

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

Accountants' Reports and Financial Statements

September 30, 2011 and 2010

**Mission of Mercy**  
**(A Division of Bethesda Ministries)**  
**September 30, 2011 and 2010**

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## Independent Accountants' Report

Board of Directors  
Bethesda Ministries  
Colorado Springs, Colorado

We have audited the accompanying statements of financial position of Mission of Mercy (a division of Bethesda Ministries) (Mission of Mercy) as of September 30, 2011, and the related statements of activities and cash flows for the year ended September 30, 2011. 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, 2010 financial statements and in our report dated December 16, 2010, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mission of Mercy as of September 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

\s\ **BKD, LLP**

January 26, 2012

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

**Statements of Financial Position**

**September 30, 2011**

**(With Summarized Financial Information for September 30, 2010)**

**Assets**

	<b>2011</b>	<b>2010</b>
Cash and cash equivalents	\$ 1,487,156	\$ 896,183
Receivables		
Related parties	88,731	-
Other	140,553	89,315
Investments	1,171,687	1,227,804
Furniture, equipment and software, net	851,935	1,069,371
Other assets	57,861	89,510
Total assets	\$ 3,797,923	\$ 3,372,183

**Liabilities and Net Assets**

Accounts payable		
Related parties	\$ -	\$ 4,265
Other	101,786	203,417
Accrued liabilities	193,255	165,476
Total liabilities	295,041	373,158

**Net Assets**

Unrestricted	1,767,151	1,445,809
Temporarily restricted	1,720,056	1,537,541
Permanently restricted	15,675	15,675
Total net assets	3,502,882	2,999,025
Total liabilities and net assets	\$ 3,797,923	\$ 3,372,183

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

**Statements of Activities**

**Year Ended September 30, 2011**

**(With Summarized Financial Information for the Year Ended September 30, 2010)**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>2011 Total</b>	<b>2010 Total</b>
<b>Revenues, Gains and Other Support</b>					
Contributions					
General	\$ 2,807,906	\$ 11,652,415	\$ -	\$ 14,460,321	\$ 13,409,863
Bethesda Ministries	1,288	5,868	-	7,156	6,121
Interest and dividends	47,331	-	-	47,331	7,252
Realized and unrealized gains (losses) on investments, net	(36,528)	-	-	(36,528)	36,660
Other revenue	1,593	-	-	1,593	290
Satisfaction of program restrictions	11,475,768	(11,475,768)	-	-	-
Total revenues, gains and other support	<u>14,297,358</u>	<u>182,515</u>	<u>-</u>	<u>14,479,873</u>	<u>13,460,186</u>
<b>Expenses</b>					
Program services					
Child ministries	10,615,862	-	-	10,615,862	9,796,665
Humanitarian and relief	104,124	-	-	104,124	367,175
Medical Mercy	382,564	-	-	382,564	338,371
Higher education and vocational training	157,585	-	-	157,585	214,670
Teaching/advocacy ministries	220,362	-	-	220,362	254,109
Mission trips	356,459	-	-	356,459	-
Total program services	<u>11,836,956</u>	<u>-</u>	<u>-</u>	<u>11,836,956</u>	<u>10,970,990</u>
Supporting services					
General and administrative	1,468,290	-	-	1,468,290	1,378,770
Promotion and development	1,108,270	-	-	1,108,270	1,187,345
Less supporting services subsidized by Bethesda Ministries	(437,500)	-	-	(437,500)	(510,000)
Total supporting services	<u>2,139,060</u>	<u>-</u>	<u>-</u>	<u>2,139,060</u>	<u>2,056,115</u>
Total expenses	<u>13,976,016</u>	<u>-</u>	<u>-</u>	<u>13,976,016</u>	<u>13,027,105</u>
<b>Change in Net Assets</b>	321,342	182,515	-	503,857	433,081
<b>Net Assets, Beginning of Year</b>	<u>1,445,809</u>	<u>1,537,541</u>	<u>15,675</u>	<u>2,999,025</u>	<u>2,565,944</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 1,767,151</u></u>	<u><u>\$ 1,720,056</u></u>	<u><u>\$ 15,675</u></u>	<u><u>\$ 3,502,882</u></u>	<u><u>\$ 2,999,025</u></u>

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

**Statements of Cash Flows**

**Year Ended September 30, 2011**

**(With Summarized Financial Information for the Year Ended September 30, 2010)**

	2011	2010
<b>Operating Activities</b>		
Change in net assets	\$ 503,857	\$ 433,081
Items not requiring cash		
Depreciation and amortization	227,101	213,238
Realized and unrealized losses (gains) on investments, net	36,528	(36,660)
Loss (gain) on disposal of property and equipment	(385)	398
Loss on disposal of software costs	20,248	-
Changes in		
Receivables	(51,238)	(42,371)
Related party receivables	(88,731)	-
Other assets	26,915	13,031
Related party payables	(4,265)	(42,516)
Other accounts payable	(14,825)	65,112
Accrued liabilities	27,779	(67,475)
	682,984	535,838
Net cash provided by operating activities		
<b>Investing Activities</b>		
Purchases of investments	(537,661)	(1,045,945)
Proceeds from sale of investments	557,250	74,956
Purchases of trademarks	-	(3,835)
Proceeds from sale of furniture and equipment	385	480
Purchases of furniture, equipment and software	(111,985)	(132,804)
	(92,011)	(1,107,148)
Net cash used in investing activities		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	590,973	(571,310)
<b>Cash and Cash Equivalents, Beginning of Year</b>	896,183	1,467,493
<b>Cash and Cash Equivalents, End of Year</b>	\$ 1,487,156	\$ 896,183
<b>Supplemental Cash Flow Information</b>		
Purchase of furniture, equipment and software in accounts payable	\$ 9,500	\$ 97,929

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

## **Notes to Financial Statements**

**September 30, 2011**

**(With Summarized Financial Information for September 30, 2010)**

### **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, a home 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, 2011 and 2010, cash equivalents consisted primarily of money market accounts with brokers.

The financial institutions holding Mission of Mercy's cash accounts are participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2010, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. At September 30, 2011, Mission of Mercy's interest-bearing cash accounts did not exceed federally insured limits.

Some of Mission of Mercy's accounts are not eligible for FDIC coverage because they are held with a brokerage firm. These accounts total approximately \$47,000 and are uninsured at September 30, 2011.

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

**Notes to Financial Statements**

**September 30, 2011**

**(With Summarized Financial Information for September 30, 2010)**

***Investments***

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 Accounting Standards Codification (ASC) Topic 350. Under Topic 350, 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.

***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.



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

## **Notes to Financial Statements**

**September 30, 2011**

**(With Summarized Financial Information for September 30, 2010)**

### ***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 Medical Mercy program. Contribution revenues recognized from these services were approximately \$140,000 and \$184,000 for the years ended September 30, 2011 and 2010, respectively.

### ***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.

### ***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, general and administrative, and promotion and development categories based on the actual expense purpose.

### ***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. There was no unrelated business taxable income during the years ended September 30, 2011 and 2010.

Mission of Mercy files tax returns in the U.S. federal jurisdiction. With a few exceptions, Mission of Mercy is no longer subject to U.S. federal examinations by tax authorities for fiscal years before 2008.

### ***Summarized Comparative Information***

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Mission of Mercy's financial statements for the year ended September 30, 2010, from which the summarized information was derived.

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

**Notes to Financial Statements**

**September 30, 2011**

**(With Summarized Financial Information for September 30, 2010)**

**Subsequent Events**

Subsequent events have been evaluated through January 26, 2012, which is the date the financial statements were available to be issued.

**Note 2: Investments**

Investments consist of the following as of September 30:

	<b>2011</b>	<b>2010</b>
Mutual funds		
Domestic large-cap equity	\$ 106,645	\$ 134,495
International large-cap equity	67,314	44,523
Domestic mid-cap equity	6,542	21,951
Domestic small-cap equity	6,631	-
Fixed income	778,197	807,923
Alternative strategy	95,099	68,011
Limited partnerships	111,259	150,901
	\$ 1,171,687	\$ 1,227,804

**Limited Partnerships**

The fair value of the limited partnerships has been estimated using the net asset value per share of the investments. Limited partnership investments held at September 30 consist of the following:

<b>2011</b>				
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Limited partnerships (A)	\$ 111,259	None	(A)	(A)
<b>2010</b>				
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Limited partnerships (A)	\$ 150,901	None	(A)	(A)

# Mission of Mercy (A Division of Bethesda Ministries)

## Notes to Financial Statements

September 30, 2011

(With Summarized Financial Information for September 30, 2010)

- (A) This category includes investments in funds of hedge funds that invest in other limited partnerships. The other limited partnerships invest principally in equity securities in public and non-public companies, across various industries, in the United States. These limited partnerships engage in diversified investment strategies utilizing a multi-manager approach to invest in various liquid and illiquid securities.

During 2009, Mission of Mercy executed a full redemption request with the fund managing 100% of the value of investments in this category. Due to this redemption request, as of September 30, 2011:

- Investments representing approximately 53% of the value of investments in this category are subject to an audit holdback.
- Investments representing approximately 47% of the value of investments in this category reside in special purpose vehicles until the funds are redeemed.
- Approximately 57% of the original value of the audit holdback and special vehicles investments have been redeemed. Management expects the majority of the remaining balance to be received in distributions over the next two years.

### Note 3: Disclosures About Fair Value of Assets and Liabilities

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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

**Notes to Financial Statements**

**September 30, 2011**

**(With Summarized Financial Information for September 30, 2010)**

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

***Investments in Securities***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include investments in domestic and international large-cap, domestic mid-cap and domestic small-cap equity mutual funds, fixed income mutual funds and alternative strategy mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Mission of Mercy currently does not invest in Level 2 securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. Other than limited partnerships, Mission of Mercy currently does not have any Level 3 securities.

***Limited Partnerships***

Mission of Mercy is invested in limited partnerships which are described in detail in Note 2. As Level 1 and Level 2 inputs are not available, these investments are classified within Level 3 of the valuation hierarchy.

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

**Notes to Financial Statements**

**September 30, 2011**

**(With Summarized Financial Information for September 30, 2010)**

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2011 and 2010:

	<b>2011</b>			
	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Mutual funds				
Domestic large-cap equity	\$ 106,645	\$ 106,645	\$ -	\$ -
International large-cap equity	67,314	67,314	-	-
Domestic mid-cap equity	6,542	6,542	-	-
Domestic small-cap equity	6,631	6,631	-	-
Fixed income	778,197	778,197	-	-
Alternative strategy	95,099	95,099	-	-
Limited partnerships	111,259	-	-	111,259
	<u>\$1,171,687</u>	<u>\$ 1,060,428</u>	<u>\$ -</u>	<u>\$ 111,259</u>

	<b>2010</b>			
	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Mutual funds				
Domestic large-cap equity	\$ 134,495	\$ 134,495	\$ -	\$ -
International large-cap equity	44,523	44,523	-	-
Domestic mid-cap equity	21,951	21,951	-	-
Fixed income	807,923	807,923	-	-
Alternative strategy	68,011	68,011	-	-
Limited partnerships	150,901	-	-	150,901
	<u>\$1,227,804</u>	<u>\$ 1,076,903</u>	<u>\$ -</u>	<u>\$ 150,901</u>

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

**Notes to Financial Statements**

**September 30, 2011**

**(With Summarized Financial Information for September 30, 2010)**

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (Level 3) inputs:

	<b><u>Limited Partnerships</u></b>
Balance, October 1, 2009	\$ 195,414
Total realized and unrealized gains and losses included in change in net assets	1,901
Sales	<u>(46,414)</u>
Balance, September 30, 2010	<u>150,901</u>
Total realized and unrealized gains and losses included in change in net assets	642
Sales	<u>(40,284)</u>
Balance, September 30, 2011	<u><u>\$ 111,259</u></u>
Total gains or losses for the period included in change in net assets attributable to the change in unrealized gains and losses related to assets still held at the reporting date	
Year ended September 30, 2010	<u>\$ 1,555</u>
Year ended September 30, 2011	<u><u>\$ (1,425)</u></u>

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

**Notes to Financial Statements**

**September 30, 2011**

**(With Summarized Financial Information for September 30, 2010)**

**Note 4: Furniture and Equipment**

Furniture and equipment at September 30 consists of:

	<b>2011</b>	<b>2010</b>
Furniture and equipment	\$ 299,515	\$ 293,889
Leasehold improvements	257,954	254,362
Computers – hardware	136,048	139,923
Computers – software	1,355,396	1,175,070
Transportation equipment	38,089	38,089
Software and other development in progress	72,310	279,231
	2,159,312	2,180,564
Less accumulated depreciation	(1,307,377)	(1,111,193)
	\$ 851,935	\$ 1,069,371

**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, 2011, Bethesda gave \$7,156 of contributions to Mission of Mercy for specific programs, of which \$5,868 is included in temporarily restricted contribution revenue in the statement of activities. During the year ended September 30, 2010, Bethesda gave \$6,121 to specific Mission of Mercy programs.
- During the years ended September 30, 2011 and 2010, 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, 2011 and 2010, Bethesda gave \$437,500 and \$510,000, 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 receivables and payables with Bethesda and entities to which Bethesda is related. The balance of the receivables was \$88,731 and \$0 and the balance of the payables was \$0 and \$4,265, as of September 30, 2011 and 2010, respectively.

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

**Notes to Financial Statements**

**September 30, 2011**

**(With Summarized Financial Information for September 30, 2010)**

- An entity, to which Bethesda is related, charged \$389,646 and \$376,537 for computer, accounting and other services provided to Mission of Mercy during the years ended September 30, 2011 and 2010, respectively. Bethesda charged Mission of Mercy \$153,348 and \$157,065 for the rental of office and storage space during the years ended September 30, 2011 and 2010, respectively. The rent is charged on a monthly basis; as such, there is no future operating lease commitment.

**Note 6: Temporarily Restricted Net Assets**

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

	<b>2011</b>	<b>2010</b>
Child care – various countries	\$ 966,214	\$ 968,939
Forgotten Children	140,156	71,377
Child care – gift fund	129,775	158,376
Medical Mercy	126,112	89,661
Bangladesh	93,560	99,781
Mission trips	79,329	19,103
Haiti	58,079	5,764
Ethiopia	38,870	40,019
Dominican Republic	25,350	24,509
Kenya	21,411	547
Honduras	7,931	7,465
India – other	7,780	10,733
Nepal	5,093	14,163
Disaster relief	3,495	15,343
Jordan	2,729	2,729
Feeding program	1,901	1,559
Thailand	1,828	1,828
Sri Lanka	1,546	1,423
Calcutta, India	981	885
Cambodia	458	369
Romania	217	232
Other overseas projects	7,241	2,736
	<u>\$ 1,720,056</u>	<u>\$ 1,537,541</u>



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

**Notes to Financial Statements**

**September 30, 2011**

**(With Summarized Financial Information for September 30, 2010)**

**Note 7: Permanently Restricted Net Assets**

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

**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. For the year ended September 30, 2011, the employer matched employee contributions up to 3% of employee contributions. Additional amounts are contributed at the discretion of the Board of Directors, generally 1% of contribution not to exceed 3% of employee contributions. 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, 2011 and 2010 were \$53,039 and \$44,298, respectively.

**Note 9: Commitments and Contingencies**

As of September 30, 2011, Mission of Mercy had certain software commitments in amounts totaling approximately \$412,000.

**Note 10: Significant Estimates and Concentrations**

***Current Economic Conditions***

The current protracted economic decline continues to present not-for-profit organizations with difficult circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to Mission of Mercy.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in contribution revenue could have an adverse impact on Mission of Mercy's future operating results.

## **Supplementary Information**

## Independent Accountants' Report on Supplementary Information

Board of Directors  
Bethesda Ministries  
Colorado Springs, Colorado

Our audit was conducted 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**

January 26, 2012

**Mission of Mercy**  
**(A Division of Bethesda Ministries)**  
**Schedule of Functional Expenses**  
**Year Ended September 30, 2011**

	Program Services						Supporting Services			Total Expenses	
	Child Ministries	Humanitarian and Relief	Medical Mercy	Higher Education and Vocational Training	Teaching/ Advocacy Ministries	Mission Trips	Total	General and Administrative	Promotion and Development		Total
Direct payments and assistance to ministries	\$ 8,175,756	\$ 104,124	\$ 150,030	\$ 157,585	\$ -	\$ -	\$ 8,587,495	\$ -	\$ -	\$ -	\$ 8,587,495
Salaries and labor	1,164,684	-	-	-	146,513	-	1,311,197	446,319	411,408	857,727	2,168,924
Payroll taxes	67,365	-	-	-	4,631	-	71,996	27,898	25,330	53,228	125,224
Benefits	146,794	-	-	-	20,144	-	166,938	75,237	45,804	121,041	287,979
Travel and entertainment	161,479	-	142,443	-	33,054	332,553	669,529	52,332	123,774	176,106	845,635
Informational materials	1,630	-	-	-	-	-	1,630	53,133	16,970	70,103	71,733
Printing and publications	15,822	-	-	-	-	-	15,822	-	45,480	45,480	61,302
Conference and education	18,425	-	-	-	-	-	18,425	3,614	975	4,589	23,014
Promotion and advertising	40	-	-	-	-	-	40	323	54,190	54,513	54,553
Computer services	220,157	-	-	-	-	-	220,157	91,145	28,295	119,440	339,597
Telephone	36,109	-	216	-	3,263	240	39,828	14,848	4,261	19,109	58,937
Postage	153,567	-	504	-	3,792	11	157,874	118,965	26,071	145,036	302,910
Supplies and materials	86,562	-	32,594	-	1,810	19,673	140,639	20,837	29,293	50,130	190,769
Building rent and maintenance	85,194	-	-	-	-	-	85,194	39,028	45,805	84,833	170,027
Depreciation and amortization	72,125	-	-	-	-	-	72,125	128,118	26,858	154,976	227,101
Insurance	3,401	-	-	-	479	-	3,880	10,823	1,227	12,050	15,930
Professional and other fees	189,952	-	56,677	-	6,676	3,301	256,606	26,805	222,391	249,196	505,802
Legal	7,969	-	-	-	-	-	7,969	6,944	-	6,944	14,913
Finance and accounting	7,152	-	-	-	-	-	7,152	162,230	-	162,230	169,382
Bank fees	938	-	-	-	-	468	1,406	180,727	138	180,865	182,271
Other	741	-	100	-	-	213	1,054	8,964	-	8,964	10,018
	10,615,862	104,124	382,564	157,585	220,362	356,459	11,836,956	1,468,290	1,108,270	2,576,560	14,413,516
Less Bethesda subsidy	-	-	-	-	-	-	-	(249,315)	(188,185)	(437,500)	(437,500)
	\$ 10,615,862	\$ 104,124	\$ 382,564	\$ 157,585	\$ 220,362	\$ 356,459	\$ 11,836,956	\$ 1,218,975	\$ 920,085	\$ 2,139,060	\$ 13,976,016

**Mission of Mercy**  
**(A Division of Bethesda Ministries)**  
**Schedule of Functional Expenses**  
**Year Ended September 30, 2010**

	Program Services					Supporting Services			Total Expenses	
	Child Ministries	Humanitarian and Relief	Medical Mercy	Higher Education and Vocational Training	Teaching/ Advocacy Ministries	Total	General and Administrative	Promotion and Development		Total
Direct payments and assistance to ministries	\$ 7,646,404	\$ 367,175	\$ 195,066	\$ 214,670	\$ 3,307	\$ 8,426,622	\$ -	\$ -	\$ -	\$ 8,426,622
Salaries and labor	1,051,085	-	-	-	171,725	1,222,810	435,556	406,105	841,661	2,064,471
Payroll taxes	47,964	-	-	-	1,334	49,298	25,836	24,001	49,837	99,135
Benefits	131,231	-	-	-	21,200	152,431	68,863	56,343	125,206	277,637
Travel and entertainment	119,138	-	53,236	-	40,543	212,917	35,103	109,225	144,328	357,245
Informational materials	144	-	-	-	259	403	50,031	35,779	85,810	86,213
Printing and publications	26,103	-	-	-	1,605	27,708	-	62,251	62,251	89,959
Conference and education	3,496	-	-	-	-	3,496	223	6,147	6,370	9,866
Promotion and advertising	75	-	-	-	-	75	219	143,554	143,773	143,848
Computer services	223,859	-	-	-	-	223,859	87,591	12,373	99,964	323,823
Telephone	27,027	-	-	-	3,824	30,851	12,946	5,807	18,753	49,604
Postage	87,344	-	-	-	780	88,124	117,970	37,326	155,296	243,420
Supplies and materials	62,703	-	35,069	-	2,219	99,991	18,035	23,626	41,661	141,652
Building rent and maintenance	78,650	-	-	-	-	78,650	39,654	46,893	86,547	165,197
Depreciation and amortization	62,148	-	-	-	-	62,148	132,139	18,951	151,090	213,238
Insurance	-	-	-	-	-	-	10,854	-	10,854	10,854
Professional and other fees	206,655	-	55,000	-	7,313	268,968	18,269	178,917	197,186	466,154
Legal	15,709	-	-	-	-	15,709	9,311	-	9,311	25,020
Finance and accounting	5,326	-	-	-	-	5,326	155,712	-	155,712	161,038
Bank fees	771	-	-	-	-	771	157,428	5	157,433	158,204
Other	833	-	-	-	-	833	3,030	20,042	23,072	23,905
	<u>9,796,665</u>	<u>367,175</u>	<u>338,371</u>	<u>214,670</u>	<u>254,109</u>	<u>10,970,990</u>	<u>1,378,770</u>	<u>1,187,345</u>	<u>2,566,115</u>	<u>13,537,105</u>
Less Bethesda subsidy	-	-	-	-	-	-	(274,022)	(235,978)	(510,000)	(510,000)
	<u>\$ 9,796,665</u>	<u>\$ 367,175</u>	<u>\$ 338,371</u>	<u>\$ 214,670</u>	<u>\$ 254,109</u>	<u>\$ 10,970,990</u>	<u>\$ 1,104,748</u>	<u>\$ 951,367</u>	<u>\$ 2,056,115</u>	<u>\$ 13,027,105</u>