# World Missionary Press, Inc.

Combining Financial Statements
September 30, 2019

## Contents



.

## Independent Auditor's Report

To the Board of Directors
World Missionary Press, Inc.

**Report on the Financial Statements**
We have audited the accompanying combining financial statements of World Missionary Press, Inc. which comprise the combining balance sheets as of September 30, 2019 and 2018, and the related combining statements of activities and cash flows for the years then ended and the related notes to the combining financial statements (collectively, the financial statements).

**Management's Responsibility for the Financial Statements**
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**
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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1 to the financial statements, World Missionary Press, Inc. adopted Accounting Standards Update (ASU) 2016-14, *Not-for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* during the year ended September 30, 2019. Our opinion is not modified with respect to this matter.

RSM US LLP

Elkhart, Indiana
November 13, 2019

**World Missionary Press, Inc.**

**Combining Balance Sheets**
**September 30, 2019 and 2018**

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| **Assets** | General | Stewardship | Annuity | **Total All Funds** | General | Stewardship | Annuity | Total All Funds |
| Current assets: | | | | | | | | |
| Cash and cash equivalents | $ 569,978 | $ 105,227 | $ 3,038 | **$ 678,243** | $ 411,169 | $ 153,267 | $ 2,841 | $ 567,277 |
| Accounts receivable | 194 | 310 | - | **504** | 5,403 | 30,440 | - | 35,843 |
| Contributions receivable | 161,492 | 1,500 | - | **162,992** | 150,000 | - | - | 150,000 |
| Inventories | 148,705 | - | - | **148,705** | 135,765 | - | - | 135,765 |
| Prepaid expenses | 153,921 | 2,142 | - | **156,063** | 207,706 | 1,966 | - | 209,672 |
| **Total current assets** | 1,034,290 | 109,179 | 3,038 | **1,146,507** | 910,043 | 185,673 | 2,841 | 1,098,557 |
| Property and equipment: | | | | | | | | |
| Land and land improvements | 136,432 | 61,275 | - | **197,707** | 136,432 | 61,275 | - | 197,707 |
| Buildings | 1,281,440 | 846,286 | - | **2,127,726** | 1,201,818 | 771,212 | - | 1,973,030 |
| Machinery and equipment | 1,930,174 | - | - | **1,930,174** | 2,082,232 | - | - | 2,082,232 |
| Furniture, fixtures and office equipment | 270,221 | 700 | - | **270,921** | 263,014 | 1,337 | - | 264,351 |
| | 3,618,267 | 908,261 | - | **4,526,528** | 3,683,496 | 833,824 | - | 4,517,320 |
| Less accumulated depreciation | (1,819,502) | (545,892) | - | **(2,365,394)** | (1,860,055) | (528,688) | - | (2,388,743) |
| **Net property and equipment** | 1,798,765 | 362,369 | - | **2,161,134** | 1,823,441 | 305,136 | - | 2,128,577 |
| Other assets: | | | | | | | | |
| Donated land/property held for sale | 9,300,000 | - | - | **9,300,000** | - | - | - | - |
| Long-term investments | 30 | - | - | **30** | 30 | - | - | 30 |
| Investment in annuities | - | - | 80,742 | **80,742** | - | - | 83,926 | 83,926 |
| **Total other assets** | 9,300,030 | - | 80,742 | **9,380,772** | 30 | - | 83,926 | 83,956 |
| **Total assets** | $ 12,133,085 | $ 471,548 | $ 83,780 | **$ 12,688,413** | $ 2,733,514 | $ 490,809 | $ 86,767 | $ 3,311,090 |
| **Liabilities and Net Assets** | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable | $ 115,358 | $ 1,427 | $ - | **$ 116,785** | $ 138,081 | $ 11,932 | $ - | $ 150,013 |
| Accrued expenses | 44,520 | 29,064 | - | **73,584** | 43,896 | 30,729 | - | 74,625 |
| Notes payable | - | 31,667 | - | **31,667** | - | 37,167 | - | 37,167 |
| Current portion of annuity obligations | - | - | 3,922 | **3,922** | - | - | 3,792 | 3,792 |
| **Total current liabilities** | 159,878 | 62,158 | 3,922 | **225,958** | 181,977 | 79,828 | 3,792 | 265,597 |
| Long-term liabilities: | | | | | | | | |
| Annuity obligations | - | - | 75,958 | **75,958** | - | - | 79,880 | 79,880 |
| **Total liabilities** | 159,878 | 62,158 | 79,880 | **301,916** | 181,977 | 79,828 | 83,672 | 345,477 |
| Net assets: | | | | | | | | |
| Without donor restrictions | 2,576,470 | 409,390 | 3,900 | **2,989,760** | 2,429,205 | 410,981 | 3,095 | 2,843,281 |
| With donor restrictions | 9,396,737 | - | - | **9,396,737** | 122,332 | - | - | 122,332 |
| **Total net assets** | 11,973,207 | 409,390 | 3,900 | **12,386,497** | 2,551,537 | 410,981 | 3,095 | 2,965,613 |
| **Total liabilities and net assets** | $ 12,133,085 | $ 471,548 | $ 83,780 | **$ 12,688,413** | $ 2,733,514 | $ 490,809 | $ 86,767 | $ 3,311,090 |

See notes to combining financial statements.

**World Missionary Press, Inc.**

**Combining Statements of Activities**
**Years Ended September 30, 2019 and 2018**

| | **2019** | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| **Changes in Net Assets without Donor Restrictions** | General | Stewardship | Annuity | **Total All Funds** | General | Stewardship | Annuity | Total All Funds |
| Revenues: | | | | | | | | |
| Contributions without donor restrictions | $ 3,297,748 | $ 5,500 | $ - | **$ 3,303,248** | $ 2,719,229 | $ - | $ - | $ 2,719,229 |
| Rental income | - | 62,896 | - | **62,896** | - | 60,740 | - | 60,740 |
| Gain on disposal of assets | 852 | - | - | **852** | 400 | - | - | 400 |
| Gain from involuntary conversion | 51,840 | 11,399 | - | **63,239** | 65,102 | 146,031 | - | 211,133 |
| Interest and dividends | 1,497 | 215 | - | **1,712** | 2,143 | 163 | - | 2,306 |
| Miscellaneous income | 40,276 | - | 805 | **41,081** | 40,427 | - | 196 | 40,623 |
| **Total revenues without donor restrictions** | 3,392,213 | 80,010 | 805 | **3,473,028** | 2,827,301 | 206,934 | 196 | 3,034,431 |
| Net assets released from restrictions: | | | | | | | | |
| Satisfaction of operating restrictions | 1,239,441 | - | - | **1,239,441** | 1,667,400 | - | - | 1,667,400 |
| Satisfaction of capital acquisition restrictions | 7,891 | - | - | **7,891** | 116,232 | - | - | 116,232 |
| **Total net assets released from restrictions** | 1,247,332 | - | - | **1,247,332** | 1,783,632 | - | - | 1,783,632 |
| **Total revenues and other support without donor restrictions:** | 4,639,545 | 80,010 | 805 | **4,720,360** | 4,610,933 | 206,934 | 196 | 4,818,063 |
| Expenses: | | | | | | | | |
| Program services: | | | | | | | | |
| Production | 2,681,964 | - | - | **2,681,964** | 2,718,419 | - | - | 2,718,419 |
| Shipping | 1,008,643 | - | - | **1,008,643** | 973,005 | - | - | 973,005 |
| **Total program services** | 3,690,607 | - | - | **3,690,607** | 3,691,424 | - | - | 3,691,424 |
| Supporting activities: | | | | | | | | |
| Development | 340,809 | - | - | **340,809** | 302,012 | - | - | 302,012 |
| General | 460,891 | 83,341 | - | **544,232** | 446,170 | 64,419 | 196 | 510,785 |
| **Total supporting activities** | 801,700 | 83,341 | - | **885,041** | 748,182 | 64,419 | 196 | 812,797 |
| **Total expenses** | 4,492,307 | 83,341 | - | **4,575,648** | 4,439,606 | 64,419 | 196 | 4,504,221 |
| **Increase (decrease) in net assets without donor restrictions:** | 147,238 | (3,331) | 805 | **144,712** | 171,327 | 142,515 | - | 313,842 |
| **Changes in Net Assets with Donor Restrictions** | | | | | | | | |
| Restricted contributions | 10,521,764 | 1,740 | - | **10,523,504** | 1,845,397 | - | - | 1,845,397 |
| Net assets released from restrictions | (1,247,332) | - | - | **(1,247,332)** | (1,783,632) | - | - | (1,783,632) |
| **Increase in net assets with donor restrictions** | 9,274,432 | 1,740 | - | **9,276,172** | 61,765 | - | - | 61,765 |
| **Change in net assets** | 9,421,670 | (1,591) | 805 | **9,420,884** | 233,092 | 142,515 | - | 375,607 |
| Net assets, beginning | 2,551,537 | 410,981 | 3,095 | **2,965,613** | 2,318,445 | 268,466 | 3,095 | 2,590,006 |
| Net assets, ending | $ 11,973,207 | $ 409,390 | $ 3,900 | **$ 12,386,497** | $ 2,551,537 | $ 410,981 | $ 3,095 | $ 2,965,613 |

See notes to combining financial statements.

**World Missionary Press, Inc.**

**Combining Statements of Cash Flows**
**Years Ended September 30, 2019 and 2018**

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | General | Stewardship | Annuity | **Total** | General | Stewardship | Annuity | Total |
| Cash flows from operating activities: | | | | | | | | |
| Change in net assets | $ 9,421,670 | $ (1,591) | $ 805 | **$ 9,420,884** | $ 233,092 | $ 142,515 | $ - | $ 375,607 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | | | | | | | |
| Depreciation | 159,086 | 21,345 | - | **180,431** | 157,755 | 19,647 | - | 177,402 |
| Gain on disposal of assets | (852) | - | - | **(852)** | (400) | - | - | (400) |
| Gain from involuntary conversion | (51,840) | (11,399) | - | **(63,239)** | (65,102) | (146,031) | - | (211,133) |
| Change in present value of annuities | - | - | (608) | **(608)** | - | - | 196 | 196 |
| Contribution revenue restricted for long-term purposes | (4,826) | - | - | **(4,826)** | (114,273) | - | - | (114,273) |
| (Increase) decrease in: | | | | | | | | |
| Accounts receivable | 5,209 | 30,130 | - | **35,339** | 15,066 | (30,383) | - | (15,317) |
| Contributions receivable | (11,492) | (1,500) | - | **(12,992)** | (140,000) | - | - | (140,000) |
| Inventories | (12,940) | - | - | **(12,940)** | (66,506) | - | - | (66,506) |
| Prepaid expenses | 53,785 | (175) | - | **53,610** | (81,928) | 704 | - | (81,224) |
| Donated land/property held for resale | (9,300,000) | - | - | **(9,300,000)** | - | - | - | - |
| Increase (decrease) in: | | | | | | | | |
| Accounts payable | (22,723) | (16,005) | - | **(38,728)** | 74,419 | 11,289 | - | 85,708 |
| Accrued expenses | 624 | (1,665) | - | **(1,041)** | 4,616 | 785 | - | 5,401 |
| **Net cash provided by (used in) operating activities** | 235,701 | 19,140 | 197 | **255,038** | 16,739 | (1,474) | 196 | 15,461 |
| Cash flows from investing activities: | | | | | | | | |
| Acquisitions of property and equipment | (139,558) | (78,579) | - | **(218,137)** | (173,722) | (86,039) | - | (259,761) |
| Proceeds from sale of property and equipment | 6,000 | - | - | **6,000** | 1,400 | - | - | 1,400 |
| Insurance proceeds from involuntary conversion | 51,840 | 11,399 | - | **63,239** | 65,102 | 146,031 | - | 211,133 |
| **Net cash (used in) provided by investing activities** | (81,718) | (67,180) | - | **(148,898)** | (107,220) | 59,992 | - | (47,228) |
| Cash flows from financing activities: | | | | | | | | |
| Reinsured annuity payments received | - | - | 18,123 | **18,123** | - | - | 18,123 | 18,123 |
| Annuity payments | - | - | (18,123) | **(18,123)** | - | - | (18,123) | (18,123) |
| Collections of contributions restricted for long-term purposes | 4,826 | - | - | **4,826** | 114,273 | - | - | 114,273 |
| **Net cash provided by financing activities** | 4,826 | - | - | **4,826** | 114,273 | - | - | 114,273 |
| **Increase (decrease) in cash and cash equivalents** | 158,809 | (48,040) | 197 | **110,966** | 23,792 | 58,518 | 196 | 82,506 |
| Cash and cash equivalents, beginning | 411,169 | 153,267 | 2,841 | **567,277** | 387,377 | 94,749 | 2,645 | 484,771 |
| Cash and cash equivalents, ending | $ 569,978 | $ 105,227 | $ 3,038 | **$ 678,243** | $ 411,169 | $ 153,267 | $ 2,841 | $ 567,277 |
| Supplemental disclosures of cash flows information: | | | | | | | | |
| Cash payments for interest | $ - | $ 833 | $ - | **$ 833** | $ - | $ 833 | $ - | $ 833 |

See notes to combining financial statements.

## Note 1. Nature of 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.

**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 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 miscellaneous 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.

**Classification and reporting of net assets:** The Organization reports information regarding its financial position and activities in the following two classes of net assets:

*Net assets without donor restrictions:* Net assets without donor restrictions are resources available to support the Organization as determined by the board. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

*Net assets with donor restrictions:* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donors' instructions. The Organization's unspent contributions are included in this class if the donor limited their use. At September 30, 2019 and 2018, the Organization held no net assets with donor restrictions that were perpetual in nature.

**Note 1. Nature of Organization and Significant Accounting Policies (Continued)**

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor and/or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

**Revenue and support:** Contributions received by the Organization are recorded as either net assets without donor restrictions or net assets with donor restrictions, 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.

**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. Cash held in certificates of deposit with original maturities of three months or greater are separately recorded on the balance sheets.

**Contributions receivable**: Unconditional promises expected to be collected within one year are reported at net realizable value. Those expected in more than one year, if material to the financial statements, are reported at the present value of their estimated future cash flows using a discount rate commensurate with the risk involved. Amortization of the discounts, if any, is included in contribution revenue. All promises to give are expected to be collected within one year.

**Inventories:** Inventories of raw materials and printing supplies are stated at the lower of cost (first-in, first-out) or net realizable value. 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 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 without donor restricted 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 contributions with donor restrictions. 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 or as instructed by the donor. The Organization reclassifies with donor restricted net assets to without donor restricted net assets at that time.

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

| | Years |
|---|---|
| Buildings | 10-40 |
| Machinery and equipment | 5-20 |
| Furniture, fixtures and office equipment | 3-10 |

## Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Investments:** Investments in bonds with readily determinable fair values 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. Investment income dividends and interest are reported under revenue in the statements of activities. Certificates of deposit are recorded at cost. Reinsured charitable gift annuities are valued at their present value based on actuarial assumptions.

**Charitable gift annuities:** The Organization has in the past received assets from various individuals under agreements which require the Organization 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.

**Donated materials and services:** Donated materials are recorded as contributions in the accompanying statements at fair 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.

**Concentration of credit risk:** The Organization maintains deposits in insured financial institutions. At various times throughout the year, these deposits may exceed insured limits, which at September 30, 2019 were $250,000 per account held; 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.

**Changes in accounting principles:** The Organization implemented Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The temporarily restricted net asset class has been renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include additional disclosures about expense, including allocation methodology by function and management's evaluation process (see Note 10).
- The financial statements include a disclosure about liquidity and availability of resources (see Note 2).

**Recently issued accounting standards:** In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for the Organization's September 30, 2020 financial statements. The Organization has not yet selected a transition method and is currently evaluating the effect that the pending adoption of the updated standard will have on the financial statements.

## Note 1. Nature of Organization and Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Organization's September 30, 2022 financial statements. The Organization is currently evaluating the effect of the pending adoption of the new standard on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e. an exchange transaction) or nonreciprocal (i.e. a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Additionally, the ASU provides for earlier effective dates for public business entities. As the Organization is a resource recipient, the ASU is effective for the Organization's September 30, 2020 financial statements. The Organization is currently evaluating the impact of the adoption of this standard on its financial statements.

**Income taxes:** The Organization is incorporated as a not-for-profit under the laws of the state of Indiana and is exempt from federal and state income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code, except for taxes pertaining to unrelated business income, if any, and is not considered a private foundation. Contributions by the public are deductible for income tax purposes.

The Organization follows the accounting guidance for uncertainty in income taxes. The standard clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. The guidance also addressed de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management believes the Organization has no material uncertainties in income taxes. The Organization files Form 990 in the U.S. federal jurisdiction and related forms in the state of Indiana.

**Subsequent events:** The Organization has evaluated subsequent events for potential recognition and/or disclosure through November 13, 2019, the date the financial statements were available to be issued.

## Note 2. Liquidity and Availability

Financial assets available for general expenditure without donor or other restrictions limiting their use, within one year of September 30, 2019, are:

| | | |
|---|---|---|
| Financial assets: | | |
| Cash and cash equivalents | $ | 569,978 |
| Accounts receivable | | 194 |
| Contribution receivable | | 161,492 |
| Total financial assets available within one year | $ | 731,664 |

In addition, World Missionary Press General Fund has received donated real estate for approximately $9,300,000 which is intended to be liquidated in 2020 and the Board's intention is to use the funds over an estimated 10-year period to fulfill the donor's request to fund expenditures related to certain booklets.

## Note 2. Liquidity and Availability (Continued)

World Missionary Press Stewardship Fund has $105,227 in cash and cash equivalents available within one year consisting of $73,560 to meet cash needs related to rental property expenditures and $31,667 to meet cash needs relative to revocable loan repayment requests.

World Missionary Press Annuity Fund has $3,038 in cash and cash equivalents available within one year to meet cash needs related to annuitant interest payments. Gift annuities are insured on an “installment refund” basis and payments from insurance companies cover annuity interest payments to annuitants.

## Note 3. Inventories

Inventories at September 30, 2019 and 2018 are composed of the following:

| | 2019 | 2018 |
|---|---|---|
| Paper, ink, and printing supplies | $ 148,705 | $ 135,765 |

## Note 4. Investments

Investments as of September 30, 2019 and 2018 consisted of the following:

| | 2019 | 2018 |
|---|---|---|
| Bonds held at fair value | $ 30 | $ 30 |
| Reinsured charitable gift annuities | 80,742 | 83,926 |
| | $ 80,772 | $ 83,956 |

## Note 5. Fair Value Measurement

**Reinsured charitable gift annuities:** Fair value is based on purchased annuities from an insurance carrier, which approximates the value of the contractual life-income liability. The annuities are adjusted annually using the present value technique based on donors’ life expectancy.

**Donated land/property held for sale:** Fair value is based on observable inputs of similar assets in an active market adjusted accordingly using the market value approach and less costs to sell. The donated asset was recorded at fair value at time of the donation and does not require adjustment to fair value annually unless determined to be impaired.

The Organization follows the FASB guidance for its financial assets and liabilities that are being measured and reported at fair value for each reporting period. This guidance defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosure about fair value measurements. Under GAAP, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. It clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, GAAP establishes a fair value hierarchy that prioritizes the information used to develop those assumptions and fair value measurements are separately disclosed by level within the fair value hierarchy.

## Note 5. Fair Value Measurement (Continued)

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

**Level 1** Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 includes listed equities and listed derivatives.

**Level 2** Pricing inputs are other than quoted prices in active markets of comparable instruments, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

**Level 3** Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies.

The following table summarizes the valuation of the Organization's financial instruments which are carried at fair value by the above fair value hierarchy levels as of September 30, 2019 and 2018:

| | 2019 | | | |
|---|---|---|---|---|
| | Assets Measured at Fair Value | | | |
| | Quoted Prices Level 1 | Observable Inputs Level 2 | Unobservable Inputs Level 3 | Total September 30 |
| Recurring fair value measurements: | | | | |
| Bonds | $ - | $ 30 | $ - | $ 30 |
| Reinsured charitable gift annuities | - | - | 80,742 | 80,742 |
| | $ - | $ 30 | $ 80,742 | $ 80,772 |
| Nonrecurring fair value measurements: | | | | |
| Donated land/property held for sale | $ - | $ 9,300,000 | $ - | $ 9,300,000 |

| | 2018 | | | |
|---|---|---|---|---|
| | Assets Measured at Fair Value on a Recurring Basis | | | |
| | Quoted Prices Level 1 | Observable Inputs Level 2 | Unobservable Inputs Level 3 | Total September 30 |
| Bonds | $ - | $ 30 | $ - | $ 30 |
| Reinsured charitable gift annuities | - | - | 83,926 | 83,926 |
| | $ - | $ 30 | $ 83,926 | $ 83,956 |

## Note 5. Fair Value Measurement (Continued)

The changes in financial instruments measured at fair value for which the Organization has used Level 3 inputs to determine fair value are as follows:

| | Reinsured Charitable Gift Annuities 2019 | Reinsured Charitable Gift Annuities 2018 |
|---|---|---|
| Balance, beginning of year | $ 83,926 | $ 88,622 |
| Change in actuarial present value | (3,184) | (4,696) |
| Balance, end of year | $ 80,742 | $ 83,926 |

The change in actuarial present value of the investment in annuities is netted against the change in annuity obligation with the net change shown in general expenses on the statement of activities.

## Note 6. Property and Equipment

Property and equipment assets for the years ended September 30, 2019 and 2018 are as follows:

| 2019 | Balance September 30, 2018 | Additions and (Disposals) | Balance September 30, 2019 | Accumulated Depreciation | Net Book Value |
|---|---|---|---|---|---|
| General fund: | | | | | |
| Land and land improvements | $ 136,432 | $ - | $ 136,432 | $ - | $ 136,432 |
| Buildings | 1,201,818 | 79,622 | 1,281,440 | 608,130 | 673,310 |
| Machinery and equipment | 2,082,232 | (152,058) | 1,930,174 | 1,001,314 | 928,860 |
| Furniture, fixtures, and office equipment | 263,014 | 7,207 | 270,221 | 210,058 | 60,163 |
| | $ 3,683,496 | $ (65,229) | $ 3,618,267 | $ 1,819,502 | $ 1,798,765 |
| Stewardship fund: | | | | | |
| Land and land improvements | $ 61,275 | $ - | $ 61,275 | $ - | $ 61,275 |
| Buildings | 771,212 | 75,074 | 846,286 | 545,192 | 301,094 |
| Furniture and fixtures | 1,337 | (637) | 700 | 700 | - |
| | $ 833,824 | $ 74,437 | $ 908,261 | $ 545,892 | $ 362,369 |

| 2018 | Balance September 30, 2017 | Additions and (Disposals) | Balance September 30, 2018 | Accumulated Depreciation | Net Book Value |
|---|---|---|---|---|---|
| General fund: | | | | | |
| Land and land improvements | $ 136,432 | $ - | $ 136,432 | $ - | $ 136,432 |
| Buildings | 1,167,098 | 34,720 | 1,201,818 | 598,771 | 603,047 |
| Machinery and equipment | 1,981,704 | 100,528 | 2,082,232 | 1,063,215 | 1,019,017 |
| Furniture, fixtures, and office equipment | 251,390 | 11,624 | 263,014 | 198,069 | 64,945 |
| | $ 3,536,624 | $ 146,872 | $ 3,683,496 | $ 1,860,055 | $ 1,823,441 |
| Stewardship fund: | | | | | |
| Land and land improvements | $ 61,275 | $ - | $ 61,275 | $ - | $ 61,275 |
| Buildings | 693,910 | 77,302 | 771,212 | 528,688 | 242,524 |
| Furniture and fixtures | 1,337 | - | 1,337 | - | 1,337 |
| | $ 756,522 | $ 77,302 | $ 833,824 | $ 528,688 | $ 305,136 |

### Note 7. Notes Payable

At September 30, 2019 and 2018, the Organization has unsecured notes payable to various individuals as follows:

| | 2019 | 2018 |
|---|---|---|
| Stewardship fund: | | |
| *Payable within 30 days of demand, non-interest bearing | $ 15,000 | $ 15,500 |
| *Payable within 30 days of demand, 5.0% | 16,667 | 21,667 |
| | $ 31,667 | $ 37,167 |

* Interest expense for the years ended September 30, 2019 and 2018, was $833 in the Stewardship fund.

### Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at September 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Specific booklets/shipments | $ 9,388,710 | $ 109,063 |
| Specific operations projects | 8,027 | 13,269 |
| | $ 9,396,737 | $ 122,332 |

### Note 9. 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 6.

### Note 10. Functional 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. Costs that can be identified with a specific program or service are charged directly to that program or service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

The costs related to shared expenses are allocated based on a number of factors depending on the expense type. Such factors can include square footage, wages within the department, headcount and expected usage. The costs that are allocated include telephone expenses, utilities and printing supplies.

Management evaluates these allocations on an annual basis.

General expenses include costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

## Note 10. Functional Expenses (Continued)

Expenses by functional and natural classification consist of the following:

| | Year Ended September 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | General Fund | | | | | Stewardship Fund | |
| | Production | Shipping | Development | General | Total | General | Total |
| Paper, printing and related costs | $1,600,282 | $ - | $ - | $ - | $ 1,600,282 | $ - | $1,600,282 |
| Postage, shipping and related costs | - | 687,915 | - | - | 687,915 | - | 687,915 |
| Payroll and employee benefits | 846,874 | 267,362 | 172,828 | 342,339 | 1,629,403 | - | 1,629,403 |
| Occupancy and equipment | 128,531 | 28,569 | 7,969 | 18,526 | 183,595 | - | 183,595 |
| Professional and non-employee fees | 1,487 | - | 9,359 | 27,771 | 38,617 | - | 38,617 |
| Other administrative costs | - | - | 142,966 | 50,443 | 193,409 | - | 193,409 |
| Depreciation | 104,790 | 24,797 | 7,687 | 21,812 | 159,086 | 21,345 | 180,431 |
| Interest | - | - | - | - | - | 833 | 833 |
| Insurance | - | - | - | - | - | 6,394 | 6,394 |
| Rental costs | - | - | - | - | - | 54,769 | 54,769 |
| **Total** | $2,681,964 | $1,008,643 | $ 340,809 | $ 460,891 | $ 4,492,307 | $ 83,341 | $4,575,648 |

| | Year Ended September 30, 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | General Fund | | | | | Stewardship | Annuity | |
| | Production | Shipping | Development | General | Total | Fund | Fund | Total |
| Paper, printing and related costs | $1,701,973 | $ - | $ - | $ - | $1,701,973 | $ - | $ - | $ 1,701,973 |
| Postage, shipping and related costs | - | 667,191 | - | - | 667,191 | - | - | 667,191 |
| Payroll and employee benefits | 788,954 | 255,630 | 146,122 | 329,841 | 1,520,547 | - | - | 1,520,547 |
| Occupancy and equipment | 120,849 | 25,349 | 7,538 | 26,445 | 180,181 | - | - | 180,181 |
| Professional and non-employee fees | 2,124 | - | 2,035 | 21,232 | 25,391 | - | - | 25,391 |
| Other administrative costs | - | - | 137,600 | 48,968 | 186,568 | - | - | 186,568 |
| Depreciation | 104,519 | 24,835 | 8,717 | 19,684 | 157,755 | 19,647 | - | 177,402 |
| Interest | - | - | - | - | - | 833 | - | 833 |
| Insurance | - | - | - | - | - | 5,830 | - | 5,830 |
| Rental costs | - | - | - | - | - | 38,109 | - | 38,109 |
| Annuity liability | - | - | - | - | - | - | 196 | 196 |
| **Total** | $2,718,419 | $ 973,005 | $ 302,012 | $ 446,170 | $4,439,606 | $ 64,419 | $ 196 | $ 4,504,221 |