



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined statements of financial position of SIM USA, Inc. ("the Mission") as of September 30, 2010 and 2009, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the Mission's management. Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of SIM USA, Inc. as of September 30, 2010 and 2009, the combined changes in its net assets and its combined cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The accompanying supplemental schedules of the statements of financial position and statements of activities for the Sudan Interior Mission, Inc. Segregated Gift Annuity Fund are presented for purposes of additional analysis and are not a required part of the basic combined financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

*Batts Morrison Wales & Lee, P.A.*

BATTI MORRISON WALES & LEE, P.A.

Orlando, Florida  
February 11, 2011

**SIM USA, INC.**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	September 30,	
	2010	2009
<b>ASSETS</b>		
Cash and cash equivalents	\$ 212,678	\$ 16,127
Deposits held by SIM International, Inc.	7,764,720	8,287,348
Investments	39,179,191	37,318,993
Property and equipment, net	5,829,289	6,087,406
Other assets	316,771	379,941
<b>Total assets</b>	<b>\$ 53,302,649</b>	<b>\$ 52,089,815</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 319,944	\$ 242,754
Missionary personal amounts held	978,518	917,976
Deferred compensation payable	1,133,383	1,020,861
Liabilities for annuities and trusts	22,243,256	21,396,995
<b>Total liabilities</b>	<b>24,675,101</b>	<b>23,578,586</b>
<b>NET ASSETS</b>		
Unrestricted net assets:		
Designated	7,955,625	7,806,758
Undesignated	3,663,056	3,406,476
Total unrestricted net assets	11,618,681	11,213,234
Temporarily restricted net assets	14,382,595	14,671,723
Permanently restricted net assets	2,626,272	2,626,272
<b>Total net assets</b>	<b>28,627,548</b>	<b>28,511,229</b>
<b>Total liabilities and net assets</b>	<b>\$ 53,302,649</b>	<b>\$ 52,089,815</b>

**SIM USA, INC.**  
**COMBINED STATEMENT OF ACTIVITIES**  
For The Year Ended September 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Contributions	\$ 485,998	\$ 37,707,045	\$ —	\$ 38,193,043
Rental and other revenue	683,069	—	—	683,069
Total public support and revenue	1,169,067	37,707,045	—	38,876,112
Investment income and change in value of annuities and trusts:				
Net investment gains (losses)	1,113,515	206,579	—	1,320,094
Interest and dividend income	522,219	53,899	—	576,118
Change in value of annuities and trusts	(482,410)	(138,892)	—	(621,302)
Total investment income and change in value of annuities and trusts	1,153,324	121,586	—	1,274,910
Net assets released from time and use restrictions	38,117,759	(38,117,759)	—	—
Total public support and revenue, investment income and change in value of annuities and trusts and net assets released from time and use restrictions	40,440,150	(289,128)	—	40,151,022
Expenses:				
Program activities:				
Church growth and evangelism	10,190,149	—	—	10,190,149
Grants to other SIM ministries	7,432,862	—	—	7,432,862
Relief and rehabilitation	5,130,519	—	—	5,130,519
Education ministry	4,954,443	—	—	4,954,443
Service	2,138,624	—	—	2,138,624
Home ministry	1,944,949	—	—	1,944,949
Media and translation ministry	1,820,162	—	—	1,820,162
Total program activities	33,611,708	—	—	33,611,708
Supporting activities:				
Management and general	5,081,835	—	—	5,081,835
Fundraising	1,341,160	—	—	1,341,160
Total supporting activities	6,422,995	—	—	6,422,995
Total expenses	40,034,703	—	—	40,034,703
<b>CHANGE IN NET ASSETS</b>	<b>405,447</b>	<b>(289,128)</b>	<b>—</b>	<b>116,319</b>
<b>NET ASSETS - Beginning of year</b>	<b>11,213,234</b>	<b>14,671,723</b>	<b>2,626,272</b>	<b>28,511,229</b>
<b>NET ASSETS - End of year</b>	<b>\$ 11,618,681</b>	<b>\$ 14,382,595</b>	<b>\$ 2,626,272</b>	<b>\$ 28,627,548</b>

The Accompanying Notes are an Integral  
Part of These Combined Financial Statements

**SIM USA, INC.**  
**COMBINED STATEMENT OF ACTIVITIES**  
For The Year Ended September 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Contributions	\$ 376,398	\$ 37,249,096	\$ —	\$ 37,625,494
Rental and other revenue	<u>753,233</u>	<u>—</u>	<u>—</u>	<u>753,233</u>
Total public support and revenue	<u>1,129,631</u>	<u>37,249,096</u>	<u>—</u>	<u>38,378,727</u>
Investment income and change in value of annuities and trusts:				
Net investment gains (losses)	(199,642)	(212,628)	—	(412,270)
Interest and dividend income	395,691	77,004	—	472,695
Change in value of annuities and trusts	<u>(587,190)</u>	<u>(351,155)</u>	<u>—</u>	<u>(938,345)</u>
Total investment income and change in value of annuities and trusts	<u>(391,141)</u>	<u>(486,779)</u>	<u>—</u>	<u>(877,920)</u>
Net assets released from time and use restrictions	<u>36,832,052</u>	<u>(36,832,052)</u>	<u>—</u>	<u>—</u>
Total public support and revenue, investment income and change in value of annuities and trusts and net assets released from time and use restrictions	<u>37,570,542</u>	<u>(69,735)</u>	<u>—</u>	<u>37,500,807</u>
Expenses:				
Program activities:				
Church growth and evangelism	10,657,162	—	—	10,657,162
Grants to other SIM ministries	6,845,187	—	—	6,845,187
Relief and rehabilitation	5,101,630	—	—	5,101,630
Education ministry	5,068,162	—	—	5,068,162
Service	2,150,146	—	—	2,150,146
Home ministry	1,866,380	—	—	1,866,380
Media and translation ministry	<u>822,743</u>	<u>—</u>	<u>—</u>	<u>822,743</u>
Total program activities	<u>32,511,410</u>	<u>—</u>	<u>—</u>	<u>32,511,410</u>
Supporting activities:				
Management and general	4,948,542	—	—	4,948,542
Fundraising	<u>1,253,876</u>	<u>—</u>	<u>—</u>	<u>1,253,876</u>
Total supporting activities	<u>6,202,418</u>	<u>—</u>	<u>—</u>	<u>6,202,418</u>
Total expenses	<u>38,713,828</u>	<u>—</u>	<u>—</u>	<u>38,713,828</u>
<b>CHANGE IN NET ASSETS</b>	<b>(1,143,286)</b>	<b>(69,735)</b>	<b>—</b>	<b>(1,213,021)</b>
<b>NET ASSETS - Beginning of year</b>	<b><u>12,356,520</u></b>	<b><u>14,741,458</u></b>	<b><u>2,626,272</u></b>	<b><u>29,724,250</u></b>
<b>NET ASSETS - End of year</b>	<b><u>\$ 11,213,234</u></b>	<b><u>\$ 14,671,723</u></b>	<b><u>\$ 2,626,272</u></b>	<b><u>\$ 28,511,229</u></b>

The Accompanying Notes are an Integral  
Part of These Combined Financial Statements

**SIM USA, INC.**  
**COMBINED STATEMENTS OF CASH FLOWS**

	For The Years Ended	
	September 30,	
	2010	2009
<b>OPERATING CASH FLOWS</b>		
Change in net assets	\$ 116,319	\$ (1,213,021)
Adjustments to reconcile change in net assets to net operating cash flows:		
Depreciation	284,945	247,648
Net investment (gains) losses	(1,320,094)	412,270
Change in other assets	63,170	36,599
Change in accounts payable and accrued expenses	77,190	(418,164)
Change in due to affiliates	—	(524,989)
Change in missionary personal amounts held	60,542	(4,470)
Change in deferred compensation payable	112,522	42,051
Change in liabilities for annuities and trusts	846,261	(202,652)
	<b>240,855</b>	<b>(1,624,728)</b>
<b>INVESTING CASH FLOWS</b>		
Net redemptions of amounts invested with affiliated organization	522,628	1,262,202
Net proceeds from sales of (purchases of) investments	(540,104)	482,624
Purchases of and improvements to property and equipment	(26,828)	(216,585)
	<b>(44,304)</b>	<b>1,528,241</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>196,551</b>	<b>(96,487)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	<b>16,127</b>	<b>112,614</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 212,678</b>	<b>\$ 16,127</b>

The Accompanying Notes are an Integral  
Part of These Combined Financial Statements

**SIM USA, INC.**  
NOTES TO COMBINED FINANCIAL STATEMENTS

**NOTE A – NATURE OF ACTIVITIES**

SIM USA, Inc. (“the Mission”) is a not-for-profit New Jersey corporation operating as a Christian missionary sending organization whose purpose is to glorify God by planting, strengthening, and partnering with churches around the world as it evangelizes the unreached, ministers to human need, disciples believers into churches, and equips churches to fulfill Christ’s Commission. The Mission is headquartered in Charlotte, North Carolina and is supported primarily through public contributions.

The Mission is affiliated with certain other entities by virtue of commonality in the composition of the governing bodies. Consequently, the accompanying financial statements are presented as combined financial statements in conformity with U.S. generally accepted accounting principles. Such other entities have little or no financial activity, and include Sudan Interior Mission, a New York not-for-profit corporation; International Christian Fellowship, an Illinois not-for-profit corporation; and African Evangelical Fellowship, a New York not-for-profit corporation. All significant interorganization transactions and balances have been eliminated.

The Mission cooperates with other entities internationally pursuant to a joint ministry agreement. SIM International, Inc. (“SIM International”), a U.S. not-for-profit corporation based in Fort Mill, South Carolina, serves as a coordinating entity for the participant entities, facilitating financial transactions and other administrative activities. No control relationship or common control exists between the Mission and SIM International.

The Mission operates a retirement village in Sebring, Florida primarily for the benefit of its retired missionaries.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Restricted and unrestricted revenue and support**

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as “net assets released from time and use restrictions.”

**Temporarily restricted net assets**

All contributions are received as donations to the Mission and not to specific individuals. Contributions which donors request to be used to support the ministry activities of specific missionaries or specific projects are under the full control of the Mission. In order to conservatively account for such contributions, the Mission recognizes them as temporarily restricted until they are expended for appropriate ministry purposes.

**Split-interest gifts**

For irrevocable split-interest arrangements such as charitable gift annuities and charitable remainder trusts and similar arrangements in which the Mission is trustee or custodian, the assets of such arrangements are reflected in the Mission’s combined statements as further described in Note D. The carrying values of such investments conform to U.S. generally accepted accounting principles, which generally require that investment securities be carried at estimated fair value at all times and that other assets be carried at the estimated fair value of the assets on the date the assets are contributed, unadjusted for subsequent changes in value. Also, for arrangements in which the Mission is trustee or custodian, a liability is recognized for the estimated present value of benefits payable to other beneficiaries.

For split-interest arrangements in which the Mission is not the trustee or custodian, the Mission recognizes an asset for the estimated present value of the Mission’s benefits under the arrangements. For all irrevocable split-interest arrangements, regardless of whether or not the Mission acts as trustee or custodian, unrestricted or temporarily restricted contribution revenue is recognized for the estimated present value of the Mission’s benefits under each such arrangement in the year the arrangement is established or in the year in which the Mission is provided sufficient information about the existence and nature of the arrangement. Periodic adjustments are made for changes in estimated present values using applicable mortality tables and discount rates. State law imposes certain restrictions on the manner in which charitable gift annuity assets may be invested.

**SIM USA, INC.**  
NOTES TO COMBINED FINANCIAL STATEMENTS

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and cash equivalents**

The Mission considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

**Property and equipment**

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. The Mission uses the straight-line method of depreciating assets over their respective estimated useful lives.

**Missionary personal amounts held**

Missionary personal amounts held represent assets owned by missionaries and held for their benefit by the Mission.

**Deferred compensation payable**

Deferred compensation payable represents amounts held as retirement funds for the benefit of certain missionaries.

**Income taxes**

The Mission is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law. The Mission is further classified as a church, a religious order and a public charity and is not a private foundation for federal tax purposes. The Mission has not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying combined financial statements. The Mission has not taken any material uncertain tax positions for which the associated tax benefits may not be recognized under accounting principles generally accepted in the United States of America.

**Use of estimates**

Management uses estimates and assumptions in preparing combined financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these combined financial statements include those used in estimating the fair value of investments, the useful lives of property and equipment, the allowance for self-insured benefit claims, and the liabilities for trusts, annuities and similar agreements. Actual results could differ from the estimates.

**Reclassifications**

Certain amounts included in the combined financial statements for the year ended September 30, 2009 have been reclassified to conform to classifications adopted during the year ended September 30, 2010. The reclassifications had no material effect on the accompanying combined financial statements.

**Subsequent events**

The Mission has evaluated for possible financial reporting and disclosure subsequent events through February 11, 2011, the date as of which the combined financial statements were available to be issued.

**NOTE C – CONCENTRATIONS OF CREDIT RISK**

The Mission maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Mission has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

**SIM USA, INC.**  
NOTES TO COMBINED FINANCIAL STATEMENTS

**NOTE C – CONCENTRATIONS OF CREDIT RISK (Continued)**

Additionally, the Mission maintains a substantial portion of its liquid assets on deposit with SIM International. SIM International holds such assets in accounts that are commingled with assets of other entities who cooperate with it in carrying out international missionary activities. SIM International is not a regulated financial institution. The Mission does not control SIM International. As of September 30, 2010 and 2009, the Mission had \$7,764,720 and \$8,287,348, respectively on deposit with SIM International.

**NOTE D – INVESTMENTS**

The Mission holds investments of various types both in its capacity as trustee or custodian and in its capacity as owner. Investments are carried at estimated fair value unless otherwise indicated below, with the exception of investments in non-publicly-traded securities that are not material to the combined financial statements, which may be carried at cost. (For financial reporting purposes, in the case of assets acquired by gift, the term “cost” refers to the estimated fair value as of the date the Mission received the assets.)

Investments were held for the following purposes or activities:

	<u>September 30,</u>	
	<u>2010</u>	<u>2009</u>
<u>Investments held as trustee or in a similar capacity</u>		
Investments held as trustee or in a similar capacity for revocable trusts or similar arrangements	\$18,057,900	\$17,137,109
Investments held to satisfy charitable annuity obligations	4,197,673	4,113,041
Investments held as trustee or in a similar capacity for other irrevocable trusts or similar arrangements	1,554,789	1,602,926
Investments held as trustee for charitable remainder trusts	1,323,124	1,262,363
<u>Investments subject to permanent donor restrictions</u>		
Investments held for donor-restricted permanent endowments	2,626,272	2,626,272
<u>Investments held for other purposes</u>		
Investments held for nonqualified deferred compensation plan	1,133,383	1,020,861
Investments held for board-designated quasi-endowment	734,482	732,426
Investments held for general operations	<u>9,551,568</u>	<u>8,823,995</u>
Total investments	<u>\$39,179,191</u>	<u>\$37,318,993</u>

Investments included the following:

	<u>September 30,</u>	
	<u>2010</u>	<u>2009</u>
Restricted cash and cash equivalents	\$ 2,210,176	\$ 2,552,787
Direct equity securities	8,695,661	5,344,797
Direct debt securities	6,619,631	11,591,070
Mutual funds	16,561,228	12,018,922
Investments in privately held entities	2,749,023	3,785,444
Real estate (at cost)	<u>2,343,472</u>	<u>2,025,973</u>
Total investments	<u>\$39,179,191</u>	<u>\$37,318,993</u>

**SIM USA, INC.**  
NOTES TO COMBINED FINANCIAL STATEMENTS

**NOTE D – INVESTMENTS (Continued)**

Investments in privately held entities are not liquid and include investments in hedge funds and limited partnership interests (“alternative investments”) and an 8% interest in a private insurance company owned by several not-for-profit organizations for the purpose of maintaining advantageous insurance coverage for worker compensation, general liability, property damage, and automobile damage and liability. The estimated fair value of the alternative investments as of September 30, 2010 and 2009, was approximately \$2,397,000 and \$3,481,000, respectively, and was determined from information provided by the investee or, in some cases, a third-party administrator and accepted by the Mission’s management. The estimated fair value of alternative investments included in the accompanying combined financial statements are subject to a high degree of uncertainty and the actual fair value could differ materially from the estimated fair value. Management of the Mission believes that the Mission’s alternative investments are carried at reasonable estimates of their fair value. The estimated fair value of the interest in the private insurance company as of September 30, 2010 and 2009, was approximately \$352,000 and \$304,000, respectively, and is based on the Mission’s pro rata percentage of the company’s reported stockholders’ equity.

**NOTE E – FAIR VALUE MEASUREMENTS**

Accounting principles generally accepted in the United States (“GAAP”) define fair value as the price the Mission would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. GAAP also established a hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Following is a description of each of the three levels of input within the fair value hierarchy:

- Level 1 – quoted prices in active markets for identical assets
- Level 2 – significant other observable inputs (such as quoted prices for similar investments)
- Level 3 – significant unobservable inputs

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Estimated fair value of certain assets measured on a recurring basis at September 30, 2010 are as follows:

	Estimated Fair Value	Estimated Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 2,210,176	\$ 2,210,176	\$ —	\$ —
Direct equity securities	8,695,661	8,695,661	—	—
Direct debt securities	6,619,631	6,619,631	—	—
Mutual funds	16,561,228	16,561,228	—	—
Investments in privately held entities	2,749,023	—	—	2,749,023
Real estate	<u>2,343,472</u>	<u>—</u>	<u>2,343,472</u>	<u>—</u>
Total	<u>\$ 39,179,191</u>	<u>\$ 34,086,696</u>	<u>\$ 2,343,472</u>	<u>\$ 2,749,023</u>

**SIM USA, INC.**  
NOTES TO COMBINED FINANCIAL STATEMENTS

**NOTE E - FAIR VALUE MEASUREMENTS (Continued)**

Estimated fair value of certain assets measured on a recurring basis at September 30, 2009 are as follows:

	Estimated Fair Value	Estimated Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 2,552,787	\$ 2,552,787	\$ —	\$ —
Direct equity securities	5,344,797	5,344,797	—	—
Direct debt securities	11,591,070	11,591,070	—	—
Mutual funds	12,018,922	12,018,922	—	—
Investments in privately held entities	3,785,444	—	—	3,785,444
Real estate	<u>2,025,973</u>	<u>—</u>	<u>2,025,973</u>	<u>—</u>
Total	<u>\$ 37,318,993</u>	<u>\$ 31,507,576</u>	<u>\$ 2,025,973</u>	<u>\$ 3,785,444</u>

Real estate is carried at cost, which management believes does not differ significantly from estimated fair value. The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining estimated fair value:

Balance, October 1, 2008	\$ 4,787,546
Net purchases/ (sales)	(390,098)
Net income/ (loss)	(430,346)
Net gain/ (loss)	<u>(181,658)</u>
Balance, September 30, 2009	3,785,444
Net purchases/ (sales)	(1,298,126)
Net income/ (loss)	261,705
Net gain/ (loss)	<u>—</u>
Balance, September 30, 2010	<u>\$ 2,749,023</u>

**NOTE F - PROPERTY AND EQUIPMENT**

Property and equipment as of September 30, 2010 consisted of the following:

Category	Charlotte, North Carolina	Sebring, Florida	Total
Land and land improvements	\$ 1,603,291	\$ 159,749	\$ 1,763,040
Buildings and building improvements	3,299,451	4,370,745	7,670,196
Furniture and equipment	927,688	37,689	965,377
Vehicles	111,800	—	111,800
Construction in progress	<u>11,638</u>	<u>—</u>	<u>11,638</u>
Total property and equipment	5,953,868	4,568,183	10,522,051
Less: Accumulated depreciation	<u>(2,229,910)</u>	<u>(2,462,852)</u>	<u>(4,692,762)</u>
Net property and equipment	<u>\$ 3,723,958</u>	<u>\$ 2,105,331</u>	<u>\$ 5,829,289</u>

**SIM USA, INC.**  
NOTES TO COMBINED FINANCIAL STATEMENTS

**NOTE F - PROPERTY AND EQUIPMENT (Continued)**

Property and equipment as of September 30, 2009 consisted of the following:

<u>Category</u>	<u>Charlotte, North Carolina</u>	<u>Sebring, Florida</u>	<u>Total</u>
Land and land improvements	\$ 1,603,291	\$ 159,749	\$ 1,763,040
Buildings and building improvements	3,299,451	4,370,745	7,670,196
Furniture and equipment	883,855	36,194	920,049
Vehicles	111,800	—	111,800
Construction in progress	<u>11,638</u>	<u>—</u>	<u>11,638</u>
 Total property and equipment	 5,910,035	 4,566,688	 10,476,723
 Less: Accumulated depreciation	 <u>(2,037,227)</u>	 <u>(2,352,090)</u>	 <u>(4,389,317)</u>
 Net property and equipment	 <u>\$ 3,872,808</u>	 <u>\$ 2,214,598</u>	 <u>\$ 6,087,406</u>

Depreciation expense amounted to \$284,945 and \$247,648 for the years ended September 30, 2010 and 2009, respectively.

**NOTE G - DESIGNATED NET ASSETS**

Designated net assets consisted of the following:

	<u>September 30,</u>	
	<u>2010</u>	<u>2009</u>
Net investment in property and equipment	\$ 5,804,603	\$ 6,051,157
Quasi-endowments	734,482	732,426
State required annuity reserves	647,955	500,000
Annuity investment reserve	460,676	277,635
Equipment reserve	192,915	177,856
Private insurance reserve	102,049	54,368
Management reserve	<u>12,945</u>	<u>13,316</u>
 Total designated net assets	 <u>\$ 7,955,625</u>	 <u>\$ 7,806,758</u>

**NOTE H - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following:

	<u>September 30,</u>	
	<u>2010</u>	<u>2009</u>
Ministry funds	\$ 7,315,266	\$ 7,541,762
Future missionary support	4,298,250	4,190,133
Estimated future benefit of annuities and trusts	1,778,054	1,936,903
Projects	874,719	912,854
Theological education	<u>116,306</u>	<u>90,071</u>
 Total temporarily restricted net assets	 <u>\$14,382,595</u>	 <u>\$14,671,723</u>

**SIM USA, INC.**  
NOTES TO COMBINED FINANCIAL STATEMENTS

**NOTE I – PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of endowments wherein principal is required to be invested in perpetuity. Investment earnings are restricted primarily for theological education.

The Mission preserves the estimated fair value of all original endowment gifts as of the gift date, which management deems is in compliance with state law. Accordingly, the Mission classifies as “permanently restricted net assets” (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The Mission has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to supported programs while seeking to maintain the purchasing power of the endowment assets and to preserve the invested capital. The Mission seeks the advice of investment counsel, as well as management and certain committees of the Board, when determining amounts to be spent on supported programs. The Mission’s current spending policy is to distribute or utilize an amount at least equal to 5% of the value of the endowment funds.

**NOTE J – ADVERTISING AND SIMILAR COSTS**

The Mission incurred expenses of approximately \$429,000 and \$448,000 during the years ended September 30, 2010 and 2009, respectively, in connection with advertising and similar activities.

**NOTE K – SELF-INSURED EMPLOYEE BENEFIT PLAN**

The Mission maintains a self-insured employee benefit plan covering certain employees for dental and vision costs and providing for certain limitations and restrictions on coverage. As of September 30, 2010 and 2009, claims incurred but not paid or reported were not material to the combined financial statements.

**NOTE L – RETIREMENT BENEFITS**

The Mission provides certain retirement benefits on a funds-available basis to eligible missionary employees who have reached the Mission’s designated retirement age. The benefits paid are limited to funds available in the Mission’s retirement benefit fund, which is funded by donor contributions. Benefits paid may include a housing allowance, other housing benefits (including discounted housing at the Mission’s retirement village), certain medical payments, and other retirement compensation. Expenses associated with the plan for the years ended September 30, 2010 and 2009 were approximately \$2,031,000 and \$2,099,000, respectively.

The Mission also maintains a 403(b) retirement plan for the benefit of eligible employees. The Mission makes a small matching contribution to the plan annually, and also contributes specific amounts for the benefit of employees based on their duties and location of service. The Mission contributed approximately \$1,176,000 and \$1,217,000 to the plan for the years ended September 30, 2010 and 2009, respectively.

## **SUPPLEMENTAL SCHEDULES**

**SUDAN INTERIOR MISSION, INC.**  
**SEGREGATED GIFT ANNUITY FUND**  
 SUPPLEMENTAL STATEMENTS OF FINANCIAL POSITION

**ASSETS**

	September 30,	
	2010	2009
<b>ASSETS</b>		
Cash and cash equivalents	\$ 16,496	\$ 183,853
Investments	4,181,177	3,929,188
<b>Total assets</b>	<b>\$ 4,197,673</b>	<b>\$ 4,113,041</b>

**LIABILITIES AND UNRESTRICTED NET ASSETS**

<b>LIABILITIES</b>		
Annuity liabilities	\$ 3,085,498	\$ 3,331,500
<b>Total liabilities</b>	<b>3,085,498</b>	<b>3,331,500</b>
<b>UNRESTRICTED NET ASSETS</b>		
Other	464,220	281,541
Required minimum reserve/surplus – New York	647,955	333,150
Additional required reserves/surplus – Washington	—	166,850
<b>Total unrestricted net assets</b>	<b>1,112,175</b>	<b>781,541</b>
<b>Total liabilities and unrestricted net assets</b>	<b>\$ 4,197,673</b>	<b>\$ 4,113,041</b>

**SUDAN INTERIOR MISSION, INC.**  
**SEGREGATED GIFT ANNUITY FUND**  
 SUPPLEMENTAL STATEMENTS OF ACTIVITIES

	For The Years Ended September 30,	
	2010	2009
Public support and revenue:		
New annuities	\$ 74,451	\$ 33,746
Interest and dividend income	125,258	124,674
Net gains (losses) on investments (including realized gains (losses) of \$175,466 and (\$388,577), respectively)	619,945	(167,289)
<b>Total public support and revenue</b>	<b>819,654</b>	<b>(8,869)</b>
Expenses:		
Payments to annuitants	468,910	520,455
Other	20,110	25,850
<b>Total expenses</b>	<b>489,020</b>	<b>546,305</b>
<b>CHANGE IN NET ASSETS</b>	<b>330,634</b>	<b>(555,174)</b>
<b>NET ASSETS - Beginning of year</b>	<b>781,541</b>	<b>1,336,715</b>
<b>NET ASSETS - End of year</b>	<b>\$ 1,112,175</b>	<b>\$ 781,541</b>