

Financial Statements and Report of
Independent Certified Public Accountants



The Mission
Society

December 31, 2007 and 2006

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

THE MISSION SOCIETY

December 31, 2007 and 2006

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Certified Public Accountants

Report of Independent Certified Public Accountants

Board of Directors
The Mission Society, Inc. and Affiliates

We have audited the accompanying combined statements of financial position of **The Mission Society, Inc. and Affiliates** doing business as **The Mission Society** as of December 31, 2007 and 2006, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of **The Mission Society's** management. Our responsibility is to express an opinion on these combined 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **The Mission Society's** internal control over financial reporting. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 combined financial statements referred to above present fairly, in all material respects, the financial position of **The Mission Society** as of December 31, 2007 and 2006, and the changes in its combined net assets and its combined cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Metcalf Davis

Atlanta, Georgia
June 6, 2008

The Mission Society

COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 1,175,706 | \$ 1,241,901 |
| Missionary advances | 107,671 | 102,463 |
| Pledges receivable, net | 322,715 | 230,691 |
| Prepaid expenses and other assets | 43,539 | 98,676 |
| Investments | 2,588,924 | 2,522,362 |
| Receivable from estate | 2,072,468 | - |
| Property and equipment, at cost - net of accumulated depreciation | <u>1,106,297</u> | <u>756,874</u> |
| | <u>\$ 7,417,320</u> | <u>\$ 4,952,967</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 232,660 | \$ 87,296 |
| Mortgage note payable | 480,000 | 600,000 |
| Annuities payable | <u>110,234</u> | <u>125,757</u> |
| Total liabilities | 822,894 | 813,053 |
| NET ASSETS | | |
| Unrestricted | | |
| Investment in property and equipment - net of related indebtedness | 626,297 | 156,874 |
| Surplus from operations | <u>369,290</u> | <u>490,759</u> |
| | 995,587 | 647,633 |
| Temporarily restricted | 3,254,025 | 3,225,625 |
| Permanently restricted | <u>2,344,814</u> | <u>266,656</u> |
| Total net assets | <u>6,594,426</u> | <u>4,139,914</u> |
| | <u>\$ 7,417,320</u> | <u>\$ 4,952,967</u> |

The accompanying notes are an integral part of these statements.

The Mission Society

COMBINED STATEMENTS OF ACTIVITIES

Years ended December 31, 2007 and 2006

| | 2007 | | | | 2006 | | | |
|--|-------------------|------------------------|------------------------|---------------------|-------------------|------------------------|------------------------|---------------------|
| | Unrestricted | Temporarily restricted | Permanently restricted | Total | Unrestricted | Temporarily restricted | Permanently restricted | Total |
| Revenue, gains and other support | | | | | | | | |
| Contributions | \$ 2,943,467 | \$ 6,800,129 | \$ 2,059,436 | \$ 11,803,032 | \$ 2,314,052 | \$ 6,194,606 | \$ 3,840 | \$ 8,512,498 |
| Gifts-in-kind | 36,645 | - | - | 36,645 | 57,883 | - | - | 57,883 |
| Interest and dividend income | 123,866 | - | 25,914 | 149,780 | 100,681 | - | - | 100,681 |
| Net investment gain (loss) | 2,739 | - | (7,192) | (4,453) | 130,878 | - | - | 130,878 |
| Seminar fees and product sales | 49,541 | - | - | 49,541 | 141,905 | - | - | 141,905 |
| Other | 78,064 | - | - | 78,064 | 44,522 | - | - | 44,522 |
| Net assets released from restrictions by | | | | | | | | |
| Satisfaction of purpose restrictions | 5,948,435 | (5,948,435) | - | - | 5,155,014 | (5,155,014) | - | - |
| Administrative assessments | 823,294 | (823,294) | - | - | 752,089 | (752,089) | - | - |
| Total revenue, gains and other support | <u>10,006,051</u> | <u>28,400</u> | <u>2,078,158</u> | <u>12,112,609</u> | <u>8,697,024</u> | <u>287,503</u> | <u>3,840</u> | <u>8,988,367</u> |
| Expenses | | | | | | | | |
| Program services | 7,790,847 | - | - | 7,790,847 | 6,818,880 | - | - | 6,818,880 |
| Supporting activities | | | | | | | | |
| General and administrative | 1,300,183 | - | - | 1,300,183 | 1,222,585 | - | - | 1,222,585 |
| Fundraising | 567,067 | - | - | 567,067 | 496,547 | - | - | 496,547 |
| Total expenses | <u>9,658,097</u> | <u>-</u> | <u>-</u> | <u>9,658,097</u> | <u>8,538,012</u> | <u>-</u> | <u>-</u> | <u>8,538,012</u> |
| Change in net assets | 347,954 | 28,400 | 2,078,158 | 2,454,512 | 159,012 | 287,503 | 3,840 | 450,355 |
| Net assets at beginning of year | 647,633 | 3,225,625 | 266,656 | 4,139,914 | 488,621 | 2,938,122 | 262,816 | 3,689,559 |
| Net assets at end of year | <u>\$ 995,587</u> | <u>\$ 3,254,025</u> | <u>\$ 2,344,814</u> | <u>\$ 6,594,426</u> | <u>\$ 647,633</u> | <u>\$ 3,225,625</u> | <u>\$ 266,656</u> | <u>\$ 4,139,914</u> |

The accompanying notes are an integral part of these statements.

The Mission Society

COMBINED STATEMENTS OF CASH FLOWS

Years ended December 31, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|---|---------------------|---------------------|
| Increase (Decrease) in Cash and Cash Equivalents | | |
| Cash flows from operating activities | | |
| Change in net assets | \$ 2,454,512 | \$ 450,355 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 140,609 | 133,956 |
| Loss (gain) on investments | 4,453 | (130,878) |
| Contributions/income restricted for long-term investment | (2,059,436) | (3,840) |
| Increase in missionary advances and pledges receivable | (97,232) | (465) |
| Decrease (increase) in prepaid expenses and other assets | 55,137 | (54,220) |
| Increase (decrease) in accounts payable and accrued expenses | <u>145,364</u> | <u>(41,042)</u> |
| Net cash provided by operating activities | 643,407 | 353,866 |
| Cash flows from investing activities | | |
| Acquisition of property and equipment | (490,245) | (53,777) |
| Proceeds from sale of investments | 769,813 | 153,324 |
| Purchase of investments | <u>(2,919,906)</u> | <u>(641,897)</u> |
| Net cash used in investing activities | (2,640,338) | (542,350) |
| Cash flows from financing activities | | |
| Contributions restricted for long-term investment | 2,059,436 | 3,840 |
| Payments on notes payable | (120,000) | (120,000) |
| Proceeds from annuities payable | 4,496 | 34,642 |
| Payments on annuities payable | <u>(13,197)</u> | <u>(13,080)</u> |
| Net cash provided by (used in) financing activities | <u>1,930,735</u> | <u>(94,598)</u> |
| Decrease in cash and cash equivalents | (66,195) | (283,082) |
| Cash and cash equivalents at beginning of year | <u>1,241,901</u> | <u>1,524,983</u> |
| Cash and cash equivalents at end of year | <u>\$ 1,175,706</u> | <u>\$ 1,241,901</u> |

Continued...

The Mission Society

COMBINED STATEMENTS OF CASH FLOWS - Continued

Years ended December 31, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|---------------------------------------|-------------|-------------|
| <u>Cash paid during the year for:</u> | | |
| Interest | \$ 12,421 | \$ 10,880 |
| <u>Noncash gifts-in-kind:</u> | | |
| Donated gifts | \$ 8,565 | \$ 23,835 |
| Interest free mortgage loan | 28,080 | 34,048 |

The accompanying notes are an integral part of these statements.

The Mission Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE A – SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Nature of Organization

The Mission Society, Inc. and Affiliates doing business as (“The Mission Society”), headquartered in Norcross, Georgia, is a Georgia not-for-profit corporation formed on January 6, 1984. The Mission Society is exempt from Federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the “Code”) and comparable state law. Contributions made to The Mission Society are tax deductible within the limitations prescribed by the Code.

The Mission Society is a voluntary mission agency for laity, clergy and congregations, who hold historical Wesleyan beliefs. Its purpose is to carry out the Great Commission of our Lord Jesus Christ to go into all the world and preach the good news to all, making disciples and teaching them to obey the Great Commandment and the Great Commission. This purpose is accomplished through providing personnel and funds to evangelize un-reached and under-reached peoples of the world and establish new congregations among them. Over 210 missionaries presently serve in 32 countries in a wide array of ministries.

The Mission Society’s activities and personnel are located in Brazil, China, Costa Rica, Ecuador, France, Ghana, Hungary, Japan, Kazakhstan, Kenya, Mexico, Nicaragua, Paraguay, Peru, Russia, Tanzania, Ukraine, United States, and Venezuela. Several additional countries are served through missionaries serving under cooperative agreements with partner agencies.

The Mission Society is a faith mission and its missionaries depend totally upon voluntary gifts of individuals, businesses, churches, foundations and other charities. The Mission Society received approximately 45 percent of its support from individuals, 38 percent from churches, and 17 percent from private foundations and other entities.

As an expression of its accountability and financial stewardship, The Mission Society is a member of the Evangelical Council for Financial Accountability, The Mission Exchange (formally the Evangelical Fellowship of Mission Agencies) and the Christian Management Association.

The Mission Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE A – SUMMARY OF ACCOUNTING POLICIES - Continued

A. Programs

In furtherance of its exempt purposes, The Mission Society expends a large portion of its resources on church growth and evangelism programs. Using models as varied as cell groups, Bible schools, seminaries, and theological education and training, The Mission Society equips national believers to provide their churches with competent, spirit empowered leadership. In addition, Bible schools have been established to educate pastors and lay leaders how to interpret and teach the scriptures and to minister to the needs of the national church. The Mission Society also provides educational, medical, vocational, social and other humanitarian services. In the United States, The Mission Society provides local churches with seminars and mentoring to encourage and empower the United States congregation to take up the *Great Commission* in all geographies. This is carried out through The Mission Society's Church Ministries Division.

B. Combined Entities

To assist in furthering its exempt purpose, The Mission Society has formed the following entities that are combined for financial statement presentation purposes. All intercompany transactions have been eliminated in the combination process.

Mission Society Foundation

The Mission Society Foundation (the "Foundation") was formed in 1995 to establish flexible giving opportunities. The Foundation is a separately incorporated organization whose board is appointed by The Mission Society board.

Mission Society Humanitarian Endeavors

The Mission Society Humanitarian Endeavors was formed in 1995 to facilitate medical and dental activities. This organization is controlled by The Mission Society.

The Mission Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE A – SUMMARY OF ACCOUNTING POLICIES - Continued

Friendship Corporation and Small Business Training Center

The Friendship Corporation (the “Corporation”) established in 1993, as a Georgia not-for-profit corporation, is intended to provide medical and educational services within the former Soviet Union. The board of the Corporation is elected by The Mission Society board. The activities of the Corporation are performed by The Mission Society and its personnel.

The Corporation entered into a joint venture agreement on June 5, 1993, in Kazakhstan, with local founders. The operations of this joint venture are conducted under the name of the Small Business Training Center. Its activities are in furtherance of the medical and educational purposes of the Corporation.

2. Basis of Accounting

The combined financial statements of The Mission Society have been prepared on the accrual basis of accounting.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of interest-bearing checking and savings accounts, and short-term certificates of deposit with maturities of less than three months.

4. Investments

Investments in equity securities with readily determinable market values and all debt securities are carried at fair value with gains and losses included as unrestricted revenue in the combined statements of activities. Other investments are carried at the lower of cost or fair value (such as real property). Donated investments are recorded at fair value on the date of donation and thereafter carried in accordance with the above provisions.

The Mission Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE A – SUMMARY OF ACCOUNTING POLICIES - Continued

5. Promises to Give

The Mission Society records as pledges receivable all unconditional promises to give that are evidenced by a signed pledge to donate and management believes all amounts recorded at year end are fully collectible.

In addition to unconditional promises to give that are recorded for financial statement purposes, The Mission Society also receives indications of intent to support ministries that are commitments to provide monthly or annual gifts of a specified amount. These commitments are open - ended and subject to unilateral change by the donor. Because the commitments do not express a term or period, the amount of the commitments are not measurable. Considering these factors, the commitments are not considered to be unconditional promises to give and are not recognized as revenue prior to receipt of the contribution.

6. Property and Equipment

Expenditures for property and equipment in excess of \$2,500 are capitalized at cost. Donated assets to be used in the ministry are capitalized at their fair value on the date of the gift. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the assets (40 years for the building, 10 years for apartments and building improvements, five to seven years for furniture and equipment, three to five years for computer equipment, and five years for vehicles).

7. Net Assets

The net assets of The Mission Society and changes therein are classified and reported as follows:

Unrestricted net assets

Unrestricted net assets are not subject to donor-imposed stipulation and are available for current operations. Included in unrestricted net assets are amounts designated by the board for specific use, and those resources invested in property and equipment.

The Mission Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE A – SUMMARY OF ACCOUNTING POLICIES - Continued

Temporarily restricted net assets

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of The Mission Society and/or the passage of time. As donor-imposed stipulations or time restrictions are fulfilled, temporarily restricted net assets are reclassified as unrestricted.

Permanently restricted net assets

Permanently restricted net assets include assets for which the donor has stipulated that the contribution be maintained in perpetuity. Donor-imposed restrictions limiting the use of the assets or its economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose.

8. Public Support, Revenue and Expenses

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of donated assets is transferred to The Mission Society. All amounts in accounts receivable are considered collectible by management.

Certain members assigned to the home office raise their support from donors. The Mission Society reports gifts of cash and other assets for the home office staff support as unrestricted because they are expended in the period received.

The Mission Society reports gifts of cash and other assets, other than home office staff support, as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Mission Society reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long these assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Mission Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE A – SUMMARY OF ACCOUNTING POLICIES - Continued

Donated goods (including securities, property and medical supplies and equipment) are recorded at fair value at the date of the gift. Contributed services are recognized for those that improve or enhance property and equipment (as contributions and increases to the basis of land, buildings, and equipment) or for those that require specialized skills and are services that would otherwise be purchased by The Mission Society (as contributions and expenses). During 2007 and 2006, no determinable material contributed services were received or recorded.

9. Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and annuity obligations approximate fair value because of the relative terms and short maturity of these financial instruments. The carrying values that are the fair value of investments are based upon quoted market values. The carrying amount of mortgage and notes payable approximates fair value because these financial instruments bear interest at rates which approximate current market rates for notes with similar maturities and credit quality.

10. Estimates

The preparation of combined 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 and disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates. Significant estimates in these financial statements include the allocation of expenses on a functional basis.

11. Joint Cost Allocation

The costs of providing the various programs and other activities of The Mission Society have been summarized on a functional basis in the combined statements of activities. Accordingly, certain joint costs have been allocated among the various cost centers benefited.

12. Missionary Advances

Missionary advances represent cash advanced to missionaries on the mission field to be used for the missionary's expenses. These advances are later recorded in the combined financial statements as missionary expenses when The Mission Society receives notification from the missionary that the funds have been expended.

The Mission Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE B – CONCENTRATION OF CREDIT RISK

Cash and investments at December 31, 2007 and 2006 included \$1,145,548 and \$1,416,031 respectively, in balances that are not covered by insurance provided by the Federal government. It is the opinion of management that the solvency of these financial institutions is not of particular concern at this time.

NOTE C – INVESTMENTS

Investments of The Mission Society are reported at fair value. A summary of investments at December 31, 2007 and 2006 is as follows:

| | <u>2007</u> | <u>2006</u> |
|---|---------------------|---------------------|
| Publicly traded stock (\$350,038 and \$352,718 recorded in Foundation for 2007 and 2006 respectively) | \$ 1,374,659 | \$ 1,210,985 |
| Mutual funds | 598,020 | 670,739 |
| Money market funds (\$33,626 and \$29,752 recorded in Foundation for 2007 and 2006 respectively) | <u>616,245</u> | <u>640,638</u> |
| | <u>\$ 2,588,924</u> | <u>\$ 2,522,362</u> |

The Mission Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2007 and 2006:

| | <u>2007</u> | <u>2006</u> |
|-------------------------------|---------------------|-------------------|
| Land | \$ 150,000 | \$ 150,000 |
| Building | 438,578 | 438,578 |
| Building improvements | 266,668 | 84,897 |
| Furniture and equipment | 583,985 | 295,554 |
| Computer equipment | 523,600 | 507,071 |
| Vehicles | 442,577 | 444,869 |
| Apartments (other countries) | <u>70,434</u> | <u>70,434</u> |
| | 2,475,842 | 1,991,403 |
| Less accumulated depreciation | <u>1,369,545</u> | <u>1,234,529</u> |
| | <u>\$ 1,106,297</u> | <u>\$ 756,874</u> |

Depreciation expense was \$140,609 and \$133,956 for the years ended December 31, 2007 and 2006, respectively.

NOTE E – MORTGAGE NOTE PAYABLE

At December 31, 2007 and 2006 a mortgage note payable was due to a charitable trust, in the amount \$480,000 and \$600,000, respectively. This note is non-interest bearing, payable in monthly installments of \$10,000 beginning January 5, 2006 and ending December 5, 2011. This note is secured by a first mortgage on the land, building, fixtures and improvements located in Norcross, Georgia.

Scheduled future principal reductions are as follows:

| <u>For the year ending December 31,</u> | |
|---|-------------------|
| 2008 | \$ 120,000 |
| 2009 | 120,000 |
| 2010 | 120,000 |
| 2011 | <u>120,000</u> |
| | <u>\$ 480,000</u> |

The Mission Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE F – NET ASSETS

Temporarily restricted net assets at December 31, 2007 and 2006 were restricted for purpose and time as follows:

| | <u>2007</u> | <u>2006</u> |
|---|---------------------|---------------------|
| Purpose | | |
| The Mission Society - missionaries | \$ 2,611,469 | \$ 2,562,060 |
| The Mission Society - projects | 385,073 | 317,060 |
| The Foundation - for payment of annuity contracts | 111,318 | 115,814 |
| Time | | |
| President's Gathering - pledges | <u>146,165</u> | <u>230,691</u> |
| Total temporarily restricted net assets | <u>\$ 3,254,025</u> | <u>\$ 3,225,625</u> |

Permanently restricted net assets totaling \$2,344,814 and \$266,656 at December 31, 2007 and 2006, respectively, consisted of contributions received from donors for investment by the Foundation. Income derived from these permanently restricted amounts is distributable to The Mission Society for various purposes.

NOTE G – EMPLOYEE BENEFIT PLANS

Pension Plan – The Mission Society has established a tax-deferred annuity plan pursuant to Section 403(b) of the Internal Revenue Code. The Mission Society provides a monthly pension plan contribution equal to voluntary amounts withheld and The Mission Society’s contributions of six percent salary and housing allowances for missionaries or a variable amount for home office staff. Contributions to the pension plan amounted to \$160,034 and \$149,048 by The Mission Society during 2007 and 2006, respectively.

Employee Education Savings Plan – The Mission Society has established an employee benefit program to assist in funding education for missionary children. Under the plan, a two percent salary deduction, plus a matching amount, is held for the benefit of the missionary under plan guidelines. All benefits plus interest earned thereon are treated as income to the missionary when set aside. Contributions by The Mission Society were \$71,332 and \$79,231 for the years ended December 31, 2007 and 2006, respectively.

The Mission Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE H – OPERATING LEASES

The Mission Society leases office equipment under operating leases. The minimum future rental payments which include projected renewals and in the aggregate are:

| <u>For the year ending December 31,</u> | |
|---|-------------------|
| 2008 | \$ 49,211 |
| 2009 | 49,211 |
| 2010 | 34,252 |
| 2011 | 19,293 |
| 2012 | <u>19,293</u> |
| | <u>\$ 171,260</u> |

NOTE I – COMMITMENTS AND CONTINGENCIES

On September 1, 2006, The Mission Society entered into an agreement with Point of Vision Design Group, Inc. (“POV”) of Atlanta, Georgia. Under this agreement POV will update and improve website, print brochures, enhance its quarterly magazine and create visuals useful for conventions and other planned events. This agreement requires 25 monthly payments of \$19,500 for which POV will provide 130 hours of design work per month with the final payment due September 1, 2008. The agreement allows The Mission Society to cancel the remaining term at any time without penalty. The payments are expensed when paid.

NOTE J – RELATED PARTY TRANSACTIONS

A board member owns a company providing off-site network maintenance to The Mission Society and provides this service in the normal course of business. The company was paid \$8,847 and \$12,491 in 2007 and 2006, respectively.

The Mission Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE K – TRUST RECEIVABLE

The Mission Society received a testamentary interest in a donor's estate established by a donor which became effective upon death occurring on September 15, 2007. It is the donor's intent that a trust be established providing The Mission Society with an irrevocable right to receive income earned on the trust assets in perpetuity. The terms of the trust will require the assets to be held and managed by a third-party trustee and that distributions of income be made at least annually. The value of the pledged assets receivable as of December 31, 2007 is \$2,072,468. There was no income distributions recorded for 2007.

Investment portfolio managed by a third-party executor at December 31, 2007 is as follows:

| | |
|------------------------------|---------------------|
| Publicly traded common stock | \$ 1,016,648 |
| Mutual funds | 731,246 |
| Cash and cash equivalents | <u>324,574</u> |
| | <u>\$ 2,072,468</u> |

SUPPLEMENTARY INFORMATION

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Certified Public Accountants

Report of Independent Certified Public Accountants on
Supplementary Information

Board of Directors
The Mission Society, Inc. and Affiliates

We have audited the accompanying combined statements of financial position of **The Mission Society, Inc. and Affiliates** doing business as **The Mission Society** as of December 31, 2007 and 2006, and the related combined statements of activities and cash flows for the years then ended. Our report on our audits appears on page 3. Those audits were conducted for the purpose of forming an opinion on such financial statements taken as a whole. The following supplementary information is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements for the years ended December 31, 2007 and 2006, taken as a whole.

Metcalf Davis

Atlanta, Georgia
June 6, 2008

The Mission Society

SCHEDULE OF ACTIVITY - THE MISSION SOCIETY FOUNDATION

Year ended December 31, 2007
(with comparative totals for 2006)

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>2007 Totals</u> | <u>2006 Totals</u> |
|---|---------------------|-----------------------------------|-----------------------------------|------------------------|------------------------|
| Revenue | | | | | |
| Contributions | \$ 103,821 | \$ - | \$ 2,059,436 | \$ 2,163,257 | \$ 96,284 |
| Interest and dividend income | 22,411 | - | 25,914 | 48,325 | 12,010 |
| Realized and unrealized (loss) gain on investments | (2,702) | - | (7,192) | (9,894) | 42,088 |
| Net assets released from restriction | <u>4,496</u> | <u>(4,496)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | 128,026 | (4,496) | 2,078,158 | 2,201,688 | 150,382 |
| Expenses and transfers | | | | | |
| Interest | 12,421 | - | - | 12,421 | 10,880 |
| General and administrative | 4,801 | - | - | 4,801 | 3,311 |
| Transfer to The Mission Society | <u>110,804</u> | <u>-</u> | <u>-</u> | <u>110,804</u> | <u>139,845</u> |
| | <u>128,026</u> | <u>-</u> | <u>-</u> | <u>128,026</u> | <u>154,036</u> |
| Change in net assets | - | (4,496) | 2,078,158 | 2,073,662 | (3,654) |
| Net assets at beginning of year | <u>-</u> | <u>115,814</u> | <u>266,656</u> | <u>382,470</u> | <u>386,124</u> |
| Net assets at end of year | <u>\$ -</u> | <u>\$ 111,318</u> | <u>\$ 2,344,814</u> | <u>\$ 2,456,132</u> | <u>\$ 382,470</u> |

The Mission Society

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended December 31, 2007

| | Field Missionaries and projects | Other U.S. based ministries | Church Resources Ministry | U.S. Mission representatives | Foundation programs | Total programs | Management and general | Fundraising advancement | Total |
|--|---------------------------------------|-----------------------------------|---------------------------------|---------------------------------|------------------------|-------------------|---------------------------|----------------------------|---------------------|
| Salaries and wages | \$ 2,790,983 | \$ 194,748 | \$ 181,884 | \$ 31,608 | \$ - | \$ 3,199,223 | \$ 549,886 | \$ 187,630 | \$ 3,936,739 |
| Temporary services | 41,001 | - | 529 | - | - | 41,530 | 160 | 1,000 | 42,690 |
| Employee benefits | 235,727 | 69,093 | 39,269 | 7,201 | - | 351,290 | 147,401 | 58,800 | 557,491 |
| Education and itineration | 155,548 | - | - | - | - | 155,548 | - | - | 155,548 |
| Travel expenses | 536,633 | 12,473 | 22,787 | 1,471 | - | 573,364 | 38,564 | 15,978 | 627,906 |
| Vehicle expense | 235,758 | 1,153 | 12,163 | 745 | - | 249,819 | 6,694 | 2,914 | 259,427 |
| Communications | 216,033 | 6,126 | 18,799 | 8,441 | - | 249,399 | 177,148 | 86,460 | 513,007 |
| Promotion, dues and copies | 7,915 | - | 2,899 | 2,912 | - | 13,726 | 273,144 | 1,398 | 288,268 |
| Housing expense - missionaries | 531,510 | - | 48,690 | - | - | 580,200 | 85,232 | - | 665,432 |
| Depreciation expense | - | - | - | - | - | - | 140,609 | - | 140,609 |
| Other equipment expense | 173,349 | - | 4,042 | 199 | - | 177,590 | 77,946 | 1,928 | 257,464 |
| Other ministry expense | 1,143,845 | 735 | 9,242 | 91 | - | 1,153,913 | 39,351 | 169,305 | 1,362,569 |
| Seconded ministries expense | 374,615 | - | - | - | - | 374,615 | - | - | 374,615 |
| Supplies expense | 18,485 | 294 | 5,099 | 2,045 | - | 25,923 | 30,928 | 790 | 57,641 |
| Insurance | - | - | - | - | - | - | 7,380 | - | 7,380 |
| Professional and consulting expense | 33,034 | - | 1,932 | - | 4,801 | 39,767 | 119,497 | 21,371 | 180,635 |
| Interest expense | - | - | - | - | 14,919 | 14,919 | 25,582 | - | 40,501 |
| Transfers | 83,720 | (11,975) | (45) | - | - | 71,700 | (71,700) | - | - |
| Miscellaneous | 110,105 | 20 | 275 | 139 | - | 110,539 | 79,591 | 45 | 190,175 |
| Occupancy | 71,311 | 19,448 | 25,931 | 6,484 | - | 123,174 | (142,622) | 19,448 | - |
| Operations and accounting | 284,608 | - | - | - | - | 284,608 | (284,608) | - | - |
| | <u>\$ 7,044,180</u> | <u>\$ 292,115</u> | <u>\$ 373,496</u> | <u>\$ 61,336</u> | <u>\$ 19,720</u> | <u>7,790,847</u> | <u>\$ 1,300,183</u> | <u>\$ 567,067</u> | <u>\$ 9,658,097</u> |

The Mission Society

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended December 31, 2006

| | Field missionaries and projects | Other U.S. based ministries | Church resources ministry | U.S. Mission representatives | Foundation programs | Total programs | Management and general | Fundraising advancement | Total |
|-------------------------------------|---------------------------------|-----------------------------|---------------------------|------------------------------|---------------------|---------------------|------------------------|-------------------------|---------------------|
| Salaries and wages | \$ 2,268,056 | \$ 186,945 | \$ 222,492 | \$ 30,292 | \$ - | \$ 2,707,785 | \$ 532,508 | \$ 169,199 | \$ 3,409,492 |
| Temporary services | 20,857 | - | 1,923 | - | - | 22,780 | - | - | 22,780 |
| Employee benefits | 197,424 | 61,258 | 58,945 | 6,085 | - | 323,712 | 144,889 | 57,098 | 525,699 |
| Education and itineration | 197,563 | 8,120 | 132 | 631 | - | 206,446 | 80 | - | 206,526 |
| Travel expense | 339,359 | 25,661 | 44,676 | 4,886 | - | 414,582 | 38,753 | 15,865 | 469,200 |
| Vehicle expense | 232,504 | 3,546 | 10,306 | 1,894 | - | 248,250 | - | 2,045 | 250,295 |
| Communications | 134,270 | 7,487 | 9,374 | 6,842 | - | 157,973 | 190,916 | 77,467 | 426,356 |
| Promotion, dues and copies | 8,225 | 261 | 6,578 | 889 | - | 15,953 | 188,526 | 65 | 204,544 |
| Housing expense - missionaries | 421,937 | 11,405 | 45,840 | - | - | 479,182 | 70,739 | - | 549,921 |
| Depreciation expense | - | - | - | - | - | - | 133,956 | - | 133,956 |
| Other equipment expense | 115,520 | 3,023 | 5,372 | 2,321 | - | 126,236 | 62,129 | 1,504 | 189,869 |
| Other ministry expense | 1,076,908 | 1,301 | 169,347 | 226 | 15,600 | 1,263,382 | 44,568 | 145,369 | 1,453,319 |
| Secoded ministries expense | 347,440 | - | - | - | - | 347,440 | - | - | 347,440 |
| Supplies expense | 14,646 | 1,107 | 6,394 | 1,087 | - | 23,234 | 38,815 | 890 | 62,939 |
| Insurance | - | - | - | - | - | - | 7,350 | - | 7,350 |
| Professional and consulting expense | 11,601 | 1,000 | 6,204 | - | 3,311 | 22,116 | 128,523 | - | 150,639 |
| Interest expense | - | - | - | - | - | - | 44,928 | - | 44,928 |
| Miscellaneous | 37,855 | - | 1,899 | 123 | 10,880 | 50,757 | 28,759 | 3,243 | 82,759 |
| Occupancy | 47,605 | 23,802 | 31,737 | 7,934 | - | 111,078 | (134,880) | 23,802 | - |
| Operations and accounting | 297,974 | - | - | - | - | 297,974 | (297,974) | - | - |
| | <u>\$ 5,769,744</u> | <u>\$ 334,916</u> | <u>\$ 621,219</u> | <u>\$ 63,210</u> | <u>\$ 29,791</u> | <u>\$ 6,818,880</u> | <u>\$ 1,222,585</u> | <u>\$ 496,547</u> | <u>\$ 8,538,012</u> |