



**SIM USA, INC.**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

September 30, 2008 and 2007

# SIM USA, INC.

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
SIM USA, Inc.  
Charlotte, North Carolina

We have audited the accompanying statements of financial position of SIM USA, Inc. (a nonprofit corporation) as of September 30, 2008, and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of SIM USA, Inc. as of September 30, 2008, and 2007 and the changes in its net assets and its cash flows for the years then ended in conformity with accepted accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Atlanta, Georgia  
February 4, 2009

# SIM USA, INC.

## Statements of Financial Position

	September 30,	
	2008	2007
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 112,614	\$ 38,372
Deposits with related organization	9,549,550	8,364,501
Accounts receivable and accrued interest	109,274	232,659
Inventories and prepaid expenses	307,266	199,072
	10,078,704	8,834,604
Investment in captive insurance company	334,083	352,948
Long-term investments	9,730,290	11,369,820
Trust assets	24,244,285	29,185,181
Endowment assets	3,905,229	4,989,138
	37,879,804	45,544,139
Land, buildings, and equipment–net	6,118,469	5,953,193
<b>Total Assets</b>	<b>\$ 54,411,060</b>	<b>\$ 60,684,884</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 614,275	\$ 114,811
Annuities payable–current portion	526,846	514,984
Capital lease obligation	14,890	14,982
Missionary personal accounts	922,446	979,101
Due to affiliated entities	524,989	461,876
	2,603,446	2,085,754
Annuities payable–net of current portion	2,804,654	2,878,890
Capital lease obligation–net of current portion	31,753	41,003
Trust liabilities	18,268,147	22,355,319
Retirement trusts	978,810	1,206,047
Total liabilities	24,686,810	28,567,013
Net assets:		
Unrestricted	12,356,520	13,664,630
Temporarily restricted	14,741,458	15,826,969
Permanently restricted–endowment	2,626,272	2,626,272
Total net assets	29,724,250	32,117,871
<b>Total Liabilities and Net Assets</b>	<b>\$ 54,411,060</b>	<b>\$ 60,684,884</b>

See notes to financial statements

# SIM USA, INC.

## Statements of Activities

	Year Ended September 30,							
	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>INCOME:</b>								
Support/contributions:								
Missionary support	\$ -	\$ 19,989,024	\$ -	\$ 19,989,024	\$ -	\$ 19,725,128	\$ -	\$ 19,725,128
Specified ministries and projects	-	16,518,417	-	16,518,417	-	13,979,396	-	13,979,396
Retired missionary support	-	1,628,558	-	1,628,558	-	1,521,623	-	1,521,623
Specified ministries—collected through affiliates	-	1,423,629	-	1,423,629	-	1,242,859	-	1,242,859
General purposes	352,984	-	-	352,984	658,103	-	-	658,103
Split-interest agreements	161,700	278,718	-	440,418	253,346	307,037	-	560,383
	514,684	39,838,346	-	40,353,030	911,449	36,776,043	-	37,687,492
Revenue:								
Investment income	(1,404,009)	(731,746)	-	(2,135,755)	1,875,219	582,844	-	2,458,063
Change in value of annuities and trusts	(511,256)	(226,740)	-	(737,996)	(753,839)	200,589	-	(553,250)
Rental, sales, and other	709,709	-	-	709,709	4,328,100	-	-	4,328,100
	(1,205,556)	(958,486)	-	(2,164,042)	5,449,480	783,433	-	6,232,913
<b>Total Income</b>	(690,872)	38,879,860	-	38,188,988	6,360,929	37,559,476	-	43,920,405
<b>RECLASSIFICATIONS:</b>								
Net assets released from restrictions:								
Administrative portion of support	1,854,794	(1,854,794)	-	-	1,843,362	(1,843,362)	-	-
Administrative assessment on ministry and project contributions	1,218,092	(1,218,092)	-	-	972,211	(972,211)	-	-
Satisfaction of purpose and expiration of time restrictions	36,892,485	(36,892,485)	-	-	32,724,093	(32,724,093)	-	-
<b>Total Reclassifications</b>	39,965,371	(39,965,371)	-	-	35,539,666	(35,539,666)	-	-

(continued)

See notes to financial statements

# SIM USA, INC.

## Statements of Activities (continued)

	Year Ended September 30,							
	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>EXPENSES:</b>								
Program services:								
Church growth and evangelism	10,781,635	-	-	10,781,635	9,595,269	-	-	9,595,269
Education ministry	5,300,509	-	-	5,300,509	5,485,122	-	-	5,485,122
Home ministry	2,391,457	-	-	2,391,457	2,303,584	-	-	2,303,584
Media ministry	603,363	-	-	603,363	687,171	-	-	687,171
Relief and rehabilitation	5,318,592	-	-	5,318,592	5,466,448	-	-	5,466,448
Service	1,505,217	-	-	1,505,217	1,848,085	-	-	1,848,085
Transfer to international affiliates	8,440,935	-	-	8,440,935	6,695,859	-	-	6,695,859
	<u>34,341,708</u>	<u>-</u>	<u>-</u>	<u>34,341,708</u>	<u>32,081,538</u>	<u>-</u>	<u>-</u>	<u>32,081,538</u>
Supporting activities:								
Management and general	5,005,799	-	-	5,005,799	4,256,668	-	-	4,256,668
Fund-raising	1,235,102	-	-	1,235,102	1,319,681	-	-	1,319,681
	<u>6,240,901</u>	<u>-</u>	<u>-</u>	<u>6,240,901</u>	<u>5,576,349</u>	<u>-</u>	<u>-</u>	<u>5,576,349</u>
Total Expenses	<u>40,582,609</u>	<u>-</u>	<u>-</u>	<u>40,582,609</u>	<u>37,657,887</u>	<u>-</u>	<u>-</u>	<u>37,657,887</u>
Change in Net Assets	<u>(1,308,110)</u>	<u>(1,085,511)</u>	<u>-</u>	<u>(2,393,621)</u>	<u>4,242,708</u>	<u>2,019,810</u>	<u>-</u>	<u>6,262,518</u>
Net Assets, Beginning of Year	13,664,630	15,826,969	2,626,272	32,117,871	9,421,922	13,807,159	2,626,272	25,855,353
Net Assets, End of Year	<u>\$ 12,356,520</u>	<u>\$ 14,741,458</u>	<u>\$ 2,626,272</u>	<u>\$ 29,724,250</u>	<u>\$ 13,664,630</u>	<u>\$ 15,826,969</u>	<u>\$ 2,626,272</u>	<u>\$ 32,117,871</u>

See notes to financial statements

# SIM USA, INC.

## Statements of Cash Flows

	Year Ended September 30,	
	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (2,393,621)	\$ 6,262,518
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Realized gain on sale of land, buildings, and equipment	-	(4,207,091)
Realized (gain) loss on sale of investments	153,246	(573,740)
Unrealized (gain) loss on investments	2,625,880	(1,184,215)
Change in actuarial valuation	737,996	553,250
Depreciation	205,044	210,087
Noncash contributions	(282,397)	(557,796)
Changes in operating assets and liabilities:		
Deposits with related organization	(1,185,049)	(1,349,241)
Accounts receivable and accrued interest	123,385	1,050
Inventories and prepaid expenses	(108,194)	12,375
Accounts payable and accrued expenses	499,464	(39,590)
Missionary personal accounts	(56,655)	156,586
Due to affiliated entities	63,113	(76,097)
Net Cash Provided (Used) by Operating Activities	382,212	(791,904)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of land, buildings, and equipment	(7,662)	-
Increase in construction in process	(342,058)	(61,734)
Proceeds from sale of land, buildings, and equipment	-	4,473,301
Purchase of long-term investments	(587,988)	(5,726,430)
Proceeds from sale of long-term investments	1,128,599	2,398,715
Net Cash Provided by Investing Activities	190,891	1,083,852
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Additions to deferred giving instruments	1,063,283	1,328,729
Proceeds from the issuance of annuities and trust	1,872,127	2,616,254
Payments of annuity and trust obligations	(3,424,929)	(4,237,243)
Principal payments on capital leases	(9,342)	(1,462)
Net Cash Used by Financing Activities	(498,861)	(293,722)
Net Change in Cash and Cash Equivalents	74,242	(1,774)
Cash and Cash Equivalents, Beginning of Year	38,372	40,146
Cash and Cash Equivalents, End of Year	\$ 112,614	\$ 38,372
<b>Supplemental Disclosures:</b>		
Assets acquired via capital lease obligation	\$ -	\$ 55,985
Noncash investing activities:		
Noncash contributions of securities	\$ 261,797	\$ 376,387
Noncash contributions of property	\$ 20,600	\$ 181,409

See notes to financial statements

# SIM USA, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

1. NATURE OF ORGANIZATION:

SIM USA, Inc. (SIM USA), a church and religious order associated with churches of the Protestant faith, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, it is also exempt from state income tax, and contributions by the public are deductible for income tax purposes.

SIM USA is a voluntary participant in an international group, known collectively as SIM International (SIM), as evidenced by being a signatory to the international memorandum of understanding and joint ministry agreement.

SIM, a religious order associated with churches of the Protestant faith, is composed of nine sending administrations, seventeen area administrations, SIM Charitable Trust, and SIM International, Inc.

SIM conducts ministry activities by seconding personnel to other agencies and a corporate entity with board members representing sending councils. However, the representation does not constitute control, and combination is not required.

SIM USA has owned and operates two retirement villages for the benefit of its missionaries. They are located in Sebring, Florida and Carlsbad, California. In August 2007, SIM USA sold the retirement village in Carlsbad, California.

The SIM International group is subject to the joint ministry management committee and the SIM board of governors, who are composed of a majority of external board members who are representatives of the home administrations plus elected members of the mission worldwide. The participants in SIM are subject to the policies and procedures established in the SIM Manual and International Finance Manual.

The purpose of SIM is to glorify God by evangelizing the unreached, ministering to man's needs, and discipling believers into churches equipped to fulfill Christ's commission.

SIM USA is funded by contributions from individuals (approximately 55 percent) and churches (approximately 36 percent), as well as foundations and others (approximately 9 percent). Funds are raised by missionaries and SIM USA staff for supporting activities and programs services as listed in the statements of activities. Support is also derived from direct mail appeals and the operation of planned/deferred giving programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of SIM USA are prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

# SIM USA, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### PRINCIPLES OF COMBINATION

These financial statements reflect only the activities and financial position of SIM USA, including its branch operations, which are Sebring Retirement Village and Carlsbad Retirement Village. SIM USA consists of a number of predecessor organizations which no longer have operations but are retained to provide for the transfers of estates to SIM USA. One of the predecessor organizations, Sudan Interior Mission (the New York Corporation), operates the annuity fund activity. All of these organizations have the same board as SIM USA. As described above, SIM USA is a voluntary participant in SIM International, providing funding and missionary personnel to accomplish SIM USA ministry objectives worldwide. Although SIM USA has substantial economic interest in SIM, it does not have majority board control. Thus, consolidation is not required under current accounting standards.

Therefore, in these financial statements, funds that have been remitted to other SIM entities (principally SIM International) or to area divisions, as governed by the International finance policy, are recorded as expenses when distributed. The other entities and area division administrations are then responsible for the utilization of those funds for their intended purposes under the procedures established for use throughout SIM worldwide.

Every area, national, and international administration is subject to an annual audit. Area administrations are audited internally, and national and international administrations are audited by independent auditors annually and by internal auditors at least every four years. This is to ensure that policies are followed consistently and all resources are used to accomplish SIM exempt purposes, with guidelines and intended purposes set forth by donors and the SIM USA board.

#### CLASSES OF NET ASSETS

The financial statements report income and net assets by class:

*Unrestricted net assets* are currently available for ministry purposes under the direction of the board, designated by the board for specific use, or resources invested in land, buildings, and equipment.

*Temporarily restricted net assets* are contributed with donor stipulations for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

*Permanently restricted net assets* are contributed with donor restrictions requiring they be held in perpetuity as endowment, with income to be used as stipulated in the endowment agreement.

# SIM USA, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, checking, savings, and money market accounts as well as certificates of deposit with original maturity dates of less than three months. These accounts may, at times, exceed the federally insured limits. SIM USA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The majority of the cash and cash equivalents are held by a related party, SIM International. SIM USA also uses sweep accounts, and funds are transferred automatically as needed.

#### DEPOSITS WITH RELATED ORGANIZATION

The deposits with a related organization consist of funds transferred to SIM International and carried at cost plus accrued interest. SIM USA may access the funds, as needed. The deposits earn interest at the current rate which for the year 2008 was 2.44% and for the year 2007 was 4.94%. Due to SIM USA's ability to access the funds without penalty, these assets are treated as an operating asset.

As of September 30, 2008, and 2007, respectively, total pooled assets net of reserves were \$35,284,905 and \$35,991,004.

#### INVENTORY

Inventory consists of ministry-related books and literature held for future distribution and sale. They are valued at the lower of cost or market using the first-in, first-out method.

#### LONG-TERM INVESTMENTS

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value with gains and losses reported in the statements of activities. Donated investments are recorded at fair value on the date of donation and thereafter carried in accordance with the above provisions. Where market values are not available, cost values have been used that approximate fair value. SIM USA follows the investment guidelines and decisions of the grantors of the revocable and charitable trusts.

Alternative investments consist of investments in Silver Creek Capital Management, LLC, and certain other partnerships and are carried at fair value, as determined by the funds managers based on information provided by the funds' professional managers. In determining fair value, the manager utilizes the valuation of the underlying investment entities reflected on the audited financial statements of the funds. The underlying investment entities value securities and other financial instruments at market value, when possible, or at fair value determined by the respective entities' general partner or manager when no market value is determinable. The estimated fair values of certain investments of the underlying investment entities, which include private placements and other securities for which prices are not readily available, may not reflect amounts that could be realized upon an immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair value may differ significantly from the values that would have been used had a ready market existed for these investments.

# SIM USA, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### INVESTMENT IN REAL ESTATE

Investment in real estate (Note 3) includes missionary housing, gifts of property, and purchases of property for investment. These investments are recorded at cost or fair market value at the date of the gift. Joint equity arrangements are agreements where SIM USA co-owns a percentage of real property. The cost of the SIM USA percentage in joint equity arrangements is recorded as long-term investments. Upon sale of these properties, SIM USA will receive their percentage of the total proceeds. Such assets are not income producing, and they are not used in the operations (ministry) of the organization.

#### LAND, BUILDINGS, EQUIPMENT, AND DEPRECIATION

Items capitalized as land, buildings, and equipment are recorded at cost. SIM USA capitalizes all property and equipment with a cost or value exceeding \$10,000. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, ranging from 5 to 40 years. Depreciation expense is allocated to the various program services and supporting activities.

#### ANNUITY AND TRUST LIABILITIES

SIM USA has established a gift annuity plan whereby donors may contribute assets to the organization in exchange for the right to receive a fixed dollar annual return during their lifetimes. A portion of the transfer is considered to be a charitable contribution for income tax purposes. The difference between the amount provided for the gift annuity and the present value of future payment, determined on an actuarial basis, is recognized as support at the date of the gift. The annuity liability is revalued annually based upon actuarially computed present values. Resulting actuarial gain or loss is recorded as change in value of annuities and trusts. Certain states require reserves to be held in excess of the liability. Such amounts are reported as unrestricted net assets (Note 6).

As trustee, SIM USA administers revocable (grantor) trusts that provide for a beneficial interest to SIM USA or other beneficiary at the grantor's death. Because the trusts are revocable at the discretion of the grantor, the principal amounts provided are recorded as liabilities. All trust income, deductions, and credits are reportable by the grantor for tax purposes. At the grantor's death, the remaining trust assets, if designated for SIM USA, will be recorded as contributions income. Any trust designated for other beneficiaries will be distributed in accordance with the trust agreement.

# SIM USA, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### ANNUITY AND TRUST LIABILITIES, continued

As trustee, SIM USA administers irrevocable trusts, including charitable remainder unitrusts and annuity trusts. These trusts provide the payment of lifetime distributions to the grantor or other designated beneficiaries. The present value of the income interests are reported as trust liabilities using federal discount and mortality tables ranging from 6.0 to 8.6 percent. For trusts with a term of years, thus meeting the definition of a derivative financial instrument as described above, the liability for these trusts are computed using the current market rate instead of the rate at inception. At the death of the lifetime beneficiaries, the trusts provide for the distribution of assets to designated remaindermen. The present value of the remainder interest of SIM USA is reported as temporarily restricted contributions in the period received, temporarily restricted net assets, and reclassification to the unrestricted net assets when the trust matures. Certain trusts contain provisions to distribute assets to remaindermen other than SIM USA. The portion attributable to others is reflected as a part of trust liabilities on the statements of financial position (Note 7).

#### SUPPORT, REVENUE, AND EXPENSES

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to SIM USA. It is SIM USA's policy not to accept unconditional promises, and none were received or recognized in the reporting periods.

SIM USA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

SIM USA reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, SIM USA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

SIM USA receives indications of intent to support ministries that are faith promise commitments to provide monthly, quarterly, or annual gifts of a specified amount. These commitments are open ended and subject to unilateral change by the donor. Because the commitments do not express a term or period, the amount of the commitment is not measurable. Considering these factors, the commitments are not considered to be unconditional promises to give and are not recognized prior to receipt of the contribution.

Expenses are reported when costs are incurred, including advertising and promotion totaling \$490,867 and \$561,269 for the years ended September 30, 2008, and 2007, respectively.

# SIM USA, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CONTRIBUTED SERVICES

A substantial number of unpaid volunteers have made significant contributions of their time to the organization. These contributed services are not reported as they do not meet the requirements of accounting standards for recognition.

#### ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities of SIM USA have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. SIM USA incurred joint costs that include fund-raising appeals as follows:

	<u>Program Services</u>	<u>Fund-raising</u>	<u>Total</u>
Year Ended September 30, 2008:			
Furlough salary and housing	\$ 1,007,680	\$ 251,920	\$ 1,259,600
Furlough medical	551,980	132,063	684,043
Ministry promotion	378,083	75,745	453,828
Advertising and promotion	181,069	303,438	484,507
	<u>\$ 2,118,812</u>	<u>\$ 763,166</u>	<u>\$ 2,881,978</u>
Year Ended September 30, 2007:			
Furlough salary and housing	\$ 880,684	\$ 373,687	\$ 1,254,371
Furlough medical	477,179	113,756	590,935
Ministry promotion	405,994	101,498	507,492
Advertising and promotion	231,990	302,334	534,324
	<u>\$ 1,995,847</u>	<u>\$ 891,275</u>	<u>\$ 2,887,122</u>

#### RECLASSIFICATION

Certain financial statement and footnote information from the prior year financial statements has been reclassified to conform to current year presentation format.

# SIM USA, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

3. INVESTMENTS:

Investments at fair value consist of:

	September 30,	
	2008	2007
Cash and cash equivalents	\$ 525,665	\$ 2,484,322
Equities	8,748,487	11,927,193
Mutual funds	16,125,268	18,117,889
Certificates of deposit	724,146	623,845
Corporate bonds	4,253,431	4,385,924
Municipal bonds	140,163	128,050
Government securities	109,029	140,437
Alternative investments*	4,453,463	4,887,502
Real estate (including present value of life estate interest)	1,553,479	1,356,271
Joint equity interests	307,192	305,763
Limited partnership	936,778	1,182,242
Other	2,703	4,701
	\$ 37,879,804	\$ 45,544,139

Investments are held for:

	September 30,	
	2008	2007
Long-term investments and other assets:		
Operating funds	\$ 866,276	\$ 842,139
Annuity and other	4,410,551	6,119,387
Alternative investments*	4,453,463	4,408,294
	9,730,290	11,369,820
Trust assets	24,244,285	29,185,181
Endowment assets:		
Board designated	827,839	993,137
Unspent endowment earnings	451,118	1,369,729
Permanently restricted	2,626,272	2,626,272
	3,905,229	4,989,138
	\$ 37,879,804	\$ 45,544,139

# SIM USA, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

3. INVESTMENTS, continued:

Unrestricted investment income includes:

	Year Ended September 30,	
	2008	2007
Interest and dividends	\$ 515,454	\$ 584,291
Realized gains and losses	(76,112)	307,725
Unrealized gains and losses	(1,843,351)	983,203
	<u>\$ (1,404,009)</u>	<u>\$ 1,875,219</u>

Endowment and similar temporarily restricted investment income consists of :

	Year Ended September 30,	
	2008	2007
Interest and dividends	\$ 109,052	\$ 116,251
Realized gains and losses	(77,134)	266,015
Unrealized gains and losses	(763,664)	200,578
	<u>\$ (731,746)</u>	<u>\$ 582,844</u>

As described in Note 2 and identified with (\*) above, certain investment funds, partnerships, and joint ventures held by SIM USA include alternative investments which total approximately \$4,450,000 and \$4,400,000 as of September 30, 2008, and 2007, respectively. The amount of investment income (loss), net, from alternative investments was approximately \$(437,803) and \$36,000 for the years ended September 30, 2008, and 2007, respectively.

Investments held at Citicorp Smith Barney (Silver Creek Capital Management, LLC, (SC)) includes investments in certain limited partnerships and other investment funds, for which market quotations may not be readily available. Such investments have been valued in accordance with the investment policy described in Note 2. The SC investments hold funds which may be valued by a single market maker. No formal trading market exists for these investments. They are generally liquid and may not be currently priced and values may not necessarily have been reduced to reflect prior distributions. The value and prices assigned to the investments are estimates based on information typically received from the funds' general partners, managing members, sponsors, administrators, or advisors of the funds and/or underlying funds, are typically subject to change and are as of a date prior to the close of the fiscal year of SIM USA. These values and prices may not be realized upon the sale or ultimate disposition of the securities. Smith Barney generally does not maintain custody of these funds' assets.

# SIM USA, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

4. INVESTMENT IN CAPTIVE INSURANCE COMPANY:

SIM USA invests, along with several other nonprofit organizations, in a captive insurance holding company, Lucent Insurance, Ltd. (Lucent). As of September 30, 2006, SIM USA holds a 12% interest in Lucent with an initial investment of \$250,000. SIM USA is accounting for this investment using the equity method because it more clearly approximates fair value. Equity at September 30, 2008, was \$334,083. Lucent insures claims relating to workers' compensation, general liability, property, and automobile liability and physical damage. Claim experience is identified to each participating entity and subsequent premiums are modified based upon an entity's claim experience. There is no dividend income from Lucent for the years ended September 30, 2008, and 2007. Premium payments were approximately \$262,175 and \$184,081 for the years ended September 30, 2008, and 2007, respectively.

5. LAND, BUILDINGS, AND EQUIPMENT—NET:

Land, buildings, and equipment—net, at cost, consist of:

	September 30,	
	2008	2007
Charlotte land, buildings, and equipment:		
Charlotte land	\$ 1,603,291	\$ 1,603,291
Charlotte buildings	3,276,489	2,987,930
Furniture and equipment	583,248	583,248
Vehicles	131,623	121,023
	5,594,651	5,295,492
Less accumulated depreciation	(1,933,258)	(1,832,642)
	3,661,393	3,462,850
Construction in process	329,258	258,090
	3,990,651	3,720,940
Retirement property:		
Land	159,749	159,749
Building:		
Sebring, Florida Retirement Village	4,177,121	4,177,121
Furniture and equipment	37,683	37,690
	4,374,553	4,374,560
Less accumulated depreciation	(2,246,735)	(2,142,307)
	2,127,818	2,232,253
	\$ 6,118,469	\$ 5,953,193

Depreciation in the amounts of \$205,044 and \$210,087 for the years ended September 30, 2008, and 2007, respectively, has been allocated to program services and supporting activities in the statements of activities.

# SIM USA, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

6. ANNUITIES PAYABLE:

Annuities payable consist of:

	September 30,	
	2008	2007
Computed present value of annuities payable	\$ 3,331,500	\$ 3,393,874
Less current portion	(526,846)	(514,984)
Long-term portion	\$ 2,804,654	\$ 2,878,890

	Year Ended September 30,	
	2008	2007
Change in value of annuities:		
Actuarial change	\$ 14,880	\$ (216,500)
Payments to beneficiaries and other expenses	(526,136)	(537,339)
	\$ (511,256)	\$ (753,839)

7. TRUST LIABILITIES:

Trust liabilities consist of:

	September 30,	
	2008	2007
Revocable trusts	\$ 17,366,231	\$ 21,069,095
Irrevocable trusts—other remaindermen and lifetime interests	901,916	1,286,224
Total trust liabilities	18,268,147	22,355,319
Total trust net assets	5,976,138	6,829,862
	\$ 24,244,285	\$ 29,185,181

Change in value of trusts includes:

	Year Ended September 30,	
	2008	2007
Interest and dividends	\$ 147,004	\$ 104,614
Realized gains and losses	(192,069)	181,499
Unrealized gains and losses	(494,640)	122,478
Actuarial change	384,308	(114,022)
Payments to beneficiaries	(71,343)	(93,980)
	\$ (226,740)	\$ 200,589

# SIM USA, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

8. NET ASSETS:

Net assets consist of:

	September 30,	
	2008	2007
Unrestricted:		
Designated:		
State required annuity reserves	\$ 1,000,000	\$ 1,000,000
Board designated endowments	827,838	993,135
Board designated equipment reserve	163,669	149,147
Annuity investment reserve	336,715	1,156,867
U.S. Director reserve	423,064	37,527
Captive Insurance reserve	84,083	102,948
Management reserve	13,375	13,714
	2,848,744	3,453,338
Undesignated:		
Project and ministry deficits	(80,087)	(59,944)
Home care support (deficit) net assets:		
Medical	16,559	(262,678)
Retirement	3,184,044	3,908,928
	3,200,603	3,646,250
Other undesignated net assets	315,428	727,778
	3,435,944	4,314,084
Equity in land, buildings, and equipment:		
Invested in land, buildings, and equipment	3,990,651	3,720,941
Invested in retirement properties	2,127,824	2,232,252
Less capital lease obligation	(46,643)	(55,985)
	6,071,832	5,897,208
Total unrestricted net assets	12,356,520	13,664,630

(continued)

# SIM USA, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

8. NET ASSETS, continued:

	September 30,	
	2008	2007
Temporarily restricted:		
Expendable:		
Projects	713,303	1,188,500
Ministry funds	7,730,831	7,554,215
Future support	4,111,444	3,667,311
Unspent endowment earnings for theological education	281,744	1,153,650
	12,837,322	13,563,676
Nonexpendable:		
Charitable remainder trusts	461,712	584,642
Irrevocable trusts	1,442,424	1,678,651
	1,904,136	2,263,293
 Total temporarily restricted net assets	 14,741,458	 15,826,969
 Permanently restricted—endowment	 2,626,272	 2,626,272
	\$ 29,724,250	\$ 32,117,871

9. COMMITMENTS AND CONTINGENCIES:

SIM USA is obligated under capital leases that expire August 2012 for equipment. At September 30, 2008, the gross amount of property and related accumulated amortization recorded for the assets acquired via capital leases were:

Equipment	\$ 57,447
Less accumulated amortization	(17,234)
	\$ 40,213

# SIM USA, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

9. COMMITMENTS AND CONTINGENCIES, continued:

Future minimum lease payments under capital lease obligation (with initial or remaining lease terms in excess of one year) as of September 30, 2008, are as follows:

Year Ending September 30,	Capital leases
2009	\$ 14,890
2010	14,890
2011	14,890
2012	13,649
	58,319
Less amount representing interest	(11,676)
Present value of net minimum capital lease payment	46,643
Less current installments of obligations under capital leases	(14,890)
	\$ 31,753

Lease expense under operating leases was \$23,619 and \$9,399 for the years ended September 30, 2008, and 2007, respectively.

10. TRANSACTIONS WITH RELATED PARTIES:

**SIM INTERNATIONAL AND OTHER AFFILIATES**

In accordance with international policy, all national divisions of SIM USA make payments to SIM International Administration for salary allowance, missionary area care, administrative costs, and undesignated contributions that exceed \$5,000 for the years ended September 30, 2008, and 2007, to be used for specific ministries. In addition, missionary support received by one division for another is remitted to the appropriate division.

SIM USA made the following payments to SIM International and other affiliates:

	Year Ended September 30,	
	2008	2007
Salary allowance	\$ 115,624	\$ 99,498
Administrative costs	660,489	666,022
Specific ministries (including \$1,181,179 and \$826,466 for undesignated contributions that exceeded \$5,000 for 2008 and 2007)	6,535,734	4,942,308
	7,311,847	5,707,828
Missionary support for other divisions	1,129,089	988,032
	\$ 8,440,936	\$ 6,695,860

# SIM USA, INC.

## Notes to Financial Statements

September 30, 2008 and 2007

### 11. MEMBER BENEFIT PLANS:

#### MEDICAL BENEFITS

SIM USA provides a medical assistance program to its active members and employees which is self-funded and self-administered. The program also has stop loss coverage per individual of \$150,000 for the plan years ended December 31, 2005. Effective January 1, 2006, the self insured medical plan was changed to AETNA for medical, self-insured for dental and eyes, and there is no stop loss coverage for new support program.

The medical assistance program covers medical, hospital, dental, and optical costs, with certain limits, for all currently active members. The amount of incurred but not reported claims included in accounts payable was \$89,216 and \$40,598 for the years ended September 30, 2008, and 2007, respectively. The amount of paid claims for the years ended September 30, 2008, and 2007 was \$581,330 and \$429,321, respectively.

#### RETIREMENT BENEFITS

SIM USA offers continued support to those members of the mission reaching the designated retirement age and having completed thirty years of active service, subject to funds available in the retirement allowances pool. (Partial benefits may be received by those members having served between twenty and thirty years.) Support may include a housing allowance or housing provided, certain medical payments, and a supplement to the extent social security benefits are deemed to be inadequate. Support amounts vary from period to period based on the level of retirement funds available. SIM intends that support received will not exceed costs of benefits, and the plan is being treated as a nonqualified defined contribution arrangement.

SIM USA has also established a 403(b) plan for members and employees. Contributions to the 403(b) plan for the years ended September 30, 2008, and 2007 were \$1,217,218 and \$1,084,925, respectively.

### 12. SUBSEQUENT EVENT:

#### SUSPENSION OF REDEMPTION—ALTERNATIVE INVESTMENTS

Subsequent to the balance sheet date, SIM USA was informed by its fund managers that redemptions of investments in the Silver Creek Low Volatility Hedge Fund have been suspended. Management does not believe this will have a significant impact on the ministry's financial operations.

## **SUPPLEMENTAL INFORMATION**

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTAL INFORMATION**

Board of Directors  
SIM USA, Inc.  
Charlotte, North Carolina

Our report on our audits of the basic financial statements of SIM USA, Inc. for the years ended September 30, 2008, and 2007 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on the following pages is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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.

*Capin Crouse LLP*

Atlanta, Georgia  
February 4, 2009

**SIM USA, INC.**

**Schedule of Functional Expenses**

Year Ended September 30, 2008

	Program Services						Supporting Activities			Total Expenses 2008	
	Church Growth and Evangelism	Education Ministry	Home Ministry	Media Ministry	Relief and Rehabilitation	Service	Total	Management and General	Fund-raising		Total
Allowances and Wages:											
Homeland personnel	\$ 1,609,102	\$ 172,020	\$ 946,706	\$ 25,484	\$ 144,943	\$ 109,102	\$ 3,007,357	\$ 2,066,249	\$ 185,228	\$ 2,251,477	\$ 5,258,834
Field personnel	2,776,719	1,607,574	-	219,215	1,607,574	328,822	6,539,904	-	180,325	180,325	6,720,229
Benefits:											
Health and retirement	1,468,183	825,886	380,303	115,914	776,622	221,262	3,788,170	768,720	132,063	900,783	4,688,953
Payroll taxes	8,312	4,488	14,856	665	3,782	3,820	35,923	96,124	13,740	109,864	145,787
Housing and other allowances	1,587,490	824,492	422,799	80,702	658,089	204,473	3,778,045	409,454	71,595	481,049	4,259,094
Total Allowances, Wages, and Benefits	7,449,806	3,434,460	1,764,664	441,980	3,191,010	867,479	17,149,399	3,340,547	582,951	3,923,498	21,072,897
Other Classified Expenses:											
Advertising and promotion	-	-	181,049	-	20	-	181,069	6,360	303,438	309,798	490,867
Outside computer costs	-	-	-	-	-	-	-	35,553	-	35,553	35,553
Depreciation	40,165	21,689	34,514	3,213	18,275	34,958	152,814	52,230	-	52,230	205,044
Small equipment	933	504	7,895	75	424	3,575	13,406	109,428	3,914	113,342	126,748
Staff training	188	102	2,680	15	86	40	3,111	12,311	3,117	15,428	18,539
Legal, audit, and consultants	962	519	106	77	438	197	2,299	267,518	134,513	402,031	404,330
Occupancy	12,015	6,488	1,322	961	5,467	42,430	68,683	81,694	-	81,694	150,377
Office supplies	41,904	22,628	12,976	3,352	19,066	70,019	169,945	237,476	11,142	248,618	418,563
Other expenses	157,662	84,259	82,963	7,819	102,452	28,367	463,522	141,053	44,288	185,341	648,863
Passage to field	205,401	150,229	6,410	5,230	168,848	32,876	568,994	1,914	-	1,914	570,908
Postage	306	165	1,458	24	139	248	2,340	132,002	4,086	136,088	138,428
Telephone	3,515	1,898	7,862	281	1,599	9,948	25,103	2,254	5,052	7,306	32,409
Travel	1,443	779	95,290	115	657	78,133	176,417	46,157	14,690	60,847	237,264
Insurance	39,463	19,767	4,027	2,928	16,656	17,021	99,862	131,024	-	131,024	230,886
Interest	-	-	-	-	-	-	-	5,636	-	5,636	5,636
Repairs and maintenance	41,753	22,547	4,634	3,340	18,998	14,459	105,731	168,797	-	168,797	274,528
Unclassified costs specific ministry disbursements	2,786,119	1,534,475	183,607	133,953	1,774,457	305,467	6,718,078	233,845	127,911	361,756	7,079,834
Total	10,781,635	5,300,509	2,391,457	603,363	5,318,592	1,505,217	25,900,773	5,005,799	1,235,102	6,240,901	32,141,674
Transfers to International and Other Affiliates	-	-	-	-	-	-	8,440,935	-	-	-	8,440,935
Total Expense	<u>\$ 10,781,635</u>	<u>\$ 5,300,509</u>	<u>\$ 2,391,457</u>	<u>\$ 603,363</u>	<u>\$ 5,318,592</u>	<u>\$ 1,505,217</u>	<u>\$ 34,341,708</u>	<u>\$ 5,005,799</u>	<u>\$ 1,235,102</u>	<u>\$ 6,240,901</u>	<u>\$ 40,582,609</u>

**SIM USA, INC.**

**Schedule of Functional Expenses**

Year Ended September 30, 2007

	Program Services						Supporting Activities			Total Expenses 2007	
	Church Growth and Evangelism	Education Ministry	Home Ministry	Media Ministry	Relief and Rehabilitation	Service	Total	Management and General	Fund-raising		Total
Allowances and Wages:											
Homeland personnel	\$ 1,529,400	\$ 215,478	\$ 847,228	\$ 33,933	\$ 176,454	\$ 158,826	\$ 2,961,319	\$ 1,984,324	\$ 207,611	\$ 2,191,935	\$ 5,153,254
Field personnel	2,411,093	1,564,815	11,078	223,545	1,628,685	351,285	6,190,501	7,728	180,900	188,628	6,379,129
Benefits:											
Health and retirement	1,185,767	775,436	326,790	115,077	741,821	216,894	3,361,785	705,465	131,485	836,950	4,198,735
Payroll taxes	9,051	6,018	11,053	948	4,928	6,666	38,664	89,262	12,890	102,152	140,816
Housing and other allowances	1,353,923	891,200	399,626	92,678	700,920	223,375	3,661,722	399,867	96,003	495,870	4,157,592
Total Allowances, Wages, and Benefits	6,489,234	3,452,947	1,595,775	466,181	3,252,808	957,046	16,213,991	3,186,646	628,889	3,815,535	20,029,526
Other Classified Expenses:											
Advertising and promotion	-	-	231,990	-	-	-	231,990	26,946	302,333	329,279	561,269
Outside computer costs	-	-	-	-	-	-	-	35,901	-	35,901	35,901
Depreciation	40,883	27,184	8,687	4,281	22,261	45,999	149,295	60,229	563	60,792	210,087
Small equipment	1,836	1,221	9,573	192	1,000	2,379	16,201	76,454	2,265	78,719	94,920
Staff training	184	122	7,041	19	100	1,560	9,026	11,214	3,298	14,512	23,538
Legal, audit, and consultants	2,217	1,474	325	232	1,207	546	6,001	55,180	106,424	161,604	167,605
Occupancy	21,762	14,470	3,190	2,279	11,850	47,823	101,374	108,248	228	108,476	209,850
Office supplies	33,373	22,191	8,440	3,495	18,172	62,347	148,018	186,738	6,132	192,870	340,888
Other expenses	167,608	106,304	95,055	11,759	106,931	32,286	519,943	95,988	40,485	136,473	656,416
Passage to field	249,061	106,666	169	15,660	173,104	44,016	588,676	110	12	122	588,798
Postage	217	145	1,788	23	118	308	2,599	127,478	3,089	130,567	133,166
Telephone	1,543	1,026	6,775	162	840	9,499	19,845	6,585	5,810	12,395	32,240
Travel	558	371	101,043	58	304	84,088	186,422	46,120	30,343	76,463	262,885
Insurance	43,274	23,593	5,202	3,716	19,321	18,214	113,320	110,481	372	110,853	224,173
Interest	-	-	-	-	-	-	-	1,019	-	1,019	1,019
Repairs and maintenance	27,342	18,181	10,356	2,863	14,888	121,857	195,487	33,422	604	34,026	229,513
Unclassified costs specific ministry disbursements	2,516,177	1,709,227	218,175	176,251	1,843,544	420,117	6,883,491	87,909	188,834	276,743	7,160,234
Total	9,595,269	5,485,122	2,303,584	687,171	5,466,448	1,848,085	25,385,679	4,256,668	1,319,681	5,576,349	30,962,028
Transfers to International and Other Affiliates	-	-	-	-	-	-	6,695,859	-	-	-	6,695,859
Total Expense	\$ 9,595,269	\$ 5,485,122	\$ 2,303,584	\$ 687,171	\$ 5,466,448	\$ 1,848,085	\$ 32,081,538	\$ 4,256,668	\$ 1,319,681	\$ 5,576,349	\$ 37,657,887

**SUDAN INTERIOR MISSION, INC.  
SEGREGATED GIFT ANNUITY FUND**

**Statements of Financial Position**

	September 30,	
	2008	2007
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 506	\$ 3,497
Deposits in transit	1,000	1,500
Investments	4,666,709	5,545,744
<b>Total Assets</b>	<b>\$ 4,668,215</b>	<b>\$ 5,550,741</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Current portion of annuities payable	\$ 526,846	\$ 514,984
Due to SIM USA	-	-
Annuities payable—net of current portion	2,804,654	2,878,890
<b>Total liabilities</b>	<b>3,331,500</b>	<b>3,393,874</b>
Net assets:		
Unrestricted—unassigned funds	336,715	1,156,867
Required minimum reserve (New York)	333,150	339,387
Additional required reserves (Tennessee)	500,000	500,000
Additional required reserves (Washington)	166,850	160,613
<b>Total net assets</b>	<b>1,336,715</b>	<b>2,156,867</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,668,215</b>	<b>\$ 5,550,741</b>

**SUDAN INTERIOR MISSION, INC.  
SEGREGATED GIFT ANNUITY FUND**

**Statements of Activities**

	Year Ended September 30,	
	2008	2007
<b>INCOME:</b>		
New annuities	\$ 161,700	\$ 569,045
Change in actuarial value	62,374	(216,187)
Investment income	146,225	136,704
Change in market value	(667,428)	417,866
Gain on sale of securities	33,968	114,842
 Total Income	 (263,161)	 1,022,270
 <b>EXPENSES:</b>		
Payments to annuitants	526,136	505,359
Actuarial expense	3,034	2,754
Bank and investing expenses	23,205	24,601
Audit expense	3,917	3,450
Miscellaneous expenses	699	1,175
 Total Expenses	 556,991	 537,339
 Change in Net Assets	 (820,152)	 484,931
 Net Assets, Beginning of Year	 2,156,867	 1,671,936
 Net Assets, End of Year	 \$ 1,336,715	 \$ 2,156,867