



WORLD GOSPEL MISSION, INC. AND
SUBSIDIARIES

Consolidated Financial Statements
With Independent Auditors' Report

March 31, 2023 and 2022

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7

INDEPENDENT AUDITORS' REPORT

Board of Directors
World Gospel Mission, Inc. and Subsidiaries
Marion, Indiana

Opinion

We have audited the accompanying consolidated financial statements of World Gospel Mission, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of March 31, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of World Gospel Mission, Inc. and Subsidiaries as of March 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of World Gospel Mission, Inc. and subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about World Gospel Mission, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Board of Directors
World Gospel Mission, Inc. and Subsidiaries
Marion, Indiana

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of World Gospel Mission, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about World Gospel Mission, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Indianapolis, Indiana
September 8, 2023

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Consolidated Statements of Financial Position

	March 31,	
	2023	2022
ASSETS:		
Cash held by WGM	\$ 1,941,610	\$ 2,191,761
Cash held by subsidiaries	48,162	18,354
Cash and cash equivalents	1,989,772	2,210,115
General investments	20,311,585	24,316,861
Investments of Fairhaven South (subsidiary)	415,452	480,643
Prepaid expenses, field advances, and other receivables	535,430	537,452
Agency investments	1,421,254	1,531,828
Other assets of IO (subsidiary)	921,314	1,073,762
Land, buildings, and equipment, at cost-net:		
United States	4,556,676	4,467,901
Other countries	3,637,985	3,827,327
Trust assets	1,042,836	1,272,769
Endowment investments	12,645,411	14,251,215
Total Assets	\$ 47,477,715	\$ 53,969,873
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 494,337	\$ 482,581
Liabilities of Fairhaven South (subsidiary)	109,328	109,328
Liabilities of IO (subsidiary)	361,792	391,341
Annuities payable	135,655	179,825
Agency funds held for others	1,421,254	1,531,828
Trusts liabilities:		
Revocable	658,326	829,086
Irrevocable	187,705	210,973
Total liabilities	3,368,397	3,734,962
Net assets:		
Without donor restrictions	11,571,488	15,620,986
With donor restrictions:		
Time or purpose restrictions	24,034,022	26,110,417
Perpetual restrictions	8,503,808	8,503,508
Total with donor restrictions	32,537,830	34,613,925
Total net assets	44,109,318	50,234,911
Total Liabilities and Net Assets	\$ 47,477,715	\$ 53,969,873

See notes to consolidated financial statements

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Consolidated Statements of Activities

	Year Ended March 31,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Support:						
Contributions	\$ 341,415	\$ 18,360,856	\$ 18,702,271	\$ 826,804	\$ 19,047,538	\$ 19,874,342
Grant income	252,955	-	252,955	-	-	-
Legacies and bequests	330,609	-	330,609	309,174	-	309,174
	<u>924,979</u>	<u>18,360,856</u>	<u>19,285,835</u>	<u>1,135,978</u>	<u>19,047,538</u>	<u>20,183,516</u>
Revenue:						
Investment returns-net	(1,893,904)	(787,757)	(2,681,661)	626,026	(73,061)	552,965
Change in value of annuities and trusts	(41,076)	(61,780)	(102,856)	216,568	(208,453)	8,115
Mission field rental, fees, and other income and gains	1,686,721	-	1,686,721	1,346,005	-	1,346,005
	<u>(248,259)</u>	<u>(849,537)</u>	<u>(1,097,796)</u>	<u>2,188,599</u>	<u>(281,514)</u>	<u>1,907,085</u>
Total Support and Revenue	<u>676,720</u>	<u>17,511,319</u>	<u>18,188,039</u>	<u>3,324,577</u>	<u>18,766,024</u>	<u>22,090,601</u>
RECLASSIFICATIONS:						
Net assets released from restrictions:						
Assessments against restricted gifts	1,744,003	(1,744,003)	-	2,052,373	(2,052,373)	-
Satisfaction of purpose restrictions	17,843,411	(17,843,411)	-	16,204,192	(16,204,192)	-
Total Reclassifications	<u>19,587,414</u>	<u>(19,587,414)</u>	<u>-</u>	<u>18,256,565</u>	<u>(18,256,565)</u>	<u>-</u>
EXPENSES:						
Program services:						
Church growth and evangelism	9,128,291	-	9,128,291	7,911,019	-	7,911,019
Medical and relief	4,925,166	-	4,925,166	5,210,027	-	5,210,027
Education ministries	1,866,820	-	1,866,820	1,549,115	-	1,549,115
Field administration	1,834,057	-	1,834,057	1,539,422	-	1,539,422
Homeland ministries	1,115,392	-	1,115,392	1,196,305	-	1,196,305
Bible schools and seminaries	597,715	-	597,715	500,027	-	500,027
Furlough ministries	501,742	-	501,742	329,995	-	329,995
Media ministries	83,675	-	83,675	118,808	-	118,808
	<u>20,052,858</u>	<u>-</u>	<u>20,052,858</u>	<u>18,354,718</u>	<u>-</u>	<u>18,354,718</u>
Supporting activities:						
Management and general	3,387,575	-	3,387,575	3,510,132	-	3,510,132
Fund-raising	1,616,015	-	1,616,015	1,229,884	-	1,229,884
	<u>5,003,590</u>	<u>-</u>	<u>5,003,590</u>	<u>4,740,016</u>	<u>-</u>	<u>4,740,016</u>
Total Expenses	<u>25,056,448</u>	<u>-</u>	<u>25,056,448</u>	<u>23,094,734</u>	<u>-</u>	<u>23,094,734</u>
Change in Net Assets before Subsidiaries Operations	<u>(4,792,314)</u>	<u>(2,076,095)</u>	<u>(6,868,409)</u>	<u>(1,513,592)</u>	<u>509,459</u>	<u>(1,004,133)</u>

(continued)

See notes to consolidated financial statements

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Consolidated Statements of Activities (continued)

	Year Ended March 31,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUBSIDIARIES OPERATIONS:						
Revenue:						
Sales revenue	1,363,761	-	1,363,761	1,199,647	-	1,199,647
Cost of sales	(998,790)	-	(998,790)	(753,945)	-	(753,945)
Net sales	364,971	-	364,971	445,702	-	445,702
Lease revenue	912,894	-	912,894	893,407	-	893,407
Investment returns-net	(65,192)	-	(65,192)	80,506	-	80,506
Other revenues and gains	286	-	286	8,955	-	8,955
Cumulative translation adjustment and exchange rate gain (loss)	119,726	-	119,726	(103,923)	-	(103,923)
Total revenue	1,332,685	-	1,332,685	1,324,647	-	1,324,647
Expenses:						
IO expenses	587,059	-	587,059	446,134	-	446,134
Fairhaven South operating expenses	2,810	-	2,810	2,700	-	2,700
Total expenses	589,869	-	589,869	448,834	-	448,834
Net Income from Subsidiaries Operations	742,816	-	742,816	875,813	-	875,813
Change in Net Assets after Subsidiaries Operations	(4,049,498)	(2,076,095)	(6,125,593)	(637,779)	509,459	(128,320)
Net Assets, Beginning of Year	15,620,986	34,613,925	50,234,911	16,258,765	34,104,466	50,363,231
Net Assets, End of Year	\$ 11,571,488	\$ 32,537,830	\$ 44,109,318	\$ 15,620,986	\$ 34,613,925	\$ 50,234,911

See notes to consolidated financial statements

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended March 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (6,125,593)	\$ (128,320)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Gain) loss on sale of fixed assets	(117,131)	38,795
Exchange rate (gain) loss	(119,726)	103,923
Unrealized and realized (gains) losses on investments	3,442,442	(3,069)
Depreciation	765,767	704,490
Gift for long-term purposes	(1,500)	(1,500)
Actuarial change in annuities and trusts	41,563	84,760
Changes in:		
Assets of IO (subsidiary)	(52,003)	(129,935)
Prepaid expenses, field advances, and other	2,022	102,020
Accounts payable and accrued expenses	11,756	68,685
Liabilities of IO (subsidiary)	90,177	(633,155)
Net Cash Provided (Used) by Operating Activities	(2,062,226)	206,694
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of fixed assets	(522,203)	(770,259)
Proceeds from sale of fixed assets	178,585	103,638
Purchases of long-term investments	(3,278,043)	(16,036,344)
Proceeds from sale of long-term investments	5,509,553	16,872,074
Net Cash Provided by Investing Activities	1,887,892	169,109
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on annuities, trusts, and deposit agreements	(77,156)	(312,264)
Proceeds from long-term gifts	1,500	1,500
Reinvested interest and dividends from trusts	29,647	27,991
Net Cash Used by Financing Activities	(46,009)	(282,773)
Change in Cash and Cash Equivalents	(220,343)	93,030
Cash and Cash Equivalents, Beginning of Year	2,210,115	2,117,085
Cash and Cash Equivalents, End of Year	\$ 1,989,772	\$ 2,210,115

See notes to consolidated financial statements

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

1. NATURE OF ORGANIZATION:

World Gospel Mission, Inc. (WGM) is an Illinois not-for-profit corporation, which is a religious order associated with churches of the Protestant faith. As an interdenominational Christian missionary organization, WGM's mission is to engage Christ-like disciples to transform the world. Its operations are designed to minister through preaching, teaching, and healing ministries; assisting in forming culturally relevant congregations comprised of maturing disciples of Jesus Christ who will evangelize and reproduce themselves within their own cultures and across cultural boundaries (II Timothy 2:2) and call believers to the deeper work of God in the human heart of being cleansed from all sin and filled with the Holy Spirit by faith (I Thessalonians 4:3). These operations occur in the United States and other countries.

WGM focuses on church ministries, children's ministries, educational ministries, medical ministries, and humanitarian ministries. Current fields of service include: Albania, Argentina, Bolivia, Cambodia, Czech Republic, Haiti, Honduras, Hungary, Japan, Kenya, Mexico, Southwest Ministries (Arizona/New Mexico), Papua New Guinea, Paraguay, Spain, Sudan, Taiwan, Texas/Mexico Border (McAllen, Texas), U.S. Hispanic Ministries, Uganda, United Kingdom, inner city youth at Stockton Peniel (California), and Creative Access Countries.

WGM is funded by contributions from individuals, churches, foundations, and other organizations. Funds are raised by missionaries and staff for support and programs as listed in the consolidated statements of activities. Support is also derived from direct mail appeals and the operation of planned giving programs.

The consolidated financial statements include the following subsidiaries: Fairhaven South, Inc. (d.b.a. Oaks at Avon), a Florida not-for-profit corporation which leases a 104-bed skilled and intermediate care nursing facility; and Industrias Olanchanas (IO), a for-profit corporation under applicable laws in Honduras, which operates a farm in Honduras.

WGM and Fairhaven South, Inc., (Note 5) its wholly owned subsidiary, are classified by the Internal Revenue Service as a tax-exempt, publicly supported 501(c)(3) religious organization under a group exemption letter dated April 29, 1993. Fairhaven South, Inc. files information tax returns in the U.S. and Florida. Fairhaven South, Inc. is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The consolidated financial statements of WGM have been prepared on the accrual basis. The significant accounting policies of WGM are described below to enhance the usefulness of the consolidated financial statements to the reader.

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FISCAL PERIOD

The accompanying consolidated statements of financial position reflect balances for WGM as of March 31, 2023 and 2022, for Fairhaven South, Inc. as of December 31, 2022 and 2021, and for IO as of December 31, 2022 and 2021. The consolidated statements of activities and cash flows reflect operating activities for WGM for the years ended March 31, 2023 and 2022, for Fairhaven South, Inc. for the years ended December 31, 2022 and 2021, and for IO for the years ended December 31, 2022 and 2021.

ESTIMATES

The preparation of consolidated 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. Actual results could differ from these estimates.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the worldwide ministries of WGM, Fairhaven South, Inc., and IO (collectively WGM unless subsidiaries are individually mentioned). Additionally, IO balances as of and for the years ended December 31, 2022 and 2021, are converted from the Honduran currency (lempiras) to U.S. dollars for consolidated financial statement reporting purposes and any reported exchange rate gains or losses are reported in the consolidated statements of activities. All material intercompany financial activities have been eliminated from these consolidated financial statements.

WGM operates a comprehensive branch (field) accounting and reporting system that provides for all activity worldwide to be reported as incurred instead of reflecting transfers as expenses when transmitted to the field and omitting field-based income and assets. The system includes the recognition of all field based revenues, expenses, cash and investments, property and equipment, and other assets and liabilities. Therefore, these consolidated financial statements portray a comprehensive picture of WGM's worldwide activity and consolidated financial position.

CLASSES OF NET ASSETS

The consolidated financial statements report amounts by class of net assets. See Note 11.

Net assets without donor restrictions are currently available for ministry purposes under the direction of the Board of Directors, designated by management or the Board for specific use, and resources invested in property and equipment.

Net assets with donor restrictions 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 or lifetime beneficiary interests have ceased. Net assets with donor restrictions also include those assets required to be held in perpetuity by donor restrictions. Only the income earned on these assets may be used for the purposes stated in the endowment agreements.

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS AND CREDIT RISK

Cash and cash equivalents represent cash on hand and in checking accounts in both U.S. and foreign currency, money market accounts, certificates of deposit with original maturity of 90 days or less, and savings accounts. At March 31, 2023 and 2022, the cash accounts not covered by FDIC insurance and the amounts exceeding FDIC insured limits totaled approximately \$1,459,000 and \$1,666,000, respectively. Management believes it is not exposed to any significant credit risk on cash, savings, or time deposits.

INVESTMENTS AND INVESTMENTS OF FAIRHAVEN SOUTH (SUBSIDIARY)

The majority of investments are reported at fair value with gains and losses included in the consolidated statements of activities. Donated investments are reported at fair value on the date of donation and thereafter carried in accordance with the above provisions. Annuity investments are included within general investments on the consolidated statements of financial position. Investment return is recognized when earned and derived from various investment classes. See summary in Note 12.

LIABILITIES OF FAIRHAVEN SOUTH (SUBSIDIARY)

Liabilities of Fairhaven South (subsidiary) consist of a refundable security deposit held on behalf of the lessee. See Note 5.

OTHER ASSETS AND LIABILITIES OF IO (SUBSIDIARY)

Other assets of IO consists of accounts receivable, inventory, livestock, and equipment and machinery. Liabilities of IO (subsidiary) consist of trade accounts payable and a note payable. See Note 6.

Accounts receivable are held at net realizable value and are written-off when they are considered to be uncollectible. The allowance for uncollectible accounts was \$-0- as of December 31, 2022 and 2021, as all amounts are deemed by management to be fully collectible.

Inventory consists of various young livestock and silage crops and is valued at the lower of cost or net realizable value. Mature livestock used in production are classified as fixed assets and valued at historical cost.

Property and equipment, with useful lives greater than one year, consist of machinery and other equipment used in the farming operation. Property and equipment are depreciated over their useful lives ranging from five to ten years. Depreciation expense for the years ended December 31, 2022 and 2021, was \$204,451 and \$104,837, respectively.

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

LAND, BUILDINGS, EQUIPMENT, AND DEPRECIATION

Items over \$2,500 are capitalized as land, buildings, and equipment and are reported at cost. Property and equipment are depreciated over their useful lives ranging from five to thirty-three years. Donated items are reported at their fair market value on the date of the gift. No impairment is thought to exist as of March 31, 2023 or 2022.

ANNUITIES AND TRUSTS

WGM 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 payments, determined on an actuarial basis using applicable discount rates ranging from 1.2 percent to 10.6 percent, is reported as public 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 reported as actuarial changes in the consolidated statements of activities.

As trustee, WGM administers revocable (grantor) trusts that provide for a beneficial interest to WGM and/or other beneficiaries at the grantor's death. Because the trusts are revocable at the discretion of the grantor, the principal amounts provided are reported 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 WGM, will be reported as contribution income. Any trust designated for other beneficiaries will be distributed in accordance with the trust agreement.

As trustee, WGM administers irrevocable trusts, including charitable remainder unitrusts and annuity trusts. These trusts provide for 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. 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 WGM is reported as contributions with donor restrictions in the period received, net assets with donor restrictions, and as a reclassification to net assets without donor restrictions when the trust matures. Certain trusts contain provisions to distribute assets to remaindermen other than WGM. The portion attributable to others is reflected as a part of trust liabilities on the consolidated statements of financial position.

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, RECLASSIFICATIONS, AND CONTRIBUTED SERVICES

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. Bequests are reported as support at the time WGM has an established right to the bequest and proceeds are measurable. WGM reports gifts of cash and other assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets for specific missionary or field activities or projects. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Commitments to support missionaries are treated as faith promises that are an expression of intent to give based on God's future provision. All conditions rest with the donor, who has the unilateral right to modify the commitment. Additionally, they are not measurable as the duration is not indicated. Accordingly, such commitments are not reported in these consolidated financial statements.

REVENUE RECOGNITION FOR SALES AND LEASE REVENUE

IO recognizes sales revenue when earned, which is usually at the point of sale when goods are transferred.

Fairhaven South recognizes lease revenue within the fiscal year in which the services were provided. The tenant is charged based upon the monthly rate listed in the terms of the lease agreement. A refundable deposit of \$109,328 was included in liabilities of Fairhaven South (subsidiary) on the consolidated statements of financial position for both the years ended December 31, 2022 and 2021.

ADMINISTRATIVE ASSESSMENTS

Restricted gifts for individual missionary support or project funds are charged an administrative fee, which varies based upon type of activity or project involved, in order to offset WGM's cost of administering those activities. During the years ended March 31, 2023 and 2022, approximately \$1,744,000 and \$2,052,000, respectively, was transferred from missionary and project funds to net assets without donor restrictions. Such amounts are reported under reclassifications in the accompanying consolidated statements of activities.

GRANT INCOME

Conditional grant income is recognized as earned, which is when eligible expenses are incurred or when conditions are substantially met. WGM reports conditional grants in which the restriction is met in the same fiscal year as grant income without donor restrictions in accordance with the simultaneous release option.

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

EXPENSES, FUNCTIONAL ALLOCATION, AND JOINT COSTS

Expenses are reported when incurred.

The costs of providing the various program services and supporting activities of WGM have been summarized on a functional basis in Note 13. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. These expenses include depreciation, salaries and benefits, and other expenses. These expenses are allocated based on time and efforts or based on the programmatic purpose of the asset being depreciated. Costs of other categories were allocated based on programmatic purpose of the employees directly affected by the expense.

In connection with missionary furlough salaries, housing, and ministry expenses for the years ended March 31, 2023 and 2022, WGM incurred joint costs of \$1,254,358 and \$824,988, respectively. Of these costs, \$501,743 and \$329,995 has been allocated to program services, for the years ended March 31, 2023 and 2022, respectively, and \$752,615 and \$494,993 has been allocated to fundraising for the years ended March 31, 2023 and 2022, respectively.

See Note 13 for expenses by both nature and function. Expenses of Fairhaven South are included in management and general. Expenses of IO are included as a separate program of WGM.

FOREIGN OPERATIONS

In connection with its worldwide ministry, WGM maintains schools, clinics, and other supporting facilities in various countries outside the United States. As of March 31, 2023 and 2022, assets in other countries, including cash, receivables, and assets held to conduct ministry activities, totaled approximately \$795,000 and \$816,000, respectively. Property and equipment, net of accumulated depreciation, amounted to approximately \$3,638,000 and \$3,827,000 for the years ended March 31, 2023 and 2022, respectively. Account balances relating to foreign operations are reflected in the consolidated financial statements in United States dollars. In addition to the previously mentioned foreign assets, WGM also had foreign source income in the amounts of approximately \$711,000 and \$648,000 for the years ended March 31, 2023 and 2022, respectively. WGM's worldwide activities resulted in an aggregate exchange gain (loss) of (\$28,896) and \$8,923 reported for the years ended March 31, 2023 and 2022, respectively.

IO operates exclusively in Honduras. Non-U.S. operations are subject to risks inherent in operating under different legal systems and various political and economic environments. As of the report date, there continues to be normal fluctuations in currency valuation between the U.S. dollar relative to the Honduras lempira. It is not practical to determine the effects of these rate changes on WGM's consolidated financial statements.

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

The *Fair Value Measurements and Disclosure* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. WGM uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, WGM 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.

(continued)

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES, continued

Fair values of assets measured on a recurring basis at March 31, 2023, are as follows:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
March 31, 2023:				
General, agency, endowment and subsidiary investments:				
Common stock:				
Equities	\$ 8,501,844	\$ 8,501,844	\$ -	\$ -
Fixed income	30,310	30,310	-	-
Alternative strategy	18,066	18,066	-	-
Preferred stock	4,791	4,791	-	-
Structured products: equities	108,690	108,690	-	-
Fixed income securities:				
Government	6	-	6	-
Corporate	3,912,640	-	3,912,640	-
Exchange-traded and closed-end funds:				
Equities	1,366,962	1,366,962	-	-
Fixed income	133,412	133,412	-	-
Alternative strategy	452,835	452,835	-	-
Non-traditional	91,361	91,361	-	-
Unit investment trusts:				
Equities	6,717,882	6,717,882	-	-
Fixed income	1,648,521	1,648,521	-	-
Mutual funds:				
Equities	971,748	971,748	-	-
Fixed income	2,063,236	2,063,236	-	-
Alternative strategy	984,458	984,458	-	-
	27,006,762	\$ 23,094,116	\$ 3,912,646	\$ -
Hedge funds held at NAV	575,704			
	\$ 27,582,466			

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES, continued

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
March 31, 2023, continued:				
Trust assets:				
Stocks:				
Equities	\$ 188,922	\$ 188,922	\$ -	\$ -
Alternative strategy	4,259	4,259	-	-
Exchange-traded and closed-end funds:				
Equities	512,485	512,485	-	-
Fixed income	145,840	145,840	-	-
Alternative strategy	11,105	11,105	-	-
Mutual funds:				
Equities	30,493	30,493	-	-
Fixed income	98,954	98,954	-	-
Alternative strategy	30,024	30,024	-	-
	<u>\$ 1,022,082</u>	<u>\$ 1,022,082</u>	<u>\$ -</u>	<u>\$ -</u>

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES, continued

Fair values of assets measured on a recurring basis at March 31, 2022, are as follows:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
March 31, 2022:				
General, agency, endowment and subsidiary investments:				
Common stock:				
Equities	\$ 10,046,850	\$ 10,046,850	\$ -	\$ -
Fixed income	26,386	26,386	-	-
Alternative strategy	55,841	55,841	-	-
Preferred stock	42,276	42,276	-	-
Fixed income securities:				
Government	28	-	28	-
Mortgage-backed	-	-	-	-
Corporate	3,535,114	-	3,535,114	-
Exchange-traded and closed-end funds:				
Equities	1,437,927	1,437,927	-	-
Fixed income	239,565	239,565	-	-
Alternative strategy	424,045	424,045	-	-
Non-traditional	113,193	113,193	-	-
Unit investment trusts:				
Equities	9,907,348	9,907,348	-	-
Fixed income	1,710,983	1,710,983	-	-
Mutual funds:				
Equities	1,357,207	1,357,207	-	-
Fixed income	1,760,986	1,760,986	-	-
Alternative strategy	1,885,632	1,885,632	-	-
	\$ 32,543,381	\$ 29,008,239	\$ 3,535,142	\$ -

(continued)

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES, continued

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
March 31, 2022, continued:				
Trust assets:				
Stocks: equities, exchange-trade \$	237,530	\$ 237,530	\$ -	\$ -
closed-end funds:				
Growth	633,468	633,468	-	-
Fixed income	195,619	195,619	-	-
Mutual funds:				
Equities	64,571	64,571	-	-
Fixed income	72,852	72,852	-	-
Alternative strategy	61,726	61,726	-	-
	<u>\$ 1,267,155</u>	<u>\$ 1,267,155</u>	<u>\$ -</u>	<u>\$ -</u>

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

Level 1 Fair Value Measurements

The fair values of common stock, preferred stock, exchange-traded funds, unit investment trusts, equity structured products, and mutual funds are based on quoted market prices.

Level 2 Fair Value Measurements

The fair value of corporate, mortgage-backed and government bonds are based on yields using credit ratings, risk premium, coupon rate and other various inputs.

Non-leveled Investments held at Net Asset Value

The fair value of the hedge funds is reported at the estimated net asset value (NAV), as a practical expedient. These investments are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. The values assigned to these holdings do not necessarily represent amounts which might ultimately be realized upon sale or other disposition since such amounts depend on future circumstances and cannot reasonably be determined until the actual liquidation occurs. Because of the inherent uncertainty, the estimated NAV may differ significantly from the values that would have been used had a ready market for such investments existed and the differences could be material.

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES, continued

Investments valued at NAV as of March 31, 2023, consisted of the following:

	NAV	Unfunded Commitments	Redemption Frequency/ Restrictions	Redemption Notice Period
Hedge funds:				
Growth fund	\$ 294,459	\$ 205,541	Annually	None
Private credit fund	\$ 281,246	-	Quarterly / Limited to 5% of outstanding shares	60 days

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842 of the FASB Accounting Standards Codification). WGM adopted the provisions of this new standard during the year ended March 31, 2023. The new standard requires organizations that lease assets with terms of more than 12 months to recognize in the consolidated statements of financial position the assets and liabilities for the right of use and obligations created by the leases. Lessor accounting remained largely unchanged under the new standard. WGM has adopted this standard on the adoption date approach. Adoption of this standard had no effect on change in net assets or net assets in total for the years ended March 31, 2023 and 2022. WGM elected the transition package relief provisions from ASU 2018-11, *Targeted Improvements* (Topic 842), for leases commenced before the effective date of the standard, which allows WGM the option to not reassess existing or expiring contracts, lease classification or initial direct costs. Therefore, no restatement of prior year amounts were required. WGM also elected the practical expedient to not separate lease and non-lease components and the accounting policy election to exclude short-term leases with lease terms of 12 months or less.

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects WGM's financial assets reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statements of financial position dates.

	March 31,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 1,941,610	\$ 2,191,761
General investments	20,311,585	24,316,861
Agency investments	1,421,254	1,531,828
Assets of Fairhaven South (subsidiary) (cash and investments)	428,806	490,915
Assets of IO (subsidiary) (cash and receivables)	107,051	49,197
Trust assets	1,042,836	1,272,769
Endowment investments	12,645,411	14,251,215
	37,898,553	44,104,546
Less those not available for general expenditures within one year due to contractual or donor-imposed restrictions:		
Agency investments held for others	(1,421,254)	(1,531,828)
Trust assets	(1,042,836)	(1,272,769)
Restricted by donor with time or purpose restrictions	(3,592,931)	(3,381,725)
Perpetual endowments and accumulated earnings	(12,298,749)	(13,926,406)
Board designated quasi-endowment funds	(346,662)	(324,809)
	(18,702,432)	(20,437,537)
Financial assets available to meet cash needs for general expenditures within one year	\$ 19,196,121	\$ 23,667,009

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

3. LIQUIDITY AND FUNDS AVAILABLE, continued:

WGM is substantially supported by contributions primarily with donor-imposed restrictions for missionary and field project support. Those contributions with donor restrictions require resources to be used in a particular manner or in a future period. WGM must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. Net assets with donor restrictions for missionary and project support for the years ended March 31, 2023 and 2022, totaled \$20,042,276 and \$20,454,809, respectively. Of these net assets with donor restrictions, \$16,449,345 and \$17,073,084 are considered available to meet needs for general expenditures within one year for the years ended March 31, 2023 and 2022, respectively.

As part of WGM's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. WGM invests cash in excess of daily requirements in short-term investments. A board policy is in place that requires the organization to maintain three months of operating reserves. The administration and board monitor these balances to ensure an adequate level of liquidity and reserves are available when needed. During the years ended March 31, 2023 and 2022, WGM maintained an adequate level of liquidity and reserves to meet general expenditures.

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

4. GENERAL, AGENCY, ENDOWMENT, AND SUBSIDIARY INVESTMENTS:

General, agency, endowment, and subsidiary investments consist of:

	March 31,	
	2023	2022
Investments at fair value (Note 2):		
Common stock	\$ 8,550,220	\$ 10,129,077
Preferred stock	4,791	42,276
Exchange-traded and closed-end funds	2,044,570	2,214,730
Unit investment trusts	8,366,403	11,618,331
Mutual funds	4,019,442	5,003,825
Government securities	6	28
Corporate bonds	3,912,640	3,535,114
Commodities	108,690	-
	27,006,762	32,543,381
Investments at fair value-NAV (Note 2):		
Hedge funds	575,704	-
Investments held at other than fair value:		
Cash and cash equivalents, held at cost	611,009	693,511
Real property, held at tax assessed value	1,077,799	1,167,713
Variable annuity, held at contract value	5,483,627	6,137,517
Other, held at cost	38,801	38,425
	\$ 34,793,702	\$ 40,580,547
General investments	\$ 20,311,585	\$ 24,316,861
Agency investments	1,421,254	1,531,828
Endowment investments	12,645,411	14,251,215
Subsidiary (Fairhaven South, Inc.) investments (Note 5)	415,452	480,643
	\$ 34,793,702	\$ 40,580,547

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

5. ASSETS, LIABILITIES, NET ASSETS, AND ACTIVITIES OF SUBSIDIARY FAIRHAVEN SOUTH, INC.:

WGM has control over Fairhaven South, Inc. through the appointment of its Board of Directors. Assets, liabilities, net assets, and activities of Fairhaven South, Inc. are shown in the table below.

Assets, liabilities, and net assets of Fairhaven South, Inc. consist of:

	December 31,	
	2022	2021
Assets:		
Cash and cash equivalents	\$ 13,354	\$ 10,272
Investments (Note 4)	415,452	480,643
Total Assets	<u>\$ 428,806</u>	<u>\$ 490,915</u>
Liabilities:		
Refundable deposits	<u>\$ 109,328</u>	<u>\$ 109,328</u>
Net Assets:		
Net assets without donor restrictions	<u>319,478</u>	<u>381,587</u>
Total Liabilities and Net Assets	<u>\$ 428,806</u>	<u>\$ 490,915</u>

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

5. ASSETS, LIABILITIES, NET ASSETS, AND ACTIVITIES OF SUBSIDIARY FAIRHAVEN SOUTH, INC.,
continued:

Activities of Fairhaven South, Inc. consist of:

	Year Ended December 31,	
	2022	2021
Revenue:		
Lease revenue	\$ 912,894	\$ 893,407
Investment income	(65,192)	80,506
Total revenue	847,702	973,913
Expenses:		
Operating expenses	2,810	2,700
Change in net assets	\$ 844,892	\$ 971,213

Fairhaven South, Inc., donated approximately \$907,000 and \$884,000, to WGM during the years ended December 31, 2022 and 2021, respectively. These amounts are eliminated in consolidation.

OPERATING LEASE AND RENTAL INCOME

Fairhaven South, Inc. leases the Oaks at Avon nursing facility to an unrelated third party. During 2015, Fairhaven South, Inc. renegotiated the existing lease with a new term from July 1, 2016 through June 30, 2031, with two additional renewal options of five years each. Annual rental income to be received by Fairhaven South, Inc. for the first year is \$807,620, with a two percent increase each successive year of the lease. The property and equipment under the lease are fully depreciated.

Future minimum lease payments to be received are as follows:

Year Ending December 31,	
2024	\$ 927,701
2025	946,255
2026	965,180
2027	984,484
2028	1,004,174
Thereafter	3,672,731
	\$ 8,500,525

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

6. ASSETS, LIABILITIES, OWNER'S EQUITY, AND ACTIVITIES OF SUBSIDIARY INDUSTRIAS OLANCHANAS (IO):

As the sole owner, WGM has control over IO, a for-profit corporation organized under the applicable laws in Honduras. Assets, liabilities, owner's equity, and activities of IO are shown in the table below in U.S. dollars based upon exchange rate conversion from Honduras lempiras. Pre-consolidated assets, liabilities, and owner's equity of IO consist of:

	December 31,	
	2022	2021
Assets:		
Cash and cash equivalents	\$ 34,808	\$ 8,082
Accounts receivable	72,243	41,115
Other assets	31,350	26,100
Inventory—livestock and silage	391,994	354,577
Livestock	308,415	408,644
Property and equipment, net	117,312	243,326
Total Assets	\$ 956,122	\$ 1,081,844
Liabilities:		
Accounts payable	\$ 438,941	\$ 358,959
Due to WGM (eliminated in the consolidated financial statements)	925,839	289,920
Note payable (see below)	-	561,614
	1,364,780	1,210,493
Owner's Equity	(408,658)	(128,649)
Total Liabilities and Owner's Equity	\$ 956,122	\$ 1,081,844

NOTE PAYABLE

Upon WGM obtaining full ownership of IO in December 2018, an agreement was signed with one of the former investors in the company (a related party and family member of WGM employees) to convert his original investment of \$406,751 and outstanding accounts payable due to him totaling \$154,863 into a combined interest-free note payable due within seven years of the agreement unless otherwise agreed to by both parties. The note payable is recognized based upon the value of the U.S. dollar according to the exchange rate when the original investment and other accounts payables were incurred. However, between January 1, 2022 and March 31, 2022, WGM paid the entire outstanding loan of \$561,614 in three installments on behalf of IO. As of March 31, 2022, WGM reported an intercompany receivable from IO for that amount. As a result of this, the intercompany receivable/payable of \$561,614 was eliminated in consolidation at March 31, 2023 and 2022.

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

6. ASSETS, LIABILITIES, OWNER'S EQUITY, AND ACTIVITIES OF SUBSIDIARY INDUSTRIAS

OLANCHANAS (IO), continued:

Activities of IO consist of:

	<u>Year Ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Sales	\$ 1,363,761	\$ 1,199,647
Cost of sales	<u>(998,790)</u>	<u>(753,945)</u>
Net sales	364,971	445,702
General, production, and administrative expenses	<u>587,059</u>	<u>495,695</u>
Other revenues and gains	286	8,955
Exchange rate gain (loss)	<u>119,726</u>	<u>(103,923)</u>
Net loss	(102,076)	(144,961)
Add: expenses eliminated in consolidation	<u>-</u>	<u>49,561</u>
Net gain (loss) after eliminations	<u>\$ (102,076)</u>	<u>\$ (95,400)</u>

For the years ended December 31, 2022 and 2021, IO's depreciation expense was \$204,451 and \$104,837, respectively.

CURRENCY TRANSLATION

IO uses the local currency (Honduras lempiras) as the functional currency. For purposes of consolidation, IO's financial activity as of and for the years ended December 31, 2022 and 2021, has been translated into U.S. dollars using the exchange rates in effect at December 31, 2022 and 2021.

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

7. LAND, BUILDINGS, AND EQUIPMENT:

As of March 31, 2023, land, buildings, and equipment consist of:

	United States	Other Countries	Total
Land and improvements	\$ 803,443	\$ 716,464	\$ 1,519,907
Buildings	7,819,211	5,760,758	13,579,969
Furniture and equipment	1,780,333	1,277,351	3,057,684
Vehicles and other	498,473	1,730,261	2,228,734
	10,901,460	9,484,834	20,386,294
Less accumulated depreciation	(6,396,883)	(5,858,349)	(12,255,232)
	4,504,577	3,626,485	8,131,062
Construction in process	52,099	11,500	63,599
	\$ 4,556,676	\$ 3,637,985	\$ 8,194,661

As of March 31, 2022, land, buildings, and equipment consist of:

	United States	Other Countries	Total
Land and improvements	\$ 792,755	\$ 716,464	\$ 1,509,219
Buildings	7,306,295	5,638,837	12,945,132
Furniture and equipment	1,782,690	1,275,631	3,058,321
Vehicles and other	461,271	1,914,295	2,375,566
	10,343,011	9,545,227	19,888,238
Less accumulated depreciation	(6,186,676)	(5,825,258)	(12,011,934)
	4,156,335	3,719,969	7,876,304
Construction in process	311,566	107,358	418,924
	\$ 4,467,901	\$ 3,827,327	\$ 8,295,228

WGM's depreciation expense was \$561,316 and \$599,653 for the years ended March 31, 2023 and 2022, respectively.

Management has reviewed the assets in other countries and has determined that they are under the control and ownership of WGM. Such items are recognized as assets of WGM, but it should be noted that the political situation in many countries is subject to rapid change. Therefore, the reader should be aware that while WGM believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the realizable value of the assets in other countries. It should also be understood that the carrying value of the assets in other countries may not be representative of the amount that would be realized should the assets be sold. Many of the assets designed to carry out the programs of WGM might have limited resale potential and may ultimately be granted to national churches and affiliated ministries in each country.

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

8. TRUST ASSETS AND LIABILITIES:

Trust assets consist of:

	March 31,	
	2023	2022
Cash and cash equivalents	\$ 20,754	\$ 5,614
Investments held at fair value (Note 2):		
Stocks	193,181	238,919
Exchange-traded and closed-end funds	669,430	829,087
Mutual funds	159,471	199,149
	1,022,082	1,267,155
	\$ 1,042,836	\$ 1,272,769

Trust liabilities and net assets consist of:

	March 31,	
	2023	2022
Trust liabilities:		
Revocable trusts	\$ 658,326	\$ 829,086
Irrevocable trusts—other remaindermen and lifetime interests	187,705	210,973
Total trust liabilities	846,031	1,040,059
Trust net assets (Note 11)	196,805	232,710
Total trust liabilities and net assets	\$ 1,042,836	\$ 1,272,769

Trust assets are reported separately in the consolidated statements of financial position. Annuity assets are included within general investments in the consolidated statements of financial position. The change in value of annuities and trusts have been reported together on the consolidated statements of activities and consist of:

	Year Ended March 31,	
	2023	2022
Interest and dividends	\$ 29,647	\$ 27,991
Net realized and unrealized gains (losses)	(96,910)	207,628
Actuarial change	41,563	84,760
Payments to beneficiaries	(77,156)	(312,264)
Change in value of annuities and trusts	\$ (102,856)	\$ 8,115

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

9. AGENCY FUNDS HELD FOR OTHERS:

Agency funds held for others are funds held by WGM as a fiscal agent for others. The composition of the funds is as follows:

	March 31,	
	2023	2022
Employee funds for children's education	\$ 1,421,254	\$ 1,531,828

10. EMPLOYEE BENEFIT PLANS:

DEFINED CONTRIBUTION PENSION PLAN

WGM has a contributory defined contribution pension plan. Employer contributions are discretionary. Active participants are eligible to share in and benefit from the contribution determined by the Board of Directors, at their discretion, by resolution adopted on or before the last day of the plan year. Currently WGM contributes 17.25 percent of compensation for single missionaries, 20 percent of compensation for married missionaries, and 10 percent of compensation for other employees. Participants who are eligible to participate in the plan may make, after tax employee contributions, up to 10 percent of their compensation. Participants are vested immediately in their contributions plus actual earnings thereon. Employer contribution vesting is phased in with 100 percent vesting upon completion of six years of service. Contributions for the years ended March 31, 2023 and 2022, were approximately \$715,000 and \$679,000, respectively.

MEDICAL BENEFITS

WGM has a self-funded medical plan for missionaries and staff. All active employees working at least 20 hours per week are eligible for participation. There is an annual maximum of \$1,000,000 per individual. WGM has contracted with an insurance provider for stop-loss coverage in excess of \$150,000 per plan year, per individual. Total claims incurred, but not reported, included in accounts payable were \$187,888 and \$159,603 for the years ended March 31, 2023 and 2022, respectively. The total medical claims paid by WGM under this plan amounted to approximately \$1,599,000 and \$2,038,000 for the years ended March 31, 2023 and 2022, respectively.

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

11. NET ASSETS:

Net assets consist of:

	March 31,	
	2023	2022
Net assets without donor restrictions:		
Undesignated	\$ 11,224,826	\$ 15,296,177
Board-designated quasi-endowments	346,662	324,809
Total net assets without donor restrictions	11,571,488	15,620,986
Subject to expenditure for specified purpose or appropriation:		
Missionary life investment—principal and accumulated gains	2,632,739	4,013,922
Unappropriated endowment income	1,162,202	1,408,976
	3,794,941	5,422,898
Missionary support—active missionaries	6,573,841	7,426,186
Missionary support—retired missionaries	4,133,292	3,779,259
Missionary support—volunteers	495,939	503,169
Projects	2,165,578	2,170,343
Ministries	4,185,452	4,092,172
Operational	2,332,174	2,327,680
Missionary life investment—transfers from ministry funds	156,000	156,000
Charitable remainder trusts (Note 8)	196,805	232,710
	24,034,022	26,110,417
Subject to restriction in perpetuity:		
Missionary life investment	6,154,500	6,153,000
Other endowment	2,349,308	2,350,508
	8,503,808	8,503,508
Total net assets with donor restrictions	32,537,830	34,613,925
Total net assets	\$ 44,109,318	\$ 50,234,911

WGM's governing board through specific action has created self-imposed limits on net assets without donor restrictions. The board has earmarked amounts for student aid purposes and missionary life investment transfers when these are released from restriction. For the years ended March 31, 2023 and 2022, these board-designated net assets totaled \$346,662 and \$324,809, respectively.

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

11. NET ASSETS, continued:

ENDOWMENT

WGM's endowment consists of approximately 30 individual funds established for a variety of purposes, which are donor-restricted endowment funds and quasi-endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The Board of Directors of WGM has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, WGM classifies as net assets with donor restrictions held in perpetuity (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 held in perpetuity is classified as net assets with donor restrictions subject to expenditure for specified purposes or until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. WGM considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of WGM 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 WGM
7. The investment policies of WGM

Endowment net asset composition by type of fund as of March 31, 2023:

		With Donor Restrictions		
	Without Donor Restrictions	Accumulated Gains (Losses) and Other	Original Gift Amount in Perpetuity	Total
Endowment net assets, March 31, 2023:				
Donor-restricted endowment funds	\$ -	\$ 3,794,941	\$ 8,503,808	\$ 12,298,749
Board-designated endowment funds	346,662	-	-	346,662
Total endowment funds	\$ 346,662	\$ 3,794,941	\$ 8,503,808	\$ 12,645,411

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

11. NET ASSETS, continued:

ENDOWMENT, continued

Changes in endowment net assets for the year ended March 31, 2023:

		With Donor Restrictions		
	Without Donor Restrictions	Accumulated Gains (Losses) and Other	Original Gift Amount in Perpetuity	Total
Endowment net assets, March 31, 2022	\$ 324,809	\$ 5,422,898	\$ 8,503,508	\$ 14,251,215
Investment return:				
Dividend and interest income	1,038	315,615	-	316,653
Net realized and unrealized losses	(4,684)	(1,103,372)	-	(1,108,056)
Total investment return	(3,646)	(787,757)	-	(791,403)
Contributions and grant income	-	62,246	1,500	63,746
Expenditures:				
Appropriated for endowment purposes	-	(762,457)	(1,200)	(763,657)
Fees	(1)	(92,979)	-	(92,980)
Total expenditures	(1)	(855,436)	(1,200)	(856,637)
Transfers	25,500	(47,010)	-	(21,510)
Endowment net assets, March 31, 2023	\$ 346,662	\$ 3,794,941	\$ 8,503,808	\$ 12,645,411

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

11. NET ASSETS, continued:

ENDOWMENT, continued

Endowment net asset composition by type of fund as of March 31, 2022:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains (Losses) and Other	Original Gift Amount in Perpetuity	
Endowment net assets, March 31, 2022:				
Donor-restricted endowment funds	\$ -	\$ 5,422,898	\$ 8,503,508	\$ 13,926,406
Board-designated endowment funds	324,809	-	-	324,809
Total endowment funds	<u>\$ 324,809</u>	<u>\$ 5,422,898</u>	<u>\$ 8,503,508</u>	<u>\$ 14,251,215</u>

Changes in endowment net assets for the year ended March 31, 2022:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains (Losses) and Other	Original Gift Amount in Perpetuity	
Endowment net assets, March 31, 2021	\$ 309,264	\$ 6,335,817	\$ 8,502,008	\$ 15,147,089
Investment return:				
Dividend and interest income	1,610	426,364	-	427,974
Net realized and unrealized gains (losses)	436	(499,425)	-	(498,989)
Total investment return	<u>2,046</u>	<u>(73,061)</u>	<u>-</u>	<u>(71,015)</u>
Contributions and grant income	<u>-</u>	<u>54,039</u>	<u>1,500</u>	<u>55,539</u>
Expenditures:				
Appropriated for endowment purposes	-	(835,757)	-	(835,757)
Fees	(1)	(109,214)	-	(109,215)
Total expenditures	<u>(1)</u>	<u>(944,971)</u>	<u>-</u>	<u>(944,972)</u>
Transfers	<u>13,500</u>	<u>51,074</u>	<u>-</u>	<u>64,574</u>
Endowment net assets, March 31, 2022	<u>\$ 324,809</u>	<u>\$ 5,422,898</u>	<u>\$ 8,503,508</u>	<u>\$ 14,251,215</u>

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

11. NET ASSETS, continued:

ENDOWMENT, continued

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 SPMIFA requires WGM to retain as a fund of perpetual duration. Deficiencies result from unfavorable market fluctuations that occurred after the investment of contributions restricted in perpetuity was deemed prudent by the Board of Directors. As of March 31, 2023, the amount by which endowment funds were underwater was \$54,644. There were no funds with deficiencies as of March 31, 2022.

RETURN OBJECTIVES AND RISK PARAMETERS

WGM 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 the organization 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 Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index while assuming a moderate level of investment risk. WGM expects its endowment funds, over time, to provide an average rate of return of approximately seven percent annually. Actual returns in any given year may vary from this amount.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, WGM 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). WGM targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

SPENDING POLICY AND INVESTMENT OBJECTIVES RELATING TO SPENDING POLICY

WGM has a policy of appropriating four percent of its endowment fund's average fair value over the prior fiscal year. In establishing this policy, WGM considered the long-term expected return on its endowment. Accordingly, over the long term, WGM expects the current spending policy to allow its endowment to grow at an average of one percent annually. This is consistent with WGM'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 return.

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

12. INVESTMENT INCOME (LOSS):

Investment income (loss) consists of:

	Year Ended March 31, 2023			
	General Investments (Note 4)	Trust Assets (Note 8)	Endowment Investments (Note 11)	Total
Interest and dividends (net of investment expense of \$116,421)	\$ 347,218	\$ 29,647	\$ 316,653	\$ 693,518
Net unrealized and realized losses	<u>(2,237,476)</u>	<u>(96,910)</u>	<u>(1,108,056)</u>	<u>(3,442,442)</u>
	(1,890,258)	(67,263)	(791,403)	(2,748,924)
Add: investment loss included within change in value of annuities and trusts on a separate line in the consolidated statements of activities	<u>-</u>	<u>67,263</u>	<u>-</u>	<u>67,263</u>
	<u>\$ (1,890,258)</u>	<u>\$ -</u>	<u>\$ (791,403)</u>	<u>\$ (2,681,661)</u>
	Year Ended March 31, 2022			
	General Investments (Note 4)	Trust Assets (Note 8)	Endowment Investments (Note 11)	Total
Interest and dividends (net of investment expense of \$144,069)	\$ 329,550	\$ 27,991	\$ 427,974	\$ 785,515
Net unrealized and realized gains (losses)	<u>294,430</u>	<u>207,628</u>	<u>(498,989)</u>	<u>3,069</u>
	623,980	235,619	(71,015)	788,584
Less: investment gain included within change in value of annuities and trusts on a separate line in the consolidated statements of activities	<u>-</u>	<u>(235,619)</u>	<u>-</u>	<u>(235,619)</u>
	<u>\$ 623,980</u>	<u>\$ -</u>	<u>\$ (71,015)</u>	<u>\$ 552,965</u>

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

13. EXPENSES BY BOTH NATURE AND FUNCTION:

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of WGM. Accordingly, certain costs have been allocated among the program services and supporting activities benefited and are based on estimates of time and effort.

The following table presents expenses by both their nature and function for the year ended March 31, 2023:

	Program Activities								Supporting Activities		Total Expenses	
	Church Growth and Evangelism	Medical and Relief	Education Ministries	Field Admini- stration	Homeland Ministries	Bible Schools and Seminaries	Furlough Ministries	Industrias Olanchanas	Media Ministries	Management, General and Fairhaven South		Fund-raising
Salaries and benefits	\$ 4,437,237	\$ 1,848,978	\$ 898,423	\$ 1,361,298	\$ 773,975	\$ 278,478	\$ 308,920	\$ 202,224	\$ 33,787	\$ 2,371,442	\$ 941,769	\$ 13,456,531
Grants to partners	1,163,249	2,036,672	395,800	54,226	-	131,920	4,443	1,151	5,240	36,715	98,199	3,927,615
Travel/transportation	1,045,181	368,709	85,630	153,488	80,084	52,948	74,864	1,767	2,839	94,759	147,837	2,108,106
Supplies and other	1,094,653	385,950	233,555	94,905	81,225	84,263	69,258	1,028,485	34,391	206,023	157,689	3,470,397
Professional fees	304,822	64,908	49,095	52,910	94,994	15,740	12,650	18,907	2,253	448,752	202,784	1,267,815
Utilities	374,754	59,867	74,964	26,449	32,957	10,132	14,888	34,971	1,138	98,834	32,361	761,315
Depreciation	304,099	42,701	85,793	33,921	8,371	13,999	-	204,451	1,365	71,067	-	765,767
Training	99,756	85,518	9,798	43,018	14,508	3,210	14,100	-	2,250	2,705	26,075	300,938
Repairs and maintenance	184,672	12,442	20,846	3,266	2,763	2,792	641	93,893	164	3,556	1,435	326,470
Insurance	119,868	19,421	12,916	10,576	26,515	4,233	1,978	-	248	56,532	7,866	260,153
Total expenses	9,128,291	4,925,166	1,866,820	1,834,057	1,115,392	597,715	501,742	1,585,849	83,675	3,390,385	1,616,015	26,645,107
Less expenses included in cost of sales	-	-	-	-	-	-	-	(998,790)	-	-	-	(998,790)
	<u>\$ 9,128,291</u>	<u>\$ 4,925,166</u>	<u>\$ 1,866,820</u>	<u>\$ 1,834,057</u>	<u>\$ 1,115,392</u>	<u>\$ 597,715</u>	<u>\$ 501,742</u>	<u>\$ 587,059</u>	<u>\$ 83,675</u>	<u>\$ 3,390,385</u>	<u>\$ 1,616,015</u>	<u>\$ 25,646,317</u>

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

13. EXPENSES BY BOTH NATURE AND FUNCTION, continued:

The following table presents expenses by both their nature and function for the year ended March 31, 2022:

	Program Activities								Supporting Activities		Total Expenses	
	Church Growth and Evangelism	Medical and Relief	Education Ministries	Field Admini- stration	Homeland Ministries	Bible Schools and Seminaries	Furlough Ministries	Industrias Olanchanas	Media Ministries	Management, General and Fairhaven South		Fund-raising
Salaries and benefits	\$ 3,840,344	\$ 2,079,706	\$ 842,497	\$ 1,161,372	\$ 984,212	\$ 279,170	\$ 217,479	\$ 201,140	\$ 33,685	\$ 2,355,986	\$ 755,887	\$ 12,751,478
Grants to partners	1,162,027	1,903,804	157,599	28,296	-	45,355	1,798	1,466	27,179	32,900	2,697	3,363,121
Travel/transportation	688,948	356,847	53,825	92,377	48,373	47,178	32,827	382	730	42,242	85,995	1,449,724
Supplies and other	994,073	548,614	216,906	74,762	69,018	63,898	42,775	755,698	51,781	229,336	122,094	3,168,955
Professional fees	257,864	65,503	30,052	100,383	23,500	21,151	10,870	13,157	1,695	610,676	209,698	1,344,549
Utilities	330,561	65,240	62,483	23,572	37,900	10,494	11,308	33,561	2,121	84,806	26,614	688,660
Depreciation	300,646	76,141	94,013	36,212	8,309	13,999	-	104,837	1,365	68,968	-	704,490
Training	82,352	51,823	31,061	13,687	14,979	12,901	11,097	-	-	7,044	22,548	247,492
Repairs and maintenance	171,454	33,227	30,864	6,538	9,738	3,375	1,641	89,838	-	3,715	4,007	354,397
Insurance	82,750	29,122	29,815	2,223	276	2,506	200	-	252	77,159	344	224,647
Total expenses	7,911,019	5,210,027	1,549,115	1,539,422	1,196,305	500,027	329,995	1,200,079	118,808	3,512,832	1,229,884	24,297,513
Less expenses included in cost of sales	-	-	-	-	-	-	-	(753,945)	-	-	-	(753,945)
	<u>\$ 7,911,019</u>	<u>\$ 5,210,027</u>	<u>\$ 1,549,115</u>	<u>\$ 1,539,422</u>	<u>\$ 1,196,305</u>	<u>\$ 500,027</u>	<u>\$ 329,995</u>	<u>\$ 446,134</u>	<u>\$ 118,808</u>	<u>\$ 3,512,832</u>	<u>\$ 1,229,884</u>	<u>\$ 23,543,568</u>

WORLD GOSPEL MISSION, INC. and SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2023 and 2022

13. EXPENSES BY BOTH NATURE AND FUNCTION, continued:

Reconciliation of expenses by both nature and function to the consolidated statements of activities is as follows:

	Year Ended March 31,	
	<u>2023</u>	<u>2022</u>
WGM expenses	\$ 25,056,448	\$ 23,094,734
IO expenses	587,059	446,134
Fairhaven South expenses	<u>2,810</u>	<u>2,700</u>
Total expenses	<u>\$ 25,646,317</u>	<u>\$ 23,543,568</u>

14. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through September 8, 2023, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.