

WORLD MISSION
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

WORLD MISSION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

World Mission:

We have audited the accompanying financial statements of World Mission (a nonprofit organization) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to 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 Mission as of June 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.

Bardolph & Associates

**Wyoming, MI
November 6, 2019**

**WORLD MISSION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30,**

ASSETS	2019	2018
Current assets		
Cash	\$ 400,884	\$ 449,248
Accounts receivable	14,216	24,716
Contributions receivable	55,386	164,508
Note receivable	-	10,000
Inventory	109,957	206,585
Prepays	19,759	37,780
	<u>600,202</u>	<u>892,837</u>
Property and equipment, net	2,747,419	2,859,995
Other assets		
Goodwill, net	352,514	352,514
	<u>352,514</u>	<u>352,514</u>
Total Assets	<u><u>\$ 3,700,135</u></u>	<u><u>\$ 4,105,346</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term debt	\$ 58,000	\$ 54,000
Accounts payable	42,149	39,003
Accrued liabilities -		
Accrued sales tax	2,922	3,383
Accrued interest	711	656
Accrued payroll and related taxes	29,787	32,920
	<u>133,569</u>	<u>129,962</u>
Long-term debt, less current portion above	<u>1,099,318</u>	<u>1,155,461</u>
Total Liabilities	<u>1,232,887</u>	<u>1,285,423</u>
NET ASSETS		
Without donor restrictions	2,228,190	2,340,790
With donor restrictions	<u>239,058</u>	<u>479,133</u>
Total Net Assets	<u>2,467,248</u>	<u>2,819,923</u>
Total Liabilities and Net Assets	<u><u>\$ 3,700,135</u></u>	<u><u>\$ 4,105,346</u></u>

See accompanying notes.

**WORLD MISSION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,**

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS -

	<u>2019</u>	<u>2018</u>
REVENUE AND GAINS		
Contributions	\$ 676,239	\$ 500,628
Retail store sales	714,520	904,268
Royalty income	6,000	6,500
The Treasure sales	160,584	188,881
Rental income	264,350	22,800
Miscellaneous income	3,020	-
Gain on sale of fixed assets	-	104,086
Interest income	66	56
	<u>1,824,779</u>	<u>1,727,219</u>
 Net assets released from restrictions for programs and projects	 <u>1,080,473</u>	 <u>1,572,443</u>
Total revenue and gains	<u>2,905,252</u>	<u>3,299,662</u>
 EXPENSES		
Retail store expenses	927,469	1,064,628
The Treasure expenses	120,888	142,827
Project activities expenses	1,611,062	1,534,722
Management and general expenses	161,022	209,242
Fund raising expenses	197,411	219,723
Total expenses	<u>3,017,852</u>	<u>3,171,142</u>
 (Decrease) Increase in Net Assets Without Donor Restrictions	 <u>(112,600)</u>	 <u>128,520</u>
 CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS -		
Contributions	840,398	1,515,726
Net assets released from restrictions	<u>(1,080,473)</u>	<u>(1,572,443)</u>
 Decrease in Net Assets With Donor Restrictions	 <u>(240,075)</u>	 <u>(56,717)</u>
 (Decrease) Increase in Net Assets	 <u>(352,675)</u>	 <u>71,803</u>
 NET ASSETS, beginning of year	 <u>2,819,923</u>	 <u>2,748,120</u>
 NET ASSETS, end of year	 <u>\$ 2,467,248</u>	 <u>\$ 2,819,923</u>

See accompanying notes.

**WORLD MISSION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30,**

2019

	The					
	Retail Sales	Treasure Sales	Project Activities	Management and General	Fund- raising	Total
Purchases and supplies	\$ 113,777	\$ 120,888	-	-	-	\$ 234,665
Wages, payroll taxes and employee benefits	540,015	-	151,673	113,755	113,755	919,198
Rent	-	-	11,992	11,992	11,993	35,977
Telephone	1,077	-	1,560	1,816	1,560	6,013
Repair and maintenance	7,462	-	3,923	-	-	11,385
Utilities	47,237	-	3,015	3,015	3,015	56,282
Insurance	22,073	-	-	10,209	-	32,282
Truck and vehicle expense	22,009	-	3,519	3,142	3,519	32,189
Depreciation	70,996	-	47,080	910	11,374	130,360
Advertising and mailings	2,362	-	40,066	-	26,710	69,138
Office supplies and postage	2,927	-	3,655	26	3,656	10,264
Computer expense	1,984	-	16,361	-	16,362	34,707
Bank fees	4,349	-	4,982	-	-	9,331
Professional fees	17,603	-	27,929	15,864	-	61,396
Contributions	3,000	-	1,274,774	-	-	1,277,774
Travel	843	-	10,935	57	5,467	17,302
Dues and credit card fees	10,326	-	9,598	236	-	20,160
Miscellaneous	198	-	-	-	-	198
Interest expense	59,231	-	-	-	-	59,231
	<u>\$ 927,469</u>	<u>\$ 120,888</u>	<u>\$ 1,611,062</u>	<u>\$ 161,022</u>	<u>\$ 197,411</u>	<u>\$ 3,017,852</u>

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WORLD MISSION
STATEMENTS OF FUNCTIONAL EXPENSES, (Continued)
FOR THE YEAR ENDED JUNE 30,

2018

	The					
	Retail Sales	Treasure Sales	Project Activities	Management and General	Fund- raising	Total
Purchases and supplies	\$ 145,262	\$ 142,827	\$ -	\$ -	\$ -	\$ 288,089
Wages, payroll taxes and employee benefits	595,002	-	171,706	128,780	128,780	1,024,268
Rent	-	-	11,992	11,993	11,992	35,977
Telephone	757	-	2,295	1,209	2,295	6,556
Repair and maintenance	15,499	-	4,211	1,124	-	20,834
Utilities	50,358	-	3,301	3,302	3,301	60,262
Insurance	31,565	-	-	6,644	-	38,209
Truck and vehicle expense	20,337	-	4,271	4,705	4,271	33,584
Depreciation	81,193	-	11,004	37,947	11,004	141,148
Advertising and mailings	6,591	-	27,370	-	18,247	52,208
Office supplies and postage	1,981	-	6,541	-	6,541	15,063
Computer expense	2,158	-	11,166	35	11,166	24,525
Bank fees	6,366	-	6,361	23	-	12,750
Professional fees	32,720	-	3,721	12,996	-	49,437
Contributions	-	-	1,209,054	-	-	1,209,054
Travel	1,141	-	44,253	266	22,126	67,786
Dues and credit card fees	12,066	-	17,476	218	-	29,760
Miscellaneous	-	-	-	-	-	-
Interest expense	61,632	-	-	-	-	61,632
	<u>\$ 1,064,628</u>	<u>\$ 142,827</u>	<u>\$ 1,534,722</u>	<u>\$ 209,242</u>	<u>\$ 219,723</u>	<u>\$ 3,171,142</u>

See accompanying notes.

**WORLD MISSION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,**

INCREASE (DECREASE) IN CASH

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (352,675)	\$ 71,803
Adjustments to reconcile above to net cash provided by operating activities		
Non-cash items:		
Depreciation	130,360	141,148
(Gain) loss on sale of fixed assets	-	(104,086)
(Increase) decrease in assets:		
Receivables	10,500	9,876
Contributions receivable	109,122	(164,508)
Inventory	96,628	24,804
Prepays	18,021	(8,739)
Increase (decrease) in liabilities:		
Accounts payable	3,146	(135,585)
Accrued expenses, other than income tax	(3,539)	(4,184)
Accrued income tax payable	-	(13,667)
Net cash provided (used) by operating activities	11,563	(183,138)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(17,784)	(6,375)
Proceeds from sale of fixed assets	-	133,560
Repayment of note receivable	10,000	12,000
Net cash (used) provided by investing activities	(7,784)	139,185
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on long-term debt	-	220,548
Payments on long-term debt	(52,143)	(277,802)
Net cash used by financing activities	(52,143)	(57,254)
Net decrease in cash	(48,364)	(101,207)
Cash - beginning of year	449,248	550,455
Cash - end of year	\$ 400,884	\$ 449,248
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest:	\$ 59,176	\$ 61,759

See accompanying notes.

**WORLD MISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

(1) NATURE OF ACTIVITIES

World Mission is a non-profit organization incorporated in the State of Michigan organized exclusively for charitable, religious, educational, and scientific purposes. The Organization operates thrift retail stores located throughout Michigan that sell donated items, such as clothing and household goods. Profits from the thrift stores together with contributions from donors are primarily used by the Organization to distribute The Treasure, an audio bible that is available in various languages.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of World Mission have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Unconditional Promises to Give

Unconditional promises to give are expected to be collected within one year and are recorded at net realizable value.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Inventory

Inventory consisting mainly of used clothing, used household goods and audio bibles is stated at lower of cost or market on a first-in-first-out (FIFO) basis. Costs for used clothing and household goods are incurred in the procurement and sorting of goods for resale in the thrift stores.

WORLD MISSION
NOTES TO FINANCIAL STATEMENTS, (Continued)
JUNE 30, 2019 AND 2018

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at the estimated fair value. Such donations are reported as contributions without donor restrictions 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. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at the time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to forty years.

Goodwill

As of June 30, 2019 and 2018, the gross carrying amount of goodwill is \$377,693 with accumulated amortization of \$25,179. The accompanying statements of activities reflect no goodwill amortization expense for the years ended June 30, 2019 and 2018 as there was no impairment of goodwill.

Income Tax

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code.

Concentration of Credit Risk

The Company maintains cash deposits at various banks, which throughout the year may periodically exceed federally insured deposit limits.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Fair Value

The carrying amount reflected in the statements of financial position for cash and accounts receivable approximate their respective fair values due to the short maturities of those instruments.

The fair value of long-term debt is based on the carrying amount.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of time and effort. Additional expenses that are allocated include facility expenses which are based on the Organization's use of its facility. Remaining office expenses that are allocated are based on estimates of the program or supporting function benefited.

WORLD MISSION
NOTES TO FINANCIAL STATEMENTS, (Continued)
JUNE 30, 2019 AND 2018

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Reclassifications

Certain amounts in the prior financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

(3) PROMISES TO GIVE

Contributions receivable represents unconditional promises to give that are expected to be collected within one year totaling \$55,386 and \$164,508 as of June 30, 2019 and 2018, respectively.

(4) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as the balance sheet date all of which are available to meet cash needs for general expenditure with one year:

Financial assets available to meet cash needs for general expenditures within one year

	<u>2019</u>	<u>2018</u>
	\$ 470,486	\$ 648,472

(5) PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30,:

	<u>2019</u>	<u>2018</u>
Land	\$ 511,519	\$ 511,519
Buildings	4,381,797	4,371,139
Leasehold improvements	48,111	48,111
Equipment, furniture, and furnishings	310,166	303,040
Vehicles	<u>94,287</u>	<u>94,287</u>
	5,345,880	5,328,096
Accumulated depreciation	<u>(2,598,461)</u>	<u>(2,468,101)</u>
	<u>\$ 2,747,419</u>	<u>\$ 2,859,995</u>

(6) LONG-TERM DEBT

Long-term debt consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Note payable to bank, due in monthly installment of \$2,350 including interest at 5%, balance due August 31, 2022, secured by related property.	\$ 187,511	\$ 205,706
Note payable to bank, due in monthly installments of \$4,285 including interest at 5%, balance due March 28, 2022, secured by related property.	600,558	620,967

WORLD MISSION
NOTES TO FINANCIAL STATEMENTS, (Continued)
JUNE 30, 2019 AND 2018

(6) LONG-TERM DEBT, Continued

Note payable to bank, due in monthly installments of \$2,640 including interest at 4.75%, balance due August 17, 2021, secured by related property.

	\$ <u>369,249</u>	\$ <u>382,788</u>
	1,157,318	1,209,461
Less current portion	<u>(58,000)</u>	<u>(54,000)</u>
	<u>\$ 1,099,318</u>	<u>\$ 1,155,461</u>

In conjunction with the various notes payable to bank above, the Organization is required to maintain a Debt Service Coverage Ratio at not less than 1.0 to 1.0. As of June 30, 2019, the Organization was not in compliance with this covenant and had obtained a waiver from the bank.

Annual principle payments on long-term debt over the next four years are as follows at June 30,:

2019/20	\$ 58,000
2020/21	59,000
2021/22	915,000
2022/23	<u>125,318</u>
	<u>\$ 1,157,318</u>

(7) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2019 and 2018 are available for the following purposes:

	<u>2019</u>	<u>2018</u>
The Treasure Distribution	\$ 144,527	\$ 345,738
Mission Projects and Trips	<u>94,531</u>	<u>133,395</u>
	<u>\$ 239,058</u>	<u>\$ 479,133</u>

(8) RENTAL INCOME

The Organization leases a building to a nonprofit organization. The initial term of the lease is three years commencing on July 1, 2018 with a renewal option of three years. Terms of the lease require annual payments of \$1. The estimated annual lease market value of the building is \$218,750. This amount is included in rental income and contributions expense for the year ended June 30, 2109 in the accompanying statements of activities.

The Organization also leases an additional building to another nonprofit organization. Terms of the lease require monthly payments of \$3,800. The lease has renewal options for successive one year terms unless either party gives notice of termination at least thirty days before the end of a renewal term. Rental income for the years ended June 30, 2019 and 2018 totaled \$45,600 and \$22,800, respectively and is included in the accompanying statements of activities.

WORLD MISSION
NOTES TO FINANCIAL STATEMENTS, (Continued)
JUNE 30, 2019 AND 2018

(9) RELATED PARTY LEASE

The Organization rents various retail store space from a company owned by various board members on a month-to-month basis. This related company donates the rental fees it charges back to the Organization. Donated rent for the years ended June 30, 2019 and 2018 totaled \$35,977, respectively and is included in the accompanying statements of activities as contribution income and rental expense.

(10) SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 6, 2019, the date the financial statements were available to be issued.