

THE MASTER'S MISSION

FINANCIAL STATEMENTS
With Independent Auditors' Report

December 31, 2007 and 2006

THE MASTER'S MISSION

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INDEPENDENT AUDITORS' REPORT

Board of Directors

The Master's Mission

Robbinsville, North Carolina

We have audited the accompanying statements of financial position of **The Master's Mission** (a nonprofit corporation) as of December 31, 2007, and 2006 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Mission's management. 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 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's internal control over financial reporting. Accordingly, we express no such opinion. 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 financial statements referred to above present fairly, in all material respects, the financial position of **The Master's Mission** as of December 31, 2007, and 2006, 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.

CAPIN CROUSE LLP



Greenwood, Indiana

October 24, 2008

THE MASTER'S MISSION

Statements of Financial Position

	December 31,	
	2007	2006
ASSETS:		
Cash and cash equivalents	\$ 1,382,953	\$ 1,482,450
Accounts receivable	23,279	39,405
Prepaid expenses	14,599	8,112
Inventory	5,367	8,474
Investments	1,000	1,000
Property and equipment—net (Note 3)	2,739,515	2,824,208
Total Assets	<u>\$ 4,166,713</u>	<u>\$ 4,363,649</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 30,676	\$ 41,082
Accrued expenses	1,215	11,405
Debt (Note 4)	-	6,370
Total liabilities	<u>31,891</u>	<u>58,857</u>
Net assets:		
Unrestricted:		
Undesignated	61,203	170,334
Net investment in property and equipment	2,739,515	2,817,838
	<u>2,800,718</u>	<u>2,988,172</u>
Temporarily restricted	1,334,104	1,316,620
Total net assets	<u>4,134,822</u>	<u>4,304,792</u>
Total Liabilities and Net Assets	<u>\$ 4,166,713</u>	<u>\$ 4,363,649</u>

See notes to financial statements

THE MASTER'S MISSION

Statements of Activities

	For the Years Ended December 31,					
	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Support (Note 5)	\$ 357,942	\$2,012,501	\$2,370,443	\$ 296,948	\$1,960,338	\$2,257,286
Revenue (Note 6)	13,885	47,531	61,416	15,361	39,002	54,363
Total Support and Revenue	371,827	2,060,032	2,431,859	312,309	1,999,340	2,311,649
RECLASSIFICATIONS:						
Net assets released by satisfaction of purpose restrictions	2,042,548	(2,042,548)	-	1,929,572	(1,929,572)	-
EXPENSES:						
Program services:						
Foreign ministries and projects	1,856,754	-	1,856,754	1,576,539	-	1,576,539
Instruction and student activities	151,180	-	151,180	195,803	-	195,803
	<u>2,007,934</u>	<u>-</u>	<u>2,007,934</u>	<u>1,772,342</u>	<u>-</u>	<u>1,772,342</u>
Supporting activities:						
Management and general	504,976	-	504,976	485,819	-	485,819
Appointee deputation and missionary furlough	88,919	-	88,919	82,765	-	82,765
	<u>593,895</u>	<u>-</u>	<u>593,895</u>	<u>568,584</u>	<u>-</u>	<u>568,584</u>
Total Expenses	2,601,829	-	2,601,829	2,340,926	-	2,340,926
Change in Net Assets	(187,454)	17,484	(169,970)	(99,045)	69,768	(29,277)
Net Assets, Beginning of Year	2,988,172	1,316,620	4,304,792	3,087,217	1,246,852	4,334,069
Net Assets, End of Year	<u>\$2,800,718</u>	<u>\$1,334,104</u>	<u>\$4,134,822</u>	<u>\$2,988,172</u>	<u>\$1,316,620</u>	<u>\$4,304,792</u>

See notes to financial statements

THE MASTER'S MISSION

Statements of Cash Flows

	For the Years Ended December 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (169,970)	\$ (29,277)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	196,022	208,042
Unrealized loss on investment	-	230
Change in:		
Accounts receivable	16,126	(18,253)
Prepaid expenses	(6,487)	(841)
Inventory	3,107	(2,737)
Accounts payable	(10,406)	21,749
Accrued expenses	(10,190)	5,551
	<u>18,202</u>	<u>184,464</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(111,329)	(102,708)
	<u>(111,329)</u>	<u>(102,708)</u>
Net Cash Used by Investing Activities		
	<u>(111,329)</u>	<u>(102,708)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on debt	(6,370)	(5,792)
	<u>(6,370)</u>	<u>(5,792)</u>
Net Cash Used by Financing Activities		
	<u>(6,370)</u>	<u>(5,792)</u>
Change in Cash and Cash Equivalents	(99,497)	75,964
Cash and Cash Equivalents, Beginning of Year	1,482,450	1,406,486
Cash and Cash Equivalents, End of Year	<u>\$ 1,382,953</u>	<u>\$ 1,482,450</u>
SUPPLEMENTAL INFORMATION:		
Cash paid for interest (\$-0- capitalized)	\$ 634	\$ 1,143
	<u>\$ 634</u>	<u>\$ 1,143</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:		
Gift-in-kind contributions	\$ 63,083	\$ 10,375
	<u>\$ 63,083</u>	<u>\$ 10,375</u>

See notes to financial statements

THE MASTER'S MISSION

Notes to Financial Statements

December 31, 2007 and 2006

1. NATURE OF ORGANIZATION:

The Master's Mission (Mission) serves as a training center to equip missionaries both Biblically and technically to establish churches in remote areas of the world. The Mission also functions as a sending organization to assist the local church to place their missionaries on the foreign field. The Mission is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (code). Contributions to the Mission are deductible for income tax purposes. The Mission is not a private foundation under Section 509(a)(1) of the code.

Contributions from individuals and churches support the training and sending of missionaries. The Mission received approximately 76% and 60% of support from individuals and 24% and 40% from churches and other entities during the years 2007 and 2006, respectively. Other revenue sources include tuition, fees, and interest. As of December 31, 2007, the Mission had 73 missionaries serving in 12 countries.

2. SIGNIFICANT ACCOUNTING POLICIES:

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

The preparation of 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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, checking accounts, bank savings accounts, and money market accounts as well as certificates of deposit with original maturity dates of less than three months. Deposits in excess of federally insured limits totaled approximately \$1,200,000 and \$1,300,000 at December 31, 2007, and 2006, respectively. Management believes it is not exposed to any significant credit risk on these accounts.

ACCOUNTS RECEIVABLE

Accounts receivable are reported at net realizable value. Management believes all receivable balances will be collectible; therefore, no provision for uncollectible accounts was made. Accounts receivable from employees totaled \$14,530 and \$20,004 at December 31, 2007, and 2006, respectively.

INVENTORY

Inventory consists of clothing and books sold at cost to Mission visitors and tools for the use of missionary candidates. Inventory is carried at the lower of cost or fair market value.

INVESTMENTS

Donated investments are initially reported at quoted value or estimated fair value at the date of the donation. Investments in equity securities with readily determinable fair values and all debt securities are reported at fair value.

THE MASTER'S MISSION

Notes to Financial Statements

December 31, 2007 and 2006

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY, EQUIPMENT, AND DEPRECIATION

Purchased property and equipment are capitalized at cost. Another reasonable basis other than cost was used in the absence of historical cost upon adoption of SFAS 93. Items acquired in excess of \$500 are capitalized. Donated items to be used by the Mission are capitalized at fair market value on the date of donation.

Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, ranging from three to thirty five years.

NET ASSETS

The statements report amounts separately by class of net assets:

Unrestricted Net Assets

Undesignated net assets represent resources over which the Board has discretionary control and may be used to carry out any operations of the Mission in accordance with its by laws and exempt purposes.

Net investment in property and equipment represents property and equipment used in the Ministry, net of accumulated depreciation and any related debt.

Temporarily Restricted Net Assets

Temporarily restricted net assets represents resources currently available for use but expendable only for a particular missionary or project, according to the donor stipulations.

SUPPORT, REVENUE, AND RECLASSIFICATION

Contributions are reported when earned, which may be when cash is received, unconditional promises are made, or when ownership of donated assets is transferred to the Mission. Revenues are reported as income when earned.

The Mission reports gifts of cash and other assets 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 statements of activities as net assets released from restrictions.

The Mission receives indications of intent to support ministries that are commitments to provide monthly, quarterly, 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 commitment is not measurable. Considering these factors, the commitments are not considered to be unconditional promises to give and are not recognized prior to receipt of the contribution.

THE MASTER'S MISSION

Notes to Financial Statements

December 31, 2007 and 2006

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

EXPENSES, ALLOCATION OF EXPENSES, AND JOINT COSTS

Expenses are reported when incurred.

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

In connection with missionary furlough and deputation activities for the years ended December 31, 2007, and 2006, the Mission incurred joint costs of \$143,153 and \$139,232, respectively, for informational materials and activities that included fund-raising appeals. Of those costs, \$57,261 and \$55,693 was allocated to program services, \$7,158 and \$6,962 was allocated to general and administration, and \$78,734 and \$76,578 was allocated to fund-raising.

3. PROPERTY AND EQUIPMENT:

As of December 31, 2007, property and equipment consisted of:

	United States	Other Countries	Total
Land	\$ 719,405	\$ -	\$ 719,405
Buildings	2,295,549	-	2,295,549
Roads and other land improvements	1,438,840	-	1,438,840
Equipment	520,400	621,220	1,141,620
Furniture and fixtures	48,435	-	48,435
	5,022,629	621,220	5,643,849
Accumulated depreciation	(3,025,156)	(483,811)	(3,508,967)
	1,997,473	137,409	2,134,882
Construction in progress	604,633	-	604,633
	<u>\$ 2,602,106</u>	<u>\$ 137,409</u>	<u>\$ 2,739,515</u>

THE MASTER'S MISSION

Notes to Financial Statements

December 31, 2007 and 2006

3. PROPERTY AND EQUIPMENT, continued:

As of December 31, 2006, property and equipment consisted of:

	United States	Other Countries	Total
Land	\$ 719,405	\$ -	\$ 719,405
Buildings	2,295,549	-	2,295,549
Roads and other land improvements	1,438,840	-	1,438,840
Equipment	520,255	594,589	1,114,844
Furniture and fixtures	48,435	-	48,435
	5,022,484	594,589	5,617,073
Accumulated depreciation	(2,938,529)	(386,574)	(3,325,103)
	2,083,955	208,015	2,291,970
Construction in progress	532,238	-	532,238
	\$ 2,616,193	\$ 208,015	\$ 2,824,208

Construction in progress is composed of seven separate projects for Mission facilities and land improvements. The total estimated cost to complete these projects was \$1,625,000 and \$1,563,000 as of December 31, 2007, and 2006, respectively.

4. DEBT:

Debt consists of:

	December 31,	
	2007	2006
Notes secured by a mortgage payable to bank, payable in annual installments of \$6,927, including principal and interest at the current rate of 10% per annum, through November 2007. The mortgage was paid in full at December 31, 2007.	\$ -	\$ 6,370

Debt matures as follows:

Year	Amount
2007	\$ -

THE MASTER'S MISSION

Notes to Financial Statements

December 31, 2007 and 2006

5. CONCENTRATIONS:

During the years ended December 31, 2007, and 2006, the Mission had a concentration of contributions from a small number of donors in the amount of \$876,053 and \$957,469, which represents 35% and 38% of the total contributions, respectively.

6. REVENUE:

Revenue consists of:

	December 31,	
	2007	2006
Tuition and fees	\$ 3,380	\$ 13,475
Interest	47,531	39,002
Unrealized loss on investment	-	(230)
Gain on disposal of equipment	-	-
Other	10,505	2,116
	<u>\$ 61,416</u>	<u>\$ 54,363</u>

7. EMPLOYEE BENEFIT PLANS:

The Mission has a tax-sheltered annuity plan whereby employees may elect to make contributions pursuant to a salary reduction agreement. There were no mission contributions to the plan in 2007 or 2006.

The Mission provides health insurance for all employees. The amount incurred for insurance coverage was \$117,811 and \$120,932 for the years ended December 31, 2007, and 2006, respectively.

8. SUBSEQUENT EVENT:

In April 2008, the Mission purchased property in Ocoee, Florida, for approximately \$445,240 that will serve as missionary transitory house. The Mission made an initial cash payment of \$50,000 as part of the purchase agreement.

THE MASTER'S MISSION

Notes to Financial Statements

December 31, 2007 and 2006

9. NEW ACCOUNTING PRONOUNCEMENTS:

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprises financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 will be effective for fiscal years beginning after December 15, 2007. The effects of FIN 48 have not been determined.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements, SFAS No. 157 will be effective for fiscal years beginning after November 15, 2007. The effects of SFAS No. 157 have not been determined.

In February 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 will be effective for fiscal years beginning after November 15, 2007. The effects of SFAS No. 159 have not been determined.

In August 2008, the Financial Accounting Standards Board (FASB) released for comment *FASB Staff Position (FSP) FAS 117-1*. This staff position provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This FSP improves disclosures about an organization's endowment (both donor-restricted and board-designated funds) whether or not the organization is subject to UPMIFA. The provisions of this FSP are effective for fiscal years ending after December 15, 2008.

SUPPLEMENTARY DATA

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY DATA**

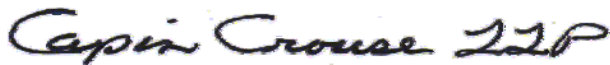
Board of Directors

The Master's Mission

Robbinsville, North Carolina

Our report on our audits of the basic financial statements of **The Master's Mission**, as of and for the years ended December 31, 2007, and 2006 appears on page 1. The audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary data on the following pages 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 audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CAPIN CROUSE LLP



Greenwood, Indiana

October 24, 2008

THE MASTER'S MISSION

Statement of Functional Expenses

For the Year Ended December 31, 2008

	Program Services			Supporting Activities			Total
	Ministries and Projects	Instruction and Student Activities	Total Program Services	Management and General	Appointee Deputation and Furlough	Total Supporting Activities	
Salaries	\$ 518,958	\$ 78,290	\$ 597,248	\$ 175,965	\$ 47,915	\$ 223,880	\$ 821,128
Employee Health and Retirement	75,387	16,870	92,257	30,254	12,000	42,254	134,511
Payroll Taxes	-	-	-	9,053	-	9,053	9,053
	594,345	95,160	689,505	215,272	59,915	275,187	964,692
Field Projects and Work Funds:							
Kenya	679,790	-	679,790	1,711	18,820	20,531	700,321
USA (excluding Alaska)	114,133	-	114,133	-	-	-	114,133
Romania	108,400	-	108,400	-	-	-	108,400
Israel	55,001	-	55,001	-	-	-	55,001
Democratic Republic of Congo	44,149	-	44,149	-	-	-	44,149
Kazakhstan	25,787	-	25,787	-	-	-	25,787
Alaska	29,912	-	29,912	-	-	-	29,912
Uganda	-	-	-	-	-	-	-
India	17,884	-	17,884	-	-	-	17,884
Ecuador	42,017	-	42,017	-	-	-	42,017
Nigeria	30,084	-	30,084	-	-	-	30,084
Latin America	3,047	-	3,047	-	-	-	3,047
Other	-	-	-	-	-	-	-
	1,150,204	-	1,150,204	1,711	18,820	20,531	1,170,735
Depreciation	104,484	33,453	137,937	57,035	1,049	58,084	196,021
Advertising	-	-	-	65,950	-	65,950	65,950
Supplies and Other Services	-	10,480	10,480	26,721	-	26,721	37,201
Missions Conferences	-	-	-	-	-	-	-
Travel and Transportation	-	-	-	22,821	-	22,821	22,821
Insurance	-	1,920	1,920	33,288	522	33,810	35,730
Equipment Repair and Maintenance	-	-	-	16,145	-	16,145	16,145
Property tax	-	-	-	17,090	-	17,090	17,090
Occupancy	-	3,759	3,759	10,988	892	11,880	15,639
Professional and Other Contracts	-	-	-	13,062	-	13,062	13,062
Telephone	-	-	-	9,120	-	9,120	9,120
Building and Property Maintenance	-	5,880	5,880	12,373	-	12,373	18,253
Printing and Publications	7,721	-	7,721	-	7,721	7,721	15,442
Postage	-	-	-	3,400	-	3,400	3,400
Interest	-	528	528	-	-	-	528
	112,205	56,020	168,225	287,993	10,184	298,177	466,402
	\$ 1,856,754	\$ 151,180	\$ 2,007,934	\$ 504,976	\$ 88,919	\$ 593,895	\$ 2,601,829

THE MASTER'S MISSION

Statement of Functional Expenses

For the Year Ended December 31, 2007

	Program Services			Supporting Activities			Total
	Ministries and Projects	Instruction and Student Activities	Total Program Services	Management and General	Appointee Deputation and Furlough	Total Supporting Activities	
Salaries	\$ 440,299	\$ 125,549	\$ 565,848	\$ 204,566	\$ 36,428	\$ 240,994	\$ 806,842
Employee Health and Retirement	89,806	28,373	118,179	26,053	8,700	34,753	152,932
Payroll Taxes	-	-	-	8,261	-	8,261	8,261
	530,105	153,922	684,027	238,880	45,128	284,008	968,035
Field Projects and Work Funds:							
Kenya	398,322	-	398,322	2,859	31,450	34,309	432,631
USA (excluding Alaska)	177,362	-	177,362	-	-	-	177,362
Romania	85,041	-	85,041	-	-	-	85,041
Israel	73,830	-	73,830	-	-	-	73,830
Democratic Republic of Congo	36,908	-	36,908	-	-	-	36,908
Kazakhstan	34,964	-	34,964	-	-	-	34,964
Alaska	25,229	-	25,229	-	-	-	25,229
Uganda	21,667	-	21,667	-	-	-	21,667
India	18,091	-	18,091	-	-	-	18,091
Ecuador	17,830	-	17,830	-	-	-	17,830
Nigeria	15,226	-	15,226	-	-	-	15,226
Latin America	4,196	-	4,196	-	-	-	4,196
Other	-	-	-	-	-	-	-
	908,666	-	908,666	2,859	31,450	34,309	942,975
Depreciation	117,598	33,035	150,633	56,359	1,049	57,408	208,041
Advertising	-	-	-	54,759	-	54,759	54,759
Supplies and Other Services	-	-	-	31,381	-	31,381	31,381
Missions Conferences	15,664	-	15,664	-	-	-	15,664
Travel and Transportation	-	-	-	19,822	-	19,822	19,822
Insurance	655	1,311	1,966	10,839	423	11,262	13,228
Equipment Repair and Maintenance	-	-	-	14,227	-	14,227	14,227
Property tax	-	-	-	13,260	-	13,260	13,260
Occupancy	-	3,637	3,637	10,644	864	11,508	15,145
Professional and Other Contracts	-	-	-	10,941	-	10,941	10,941
Telephone	-	-	-	11,043	-	11,043	11,043
Building and Property Maintenance	-	2,824	2,824	8,085	-	8,085	10,909
Printing and Publications	3,851	-	3,851	-	3,851	3,851	7,702
Postage	-	-	-	2,720	-	2,720	2,720
Interest	-	1,074	1,074	-	-	-	1,074
	137,768	41,881	179,649	244,080	6,187	250,267	429,916
	\$ 1,576,539	\$ 195,803	\$ 1,772,342	\$ 485,819	\$ 82,765	\$ 568,584	\$ 2,340,926