

Financial Statements and Report of
Independent Certified Public Accountants



The Mission Society

December 31, 2006 and 2005

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

THE MISSION SOCIETY

December 31, 2006 and 2005

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Certified Public Accountants

Report of Independent Certified Public Accountants

Board of Directors
The Mission Society of the United Methodists, Inc. and Affiliates
DBA The Mission Society

We have audited the accompanying combined statements of financial position of The Mission Society for the United Methodists, Inc. and Affiliates DBA **The Mission Society** as of December 31, 2006 and 2005, 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 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 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, 2006 and 2005, 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.

BKR Metcalf Davis

Atlanta, Georgia
June 7, 2007

BKR

INTERNATIONAL
Independent Member Firms In Principal Cities Worldwide

The Mission Society

COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2006 and 2005

	<u>2006</u>	<u>Restated 2005</u>
ASSETS		
Cash and cash equivalents	\$ 1,241,901	\$ 1,524,983
Accounts receivable		
Missionary advances	102,463	120,439
Pledges receivable	<u>230,691</u>	<u>212,250</u>
	333,154	332,689
Prepaid expenses and other assets	98,676	44,456
Investments		
Mission Society Foundation	448,776	489,878
Other	<u>2,073,586</u>	<u>1,413,034</u>
	2,522,362	1,902,912
Property and equipment, at cost - net of accumulated depreciation	<u>756,874</u>	<u>837,053</u>
	<u>\$ 4,952,967</u>	<u>\$ 4,642,093</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 87,296	\$ 128,338
Christ is Our Salvation Foundation		
mortgage note payable	600,000	720,000
Annuities payable	<u>125,757</u>	<u>104,196</u>
Total liabilities	813,053	952,534
NET ASSETS		
Unrestricted		
Investment in property and equipment - net of related indebtedness	156,874	117,053
Surplus from operations	<u>490,759</u>	<u>371,568</u>
	647,633	488,621
Temporarily restricted	3,225,625	2,938,122
Permanently restricted	<u>266,656</u>	<u>262,816</u>
Total net assets	<u>4,139,914</u>	<u>3,689,559</u>
	<u>\$ 4,952,967</u>	<u>\$ 4,642,093</u>

The accompanying notes are an integral part of these statements.

The Mission Society

COMBINED STATEMENTS OF ACTIVITIES

Years ended December 31, 2006 and 2005

	2006				2005			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Restated temporarily restricted	Permanently restricted	Restated total
Revenue, gains and other support								
Contributions	\$ 2,314,052	\$ 6,194,606	\$ 3,840	8,512,498	\$ 2,473,343	\$ 6,178,640	\$ 3,846	\$ 8,655,829
Gifts-in-kind	57,883	-	-	57,883	72,242	-	-	72,242
Interest and dividend income	100,681	-	-	100,681	43,098	-	-	43,098
Net investment gain	130,878	-	-	130,878	61,512	-	-	61,512
Seminar fees and product sales	141,905	-	-	141,905	70,909	-	-	70,909
Other	44,522	-	-	44,522	36,164	-	-	36,164
Net assets released from restrictions by								
Satisfaction of purpose restrictions	5,155,014	(5,155,014)	-	-	4,802,940	(4,802,940)	-	-
Administrative assessments	752,089	(752,089)	-	-	742,237	(742,237)	-	-
Total revenue, gains and other support	<u>8,697,024</u>	<u>287,503</u>	<u>3,840</u>	<u>8,988,367</u>	<u>8,302,445</u>	<u>633,463</u>	<u>3,846</u>	<u>8,939,754</u>
Expenses								
Program services	6,818,880	-	-	6,818,880	5,934,374	-	-	5,934,374
Supporting activities								
General and administrative	1,222,585	-	-	1,222,585	1,041,416	-	-	1,041,416
Fundraising	496,547	-	-	496,547	528,714	-	-	528,714
Total expenses	<u>8,538,012</u>	<u>-</u>	<u>-</u>	<u>8,538,012</u>	<u>7,504,504</u>	<u>-</u>	<u>-</u>	<u>7,504,504</u>
Change in net assets	159,012	287,503	3,840	450,355	797,941	633,463	3,846	1,435,250
Net assets at beginning of year	488,621	2,938,122	262,816	3,689,559	(309,320)	2,304,659	258,970	2,254,309
Net assets at end of year	<u>\$ 647,633</u>	<u>\$ 3,225,625</u>	<u>\$ 266,656</u>	<u>\$ 4,139,914</u>	<u>\$ 488,621</u>	<u>\$ 2,938,122</u>	<u>\$ 262,816</u>	<u>\$ 3,689,559</u>

The accompanying notes are an integral part of these statements.

The Mission Society

COMBINED STATEMENTS OF CASH FLOWS

Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>Restated 2005</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities		
Change in net assets	\$ 450,355	\$ 1,435,250
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	133,956	141,608
Loss on disposal of assets	-	2,413
Gain on investments	(130,878)	(61,512)
Contributions restricted for long-term investment	(3,840)	(3,846)
(Increase) in accounts receivable	(465)	(239,971)
(Increase) decrease in prepaid expenses and other assets	(54,220)	10,002
Decrease in accounts payable and accrued expenses	<u>(41,042)</u>	<u>(80,714)</u>
Net cash provided by operating activities	353,866	1,203,230
Cash flows from investing activities		
Acquisition of property and equipment	(53,777)	(206,750)
Proceeds from sale of assets	-	300
Contributions restricted for long-term investment	3,840	3,846
Proceeds from sale of investments	153,324	1,694,014
Purchase of investments	<u>(641,897)</u>	<u>(887,577)</u>
Net cash (used in) provided by investing activities	(538,510)	603,833
Cash flows from financing activities		
Payments on notes payable	(120,000)	(674,304)
Proceeds from annuities payable	34,641	2,530
Payments on annuities payable	<u>(13,080)</u>	<u>(13,707)</u>
Net cash used in financing activities	<u>(98,439)</u>	<u>(685,481)</u>
(Decrease) increase in cash and cash equivalents	(283,082)	1,121,582
Cash and cash equivalents at beginning of year	<u>1,524,983</u>	<u>403,401</u>
Cash and cash equivalents at end of year	<u>\$ 1,241,901</u>	<u>\$ 1,524,983</u>

Continued...

The Mission Society

COMBINED STATEMENTS OF CASH FLOWS - Continued

Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>Restated 2005</u>
<u>Cash paid during the year for:</u>		
Interest	\$ 10,880	\$ 11,032
<u>Noncash gifts in kind:</u>		
Donated gifts	\$ 23,835	\$ 36,242
Interest free mortgage loan	34,048	36,000

The accompanying notes are an integral part of these statements.

The Mission Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE A – SUMMARY OF ACCOUNTING POLICIES

A description of The Mission Society and summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Nature of Organization

The Mission Society for the United Methodists, Inc. and Affiliates DBA 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 Commission*. This purpose is accomplished through providing personnel and funds to evangelize un-reached peoples of the world and establish new congregations among them. The Mission Society, along with their 200 missionaries serve over 30 countries through activities, personnel and cooperative partnerships.

The Mission Society’s activities and personnel are located in Nicaragua, Venezuela, Ghana, Kenya, Hungary, Tanzania, Mexico, France, Kazakhstan, Kenya, Ecuador, Japan, Paraguay, Russia, Peru, and the United States. More than 20 additional countries are served through missionaries 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. It does not receive support or appropriations through the United Methodist denomination. The Mission Society received approximately 53 percent of its support from churches or other entities and 47 percent from individuals.

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

The Mission Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

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, 2006 and 2005

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, 2006 and 2005

NOTE A – SUMMARY OF ACCOUNTING POLICIES - Continued

5. Promises to Give

The Mission Society records as pledges receivable all unconditional promises to give.

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, Equipment and Depreciation

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, 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, 2006 and 2005

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, 2006 and 2005

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 2006 and 2005, 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 and 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 recorded in the combined financial statements as missionary expenses when The Mission Society receives notification that the funds have been expended.

The Mission Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

**NOTE B – FEDERAL DEPOSIT INSURANCE CORPORATION (“FDIC”)
COVERAGE**

Cash and investments at December 31, 2006 and 2005 included \$1,416,031 and \$1,539,605 respectively, in balances that are not covered by insurance provided by the Federal government. It is the opinion of management that the solvency of the referenced 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, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Common stock - The Mission Society Foundation	\$ 419,025	\$ 381,479
Money market - The Mission Society Foundation	29,752	17,333
Common stock - other	791,960	793,379
Money market and certificates of deposit - other	<u>1,281,625</u>	<u>710,721</u>
	<u>\$ 2,522,362</u>	<u>\$ 1,902,912</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Land	\$ 150,000	\$ 150,000
Building	438,578	438,577
Building improvements	84,897	83,967
Furniture and equipment	295,554	295,554
Computer equipment	507,071	493,645
Vehicles	444,869	410,249
Apartments (other countries)	<u>70,434</u>	<u>70,434</u>
	1,991,403	1,942,426
Less accumulated depreciation	<u>1,234,529</u>	<u>1,105,373</u>
	<u>\$ 756,874</u>	<u>\$ 837,053</u>

The Mission Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE D – PROPERTY AND EQUIPMENT - Continued

Depreciation expense was \$133,956 and \$141,608 for the years ended December 31, 2006 and 2005, respectively.

NOTE E – MORTGAGE NOTES PAYABLE

At December 31, 2006 and 2005 a mortgage note payable was due to Christ is Our Salvation Foundation, a Tennessee charitable trust, in the amount \$600,000 and \$720,000, respectively. This note is non-interest bearing payable in monthly installments of \$10,000 beginning on January 5, 2006 and ending on December 5, 2011. On January 20, 2005, payment in full to Wachovia Bank, the current first mortgage holder on the Crooked Creek Norcross property was made. As of that date, this note became secured by a first mortgage on the Norcross, Georgia land, building, fixtures and improvements.

Scheduled future principal reductions are as follows:

<u>Year ending December 31,</u>	
2007	\$ 120,000
2008	120,000
2009	120,000
2010	120,000
2011	<u>120,000</u>
	<u>\$ 600,000</u>

The Mission Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE F – NET ASSETS

Temporarily restricted net assets at December 31, 2006 and 2005 were restricted for the following purposes:

	<u>2006</u>	<u>2005</u> as restated
The Mission Society - Missionaries	\$ 2,562,060	\$ 2,232,115
The Mission Society - Projects	317,060	454,449
The Foundation - for payment of annuity contracts	115,814	89,308
President's Gathering - Pledges	<u>230,691</u>	<u>162,250</u>
Total temporarily restricted net assets	<u>\$ 3,225,625</u>	<u>\$ 2,938,122</u>

Permanently restricted net assets totaling \$266,656 and \$262,816, at December 31, 2006 and 2005, 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 \$144,246 by The Mission Society during 2006 and 2005, 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 \$79,231 and \$50,035 for the years ended December 31, 2006 and 2005, respectively.

The Mission Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE H – OPERATING LEASES

The Mission Society leases office equipment under operating leases expiring in the year 2010. Minimum future rental payment for the remaining four years of the lease, and in the aggregate are:

<u>For the year ending December 31,</u>	
2007	\$ 79,895
2008	79,895
2009	79,895
2010	<u>79,895</u>
	<u>\$ 319,580</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 generate updated and improved printed brochures, upgrade the Society’s website, enhance its quarterly magazine, and create visuals useful for conventions involving The Mission Society. This agreement requires 25 monthly payments of \$19,500 for which POV will provide 130 hours of design work per month. The agreement allows The Mission Society to cancel the remaining term at any time without penalty. The payments are expensed during the period paid.

NOTE J – CHANGE IN PRESENTATION

During 2006 management determined that certain contributions which were originally recorded as revenue in the current year when funds were received should more appropriately have been recorded as unconditional pledges receivable at the time the pledge was made in 2005 in accordance with accounting principles generally accepted in the United States of America. As a result, the 2005 income and receivables presented have been restated as summarized on page 18.

Also, in conjunction with the implementation of a new accounting system, management reevaluated the methodology utilized for allocation of certain expenses between the various functions of The Mission Society. As a result certain 2005 expense amounts were reclassified to conform with the 2006 functional expense allocation methodology as summarized on page 18.

The Mission Society

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

NOTE J – CHANGE IN PRESENTATION - Continued

Restatement and reclassification of 2005 financial presentation is as follows:

	<u>Year ended December 31, 2005</u>	
	<u>Previously reported</u>	<u>Restated</u>
Temporarily Restricted Net Assets		
Contributions	\$ 6,016,390	\$ 6,178,640
Change in net assets	471,213	633,463
Net assets end of year	2,775,872	2,938,122
Unrestricted Net Assets		
Expenses		
Program services	\$ 5,669,123	\$ 5,934,374
Supporting activities		
General and administrative	1,367,839	1,041,416
Fund raising	<u>467,541</u>	<u>528,714</u>
Total	<u>\$ 7,504,504</u>	<u>\$ 7,504,504</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 of the United Methodists, Inc. and Affiliates
DBA The Mission Society

We have audited the accompanying combined statements of financial position of The Mission Society of the United Methodists, Inc. and Affiliates DBA **The Mission Society** as of December 31, 2006 and 2005, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the years ended December 31, 2006 and 2005, taken as a whole.

BKR Metcalf Davis

Atlanta, Georgia
June 7, 2007

The Mission Society

SCHEDULE OF ACTIVITY - THE MISSION SOCIETY FOUNDATION

Year ended December 31, 2006
(with comparative totals for 2005)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2006 Totals</u>	<u>2005 Totals</u>
Revenue					
Contributions	\$ 65,938	\$ 26,506	\$ 3,840	\$ 96,284	\$ 6,036
Interest and dividend income	12,010	-	-	12,010	9,249
Realized and unrealized gain on investments	42,088	-	-	42,088	17,914
Net assets released from restriction	<u>34,000</u>	<u>(34,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	154,036	(7,494)	3,840	150,382	33,199
Expenses and transfers					
Interest	10,880	-	-	10,880	11,032
General and administrative	3,311	-	-	3,311	4,895
Transfer to The Mission Society	<u>139,845</u>	<u>-</u>	<u>-</u>	<u>139,845</u>	<u>67,436</u>
	<u>154,036</u>	<u>-</u>	<u>-</u>	<u>154,036</u>	<u>83,363</u>
Change in net assets	-	(7,494)	3,840	(3,654)	(50,164)
Net assets at beginning of year	<u>-</u>	<u>123,308</u>	<u>262,816</u>	<u>386,124</u>	<u>436,288</u>
Net assets at end of year	<u>\$ -</u>	<u>\$ 115,814</u>	<u>\$ 266,656</u>	<u>\$ 382,470</u>	<u>\$ 386,124</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	Grand 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>

The Mission Society

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended December 31, 2005
(Restated)

	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	Grand total
Salaries and wages	\$ 2,066,023	\$ 91,490	\$ 170,425	\$ 31,450	\$ -	2,359,388	\$ 504,493	\$ 146,341	\$ 3,010,222
Temporary services	11,079	8,080	8,763	-	-	27,922	1,302		29,224
Employee benefits	167,899	27,815	43,517	5,959	-	245,190	136,258	44,592	426,041
Education and itineration	147,934	-	341	816	8,752	157,843	2,346	1,135	161,324
Travel expenses	321,443	60,933	60,969	7,970	32	451,347	36,999	124,750	613,096
Vehicle expense	208,709	557	3,376	2,322	-	214,964	20,446	1,686	237,096
Communications	154,010	7,302	39,117	8,053	-	208,482	202,700	151,788	562,970
Promotion, dues and copies	3,296	2,175	521	548	110	6,650	34,738	4,267	45,655
Housing expense - missionaries	386,831	-	41,220	-	-	428,051	72,353		500,404
Depreciation expense	-	-	-	-	-	-	141,608		141,608
Other equipment expense	113,947	2,771	5,368	-	-	122,086	82,252	3,000	207,338
Other ministry expense	831,411	32,686	19,312	306	-	883,715	18,209	13,983	915,907
Seconded ministries expense	348,259	-	-	-	-	348,259	-		348,259
Employee relations	-	-	-	-	-	-	857	660	1,517
Supplies expense	25,534	661	9,766	1,151	-	37,112	13,984	3,415	54,511
Insurance	-	-	-	-	-	-	5,360		5,360
Professional and consulting expense	19,626	8,239	7,371	250	4,895	40,381	116,082	5,490	161,953
Interest expense	-	-	-	-	-	-	36,000		36,000
Miscellaneous	42,207	-	97	233	2,497	45,034	662	324	46,020
Occupancy	54,566	9,094	36,377	9,094	-	109,131	(136,414)	27,283	0
Operations and Accounting	248,819	-	-	-	-	248,819	(248,819)	-	-
	<u>\$ 5,151,593</u>	<u>\$ 251,803</u>	<u>\$ 446,540</u>	<u>\$ 68,152</u>	<u>\$ 16,286</u>	<u>5,934,374</u>	<u>\$ 1,041,416</u>	<u>\$ 528,714</u>	<u>\$ 7,504,504</u>