

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

Accountants' Reports and Financial Statements

September 30, 2010 and 2009

**Mission of Mercy**  
**(A Division of Bethesda Ministries)**  
September 30, 2010 and 2009

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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, 2010, and the related statements of activities and cash flows for the year ended September 30, 2010. 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, 2009 financial statements and in our report dated December 23, 2009, 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, 2010, 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**

December 16, 2010

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

**Statements of Financial Position**

**September 30, 2010**

**(With Summarized Financial Information for September 30, 2009)**

**Assets**

	<b>2010</b>	<b>2009</b>
Cash and cash equivalents	\$ 896,183	\$ 1,467,493
Receivables	89,315	46,315
Investments	1,227,804	220,784
Furniture, equipment and software, net	1,069,371	1,144,496
Other assets	89,510	104,893
Total assets	\$ 3,372,183	\$ 2,983,981

**Liabilities and Net Assets**

**Liabilities**

Accounts payable		
Related parties	\$ 4,265	\$ 46,781
Other	203,417	138,305
Accrued liabilities	165,476	232,951
Total liabilities	373,158	418,037

**Net Assets**

Unrestricted	1,445,809	1,318,483
Temporarily restricted	1,537,541	1,231,786
Permanently restricted	15,675	15,675
Total net assets	2,999,025	2,565,944
Total liabilities and net assets	\$ 3,372,183	\$ 2,983,981

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

**Statements of Activities**

**Year Ended September 30, 2010**

**(With Summarized Financial Information for the Year Ended September 30, 2009)**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>2010 Total</b>	<b>2009 Total</b>
<b>Revenues, Gains and Other Support</b>					
Contributions					
General	\$ 2,583,687	\$ 10,826,176	\$ -	\$ 13,409,863	\$ 12,297,267
Bethesda Ministries	1,029	5,092	-	6,121	62,338
Interest and dividends	7,252	-	-	7,252	9,633
Realized and unrealized gains (losses) on investments, net	36,660	-	-	36,660	(231,829)
Other revenue	290	-	-	290	(7,413)
Satisfaction of program restrictions	10,525,513	(10,525,513)	-	-	-
Total revenues, gains and other support	<u>13,154,431</u>	<u>305,755</u>	<u>-</u>	<u>13,460,186</u>	<u>12,129,996</u>
<b>Expenses</b>					
Program services					
Child ministries	9,796,665	-	-	9,796,665	9,827,202
Humanitarian and relief	367,175	-	-	367,175	35,734
Medical Mercy	338,371	-	-	338,371	184,588
Higher education and vocational training	214,670	-	-	214,670	834,515
Teaching/advocacy ministries	254,109	-	-	254,109	431,639
Total program services	<u>10,970,990</u>	<u>-</u>	<u>-</u>	<u>10,970,990</u>	<u>11,313,678</u>
Supporting services					
General and administrative	1,378,770	-	-	1,378,770	1,348,106
Promotion and development	1,187,345	-	-	1,187,345	1,198,138
Less supporting services subsidized by Bethesda Ministries	(510,000)	-	-	(510,000)	(825,000)
Total supporting services	<u>2,056,115</u>	<u>-</u>	<u>-</u>	<u>2,056,115</u>	<u>1,721,244</u>
Total expenses	<u>13,027,105</u>	<u>-</u>	<u>-</u>	<u>13,027,105</u>	<u>13,034,922</u>
<b>Change in Net Assets</b>	127,326	305,755	-	433,081	(904,926)
<b>Net Assets, Beginning of Year</b>	<u>1,318,483</u>	<u>1,231,786</u>	<u>15,675</u>	<u>2,565,944</u>	<u>3,470,870</u>
<b>Net Assets, End 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>

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

**Statements of Cash Flows**

**Year Ended September 30, 2010**

**(With Summarized Financial Information for the Year Ended September 30, 2009)**

	<u>2010</u>	<u>2009</u>
<b>Operating Activities</b>		
Change in net assets	\$ 433,081	\$ (904,926)
Items not requiring cash		
Depreciation and amortization	213,238	210,371
Realized and unrealized losses (gains) on investments, net	(36,660)	231,829
Loss on disposal of property and equipment	398	7,413
Changes in		
Receivables	(42,371)	63,080
Related party receivables	-	39,656
Other assets	13,031	26,571
Related party payables	(42,516)	46,781
Other accounts payable	65,112	(93,078)
Accrued liabilities	<u>(67,475)</u>	<u>(15,351)</u>
Net cash provided by (used in) operating activities	<u>535,838</u>	<u>(387,654)</u>
<b>Investing Activities</b>		
Purchases of investments	(1,045,945)	-
Proceeds from sale of investments	74,956	1,471,802
Purchases of trademarks	(3,835)	(4,375)
Proceeds from sale of furniture and equipment	480	-
Purchases of furniture, equipment and software	<u>(132,804)</u>	<u>(171,459)</u>
Net cash provided by (used in) investing activities	<u>(1,107,148)</u>	<u>1,295,968</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(571,310)	908,314
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,467,493</u>	<u>559,179</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 896,183</u>	<u>\$ 1,467,493</u>

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

## **Notes to Financial Statements**

**September 30, 2010**

**(With Summarized Financial Information for September 30, 2009)**

### **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, 2010 and 2009, 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, 2012, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the accounts.

Effective October 3, 2008, the FDIC's insurance limits increased to \$250,000 for interest-bearing transaction accounts and became permanent per legislative action effective July 21, 2010. At September 30, 2010, Mission of Mercy's interest-bearing cash accounts exceeded federally insured limits by approximately \$90,000. Management believes no significant credit risk exists related to these uninsured balances.

**Mission of Mercy  
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**Notes to Financial Statements**

**September 30, 2010**

**(With Summarized Financial Information for September 30, 2009)**

***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, 2010**

**(With Summarized Financial Information for September 30, 2009)**

***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 \$184,000 and \$31,800 for the years ended September 30, 2010 and 2009, 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, management and general and fund raising 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, 2010 and 2009.

***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, 2009, from which the summarized information was derived.

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

**Notes to Financial Statements**

**September 30, 2010**

**(With Summarized Financial Information for September 30, 2009)**

***Subsequent Events***

Subsequent events have been evaluated through December 16, 2010, 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>2010</b>	<b>2009</b>
Mutual funds	\$ 1,076,903	\$ 25,370
Limited partnerships	150,901	195,414
	\$ 1,227,804	\$ 220,784

***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>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)
<b>2009</b>				
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Limited partnerships (A)	\$ 195,414	None	(A)	(A)

**Mission of Mercy  
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**Notes to Financial Statements**

**September 30, 2010**

**(With Summarized Financial Information for September 30, 2009)**

- (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. Mission of Mercy executed a full redemption request during the year ended September 30, 2009. At September 30, 2010, approximately 25% of the investment balance remaining at September 30, 2009 has been redeemed. Due to the redemption request, investments representing approximately 40% of the value of investments in this category are subject to an audit holdback and the remaining investments have been placed in special purpose vehicles until the funds are redeemed. Management expects the majority of this remaining balance to be received in distributions over the next year.

**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  
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**Notes to Financial Statements**

**September 30, 2010**

**(With Summarized Financial Information for September 30, 2009)**

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 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, 2010**

**(With Summarized Financial Information for September 30, 2009)**

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, 2010 and 2009:

<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	\$ 1,076,903	\$ 1,076,903	\$ -	\$ -
Limited partnerships	150,901	-	-	150,901
	<u>\$ 1,227,804</u>	<u>\$ 1,076,903</u>	<u>\$ -</u>	<u>\$ 150,901</u>
<b>2009</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	\$ 25,370	\$ 25,370	\$ -	\$ -
Limited partnerships	195,414	-	-	195,414
	<u>\$ 220,784</u>	<u>\$ 25,370</u>	<u>\$ -</u>	<u>\$ 195,414</u>

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

**Notes to Financial Statements**

**September 30, 2010**

**(With Summarized Financial Information for September 30, 2009)**

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, 2008	\$ 1,898,509
Total realized and unrealized gains and losses included in change in net assets	(231,137)
Funds withdrawn	<u>(1,471,958)</u>
Balance, September 30, 2009	<u>195,414</u>
Total realized and unrealized gains and losses included in change in net assets	1,901
Funds withdrawn	<u>(46,414)</u>
Balance, September 30, 2010	<u><u>\$ 150,901</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, 2009	<u>\$ (231,137)</u>
Year ended September 30, 2010	<u><u>\$ 1,555</u></u>

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

**Notes to Financial Statements**

**September 30, 2010**

**(With Summarized Financial Information for September 30, 2009)**

**Note 4: Furniture and Equipment**

Furniture and equipment at September 30 consists of:

	<b>2010</b>	<b>2009</b>
Furniture and equipment	\$ 293,889	\$ 295,553
Leasehold improvements	254,362	254,362
Computers – hardware	139,923	141,731
Computers – software	1,175,070	1,172,470
Transportation equipment	38,089	38,089
Software and other development in progress	279,231	171,914
	2,180,564	2,074,119
Less accumulated depreciation	(1,111,193)	(929,623)
	\$ 1,069,371	\$ 1,144,496

**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, 2010, Bethesda gave \$6,121 of contributions to Mission of Mercy for specific programs, of which \$5,092 is included in temporarily restricted contribution revenue in the statement of activities. During the year ended September 30, 2009, Bethesda gave \$62,338 to specific Mission of Mercy programs.
- During the years ended September 30, 2010 and 2009, 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, 2010 and 2009, Bethesda gave \$510,000 and \$825,000, 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 payables to Bethesda and entities to which Bethesda is related. The balance of the payables was \$4,265 and \$46,781, as of September 30, 2010 and 2009, respectively.

**Mission of Mercy  
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**Notes to Financial Statements**

**September 30, 2010**

**(With Summarized Financial Information for September 30, 2009)**

- An entity, to which Bethesda is related, charged \$376,537 and \$355,864 for computer, accounting and other services provided to Mission of Mercy during the years ended September 30, 2010 and 2009, respectively. Bethesda charged Mission of Mercy \$157,065 and \$147,643 for the rental of office and storage space during the years ended September 30, 2010 and 2009, 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>2010</b>	<b>2009</b>
Child care – various countries	\$ 968,939	\$ 566,696
Child care – gift fund	158,376	150,468
Bangladesh	99,781	112,427
Medical Mercy	89,661	59,327
Forgotten Children	71,377	73,604
Ethiopia	40,019	39,281
Dominican Republic	24,509	43,578
Disaster relief	15,343	83
Nepal	14,163	5,044
India – other	10,733	8,858
Honduras	7,465	15,608
Haiti	5,764	5,264
Jordan	2,729	2,729
Thailand	1,828	1,766
Feeding program	1,559	1,649
Sri Lanka	1,423	4,905
Calcutta, India	885	1,266
Kenya	547	1,236
Cambodia	369	100,132
Romania	232	232
Kyrgyzstan	-	4,586
Other overseas projects	21,839	33,047
	<u>\$ 1,537,541</u>	<u>\$ 1,231,786</u>



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

**Notes to Financial Statements**

**September 30, 2010**

**(With Summarized Financial Information for September 30, 2009)**

**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, 2010, the employer matched employee contributions up to 3% of compensation (1% from April 1, 2009 to January 1, 2010). Additional amounts are contributed at the discretion of the Board of Directors, generally 1% 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, 2010 and 2009 were \$44,298 and \$56,942, respectively.

**Note 9: Commitments and Contingencies**

***Claims Incurred but Not Reported***

Mission of Mercy recorded a claims incurred but not reported liability (IBNR) as an estimate of the liability for services provided for Mission of Mercy's self-funded health insurance beneficiaries during the year ended September 30, 2009. The IBNR was \$48,203, and is included in accrued liabilities on the statement of financial position. Mission of Mercy changed its insurance coverage in the fiscal year ended September 30, 2010 and is no longer self-funded, therefore no liability has been recorded at September 30, 2010.

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

**Notes to Financial Statements**

**September 30, 2010**

**(With Summarized Financial Information for September 30, 2009)**

**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**

December 16, 2010

**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 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	-	55,000	-	171,725	1,277,810	435,556	406,105	841,661	2,119,471
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	-	-	-	7,313	213,968	18,269	178,917	197,186	411,154
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
	9,796,665	367,175	338,371	214,670	254,109	10,970,990	1,378,770	1,187,345	2,566,115	13,537,105
Less Bethesda subsidy	-	-	-	-	-	-	(274,022)	(235,978)	(510,000)	(510,000)
	\$ 9,796,665	\$ 367,175	\$ 338,371	\$ 214,670	\$ 254,109	\$ 10,970,990	\$ 1,104,748	\$ 951,367	\$ 2,056,115	\$ 13,027,105

**Mission of Mercy**  
**(A Division of Bethesda Ministries)**  
**Schedule of Functional Expenses**  
**Year Ended September 30, 2009**

	<u>Program Services</u>					<u>Supporting Services</u>			<u>Total Expenses</u>	
	<u>Child Ministries</u>	<u>Humanitarian and Relief</u>	<u>Medical Mercy</u>	<u>Higher Education and Vocational Training</u>	<u>Teaching/ Advocacy Ministries</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Promotion and Development</u>		<u>Total</u>
Direct payments to ministries	\$ 7,343,157	\$ 35,734	\$ 68,488	\$ 834,515	\$ 5,436	\$ 8,287,330	\$ -	\$ -	\$ -	\$ 8,287,330
Salaries and labor	1,190,097	-	71,667	-	287,489	1,549,253	421,815	412,353	834,168	2,383,421
Payroll taxes	104,511	-	-	-	6,442	110,953	34,889	37,646	72,535	183,488
Benefits	139,733	-	-	-	39,050	178,783	66,582	62,573	129,155	307,938
Travel and entertainment	159,267	-	14,674	-	76,754	250,695	30,008	95,375	125,383	376,078
Informational materials	4,079	-	-	-	600	4,679	58,511	37,588	96,099	100,778
Printing and publications	496	-	-	-	-	496	-	85,427	85,427	85,923
Special events	-	-	-	-	-	-	-	14,725	14,725	14,725
Conference and education	18,850	-	-	-	7	18,857	2,393	8,701	11,094	29,951
Promotion and advertising	-	-	-	-	-	-	430	121,386	121,816	121,816
Computer services	211,095	-	-	-	-	211,095	85,351	11,228	96,579	307,674
Telephone	34,987	-	-	-	5,745	40,732	13,702	9,317	23,019	63,751
Postage	114,036	-	-	-	1,622	115,658	121,584	48,988	170,572	286,230
Supplies and materials	73,219	-	29,759	-	1,096	104,074	23,461	34,692	58,153	162,227
Building rent and maintenance	89,406	-	-	-	-	89,406	37,779	40,276	78,055	167,461
Depreciation and amortization	54,943	-	-	-	-	54,943	135,973	19,455	155,428	210,371
Insurance	497	-	-	-	-	497	11,699	-	11,699	12,196
Professional and other fees	271,890	-	-	-	7,398	279,288	13,825	158,408	172,233	451,521
Legal	15,597	-	-	-	-	15,597	14,031	-	14,031	29,628
Finance and accounting	-	-	-	-	-	-	136,866	-	136,866	136,866
Bank fees	1,142	-	-	-	-	1,142	132,487	-	132,487	133,629
Other	200	-	-	-	-	200	6,720	-	6,720	6,920
	<u>9,827,202</u>	<u>35,734</u>	<u>184,588</u>	<u>834,515</u>	<u>431,639</u>	<u>11,313,678</u>	<u>1,348,106</u>	<u>1,198,138</u>	<u>2,546,244</u>	<u>13,859,922</u>
Less Bethesda subsidy	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(437,250)</u>	<u>(387,750)</u>	<u>(825,000)</u>	<u>(825,000)</u>
	<u>\$ 9,827,202</u>	<u>\$ 35,734</u>	<u>\$ 184,588</u>	<u>\$ 834,515</u>	<u>\$ 431,639</u>	<u>\$ 11,313,678</u>	<u>\$ 910,856</u>	<u>\$ 810,388</u>	<u>\$ 1,721,244</u>	<u>\$ 13,034,922</u>