

**Mission of Mercy**  
**(A Division of Bethesda Ministries)**

Accountants' Reports and Financial Statements

September 30, 2007 and 2006

**Mission of Mercy**  
**(A Division of Bethesda Ministries)**  
September 30, 2007 and 2006

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## Independent Accountants' Report

Board of Directors  
Bethesda Ministries  
Colorado Springs, Colorado

We have audited the accompanying statement of financial position of Mission of Mercy (A Division of Bethesda Ministries) (Mission of Mercy) as of September 30, 2007, and the related statements of activities and cash flows for the year ended September 30, 2007. These financial statements are the responsibility of Mission of Mercy'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 Mission of Mercy's September 30, 2006 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 above present fairly, in all material respects, the financial position of Mission of Mercy as of September 30, 2007, and the changes in its net assets and its cash flows for the year ended September 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

\s\ **BKD, LLP**

December 17, 2007

**Mission of Mercy  
(A Division of Bethesda Ministries)**

**Statements of Financial Position**

**September 30, 2007**

**(With Summarized Financial Information for the Year Ended September 30, 2006)**

**Assets**

|                              | <b>2007</b>  | <b>2006</b>  |
|------------------------------|--------------|--------------|
| Cash and cash equivalents    | \$ 583,294   | \$ 706,251   |
| Receivables                  | 61,930       | 4,984        |
| Investments                  | 2,741,495    | 2,518,536    |
| Furniture and equipment, net | 1,157,539    | 1,250,038    |
| Other assets                 | 124,033      | 176,056      |
| Total assets                 | \$ 4,668,291 | \$ 4,655,865 |

**Liabilities and Net Assets**

**Current Liabilities**

|                           |            |            |
|---------------------------|------------|------------|
| Accounts payable          |            |            |
| Related parties           | \$ 103,803 | \$ 430,340 |
| Other                     | 107,231    | 59,140     |
| Accrued liabilities       | 168,634    | 120,275    |
| Gift annuities payable    | 25,459     | 88,405     |
| Total current liabilities | 405,127    | 698,160    |

**Net Assets**

|  |              |              |
|--|--------------|--------------|
| Unrestricted                             | 1,347,056    | 962,485      |
| Temporarily restricted                   | 2,900,433    | 2,979,545    |
| Permanently restricted                   | 15,675       | 15,675       |
| Total net assets                         | 4,263,164    | 3,957,705    |
| Total current liabilities and net assets | \$ 4,668,291 | \$ 4,655,865 |

# Mission of Mercy (A Division of Bethesda Ministries)

## Statements of Activities

Year Ended September 30, 2007

(With Summarized Financial Information for the Year Ended September 30, 2006)

|  | Unrestricted        | Temporarily<br>Restricted | Permanently<br>Restricted | 2007<br>Total       | 2006<br>Total       |
|--|---------------------|---------------------------|---------------------------|---------------------|---------------------|
| <b>Revenues, Gains and Other Support</b>   |                     |                           |                           |                     |                     |
| Contributions  |                     |                           |                           |                     |                     |
| General  | \$ 2,766,594        | \$ 10,131,814             | \$ -                      | \$ 12,898,408       | \$ 12,339,969       |
| Bethesda Ministries  | 279,606             | 134,874                   | -                         | 414,480             | 572,061             |
| Interest and dividends   | 43,730              | -                         | -                         | 43,730              | 34,098              |
| Realized and unrealized gains<br>on investments, net                                   | 347,655             | -                         | -                         | 347,655             | 221,508             |
| Other revenue  | 3                   | -                         | -                         | 3                   | 373                 |
| Satisfaction of program<br>restrictions  | 10,345,800          | (10,345,800)              | -                         | -                   | -                   |
| Total revenues, gains<br>and other support   | <u>13,783,388</u>   | <u>(79,112)</u>           | <u>-</u>                  | <u>13,704,276</u>   | <u>13,168,009</u>   |
| <b>Expenses</b>  |                     |                           |                           |                     |                     |
| Program services   |                     |                           |                           |                     |                     |
| Child ministries   | 9,990,189           | -                         | -                         | 9,990,189           | 9,947,902           |
| Humanitarian and relief  | 135,836             | -                         | -                         | 135,836             | 280,834             |
| Child health intervention  | 300,565             | -                         | -                         | 300,565             | 107,460             |
| Higher education and<br>vocational training  | 32,836              | -                         | -                         | 32,836              | 46,201              |
| Sponsor/donor ministries   | 389,660             | -                         | -                         | 389,660             | 356,519             |
| Total program<br>services  | <u>10,849,086</u>   | <u>-</u>                  | <u>-</u>                  | <u>10,849,086</u>   | <u>10,738,916</u>   |
| Supporting services  |                     |                           |                           |                     |                     |
| General and administrative   | 1,766,070           | -                         | -                         | 1,766,070           | 1,604,379           |
| Promotion and<br>development   | 1,545,821           | -                         | -                         | 1,545,821           | 1,767,206           |
| Less supporting<br>services subsidized by<br>Bethesda Ministries                       | (762,160)           | -                         | -                         | (762,160)           | (455,315)           |
| Total supporting<br>services   | <u>2,549,731</u>    | <u>-</u>                  | <u>-</u>                  | <u>2,549,731</u>    | <u>2,916,270</u>    |
| Total expenses   | <u>13,398,817</u>   | <u>-</u>                  | <u>-</u>                  | <u>13,398,817</u>   | <u>13,655,186</u>   |
| <b>Change in Net Assets</b>  | 384,571             | (79,112)                  | -                         | 305,459             | (487,177)           |
| <b>Net Assets, Beginning<br/>of Year</b>   | 962,485             | 2,979,545                 | 15,675                    | 3,957,705           | 4,495,572           |
| <b>Transfer of Permanently<br/>Restricted Net Assets to<br/>Unrelated Organization</b> | <u>-</u>            | <u>-</u>                  | <u>-</u>                  | <u>-</u>            | <u>(50,690)</u>     |
| <b>Net Assets, End of Year</b>   | <u>\$ 1,347,056</u> | <u>\$ 2,900,433</u>       | <u>\$ 15,675</u>          | <u>\$ 4,263,164</u> | <u>\$ 3,957,705</u> |

**Mission of Mercy  
(A Division of Bethesda Ministries)**

**Statements of Cash Flows**

**Year Ended September 30, 2007**

**(With Summarized Financial Information for the Year Ended September 30, 2006)**

|   | <b>2007</b>       | <b>2006</b>       |
|---|-------------------|-------------------|
| <b>Operating Activities</b>                             |                   |                   |
| Change in net assets                                    | \$ 305,459        | \$ (487,177)      |
| Items not requiring (providing) cash                    |                   |                   |
| Depreciation and amortization                           | 191,673           | 177,573           |
| Loss on disposal of assets                              | -                 | 467               |
| Realized and unrealized gains on investments, net       | (347,655)         | (221,508)         |
| Changes in  |                   |                   |
| Receivables   | (56,946)          | 41,799            |
| Other assets  | 51,339            | 50,771            |
| Related party payables                                  | (326,537)         | (54,483)          |
| Other accounts payable                                  | 48,090            | (95,651)          |
| Accrued liabilities                                     | 48,358            | (1,872)           |
| Gift annuities payable                                  | (59,365)          | 6,237             |
|   | <u>(145,584)</u>  | <u>(583,844)</u>  |
| <b>Investing Activities</b>                             |                   |                   |
| Proceeds from sale of investments                       | 124,698           | 866,049           |
| Collections on notes receivable                         | -                 | 73,836            |
| Purchases of furniture, equipment and computer software | (98,490)          | (324,452)         |
| Proceeds from sale of equipment                         | -                 | 17,300            |
|   | <u>26,208</u>     | <u>632,733</u>    |
| <b>Financing Activities</b>                             |                   |                   |
| Payments on annuities                                   | (3,581)           | (12,143)          |
|   | <u>(3,581)</u>    | <u>(12,143)</u>   |
| <b>Net Increase in Cash and Cash Equivalents</b>        | (122,957)         | 36,746            |
| <b>Cash and Cash Equivalents, Beginning of Year</b>     | <u>706,251</u>    | <u>669,505</u>    |
| <b>Cash and Cash Equivalents, End of Year</b>           | <u>\$ 583,294</u> | <u>\$ 706,251</u> |

# Mission of Mercy (A Division of Bethesda Ministries)

## Notes to Financial Statements

September 30, 2007

(With Summarized Financial Information for September 30, 2006)

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### ***Nature of Operations***

Mission of Mercy operates as a division of Bethesda Ministries (Bethesda), a not-for-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Mission of Mercy exists to equip children in developing nations to reach their God-given potential by creating opportunities for spiritual, physical, social, mental and emotional development. Outreaches include, but are not limited to, elementary, secondary and vocational education, orphanages, medical projects, health care, feeding programs, homes for babies with AIDS and other Christian ministries of compassion.

#### ***Use of Estimates***

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### ***Cash Equivalents***

Mission of Mercy considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2007 and 2006, cash equivalents consisted primarily of money market funds. At September 30, 2007, Mission of Mercy's cash accounts exceeded federally insured limits by approximately \$408,000. Management believes no significant credit risk exists related to these uninsured balances.

#### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investments in limited partnerships are carried at their estimated fair value as determined by the partnerships. Other investments are valued at the lower of cost or estimated fair value.

#### ***Furniture and Equipment***

Furniture and equipment are recorded at cost or, if donated, at estimated fair market value at the date of donation. Costs of computer software developed or obtained for internal use are recorded in accordance with AICPA Statement of Position No. 98-1 (SOP 98-1), *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. Under SOP 98-1, costs incurred during the preliminary project stage are expensed as incurred, costs incurred during the application development stage are capitalized, and training and maintenance costs incurred during the post-implementation/operation stage are expensed as incurred. Depreciation is provided on the straight-line method over a useful life of three to ten years.

**Mission of Mercy  
(A Division of Bethesda Ministries)**

**Notes to Financial Statements**

**September 30, 2007**

**(With Summarized Financial Information for September 30, 2006)**

***Temporarily and Permanently Restricted Net Assets***

Temporarily restricted net assets are those whose use by Mission of Mercy has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by Mission of Mercy in perpetuity.

***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets, unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

***Contributions to Foreign Operations***

Contributions to foreign operations are considered to be expenses when Mission of Mercy commits to disburse funds to the overseas projects.

***Contributed Services***

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributed services consisted of medical services provided under the child ministries programs. Contribution revenues recognized from these services were approximately \$107,000 and \$0 for the years ended September 30, 2007 and 2006, respectively.

***Income Taxes***

Mission of Mercy, as a division of Bethesda, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, Mission of Mercy is subject to federal income tax on any unrelated business taxable income.



**Mission of Mercy  
(A Division of Bethesda Ministries)**

**Notes to Financial Statements**

**September 30, 2007**

**(With Summarized Financial Information for September 30, 2006)**

***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on the actual expense purpose.

***Reclassifications***

Certain reclassifications have been made to the 2006 financial statements to conform to the 2007 financial statement presentation. These reclassifications had no effect on the change in net assets.

**Note 2: Investments**

Investments consist of the following as of September 30:

|  | <u>2007</u>         | <u>2006</u>         |
|--|---------------------|---------------------|
| Limited partnership, which is an investment hedge fund that invests in other limited partnerships. The other limited partnerships invest principally in equity securities in non-public companies, across various industries, in the United States | \$ 2,705,211        | \$ 2,362,103        |
| Securities held in an investment pool of an unrelated 501(c)(3) organization   | 2,290               | 125,950             |
| Mutual funds   | <u>33,994</u>       | <u>30,483</u>       |
|  | <u>\$ 2,741,495</u> | <u>\$ 2,518,536</u> |

**Mission of Mercy  
(A Division of Bethesda Ministries)**

**Notes to Financial Statements**

**September 30, 2007**

**(With Summarized Financial Information for September 30, 2006)**

**Note 3: Furniture and Equipment**

Furniture and equipment at September 30, consists of:

|   | <u>2007</u>                | <u>2006</u>                |
|---|----------------------------|----------------------------|
| Furniture and equipment                       | \$ 582,299                 | \$ 582,443                 |
| Leasehold improvements                        | 230,612                    | 224,226                    |
| Computers – hardware                          | 81,067                     | 59,458                     |
| Computers – software                          | 1,058,681                  | 1,056,047                  |
| Transportation equipment                      | 38,089                     | 3,000                      |
| Software and other development<br>in progress | 30,873                     | -                          |
|   | <u>2,021,621</u>           | <u>1,925,174</u>           |
| Less accumulated depreciation                 | <u>(864,082)</u>           | <u>(675,136)</u>           |
|   | <u><u>\$ 1,157,539</u></u> | <u><u>\$ 1,250,038</u></u> |

**Note 4: Gift Annuities Payable**

Mission of Mercy has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. Mission of Mercy has recorded a liability at September 30, 2007 and 2006 of \$25,459 and \$88,405, respectively, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate of 5.5% and 6.0% for 2007 and 2006, respectively.

# **Mission of Mercy (A Division of Bethesda Ministries)**

## **Notes to Financial Statements**

**September 30, 2007**

**(With Summarized Financial Information for September 30, 2006)**

### **Note 5: Related Party Transactions**

Mission of Mercy operates as a division of Bethesda. Transactions between Mission of Mercy and other related entities were as follows:

- During the year ended September 30, 2007, Bethesda gave \$164,480 of contributions to Mission of Mercy for specific programs, of which \$134,874 is included in temporarily restricted contribution revenue in the statement of activities. During the year ended September 30, 2006, Bethesda gave \$10,886 to specific Mission of Mercy programs.
- During the year ended September 30, 2007, Bethesda Associates, a subsidiary of Bethesda Ministries, forgave \$250,000 of debt owed by Mission of Mercy to Bethesda Associates. This amount is included in unrestricted contributions from Bethesda Ministries on the statement of activities for the year ended September 30, 2007.
- During the years ended September 30, 2007 and 2006, Bethesda subsidized certain overhead costs of Mission of Mercy's in order to reduce the ongoing overhead burden on funds received from donors. Specifically, during the years ended September 30, 2007 and 2006, Bethesda gave \$762,160 and \$455,315, respectively, to Mission of Mercy to subsidize unrestricted general, administrative and promotional costs. These items were recorded as a decrease in supporting services as donors' funds were not used for these expenses.
- Mission of Mercy had non-interest bearing payables to Bethesda and entities to which Bethesda is related of \$103,803 and \$430,340 as of September 30, 2007 and 2006, respectively. There are no formal terms in place for repayment, but Mission of Mercy repaid the amount in October 2007.
- An entity to which Bethesda is related charged \$271,880 and \$243,360 for computer, accounting and other services provided to Mission of Mercy during the years ended September 30, 2007 and 2006, respectively. Bethesda charged Mission of Mercy \$130,222 and \$123,021 for rental of office and storage space during the years ended September 30, 2007 and 2006, respectively. The rent is charged on a monthly basis; as such, there is no future operating lease commitment.

**Mission of Mercy  
(A Division of Bethesda Ministries)**

**Notes to Financial Statements**

**September 30, 2007**

**(With Summarized Financial Information for September 30, 2006)**

**Note 6: Temporarily Restricted Net Assets**

Temporarily restricted net assets are restricted for ministry activities as follows, as of September 30:

|                                | <b>2007</b>         | <b>2006</b>         |
|--------------------------------|---------------------|---------------------|
| Child care – various countries | \$ 1,690,497        | \$ 1,597,361        |
| Forgotten Children             | 531,740             | 330,692             |
| Bangladesh                     | 118,719             | 42,323              |
| Romania                        | 96,047              | 3,760               |
| Disaster relief                | 89,149              | 484,180             |
| Ethiopia                       | 87,903              | 37,723              |
| Kenya                          | 84,283              | 210,077             |
| El Salvador                    | 41,938              | -                   |
| Dominican Republic             | 31,243              | -                   |
| Feeding program                | 9,687               | 31,270              |
| Krygystan                      | 4,996               | 5,406               |
| Calcutta, India                | 1,652               | 1,388               |
| Cambodia                       | 1,225               | 20,762              |
| Sri Lanka                      | 694                 | 15,724              |
| Haiti                          | 250                 | 448                 |
| Other overseas projects        | 110,410             | 198,431             |
|                                | <u>\$ 2,900,433</u> | <u>\$ 2,979,545</u> |

**Note 7: Permanently Restricted Net Assets**

During the year ended September 30, 2006, Mission of Mercy transferred two endowments which were classified as permanently restricted net assets in prior years. This transfer was made to an unrelated not-for-profit organization, which is now operating the projects in India that the endowments are required to fund. This other organization has assumed all responsibility to manage the endowments in accordance with donor restrictions. The amount transferred is shown as a \$50,690 decrease in net assets in fiscal year 2006 on the statement of activities.

The remaining balance of the permanently restricted net assets consists of two endowments held in perpetuity, income from which is available to support child sponsorship funding.

**Mission of Mercy  
(A Division of Bethesda Ministries)**

**Notes to Financial Statements**

**September 30, 2007**

**(With Summarized Financial Information for September 30, 2006)**

**Note 8: Retirement Plan**

Bethesda has established a retirement plan for the benefit of its employees and their beneficiaries under a 403(b) arrangement. The plan covers all eligible Mission of Mercy employees and their beneficiaries. Employees are eligible for employer contributions after one year of service and attainment of age 21. The employer matches employee contributions up to 3% of compensation. Additional amounts are contributed at the discretion of the Board of Directors, generally 4% of compensation. The employer contributions vest to the employee at the rate of 20% per completed year of service and reach 100% when five years of service are completed; unvested amounts are returned to the employer after an employee terminates. Contributions under the plan for the years ended September 30, 2007 and 2006 were \$66,900 and \$61,031, respectively.

**Note 9: Commitments and Contingencies**

***Claims Incurred but Not Reported***

Mission of Mercy records a claims incurred but not reported liability as an estimate of the liability for services provided to Mission of Mercy's self-funded health insurance beneficiaries as of September 30, 2007 and 2006. Due to inherent uncertainties in determining the accrual for claims incurred but not reported, the actual payments required may be different than the liability accrued. The claims incurred but not reported liability is \$18,024 and \$15,600 as of September 30, 2007 and 2006, respectively, and is included in the category of accrued liabilities on the statement of financial position.

**Note 10: Significant Estimates and Concentrations**

***Valuation of Investment in Limited Partnership***

Mission of Mercy's investment in a limited partnership is recorded at its estimated fair market value as determined by the partnership. Actual fair value of the investment upon liquidation could vary significantly from the current estimated fair value.

## **Supplementary Information**



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## Independent Accountants' Report On Supplementary Information

Board of Directors  
Bethesda Ministries  
Colorado Springs, Colorado

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying 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 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 taken as a whole.

/s/ **BKD, LLP**

December 17, 2007

**Mission of Mercy  
(A Division of Bethesda Ministries)**

**Schedule of Functional Expenses  
Year Ended September 30, 2007**

|                               | <u>Program Services</u> |                                |                                  |   |                                 |                      | <u>Supporting Services</u>        |                                  |                     | <u>Total Expenses</u> |
|-------------------------------|-------------------------|--------------------------------|----------------------------------|---|---------------------------------|----------------------|-----------------------------------|----------------------------------|---------------------|-----------------------|
|                               | <u>Child Ministries</u> | <u>Humanitarian and Relief</u> | <u>Child Health Intervention</u> | <u>Higher Education and Vocational Training</u> | <u>Sponsor/Donor Ministries</u> | <u>Total</u>         | <u>General and Administrative</u> | <u>Promotion and Development</u> | <u>Total</u>        |                       |
| Direct payments to Ministries | \$ 8,713,276            | \$ 135,836                     | \$ 63,559                        | \$ 32,836                                       | \$ 8,380                        | \$ 8,953,887         | \$ -                              | \$ -                             | \$ -                | \$ 8,953,887          |
| Salaries and labor            | 532,267                 | -                              | 178,610                          | -   | 251,975                         | 962,852              | 519,600                           | 527,548                          | 1,047,148           | 2,010,000             |
| Payroll taxes                 | 30,442                  | -                              | -                                | -   | 6,999                           | 37,441               | 34,246                            | 28,195                           | 62,441              | 99,882                |
| Benefits                      | 40,077                  | -                              | -                                | -   | 20,032                          | 60,109               | 54,198                            | 50,177                           | 104,375             | 164,484               |
| Travel and entertainment      | 90,368                  | -                              | 19,921                           | -   | 61,794                          | 172,083              | 31,263                            | 88,455                           | 119,718             | 291,801               |
| Informational materials       | 1,817                   | -                              | -                                | -   | 471                             | 2,288                | 161,842                           | 50,797                           | 212,639             | 214,927               |
| Printing and publications     | -                       | -                              | -                                | -   | 11,794                          | 11,794               | -                                 | 112,715                          | 112,715             | 124,509               |
| Special events                | -                       | -                              | -                                | -   | -                               | -                    | -                                 | 263,769                          | 263,769             | 263,769               |
| Conference and education      | 7,967                   | -                              | -                                | -   | -                               | 7,967                | 1,379                             | 805                              | 2,184               | 10,151                |
| Promotion and advertising     | 920                     | -                              | -                                | -   | 56                              | 976                  | 309                               | 176,632                          | 176,941             | 177,917               |
| Computer services             | 2,174                   | -                              | -                                | -   | -                               | 2,174                | 271,534                           | 11                               | 271,545             | 273,719               |
| Telephone                     | 16,002                  | -                              | -                                | -   | 9,814                           | 25,816               | 11,366                            | 4,522                            | 15,888              | 41,704                |
| Postage                       | 62,140                  | -                              | -                                | -   | 7,668                           | 69,808               | 50,688                            | 19,689                           | 70,377              | 140,185               |
| Supplies and materials        | 51,531                  | -                              | 38,475                           | -   | 3,423                           | 93,429               | 21,035                            | 17,039                           | 38,074              | 131,503               |
| Building rent and maintenance | 6,335                   | -                              | -                                | -   | -                               | 6,335                | 130,222                           | -                                | 130,222             | 136,557               |
| Depreciation and amortization | -                       | -                              | -                                | -   | -                               | -                    | 191,673                           | -                                | 191,673             | 191,673               |
| Insurance                     | -                       | -                              | -                                | -   | -                               | -                    | 10,168                            | -                                | 10,168              | 10,168                |
| Professional and other fees   | 434,820                 | -                              | -                                | -   | 7,254                           | 442,074              | 25,337                            | 205,392                          | 230,729             | 672,803               |
| Legal                         | -                       | -                              | -                                | -   | -                               | -                    | 14,659                            | -                                | 14,659              | 14,659                |
| Finance and accounting        | -                       | -                              | -                                | -   | -                               | -                    | 120,105                           | -                                | 120,105             | 120,105               |
| Bank fees                     | -                       | -                              | -                                | -   | -                               | -                    | 112,956                           | -                                | 112,956             | 112,956               |
| Other                         | 53                      | -                              | -                                | -   | -                               | 53                   | 3,490                             | 75                               | 3,565               | 3,618                 |
|                               | <u>9,990,189</u>        | <u>135,836</u>                 | <u>300,565</u>                   | <u>32,836</u>                                   | <u>389,660</u>                  | <u>10,849,086</u>    | <u>1,766,070</u>                  | <u>1,545,821</u>                 | <u>3,311,891</u>    | <u>14,160,977</u>     |
| Less Bethesda subsidy         | -                       | -                              | -                                | -   | -                               | -                    | (300,000)                         | (462,160)                        | (762,160)           | (762,160)             |
|                               | <u>\$ 9,990,189</u>     | <u>\$ 135,836</u>              | <u>\$ 300,565</u>                | <u>\$ 32,836</u>                                | <u>\$ 389,660</u>               | <u>\$ 10,849,086</u> | <u>\$ 1,466,070</u>               | <u>\$ 1,083,661</u>              | <u>\$ 2,549,731</u> | <u>\$ 13,398,817</u>  |



**Mission of Mercy  
(A Division of Bethesda Ministries)**

**Schedule of Functional Expenses  
Year Ended September 30, 2006**

|                               | <u>Program Services</u> |                                |                                  |   |                                 |                      | <u>Supporting Services</u>        |                                  |                     | <u>Total Expenses</u> |
|-------------------------------|-------------------------|--------------------------------|----------------------------------|---|---------------------------------|----------------------|-----------------------------------|----------------------------------|---------------------|-----------------------|
|                               | <u>Child Ministries</u> | <u>Humanitarian and Relief</u> | <u>Child Health Intervention</u> | <u>Higher Education and Vocational Training</u> | <u>Sponsor/Donor Ministries</u> | <u>Total</u>         | <u>General and Administrative</u> | <u>Promotion and Development</u> | <u>Total</u>        |                       |
| Direct payments to Ministries | \$ 8,595,504            | \$ 280,834                     | \$ 15,848                        | \$ 46,201                                       | \$ 16,644                       | \$ 8,955,031         | \$ -                              | \$ -                             | \$ -                | \$ 8,955,031          |
| Salaries and labor            | 431,261                 | -                              | -                                | -   | 224,619                         | 655,880              | 499,777                           | 410,747                          | 910,524             | 1,566,404             |
| Payroll taxes                 | 29,062                  | -                              | -                                | -   | 2,511                           | 31,573               | 24,002                            | 17,668                           | 41,670              | 73,243                |
| Benefits                      | 43,206                  | -                              | -                                | -   | 17,099                          | 60,305               | 61,305                            | 34,241                           | 95,546              | 155,851               |
| Travel and entertainment      | 74,153                  | -                              | 52,536                           | -   | 50,343                          | 177,032              | 19,044                            | 93,230                           | 112,274             | 289,306               |
| Informational materials       | 6,814                   | -                              | -                                | -   | 38                              | 6,852                | 141,838                           | 97,045                           | 238,883             | 245,735               |
| Printing and publications     | -                       | -                              | -                                | -   | 17,340                          | 17,340               | -                                 | 178,052                          | 178,052             | 195,392               |
| Special events                | -                       | -                              | -                                | -   | -                               | -                    | -                                 | 385,685                          | 385,685             | 385,685               |
| Conference and education      | 2,777                   | -                              | -                                | -   | -                               | 2,777                | 7,031                             | 30                               | 7,061               | 9,838                 |
| Promotion and advertising     | -                       | -                              | -                                | -   | -                               | -                    | 352                               | 165,850                          | 166,202             | 166,202               |
| Computer services             | -                       | -                              | -                                | -   | -                               | -                    | 169,788                           | 32                               | 169,820             | 169,820               |
| Telephone                     | 5,640                   | -                              | -                                | -   | 9,196                           | 14,836               | 15,728                            | 4,837                            | 20,565              | 35,401                |
| Postage                       | 68,643                  | -                              | -                                | -   | 7,242                           | 75,885               | 53,512                            | 9,692                            | 63,204              | 139,089               |
| Supplies and materials        | 114,041                 | -                              | 39,076                           | -   | 1,600                           | 154,717              | 17,608                            | 20,467                           | 38,075              | 192,792               |
| Building rent and maintenance | -                       | -                              | -                                | -   | -                               | -                    | 123,021                           | -                                | 123,021             | 123,021               |
| Depreciation and amortization | -                       | -                              | -                                | -   | -                               | -                    | 177,573                           | -                                | 177,573             | 177,573               |
| Insurance                     | 500                     | -                              | -                                | -   | -                               | 500                  | 10,664                            | -                                | 10,664              | 11,164                |
| Professional and other fees   | 576,028                 | -                              | -                                | -   | 9,887                           | 585,915              | 95,083                            | 344,521                          | 439,604             | 1,025,519             |
| Legal                         | -                       | -                              | -                                | -   | -                               | -                    | 9,879                             | -                                | 9,879               | 9,879                 |
| Finance and accounting        | -                       | -                              | -                                | -   | -                               | -                    | 75,398                            | -                                | 75,398              | 75,398                |
| Bank fees                     | -                       | -                              | -                                | -   | -                               | -                    | 94,089                            | -                                | 94,089              | 94,089                |
| Other                         | 273                     | -                              | -                                | -   | -                               | 273                  | 8,687                             | 5,109                            | 13,796              | 14,069                |
|                               | <u>9,947,902</u>        | <u>280,834</u>                 | <u>107,460</u>                   | <u>46,201</u>                                   | <u>356,519</u>                  | <u>10,738,916</u>    | <u>1,604,379</u>                  | <u>1,767,206</u>                 | <u>3,371,585</u>    | <u>14,110,501</u>     |
| Less Bethesda subsidy         | -                       | -                              | -                                | -   | -                               | -                    | (125,000)                         | (330,315)                        | (455,315)           | (455,315)             |
|                               | <u>\$ 9,947,902</u>     | <u>\$ 280,834</u>              | <u>\$ 107,460</u>                | <u>\$ 46,201</u>                                | <u>\$ 356,519</u>               | <u>\$ 10,738,916</u> | <u>\$ 1,479,379</u>               | <u>\$ 1,436,891</u>              | <u>\$ 2,916,270</u> | <u>\$ 13,655,186</u>  |