

# **VILLAGE MISSIONS**

---

Financial Statements

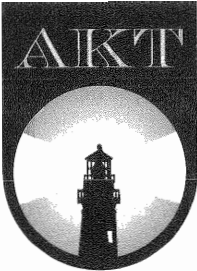
June 30, 2006 and 2005

# VILLAGE MISSIONS

---

## *Contents*

	<u>Page</u>
Independent Auditors' Report .....	1
Financial Statements:	
Statements of Financial Position .....	2
Statements of Activities and Changes in Net Assets .....	3
Statements of Functional Expenses .....	5
Statements of Cash Flows .....	7
Notes to Financial Statements .....	8



ALDRICH  
KILBRIDE &  
TATONE LLC  
*CPAs & Business Consultants*

*Helping our clients  
achieve their goals.*

PORTLAND

5665 SW MEADOWS RD.  
SUITE 200 | TALK OSWEGO,  
OREGON 97035 3131  
PHONE: 503.629.1489  
FAX: 503.624.0817

SALEM

1011 COMMERCIAL ST., SE  
SUITE 120 | SALEM,  
OREGON 97301 1085  
PHONE: 503.585.7774  
FAX: 503.364.8405

WWW.AKTCPA.COM

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Village Missions  
Dallas, Oregon

We have audited the accompanying statement of financial position of Village Missions (the Ministry) as of June 30, 2006, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Ministry's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the Ministry's June 30, 2005 financial statements, and in our report dated September 9, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Village Missions as of June 30, 2006, the activities and changes in its net assets, its functional expenses, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Aldrich Kilbride & Tatone LLC*

Salem, Oregon  
September 1, 2006

## VILLAGE MISSIONS

### Statements of Financial Position

June 30, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Cash	\$ 2,268,157	2,410,778
Investments	818,195	694,425
Accrued interest receivable	14,078	11,628
Accounts receivable, net of allowance for doubtful accounts of zero	9,875	16,147
Notes receivable	10,000	6,732
Prepaid expenses	75,513	74,027
Land, buildings, and equipment, net	641,205	648,066
	<u>\$ 3,837,023</u>	<u>3,861,803</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable	\$ 53,359	69,030
Accrued expenses	336,963	308,890
Accrued pension costs	344,294	353,232
Payable to benefit plan	68,953	15,096
	<u>803,569</u>	<u>746,248</u>
 Net assets:		
Unrestricted:		
Designated:		
New fields fund	302	22,662
Retirement projects	1,397,297	1,291,744
Education, benefits, and other	26,798	22,341
Undesignated operating reserve	2,463,485	2,456,139
Unrecognized net actuarial loss	(1,099,503)	(969,244)
	<u>2,788,379</u>	<u>2,823,642</u>
 Temporarily restricted:		
Designated fields	70,290	73,359
Christmas gifts	39,550	66,862
Employee benefits	68,488	78,947
Funds held in trust	21,751	18,537
Other	10,152	19,379
	<u>210,231</u>	<u>257,084</u>
Total temporarily restricted		
Permanently restricted - education fund	<u>34,844</u>	<u>34,829</u>
Total net assets	<u>3,033,454</u>	<u>3,115,555</u>
	<u>\$ 3,837,023</u>	<u>3,861,803</u>

The accompanying notes are an integral part of the financial statements.

<u>Permanently Restricted</u>	<u>2006 Total</u>	<u>2005 Total (Memo Only)</u>
-	4,855,281	5,071,614
-	2,729,165	2,715,172
-	7,584,446	7,786,786
-	36,958	40,700
15	117,522	94,079
-	(25,148)	313
-	1,613	6,383
-	-	-
15	7,715,391	7,928,261
-	6,621,249	6,805,366
-	178,946	212,220
-	11,062	5,651
-	63,607	57,505
-	54,128	66,121
-	599,906	592,947
-	138,335	139,485
-	7,667,233	7,879,295
15	48,158	48,966
-	(130,259)	(969,244)
34,829	3,115,555	4,035,833
34,844	3,033,454	3,115,555

The accompanying notes are an integral part of the financial statements.

Retirement <u>Facilities</u>	<u>Administration</u>	<u>Development</u>	2006 <u>Total</u>	2005 Total <u>(Memo Only)</u>
-	263,838	54,692	4,463,622	4,401,262
-	13,261	2,909	19,601	17,428
-	3,370	-	(25,827)	112,104
-	79,858	3,115	419,833	373,293
-	-	-	8,521	12,311
-	-	-	1,991,155	2,182,209
-	6,322	-	6,322	7,008
-	3,148	-	16,020	7,209
-	-	1,270	3,662	25,873
-	4,336	2,244	23,859	22,117
-	1,573	407	163,221	192,890
445	11,751	2,654	147,073	126,176
86	8,363	764	17,391	19,366
-	21,247	8,736	31,326	28,495
-	43,573	9,992	64,699	78,212
10,845	4,713	430	20,514	19,420
-	6,051	1,504	17,578	17,481
-	1,939	415	4,287	5,349
13,508	33,646	300	80,912	68,586
5,920	25,660	5,519	37,388	48,608
-	1,013	9	1,098	1,416
-	2,787	990	3,847	6,774
19,378	30,528	-	49,906	49,049
-	7,352	-	15,902	13,886
-	-	-	7,450	3,400
-	24,004	-	26,489	22,076
-	200	41,005	43,605	10,750
3,946	1,373	1,380	7,779	6,547
<u>54,128</u>	<u>599,906</u>	<u>138,335</u>	<u>7,667,233</u>	<u>7,879,295</u>

The accompanying notes are an integral part of the financial statements.

## VILLAGE MISSIONS

---

### *Notes to Financial Statements*

June 30, 2006 and 2005

#### (1) *Summary of Significant Accounting Policies*

##### Nature of Activities

Village Missions (the Ministry) is a tax-exempt, nonprofit organization under section 501(c)(3) of the Internal Revenue Code and was incorporated in 1948. Its purpose is to establish, support, and direct missionaries in towns and villages where there is either no church or no evangelical witness. The Ministry is supported primarily through donations from churches, affiliated organizations, and the general public. The accompanying financial statements include contributions for salaries and related salary expense for ministers of local churches for which the Ministry has overall management and budgetary control. Other local church revenue and expense and foreign organizations, not under common control, have not been included in the accompanying financial statements.

As of June 30, 2006, the Ministry has in place 203 missionaries in 205 fields in 33 different states.

##### Contributions

In accordance with Statement of Financial Accounting Standards No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are reported as temporarily restricted support and are then reclassified to unrestricted net assets at the time of compliance with the donor designation. Contributions are recognized when the donor makes a promise to give to the Ministry that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

##### Field Salary Contributions and Expenses

The Ministry records as income and expense the amount of wages paid directly to missionaries by the local church that the missionary serves, up to \$ 1,600 per month (\$1,550 in 2005). The Ministry is not obligated to pay wages in excess of \$1,600 per month. This results in recognition of only the amounts that the Ministry may be liable to incur.

##### Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Ministry.

##### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Ministry's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at 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.

## VILLAGE MISSIONS

---

### Notes to Financial Statements

June 30, 2006 and 2005

#### (1) Summary of Significant Accounting Policies, continued

##### Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

##### Comparative Financial Information

The 2005 total columns on the Statements of Activities and Changes in Net Assets and Statements of Functional Expenses are captioned "Memo Only" to indicate that they are presented only to facilitate financial analysis.

The Statements of Activities and Changes in Net Assets include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Ministry's financial statements for the year ended June 30, 2005, from which the summarized information was derived.

#### (2) Investments

Investments at June 30 are as follows:

	<u>2006</u>	<u>2005</u>
US Government Treasury bills and other agency obligations, at fair value	\$ 559,057	498,863
Mutual Funds, at fair value	177,352	107,991
Other, at cost	30,000	30,000
Donated property held for investment, at estimated value	51,786	57,571
	<u>\$ 818,195</u>	<u>694,425</u>

Investment return, including interest earned on cash deposits, is summarized as follows:

Interest and dividend income	\$ 117,522	94,079
Net unrealized loss	<u>(39,105)</u>	<u>(4,951)</u>
	<u>\$ 78,417</u>	<u>89,128</u>

## VILLAGE MISSIONS

### Notes to Financial Statements

June 30, 2006 and 2005

#### (4) Retirement Plans, continued

##### Disclosure of Funded Status

The following table sets forth the Plan's funded status for the fiscal years ended June 30:

	<u>2006</u>	<u>2005</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 8,001,237	7,796,997
Service cost	71,710	68,465
Interest cost	429,454	418,612
Plan participant contributions	72,450	72,390
Actuarial (gain)/loss	(248,477)	36,049
Benefits paid	<u>(437,142)</u>	<u>(391,276)</u>
Benefit obligation at end of year	<u>\$ 7,889,232</u>	<u>8,001,237</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 7,648,005	8,039,813
Actual return on plan assets	55,625	(72,922)
Employer contributions	206,000	-
Plan participant contributions	72,450	72,390
Benefits paid	<u>(437,142)</u>	<u>(391,276)</u>
Fair value of plan assets at end of year	<u>\$ 7,544,938</u>	<u>7,648,005</u>
Reconciliation of funded status:		
Funded status, (underfunded)	\$ (344,294)	(353,232)
Unrecognized net actuarial loss	<u>1,099,503</u>	<u>969,244</u>
Net deferred benefit cost	<u>\$ 755,209</u>	<u>616,012</u>
Additional minimum liability disclosures:		
Accrued benefit liability	\$ (344,294)	(353,232)
Deferred pension cost	-	-
Minimum pension liability	<u>1,099,503</u>	<u>969,244</u>
	<u>\$ 755,209</u>	<u>616,012</u>
As required by generally accepted accounting principles, the following have been recorded on the accompanying statements of financial position.		
Accrued pension costs	<u>\$ 344,294</u>	<u>353,232</u>
Minimum pension liability - unrecognized net loss	<u>\$ 1,099,503</u>	<u>969,244</u>

## VILLAGE MISSIONS

---

### *Notes to Financial Statements*

June 30, 2006 and 2005

#### **(5) *Employee Medical Benefit Plan***

The Ministry sponsors a self-insured medical plan covering substantially all full-time active employees. The Plan provides health, life, and disability benefits. Effective July 1, 2005, stop-loss protection of \$125,000 for each participant per occurrence and aggregate stop-loss protection is provided by Madison National, L.I.C. Life and disability insurance is provided through Sunlife of Canada.

Contributions to the Plan are made by the churches sponsoring the missionaries, employees, and the Ministry. Contributions to the Plan for the period from January 1, 2005 to June 30, 2006 were \$850 per month per employee (\$800 from July 1, 2004 to December 31, 2005).

The premiums collected and expenses paid for benefits and claims administration are for the benefit of and on behalf of the missionaries and are held and accounted for separately from the other assets of the Ministry through a trust. As such, the Ministry has excluded the activity and balances from the Ministry's financial statements for the years ended June 30, 2006 and 2005.

#### **(6) *Related Party Transactions***

The Ministry is related by common programs and activities with the Stonecroft Ministries, Inc. (Stonecroft).

In addition, for the year ended June 30, 2006, the Ministry received direct contributions from Stonecroft in the amount of \$625,000 (\$1,076,179 in 2005).

The Ministry is related by common directors to Creative Evangelism, Inc. (CEI), a religious nonprofit organization supporting Christian evangelism among children. Under an agreement with CEI, the Ministry may from time to time provide administrative support to CEI.

#### **(7) *Contributions***

Contributions by source for the years ended June 30 consisted of:

	<u>2006</u>	<u>2005</u>
Churches	\$ 3,980,999	3,967,683
Stonecroft Ministries, restricted for missionary supplements	625,000	514,999
Stonecroft Ministries, restricted for Christmas gifts	-	561,180
Designated gifts	2,195,496	1,883,548
Missionaries	584,256	584,525
Estates	49,006	250
Grants	17,000	23,000
Individual and other	132,689	251,601
	<u>\$ 7,584,446</u>	<u>7,786,786</u>