



SIM USA, INC.

Combined Financial Statements
With Independent Auditors' Report

September 30, 2012 and 2011

SIM USA, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of SIM USA, Inc. as of September 30, 2012 and the related statements of activities and cash flows for the year 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 audit. The financial statements of SIM USA, Inc. as of September 30, 2011, were audited by other auditors whose report dated March 5, 2012, expressed an unqualified opinion on those 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 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 audit provides 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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accepted 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 schedule of the statements of financial position and statements of activities for the Sudan Interior Mission, Inc. Segregated Gift Annuity Fund are presented for the 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.

Capin Crouse LLP

Atlanta, Georgia
February 15, 2013

SIM USA, INC.

Combined Statements of Financial Position

	September 30,	
	2012	2011
ASSETS:		
Cash and cash equivalents	\$ 94,193	\$ 65,508
Deposits with related organization	6,588,405	8,560,017
Investments	42,490,042	36,538,325
Land, buildings, and equipment–net	5,740,361	5,857,526
Other assets	347,447	336,337
Total Assets	\$55,260,448	\$51,357,713
LIABILITIES AND NET ASSETS:		
Accounts payable and accrued expenses	\$ 349,970	\$ 285,279
Missionary personal accounts	828,692	812,310
Deferred compensation payable	1,256,287	1,091,927
Annuity and trust liabilities	21,378,356	20,528,378
Total liabilities	23,813,305	22,717,894
Net assets:		
Unrestricted	12,689,641	11,171,096
Temporarily restricted	16,131,230	14,842,451
Permanently restricted–endowment	2,626,272	2,626,272
Total net assets	31,447,143	28,639,819
Total Liabilities and Net Assets	\$55,260,448	\$51,357,713

See notes to financial statements

SIM USA, INC.

Combined Statements of Activities

	Year Ended September 30,							
	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
INCOME:								
Support and revenue:								
Contributions	\$ 686,876	\$ 41,545,166	\$ -	\$ 42,232,042	\$ 676,272	\$ 38,332,773	\$ -	\$ 39,009,045
Rental, sales, and other	766,427	-	-	766,427	729,176	-	-	729,176
	1,453,303	41,545,166	-	42,998,469	1,405,448	38,332,773	-	39,738,221
Investment income and change in value of annuities and trusts:								
Net investment gains (losses)	1,524,824	283,503	-	1,808,327	(342,523)	(102,140)	-	(444,663)
Interest and dividend income	424,910	45,755	-	470,665	462,332	58,711	-	521,043
Change in value of annuities and trusts	68,931	168,889	-	237,820	(118,237)	(156,745)	-	(274,982)
Total Income	3,471,968	42,043,313	-	45,515,281	1,407,020	38,132,599	-	39,539,619
RECLASSIFICATIONS:								
Net assets released from time and use restrictions	40,754,534	(40,754,534)	-	-	37,672,743	(37,672,743)	-	-

(continued)

See notes to financial statements

SIM USA, INC.

Combined Statements of Activities

(continued)

	Year Ended September 30,							
	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:								
Program services:								
Church growth and evangelism	10,609,846	-	-	10,609,846	9,289,659	-	-	9,289,659
Grants to other SIM ministries	8,028,850	-	-	8,028,850	7,189,208	-	-	7,189,208
Education ministry	4,661,667	-	-	4,661,667	5,821,998	-	-	5,821,998
Relief and rehabilitation	5,330,548	-	-	5,330,548	4,852,658	-	-	4,852,658
Media and translation ministry	2,039,373	-	-	2,039,373	2,109,289	-	-	2,109,289
Home ministry	2,350,941	-	-	2,350,941	1,961,802	-	-	1,961,802
Service	2,752,662	-	-	2,752,662	1,935,861	-	-	1,935,861
	<u>35,773,887</u>	<u>-</u>	<u>-</u>	<u>35,773,887</u>	<u>33,160,475</u>	<u>-</u>	<u>-</u>	<u>33,160,475</u>
Supporting activities:								
Management and general	5,146,295	-	-	5,146,295	4,724,479	-	-	4,724,479
Fund-raising	1,787,775	-	-	1,787,775	1,642,394	-	-	1,642,394
	<u>6,934,070</u>	<u>-</u>	<u>-</u>	<u>6,934,070</u>	<u>6,366,873</u>	<u>-</u>	<u>-</u>	<u>6,366,873</u>
Total Expenses	<u>42,707,957</u>	<u>-</u>	<u>-</u>	<u>42,707,957</u>	<u>39,527,348</u>	<u>-</u>	<u>-</u>	<u>39,527,348</u>
Change in Net Assets	1,518,545	1,288,779	-	2,807,324	(447,585)	459,856	-	12,271
Net Assets, Beginning of Year	<u>11,171,096</u>	<u>14,842,451</u>	<u>2,626,272</u>	<u>28,639,819</u>	<u>11,618,681</u>	<u>14,382,595</u>	<u>2,626,272</u>	<u>28,627,548</u>
Net Assets, End of Year	<u>\$ 12,689,641</u>	<u>\$ 16,131,230</u>	<u>\$ 2,626,272</u>	<u>\$ 31,447,143</u>	<u>\$ 11,171,096</u>	<u>\$ 14,842,451</u>	<u>\$ 2,626,272</u>	<u>\$ 28,639,819</u>

See notes to financial statements

SIM USA, INC.

Combined Statements of Cash Flows

	Year Ended September 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,807,324	\$ 12,271
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net investment (gains) losses	(2,926,083)	476,424
Change in actuarial valuation—annuities	(1,549)	(320,118)
Change in value of trust assets	(168,889)	156,745
Payments of annuity obligations	603,517	467,755
Depreciation	305,017	295,782
Changes in operating assets and liabilities:		
Deposits with related organization	1,971,612	(795,297)
Other assets	(11,110)	(19,566)
Accounts payable and accrued expenses	24,691	(34,665)
Missionary personal accounts	16,382	(166,208)
Deferred compensation	164,360	(41,456)
Net Cash Provided (Used) by Operating Activities	2,785,272	31,667
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of land, buildings, and equipment	(147,852)	(324,019)
Net investment (purchases) sales	(2,319,419)	885,385
Net Cash Provided (Used) by Investing Activities	(2,467,271)	561,366
CASH FLOWS FROM FINANCING ACTIVITIES:		
Investment income on trust assets	558,769	(36,219)
Payments of annuity and trust obligations	(848,085)	(703,984)
Net Cash Used by Financing Activities	(289,316)	(740,203)
Net Change in Cash and Cash Equivalents	28,685	(147,170)
Cash and Cash Equivalents, Beginning of Year	65,508	212,678
Cash and Cash Equivalents, End of Year	\$ 94,193	\$ 65,508
Supplemental Disclosures:		
Assets acquired via capital lease obligation	\$ 40,000	\$ -

See notes to financial statements

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

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. The purpose of SIM USA 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. SIM USA also owns and operates a retirement village for the benefit of its missionaries located in Sebring, Florida.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The combined 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 combined 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 combined financial statements. Actual results could differ from those estimates.

PRINCIPLES OF COMBINATION

These combined financial statements reflect only the activities and financial position of SIM USA, including its branch operation, which is Sebring 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.

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

The combined 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.

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 2012 was 3.5%, and for the year 2011 was 3.63%. Due to SIM USA's ability to access the funds without penalty, these assets are treated as an operating asset.

As of September 30, 2012, and 2011, respectively, deposits with SIM International totaled \$6,588,405 and \$8,560,017.

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 combined 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 (Silver Creek), and Lucent Insurance, Ltd. (Lucent). Investments in Silver Creek 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. See Note 4 for the valuation of investments in Lucent.

INVESTMENT IN REAL ESTATE

Investment in real estate 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 or fair market value of the SIM USA percentage in the 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

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.

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 8).

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.

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 combined statements of financial position (Note 7).

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 combined 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 approximately \$370,000 and \$448,000 for the years ended September 30, 2012 and 2011, respectively.

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 combined 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:

Year Ended September 30, 2012:

	Program Services	Management and general	Fund-raising	Total
Furlough salary and housing	\$ 4,471,393	\$ 926,493	\$ 393,078	\$ 5,790,964
Furlough medical	408,368	120,953	11,800	541,121
Retired missionary	2,382,792	184,678	18,017	2,585,487
Employee benefit plan	214,041	16,590	1,619	232,250
Ministry promotion	1,094,266	88,129	99,282	1,281,677
Depreciation	150,712	11,681	13,468	175,861
	<u>\$ 8,721,572</u>	<u>\$ 1,348,524</u>	<u>\$ 537,264</u>	<u>\$ 10,607,360</u>

Year Ended September 30, 2011:

	Program Services	Management and general	Fund-raising	Total
Furlough salary and housing	\$ 4,163,293	\$ 951,042	\$ 352,690	\$ 5,467,025
Furlough medical	430,931	137,494	47,006	615,431
Retired missionary	2,533,013	174,691	88,204	2,795,908
Employee benefit plan	123,047	34,518	3,359	160,924
Ministry promotion	693,776	57,922	101,439	853,137
Depreciation	156,638	10,803	14,282	181,723
	<u>\$ 8,100,698</u>	<u>\$ 1,366,470</u>	<u>\$ 606,980</u>	<u>\$ 10,074,148</u>

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the combined financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in the expenses in the combined statements of activities. As of September 30, 2012 and 2011, respectively, SIM USA had no uncertain tax positions that qualify for recognition in the combined financial statements.

RECLASSIFICATION

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

3. INVESTMENTS:

Investments consist of:

	September 30,	
	2012	2011
At fair value:		
Restricted cash and cash equivalents	\$ 2,644,062	\$ 1,548,216
Equity securities	13,719,445	7,761,244
Debt securities	8,537,410	7,256,830
Mutual funds	13,905,293	16,162,804
Privately held entity	1,474,147	1,735,740
	<u>40,280,357</u>	<u>34,464,834</u>
Not at fair value:		
Privately held captive entity, equity method	431,027	409,276
Certificates of deposit, at cost plus interest	37,931	-
Real estate, at cost	1,740,727	1,664,215
	<u>2,209,725</u>	<u>1,073,501</u>
	<u>\$ 42,490,042</u>	<u>\$ 36,538,325</u>

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

3. INVESTMENTS, continued:

Investments are held for:

	September 30,	
	2012	2011
Operating funds	\$ 12,435,924	\$ 8,447,083
Annuities	3,906,393	3,805,152
Nonqualified deferred compensation plan	1,256,287	1,091,927
Trust assets	21,216,034	20,044,907
Endowment assets:		
Board designated	1,085,567	692,334
Permanently restricted	2,589,837	2,456,922
	\$ 42,490,042	\$ 36,538,325

Investment income consists of:

	Year Ended September 30,	
	2012	2011
Net investment gains (losses)		
Realized Gains	\$ 135,443	\$ 135,058
Unrealized gains (losses)	1,743,766	(510,728)
Investment fees	(70,882)	(68,993)
	1,808,327	(444,663)
Interest and dividend income	470,665	521,043
	\$ 2,278,992	\$ 76,380

INVESTMENT IN CAPTIVE INSURANCE COMPANY:

SIM USA invests, along with several other nonprofit organizations, in a captive insurance holding company, Lucent. SIM USA is accounting for this investment using the equity method because it more clearly approximates fair value. The initial investment was \$250,000, and with the exception of reinvested dividends and earnings, no additional funds have been invested. Equity at September 30, 2012 and 2011, was \$431,027 and \$409,276, respectively. 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. Dividend income from Lucent for the years ended September 30, 2012 and 2011, was reinvested.

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

4. FAIR VALUE MEASUREMENTS:

SIM USA uses appropriate valuation techniques to determine fair value based on inputs available. The levels are defined as follows: Level 1 – based on quoted prices for identical assets in active markets; Level 2 – based on observable inputs other than quoted prices in active markets; and Level 3 – based on significant unobservable inputs. When available, SIM USA measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Fair values of assets measured on a recurring basis at September 30, 2012 and 2011, are as follows:

	Fair Value Measurements at			
	September 30, 2012			
	Total	Level 1	Level 2	Level 3
Investments:				
Cash and Cash Equivalents	\$ 2,644,062	\$ 2,644,062	\$ -	\$ -
Equity securities	13,719,445	13,719,445	-	-
Debt securities:				
Corporate bonds	8,295,696	-	8,295,696	-
Municipal bonds	119,734	-	119,734	-
Government securities	121,980	-	121,980	-
Mutual funds	13,905,293	13,905,293	-	-
Privately held entities	1,474,147	-	-	1,474,147
	<u>\$40,280,357</u>	<u>\$ 30,268,800</u>	<u>\$ 8,537,410</u>	<u>\$ 1,474,147</u>

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

4. FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements at September 30, 2011			
	Total	Level 1	Level 2	Level 3
Investments:				
Cash and Cash Equivalents	\$ 1,548,216	\$ 1,548,216	\$ -	\$ -
Equity securities	7,761,244	7,761,244	-	-
Debt securities	7,256,830	-	7,256,830	-
Mutual funds	16,162,804	16,162,804	-	-
Privately held entities	1,735,740	-	-	1,735,740
	<u>\$34,464,834</u>	<u>\$ 25,472,264</u>	<u>\$ 7,256,830</u>	<u>\$ 1,735,740</u>
			(Level 3)	
			Privately Held Entity	
			September 30,	
			2012	2011
Beginning balance			\$ 1,735,740	\$ 2,397,023
Purchases, sales, issuances, and settlements			(359,544)	(792,844)
Total gains or losses (realized and unrealized) included in changes in net assets			97,951	131,561
Ending balance			<u>\$ 1,474,147</u>	<u>\$ 1,735,740</u>
The amount of total gains or losses for the period included in changes in net assets, attributable to the change in unrealized gains or losses related to assets still held at the reporting date.			<u>\$ 97,951</u>	<u>\$ 131,561</u>

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

4. FAIR VALUE MEASUREMENTS, continued:

The following table lists investments in other investment companies (in partnership format) by major category at September 30, 2012:

Investment Category	Strategy	Fair Value Determined Using NAV	\$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Hedge Fund-of-Fund	Absolute Return	\$ 1,474,147	Zero	NA	Investment is in liquidation mode	Fund is currently in the process of liquidation	Fund is currently in the process of liquidation

The following table lists investments in other investment companies (in partnership format) by major category at September 30, 2011:

Investment Category	Strategy	Fair Value Determined Using NAV	\$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Restrictions in Place at Year End
Hedge Fund-of-Fund	Absolute Return	\$ 1,735,740	Zero	NA	Investment is in liquidation mode	Fund is currently in the process of liquidation	Fund is currently in the process of liquidation

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

4. FAIR VALUE MEASUREMENTS, continued:

Methods and assumptions used by SIM USA in estimating fair values are as follows:

Valuation techniques : Fair values for equity securities and mutual funds are based on quoted market prices in an active market. The fair value of debt securities is based on yields currently available for comparable securities of issuers with similar credit ratings. The fair value of mutual funds is based on quoted net asset values of the shares held by SIM USA at year end. Fair values of alternative investments are based on the net asset value (NAV) of the underlying investments in the fund.

Changes in valuation techniques : None.

Gains and losses (realized and unrealized) related to investments are included in the change in net assets and are reported in investment income. Gains and losses (realized and unrealized) related to the annuities and charitable lead trusts are reported in change in value of annuities and trusts. Gains and losses (realized and unrealized) related to charitable remainder trusts and revocable living trusts are included in the change in value of assets and liabilities on the combined statements of financial position.

5. LAND, BUILDINGS, AND EQUIPMENT—NET:

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

	September 30,	
	2012	2011
Charlotte land, buildings, and equipment:		
Land	\$ 1,679,566	\$ 1,679,566
Buildings	3,417,755	3,417,755
Furniture and equipment	1,146,315	1,045,828
Vehicles	123,100	123,100
	<u>6,366,736</u>	<u>6,266,249</u>
Less accumulated depreciation	(2,612,171)	(2,416,423)
	<u>3,754,565</u>	<u>3,849,826</u>
Construction in process	99,004	11,638
	<u>3,853,569</u>	<u>3,861,464</u>

(continued)

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

5. LAND, BUILDINGS, AND EQUIPMENT—NET, continued:

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

	September 30,	
	2012	2011
Retirement property, Sebring Florida:		
Land	159,749	159,749
Buildings	4,370,745	4,370,745
Furniture and equipment	37,688	37,689
	4,568,182	4,568,183
Less accumulated depreciation	(2,681,390)	(2,572,121)
	1,886,792	1,996,062
	\$ 5,740,361	\$ 5,857,526

6. ANNUITIES PAYABLE:

Annuities payable consist of:

	September 30,	
	2012	2011
Computed present value of annuities payable	\$ 2,763,830	\$ 2,765,379
Less current portion	(411,834)	(430,364)
	\$ 2,351,996	\$ 2,335,015

Change in value of annuities includes:

	Year Ended September 30,	
	2012	2011
Realized and unrealized gains and (losses)	\$ 558,987	\$ (80,522)
Investment income	111,912	109,922
Actuarial change	1,549	320,118
Payments to beneficiaries and other expenses	(603,517)	(467,755)
	\$ 68,931	\$ (118,237)

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

7. TRUST LIABILITIES:

Trust liabilities consist of:

	September 30,	
	2012	2011
Revocable trusts	\$ 17,485,060	\$ 16,778,843
Irrevocable trusts—other remaindermen and lifetime interests	1,129,466	984,156
Total trust net liabilities	<u>\$ 18,614,526</u>	<u>\$ 17,762,999</u>

Change in value of trusts includes:

	Year Ended September 30,	
	2012	2011
Interest and dividends	\$ 87,882	\$ 94,508
Realized gains and losses	50,233	86,457
Unrealized gains and losses	420,182	(217,184)
Actuarial change	(144,837)	115,703
Payments to beneficiaries	(244,571)	(236,229)
	<u>\$ 168,889</u>	<u>\$ (156,745)</u>

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

8. NET ASSETS:

Net assets consist of:

	September 30,	
	2012	2011
Unrestricted:		
Undesignated	\$ 4,426,623	\$ 3,317,988
Designated:		
State required annuity reserves	732,415	732,826
Quasi-endowments	1,085,567	692,334
Annuity investment reserve	410,148	303,720
Captive insurance reserve	181,027	159,276
Equipment reserve	139,066	106,507
Management reserve	12,750	12,740
	2,560,973	2,007,403
Equity in land, buildings, and equipment:		
Invested in land, buildings, and equipment	3,853,569	3,861,464
Invested in retirement properties	1,886,792	1,996,062
Less capital lease obligation	(38,316)	(11,821)
	5,702,045	5,845,705
Total unrestricted net assets	12,689,641	11,171,096

(continued)

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

8. NET ASSETS, continued:

Net assets consist of:

	September 30,	
	2012	2011
Temporarily restricted:		
Projects	535,007	768,965
Ministry funds	8,652,683	7,836,966
Future support	5,150,863	4,581,281
Charitable remainder trusts	585,162	489,850
Irrevocable trusts	1,207,515	1,165,389
Total temporarily restricted net assets	16,131,230	14,842,451
Permanently restricted—endowment	2,626,272	2,626,272
	\$ 31,447,143	\$ 28,639,819

9. 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, 2012, and 2011, 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,	
	2012	2011
Salary allowance	\$ 111,559	\$ 131,370
Administrative costs	736,472	695,649
Specific ministries	5,863,443	5,140,806
Missionary support for other divisions	1,317,376	1,221,383
	\$ 8,028,850	\$ 7,189,208

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

10. MEMBER BENEFIT PLANS:

MEDICAL BENEFITS

SIM USA 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, 2012 and 2011, claims incurred but not reported were not material to the combined financial statements.

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.

11. ENDOWMENTS:

SIM USA's endowments consist of 3 individual funds established for a variety of purposes as a result of donor contributions. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of SIM USA has interpreted the North Carolina Uniform Prudent Management of Institutional Funds Act (NCUPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SIM USA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by SIM USA in a manner consistent with the standard of prudence prescribed by NCUPMIFA. In accordance with NCUPMIFA, SIM USA considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of SIM USA and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of SIM USA
7. The investment policies of SIM USA

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

11. ENDOWMENTS, continued:

Endowment net asset composition by type of fund as of September 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	\$ (133,110)	\$ -	\$ 2,626,272
Board designated endowment funds	1,085,567	-	-
	\$ 952,457	\$ -	\$ 2,626,272

Changes in endowment net assets for the year ended September 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 522,984	\$ -	\$ 2,626,272
Investment return:			
Interest and dividends	18,648	45,755	-
Net gains (realized and unrealized)	276,155	283,503	-
Total investment return	294,803	329,258	-
Contributions	304,611	-	-
Amounts appropriated for expenditure	(169,941)	(329,258)	-
Endowment net asset, end of year	\$ 952,457	\$ -	\$ 2,626,272

Endowment net asset composition by type of fund as of September 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Donor-restricted endowment funds	\$ (169,350)	\$ -	\$ 2,626,272
Board designated endowment funds	692,334	-	-
	\$ 522,984	\$ -	\$ 2,626,272

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

11. ENDOWMENTS, continued:

Changes in endowment net assets for the year ended September 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Endowment net assets, beginning of year	\$ 734,482	\$ 116,306	\$ 2,626,272
Investment return:			
Interest and dividends	18,577	58,711	-
Net gains (realized and unrealized)	(23,243)	(102,140)	-
Total investment return	(4,666)	(43,429)	-
Amounts appropriated for expenditure	(206,832)	(72,877)	-
Endowment net assets, end of year	\$ 522,984	\$ -	\$ 2,626,272
		Year Ended September 30,	
		2012	2011
Permanently restricted net assets:			
The portion of perpetual endowment funds that are required to be retained permanently either by explicit donor stipulations or by NCUPMIFA		\$ 2,626,272	\$ 2,626,272
Temporarily restricted net assets:			
The portion of perpetual endowment funds subject to a time restriction under NCUPMIFA		\$ -	\$ -

SIM USA, INC.

Notes to Combined Financial Statements

September 30, 2012 and 2011

11. ENDOWMENTS, continued:

Return Objectives and Risk Parameters—SIM USA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that SIM USA must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an inflation adjusted income stream to grow the corpus above the inflation rate. SIM USA expects its endowment funds, over time, to provide an average rate of return of approximately 9% annually. Actual returns in any given year may vary from this amount.

Funds with Deficiencies—From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires SIM USA to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$133,110 and \$169,350 as of September 30, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations.

Strategies Employed for Achieving Objectives—To satisfy its long-term rate-of-return objectives, SIM USA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SIM USA targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy—SIM USA has a policy of appropriating for distribution each year 4.85% of the value of each fund. This calculation is based upon the actual rate of return on the endowment funds for the previous calendar year. In establishing this policy, SIM USA's Board considered long-term expected return on its endowment. This is consistent with the Board's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the combined financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

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

Statements of Financial Position

	September 30,	
	2012	2011
ASSETS:		
Cash and cash equivalents	\$ 39,390	\$ 5,120
Investments	3,867,003	3,800,032
Total Assets	\$ 3,906,393	\$ 3,805,152
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current portion of annuities payable	\$ 411,834	\$ 430,364
Annuities payable—net of current portion	2,351,996	2,335,015
Total liabilities	2,763,830	2,765,379
Net assets:		
Other	410,148	306,947
Required minimum reserve (New York)	732,415	732,826
Total net assets	1,142,563	1,039,773
Total Liabilities and Net Assets	\$ 3,906,393	\$ 3,805,152

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

Statements of Activities

	Year Ended September 30,	
	2012	2011
INCOME:		
Net gains on investments	\$ 557,307	\$ 239,497
Interest and dividend income	111,912	109,922
New annuities	37,088	45,934
Total Income	706,307	395,353
EXPENSES:		
Payments to annuitants	381,870	429,184
Other	221,647	38,571
Total Expenses	603,517	467,755
Change in Net Assets	102,790	(72,402)
Net Assets, Beginning of Year	1,039,773	1,112,175
Net Assets, End of Year	\$ 1,142,563	\$ 1,039,773