.

Notes to Financial Statements

Note 5. Property and Equipment

Property and equipment assets for the years ended September 30, 2008 and 2007 are as follows:

	2008				
	Balance September 30, 2007	Additions and (Disposals)	Balance September 30, 2008	Accumulated Depreciation	Net Book Value
General Fund:					
Land and land improvements	\$ 5,124	\$ 1,138	\$ 6,262	\$ -	\$ 6,262
Buildings	731,207	7,976	739,183	327,607	411,576
Machinery and equipment	885,703	41,793	927,496	517,639	409,857
Furniture, fixtures, and office equipment	206,617	4,087	210,704	188,153	22,551
	<u>\$ 1,828,651</u>	<u>\$ 54,994</u>	<u>\$ 1,883,645</u>	<u>\$ 1,033,399</u>	<u>\$ 850,246</u>
Stewardship Fund:					
Land and land improvements	\$ 32,175	\$ -	\$ 32,175	\$ -	\$ 32,175
Buildings	488,275	99,308	587,583	339,469	248,114
Machinery and equipment	874	-	874	874	-
Furniture and fixtures	11,883	-	11,883	11,883	-
	<u>\$ 533,207</u>	<u>\$ 99,308</u>	<u>\$ 632,515</u>	<u>\$ 352,226</u>	<u>\$ 280,289</u>
	2007				
	Balance September 30, 2006	Additions and (Disposals)	Balance September 30, 2007	Accumulated Depreciation	Net Book Value
General Fund:					
Land and land improvements	\$ 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 and land improvements	\$ 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>

World Missionary Press, Inc.

Notes to Financial Statements

Note 6. Notes Payable

At September 30, 2008 and 2007, the Organization has unsecured notes payable to various individuals as follows:

	<u>2008</u>	<u>2007</u>
Stewardship Fund:		
*Payable within 30 days of demand, non-interest bearing	\$ 25,500	\$ 20,500
*Payable within 30 days of demand, 2.15% to 6.0%	40,667	43,545
	<u>\$ 66,167</u>	<u>\$ 64,045</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, 2008 and 2007 were \$58,667 and \$56,545 respectively in the Stewardship Fund.

Interest expense for the years ended September 30, 2008 and 2007, was \$1,337 and \$1,699 respectively in the Stewardship Fund.

Note 7. Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Specified booklets	\$ 24,596	\$ 11,600
Overseas printings	-	41,000
Plant equipment	-	8,021
Term endowments (time restricted until 2010)	27,000	27,000
	<u>\$ 51,596</u>	<u>\$ 87,621</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.