

Mission Waco, Mission World, Inc.
Financial Statements
December 31, 2013 and 2012
(With Independent Auditor's Report Thereon)



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Mission Waco, Mission World, Inc.:

We have audited the accompanying financial statements of Mission Waco, Mission World, Inc., which comprise the statements of financial position as of December 31, 2013 and 2012, 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 the 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 audits 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 upon 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 Mission Waco, Mission World, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

September 16, 2014

Mission Waco, Mission World, Inc.

Statements of Financial Position

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 706,561	1,388,909
Marketable securities	800,477	15,315
Accounts receivable	36,693	48,280
Prepaid expenses	14,479	12,557
Inventory	<u>12,564</u>	<u>11,516</u>
Total current assets	<u>1,570,774</u>	<u>1,476,577</u>
Property and equipment:		
Land	247,987	239,987
Buildings and improvements	1,640,326	1,513,475
Furniture, fixtures, and equipment	229,439	203,890
Vehicles	94,729	43,389
Construction in progress	<u>2,366</u>	<u>-</u>
	2,214,847	2,000,741
Less accumulated depreciation	<u>707,473</u>	<u>656,716</u>
Total property and equipment	<u>1,507,374</u>	<u>1,344,025</u>
Beneficial interest in assets held by the Waco Foundation	<u>4,040</u>	<u>3,500</u>
	<u>\$ 3,082,188</u>	<u>2,824,102</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 50,045	45,881
Accrued expenses	<u>48,058</u>	<u>40,155</u>
Total current liabilities	<u>98,103</u>	<u>86,036</u>
Net assets:		
Unrestricted:		
Designated for endowment	4,040	3,500
Undesignated	<u>2,462,977</u>	<u>2,200,443</u>
	2,467,017	2,203,943
Temporarily restricted	<u>517,068</u>	<u>534,123</u>
Total net assets	<u>2,984,085</u>	<u>2,738,066</u>
Total liabilities and net assets	<u>\$ 3,082,188</u>	<u>2,824,102</u>

See accompanying notes to financial statements.

Mission Waco, Mission World, Inc.

Statements of Activities

Years Ended December 31, 2013 and 2012

	2013	2012
Changes in unrestricted net assets:		
Revenues and other support:		
Contributions:		
Individuals and others	\$ 1,184,819	1,619,641
Federal grants	250,410	269,609
Program revenue	262,216	269,384
Special events	171,815	222,964
Retail sales	356,231	286,064
Donated services and materials	99,551	64,375
Net investment income	76,891	2,096
Other income	24,881	49,328
Net assets released from restriction	454,320	372,635
Total unrestricted revenue and other support	2,881,134	3,156,096
Expenses:		
Program expenses:		
Mobilizing programs	546,522	700,769
Empowering programs	1,172,322	1,133,394
Retail sales programs	510,460	429,832
Supporting expenses:		
Management and general	257,463	221,490
Fund-raising	131,293	130,496
Total expenses	2,618,060	2,615,981
Change in unrestricted net assets	263,074	540,115
Changes in temporarily restricted net assets:		
Revenues and other support:		
Contributions	437,265	421,624
Net assets released from restriction	(454,320)	(372,635)
Change in temporarily restricted net assets	(17,055)	48,989
Increase in net assets	246,019	589,104
Net assets at beginning of year	2,738,066	2,148,962
Net assets at end of year	\$ 2,984,085	2,738,066

See accompanying notes to financial statements.

Mission Waco, Mission World, Inc.

Statement of Functional Expenses

Year Ended December 31, 2013

	Program			Supporting		Total
	Mobilization Programs	Empowering Programs	Retail Sales Programs	Management and General	Fund- raising	
Salaries	\$ 103,204	578,663	150,896	136,456	53,407	1,022,626
Payroll taxes	8,128	47,554	13,325	10,972	4,235	84,214
Employee benefits	4,358	31,782	6,215	11,747	4,521	58,623
Cost of sales	-	-	178,736	-	-	178,736
Client expenses	310,072	137,114	14,163	6,010	43,343	510,702
Donated services and materials	-	47,251	44,070	-	-	91,321
Accounting and professional fees	-	-	-	18,877	-	18,877
Insurance	4,109	31,370	4,676	12,908	932	53,995
Telephone	3,508	18,762	4,696	1,165	2,101	30,232
Postage and shipping	537	1,217	993	150	4,754	7,651
Occupancy	22,957	144,462	34,355	9,816	1,020	212,610
Depreciation	2,734	39,609	5,905	15,026	707	63,981
Travel	46,890	8,259	2,286	966	165	58,566
Equipment maintenance	3,399	28,899	7,209	2,929	271	42,707
Printing and publications	7,932	6,308	2,427	1,635	9,264	27,566
Staff development	447	2,387	489	753	238	4,314
Medical expenditures	514	8,096	-	-	-	8,610
Supplies	12,339	29,247	25,688	2,854	5,438	75,566
Vehicle expenses	53	135	49	25,101	12	25,350
Miscellaneous	15,341	11,207	14,282	98	885	41,813
	<u>\$ 546,522</u>	<u>1,172,322</u>	<u>510,460</u>	<u>257,463</u>	<u>131,293</u>	<u>2,618,060</u>

See accompanying notes to financial statements.

Mission Waco, Mission World, Inc.

Statement of Functional Expenses

Year Ended December 31, 2012

	Program			Supporting		Total
	Mobilization Programs	Empowering Programs	Retail Sales Programs	Management and General	Fund- raising	
Salaries	\$ 98,167	543,199	127,113	115,278	51,698	935,455
Payroll taxes	7,801	43,795	11,290	9,024	4,064	75,974
Employee benefits	4,523	23,530	5,815	9,536	3,656	47,060
Cost of sales	-	-	156,640	-	-	156,640
Client expenses	389,858	178,993	15,343	7,318	43,467	634,979
Donated services and materials	-	25,610	38,765	-	-	64,375
Accounting and professional fees	-	-	-	16,406	-	16,406
Insurance	5,833	28,807	3,812	10,402	903	49,757
Telephone	4,101	17,995	4,273	1,502	1,909	29,780
Postage and shipping	773	1,187	1,230	219	4,393	7,802
Occupancy	22,319	150,045	32,710	7,985	1,172	214,231
Depreciation	6,070	41,942	6,728	2,901	1,131	58,772
Travel	112,324	5,185	55	316	278	118,158
Equipment maintenance	3,253	23,520	3,619	3,651	97	34,140
Printing and publications	3,218	7,859	2,391	1,527	12,840	27,835
Staff development	1,163	3,231	641	578	238	5,851
Medical expenditures	1,202	4,186	337	-	-	5,725
Supplies	18,625	28,569	9,941	3,865	4,041	65,041
Vehicle expenses	302	406	132	29,974	39	30,853
Miscellaneous	21,237	5,335	8,997	1,008	570	37,147
	<u>\$ 700,769</u>	<u>1,133,394</u>	<u>429,832</u>	<u>221,490</u>	<u>130,496</u>	<u>2,615,981</u>

See accompanying notes to financial statements.

Mission Waco, Mission World, Inc.

Statements of Cash Flows

Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase in net assets	\$ 246,019	589,104
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	63,981	58,772
Net unrealized gains	(55,754)	(871)
Donation of land	(8,000)	(31,228)
(Gain) loss on beneficial interest	(540)	116
Decrease (increase) in operating assets:		
Accounts receivable	11,587	(9,498)
Prepaid expenses	(1,922)	186
Inventory	(1,048)	(2,350)
Increase (decrease) in operating liabilities:		
Accounts payable	4,164	10,375
Accrued expenses	7,903	552
Net cash provided by operating activities	<u>266,390</u>	<u>615,158</u>
Cash flows from investing activities:		
Purchase of marketable securities	(729,408)	(781)
Acquisition of property and equipment	(219,330)	(23,629)
Income from endowment	-	591
Net cash used in investing activities	<u>(948,738)</u>	<u>(23,819)</u>
Net increase (decrease) in cash and cash equivalents	(682,348)	591,339
Cash and cash equivalents at beginning of year	<u>1,388,909</u>	<u>797,570</u>
Cash and cash equivalents at end of year	<u>\$ 706,561</u>	<u>1,388,909</u>

See accompanying notes to financial statements.

Mission Waco, Mission World, Inc.

Notes to Financial Statements

December 31, 2013 and 2012

(1) Summary of Significant Accounting Policies(a) Nature of Activities

Mission Waco, Mission World, Inc. (the Organization) is a nonprofit organization which is dedicated to providing ministries to individuals outside the dominant culture of the United States of America with opportunities for wholeness, improvement, and self-sufficiency. The Organization also provides opportunities for people in the dominant culture to understand the plight and needs of those persons outside their cultural background through informal education, shared experiences, simulations, trips to foreign countries, and other programs. Revenues are derived primarily from contributions, program revenue, special events, and retail sales.

(b) Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Program revenues, consisting primarily of fees for participation in work groups, simulations, housing, and other programs are recorded as earned.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Mission Waco, Mission World, Inc.Notes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (continued)(c) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents at December 31, 2013 and 2012 consisted of \$7,646 and \$678,276, respectively, in a money market mutual fund.

(d) Marketable Securities

Marketable securities are measured at fair value in the statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for further discussion of fair value measurement. Investment income or loss (including gains and losses on investments, and interest and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

(e) Inventory

Inventory consists of food, supplies, and resale items for use in providing retail sales programs through the World Cup Café and the World Craft Market. Inventory is stated at the lower of cost or fair value. Cost is determined using the first-in, first out method.

(f) Property and Equipment

Property and equipment are stated at cost. Donated assets are stated at estimated fair value in the year donated. The Organization capitalizes all acquisitions with a value greater than \$2,000. Depreciation is calculated on the straight-line method over the estimated useful lives of the related assets.

(g) Income Taxes

The Organization is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is generally not subject to federal or state income taxes.

The Organization recognizes the effect of income tax positions (including whether exempt income might be determined to be unrelated business income and whether it has properly maintained its exempt status) if such positions are probable of being sustained (i.e. probable that adjustments would not be detected and made by taxing authorities). Recognized income tax provisions are measured at the largest amount that is greater than 50% of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs.

Mission Waco, Mission World, Inc.

Notes to Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(g) Income Taxes (continued)

The Organization records interest and penalties related to unrecognized tax benefits in management and general expenses.

The Organization is no longer subject to examination by the Internal Revenue Service for years prior to 2010.

(h) Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2013 and 2012, advertising costs were \$27,566 and 27,835, respectively.

(i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying value of marketable securities and the estimated useful lives of property and equipment. Actual results could differ from those estimates.

(j) Reclassifications

Certain reclassifications have been made to the 2012 financial statements to make them comparable to the current year.

(2) Marketable Securities and Fair Value Measurements

Marketable securities at December 31, 2013 and 2012 consisted of the following:

	2013	2012
Mutual funds	\$ 720,975	15,315
Equity securities	79,502	-
	\$ 800,477	15,315

Mission Waco, Mission World, Inc.

Notes to Financial Statements
(Continued)

(2) Marketable Securities and Fair Value Measurements (continued)

At December 31, 2013 and 2012, the Organization's assets and liabilities measured at fair value have been classified, for disclosure purposes, based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Fair value for the Organization's investment in mutual funds and equity securities is determined by reference to quoted market prices. Fair value of the Organization's beneficial interest in the assets held by the Waco Foundation are estimated based on the underlying fair value of the net assets held.

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2013 and 2012:

	December 31,	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Fixed income	\$ 140,027	140,027	-	-
Domestic large to mid-size market capitalization	168,926	168,926	-	-
Domestic mid-size to small market capitalization	31,624	31,624	-	-
Domestic growth	197,447	197,447	-	-
International	30,303	30,303	-	-
Alternative investments	152,648	152,648	-	-
Equity securities:				
Domestic	47,386	47,386	-	-
International	32,116	32,116	-	-
Beneficial interest in assets held by the Waco Foundation	4,040	-	4,040	-
	<u>\$ 804,517</u>	<u>800,477</u>	<u>4,040</u>	<u>-</u>

Mission Waco, Mission World, Inc.

Notes to Financial Statements
(Continued)

(2) Marketable Securities and Fair Value Measurements (continued)

	December 31, 2012	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual fund:				
Domestic growth	\$ 15,315	15,315	-	-
Beneficial interest in assets held by the Waco Foundation	3,500	-	3,500	-
	<u>\$ 18,815</u>	<u>15,315</u>	<u>3,500</u>	<u>-</u>

(3) Accounts Receivable and Conditional Promises to Give

Accounts receivable consist of amounts due to the Organization under reimbursement-type grants and other amounts due for services provided. An allowance for doubtful accounts is not considered necessary based upon management's review of the collectibility of accounts receivable at year-end.

The Organization has received reimbursement-type grants for its programs that are considered to be contributions. However, the reimbursement grants are conditional based upon the Organization incurring qualifying costs. At December 31, 2013, approximately \$51,273 of a total grant award of \$178,971, for the period from March 1, 2013 to February 28, 2014 for housing services have not been recognized as revenue because the qualifying conditions have not been met. Additionally, at December 31, 2013, approximately \$29,153 of a total grant award of \$39,549, for the period from October 1, 2013 to September 30, 2014 for housing and empowerment services have not been recognized as revenue because the qualifying conditions have not been met.

At December 31, 2012, approximately \$41,049 of a total grant award of \$181,996, for the period from March 1, 2012 to February 28, 2013 for housing services have not been recognized as revenue because the qualifying conditions have not been met. Additionally, at December 31, 2012, approximately \$46,138 of a total grant award of \$62,287, for the period from October 1, 2012 to September 30, 2013 for housing and empowerment services have not been recognized as revenue because the qualifying conditions have not been met.

Mission Waco, Mission World, Inc.

Notes to Financial Statements
(Continued)

(4) Beneficial Interest in Assets Held at Waco Foundation and the Board Designated Endowment

The Organization has transferred assets to the Waco Foundation, a community foundation, designating itself as the beneficiary. The income earned (including net realized and unrealized appreciation under Waco Foundation's current spending policy of distributable income) on the transferred assets will be paid at least annually to the Organization. The income may, if both the Organization and the Waco Foundation agree, remain and accumulate with the principal. Distributions of principal may be made at the sole discretion of the Waco Foundation. It is intended that assets be held for the benefit of the Organization as long as the need for the fund exists. However, the assets are subject to the governing documents of the Waco Foundation and the policies and procedures of its governing body. Consequently, the Waco Foundation has the right to substitute another beneficiary in the place of the Organization without the approval of the Organization.

Changes in the board designated endowment net assets, all of which are unrestricted, for the years ended December 31, 2013 and 2012 consisted of:

	<u>2013</u>	<u>2012</u>
Endowment net assets,		
beginning of year	\$ 3,500	4,207
Net investment gain (loss)	540	(116)
Income distributed to Mission Waco, Mission World, Inc.	<u>-</u>	<u>(591)</u>
Endowment net assets,		
end of year	\$ <u>4,040</u>	<u>3,500</u>

(5) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2013 and 2012, are available for the following purposes or periods:

	<u>2013</u>	<u>2012</u>
Purpose restrictions, available for:		
Haiti projects	\$ 94,606	152,261
Other projects	163,456	177,565
Scholarships	197,317	151,813
Time restrictions, available for:		
2014 programs	61,689	-
2013 programs	<u>-</u>	<u>52,484</u>
	\$ <u>517,068</u>	<u>534,123</u>

Mission Waco, Mission World, Inc.

Notes to Financial Statements
(Continued)

(6) Net Investment Income

Net investment income from cash equivalents and marketable securities is comprised of the following for 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 10,921	725
Net unrealized gains	55,754	871
Net realized gains	<u>10,216</u>	<u>500</u>
	<u>\$ 76,891</u>	<u>2,096</u>

(7) Donated Services and Materials

The Organization recognizes contribution revenue for specialized and professional services, and materials received in the accompanying statements of activities at estimated fair value. Those services and materials for the years ended December 31, 2013 and 2012 include the following items.

	<u>2013</u>	<u>2012</u>
Empowering programs:		
Professional services	\$ 47,251	25,610
Retail sales programs:		
Materials	44,300	38,765
Donated land	<u>8,000</u>	<u>-</u>
	<u>\$ 99,551</u>	<u>64,375</u>

Additionally, a number of volunteers have donated significant amounts of their time in the Organization's program services and fund-raising events, which do not qualify for recognition as contributions under generally accepted accounting principles since the services do not require specialized skills and have not been recorded in the accompanying financial statements.

(8) Functional Allocation of Expenses

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefited.

Mission Waco, Mission World, Inc.Notes to Financial Statements
(Continued)(9) Contingencies

Amounts received or receivable under grant awards are subject to adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability to the Organization. The amount, if any, of expenses which may be disallowed by grantors cannot be determined at this time although the Organization expects such amounts, if any to be immaterial.

(10) Business and Credit Concentrations

At December 31, 2013 and 2012, and periodically during the years then ended, the Organization has maintained deposits in various accounts at financial institutions in excess of federally insured limits.

Five donors accounted for approximately 26% and 47% of temporarily restricted and unrestricted contributions during the years ended December 31, 2013 and 2012, respectively.

(11) Subsequent Events

The Organization has evaluated subsequent events from the date of the statements of financial position through September 16, 2014, the date at which the financial statements were available to be issued, and determined there are no items to disclose.