

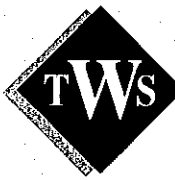
**Equip, Inc.  
Marion, North Carolina**

**Financial Statements  
Year Ended December 31, 2010**

**Watson, Triplett & Smith, CPAs, PC  
Boiling Springs, NC 28017**

# Independent Auditors' Report

Table of Contents	Page
Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expense	5-7
Notes to Financial Statement	8-11



## **Independent Auditors' Report**

Equip, Inc.  
PO Box 1126  
Marion, North Carolina

### **To the Finance Committee of Equip, Inc.:**

We have audited the accompanying statements of financial position of Equip, Inc. as of December 31, 2010 and 2009, the statement of activities, the statement of cash flows and the statement of functional expenses for the years then ended. These financial statements are the responsibility of Equip, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1(i), these financial statements were prepared on a comprehensive basis of accounting other than generally accepted accounting principles

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Equip, Inc. at December 31, 2010 and 2009, the results of its operations and its cash flows for the years then ended in conformity with the basis of accounting described in Note 1(i).

*Dennis R. Smith CPA*

Watson, Triplett & Smith, CPAs, PC  
Boiling Springs, North Carolina 28017  
April 15, 2010

Equip, Inc.

STATEMENT OF FINANCIAL POSITION  
Modified Cash Basis  
December 31, 2010

	2010	2009
<b><u>ASSETS</u></b>		
Current Assets		
Cash	\$ 146,604	\$ 150,726
USAID Grant funds	3,042	3,042
Investments	736,125	767,082
Other Assets	23,723	9,793
Total Current Assets	<u>909,494</u>	<u>930,643</u>
Property and equipment, net	<u>404,527</u>	<u>319,183</u>
Total assets	<u>\$ 1,314,021</u>	<u>\$ 1,249,826</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities	5,235	6,835
Accrued expenses	0	0
Total current liabilities	<u>5,235</u>	<u>6,835</u>
Total Liabilities	<u>\$ 5,235</u>	<u>\$ 6,835</u>
<b><u>NET ASSETS</u></b>		
Unrestricted (deficit)	\$ 514,557	\$ 399,391
Temporarily restricted	<u>794,229</u>	<u>843,600</u>
Total net assets	<u>\$ 1,308,786</u>	<u>1,242,991</u>
Total Liabilities and Net Assets	<u>\$ 1,314,021</u>	<u>\$ 1,249,826</u>

The accompanying notes and auditor's report are an integral part of these financial statements

Equip, Inc.

STATEMENT OF ACTIVITIES  
Modified Cash Basis  
December 31, 2010

---

	2010	2009
Support and Revenue		
Contributions	\$ 1,387,456	\$ 1,247,583
Investment Income	9,099	18,427
Tuition & Deposits	131,788	151,081
Reimbursements	0	0
Gross Bookstore Sales	6,082	7,598
Grants - USAID	0	0
Total Support and Revenue	\$ <u>1,534,426</u>	\$ <u>1,424,689</u>
<b>Expenses</b>		
Program Services	1,117,630	1,138,330
Support Services	312,373	312,220
Fundraising	38,628	\$ 31,515
Total Expense	\$ <u>1,468,631</u>	\$ <u>1,482,065</u>
Increase (decrease) in Net Assets	\$ 65,795	(57,376)
Prior Period Adjustment		(13,936)
<b>Net Assets Beginning of Year</b>	<u>1,242,991</u>	<u>1,314,303</u>
<b>Net Assets End of Year</b>	\$ <u>1,308,785.81</u>	\$ <u>1,242,991</u>

The accompanying notes and auditor's report are an integral part of these financial statements

Equip, Inc.

STATEMENT OF CASH FLOWS  
Modified Cash Basis  
December 31, 2010

	2010	2009
	\$ 65,795	\$ (57,376)
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets		
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	7,349	8,338
Non-cash adjustment to fixed assets	(159,040)	0
(Increase) decrease in other current assets	(13,930)	(180)
Increase (decrease) in accounts payable	(1,600)	5,684
Inventory	0	0
Net cash provided by operating activities	\$ <u>(167,221)</u>	\$ <u>(43,534)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase (sale) of Investments	(9,328)	32,014
Purchase (sale) of Fixed Assets	106,632	(11,720)
Net cash provided by investing activities	\$ <u>97,304</u>	\$ <u>20,294</u>
Net increase (decrease) in cash	(4,122)	(23,240)
Cash, beginning of year	153,768	177,008
Cash, end of year	\$ <u><u>149,646</u></u>	\$ <u><u>153,768</u></u>

The accompanying notes and auditor's report are an integral part of these financial statements

Equip, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Modified Cash Basis

December 31, 2010

<u>Description</u>	<u>ADMINIS-</u>	<u>FUND</u>	<u>OVERSEAS</u>	<u>TRAINING</u>	<u>US</u>	<u>Total</u>
	<u>TRATION</u>	<u>RAISING</u>	<u>MISSIONS</u>		<u>MISSIONS</u>	
Salaries	\$ 159,752.30	\$ 16,552.00	\$ 396,623.00	\$ 78,444.00	\$ 25,504.00	\$ 676,875.30
Salaries: Hired Personnel	\$ 1,405.63	\$ -	\$ 20,297.00	\$ 111.00	\$ -	\$ 21,813.63
Health Care Benefits	\$ 33,824.17	\$ 2,976.00	\$ 33,252.00	\$ 19,975.00	\$ 5,249.00	\$ 95,276.17
Life Insurance Benefit	\$ 385.02	\$ -	\$ 770.00	\$ 385.00	\$ -	\$ 1,540.02
Payroll Taxes-FICA Emplr.Share	\$ 12,506.23	\$ 95.00	\$ 26,151.00	\$ 4,919.00	\$ 780.00	\$ 44,451.23
Travel	\$ 6,732.81	\$ 651.00	\$ 41,424.00	\$ 12,822.00	\$ 1,260.00	\$ 62,889.81
Housing& Setup	\$ 1,128.34	\$ 34.00	\$ 2,793.00	\$ 535.00	\$ 34.00	\$ 4,524.34
Food Costs	\$ 2,729.27	\$ 63.00	\$ 38,696.00	\$ 16,943.00	\$ 92.00	\$ 58,523.27
Medicine	\$ 36.37	\$ -	\$ 7,326.00	\$ 2.00	\$ -	\$ 7,364.37
Other Health Care Costs	\$ -	\$ -	\$ 5,360.00	\$ -	\$ -	\$ 5,360.00
Utilities	\$ 7,554.85	\$ 106.00	\$ 2,800.00	\$ 5,480.00	\$ 112.00	\$ 16,052.85
Waste Disposal	\$ -	\$ -	\$ -	\$ 393.00	\$ -	\$ 393.00
Textbook Expense	\$ 224.30	\$ 2.00	\$ 9,120.00	\$ 15,198.00	\$ 2.00	\$ 24,546.30
Training Nationals/Scholarship	\$ -	\$ -	\$ 344.00	\$ -	\$ -	\$ 344.00
Training	\$ 376.60	\$ -	\$ 5,724.00	\$ 4,288.00	\$ -	\$ 10,388.60
Village Med. Manual Pub Fund	\$ -	\$ -	\$ 9.00	\$ -	\$ -	\$ 9.00
Personal Gifts	\$ 1,081.82	\$ -	\$ -	\$ 50.00	\$ -	\$ 1,131.82
Contributions-Benevolence	\$ -	\$ -	\$ 852.00	\$ -	\$ -	\$ 852.00
Training/Honorarium	\$ 250.00	\$ -	\$ 16,300.00	\$ 2,800.00	\$ -	\$ 19,350.00
Work Fund	\$ 434.00	\$ -	\$ 7,458.00	\$ -	\$ -	\$ 7,892.00
Misc Expenses/Supplies	\$ 547.32	\$ -	\$ 1,279.00	\$ 756.00	\$ -	\$ 2,582.32
Office Supplies	\$ 5,500.14	\$ 2.00	\$ 1,715.00	\$ 958.00	\$ 2.00	\$ 8,177.14
Postage & Shipping	\$ 5,402.89	\$ 159.00	\$ 7,125.00	\$ 1,414.00	\$ 280.00	\$ 14,380.89
Computer/Software	\$ 4,315.56	\$ -	\$ 1,826.00	\$ 551.00	\$ -	\$ 6,692.56

Equip, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Modified Cash Basis

December 31, 2010

<u>Description</u>	<u>ADMINIS- TRATION</u>	<u>FUND RAISING</u>	<u>OVERSEAS MISSIONS</u>	<u>TRAINING</u>	<u>US MISSIONS</u>	<u>Total</u>
Printing & Artwork	\$ (2,788.90)	\$ 145.00	\$ 6,290.00	\$ 2,239.00	\$ 259.00	\$ 6,144.10
Promotion		\$ 17,663.71				\$ 17,663.71
Animal - Feed & Supplies	\$ 148.00	\$ 148.00	\$ -	\$ 148.00	\$ 148.00	\$ 592.00
Garden Supplies	\$ -	\$ -	\$ 150.00	\$ -	\$ -	\$ 150.00
Equipmt & Bldg Purchase	\$ -	\$ -	\$ 489.00	\$ 843.00	\$ -	\$ 1,332.00
Equipment & Building Rent	\$ 4,000.69	\$ -	\$ -	\$ 2,142.00	\$ -	\$ 6,142.69
Equipment & Bldg. Maintenance	\$ 10,155.48	\$ -	\$ 318.00	\$ 3,963.00	\$ 121.00	\$ 14,557.48
Depreciation expense	\$ 7,349.23	\$ -	\$ -	\$ -	\$ -	\$ 7,349.23
Building Supplies	\$ -	\$ -	\$ 1,870.00	\$ -	\$ -	\$ 1,870.00
Insurance-Property & Casualty	\$ 7,793.00	\$ -	\$ -	\$ 1,129.00	\$ 262.00	\$ 9,184.00
Insurance - Workman's Comp.	\$ 3,880.00	\$ -	\$ -	\$ -	\$ -	\$ 3,880.00
Vehicle/Lic, Permits, Taxes	\$ 29.00	\$ -	\$ 2,145.00	\$ 72.00	\$ 40.00	\$ 2,286.00
Vehicle/Gas	\$ 1,043.28	\$ -	\$ 7,141.00	\$ 1,211.00	\$ -	\$ 9,395.28
Vehicle/Maint.& Repair	\$ 3,158.29	\$ -	\$ 2,486.00	\$ 654.00	\$ -	\$ 6,298.29
Vehicle - Rental	\$ 631.70	\$ -	\$ 751.00	\$ 398.00	\$ -	\$ 1,780.70
Conferences	\$ 2,982.02	\$ -	\$ 68.00	\$ 4,813.00	\$ -	\$ 7,863.02
Prof Services- Accting & Audit	\$ 4,575.00	\$ -	\$ -	\$ -	\$ -	\$ 4,575.00
Legal	\$ 5,211.21	\$ -	\$ 1,724.00	\$ 506.00	\$ -	\$ 7,441.21
Bank Charges	\$ 3,023.55	\$ -	\$ 493.00	\$ 3,220.00	\$ -	\$ 6,736.55
Licenses & Permits	\$ 583.00	\$ -	\$ 10.00	\$ 1,120.00	\$ -	\$ 1,713.00
Loss/commission sale	\$ -	\$ -	\$ -	\$ 1,002.00	\$ -	\$ 1,002.00
Prof Services-Mngmt.Consulting	\$ -	\$ -	\$ -	\$ 1,000.00	\$ -	\$ 1,000.00
Prof Services - Software Supp	\$ 11,209.84	\$ -	\$ 1,436.00	\$ 1,000.00	\$ -	\$ 13,645.84
Prof Services - Payroll	\$ 2,551.86	\$ -	\$ -	\$ 18.00	\$ -	\$ 2,569.86

Equip, Inc.

STATEMENT OF FUNCTIONAL EXPENSES  
Modified Cash Basis  
December 31, 2010

<u>Description</u>	<u>ADMINIS- TRATION</u>	<u>FUND RAISING</u>	<u>OVERSEAS MISSIONS</u>	<u>TRAINING</u>	<u>US MISSIONS</u>	<u>Total</u>
Dues and Registrations	\$ 2,649.25	\$ 31.00	\$ 1,386.00	\$ 106.00	\$ 31.00	\$ 4,203.25
Other Expense - Homeland	\$ -	\$ -	\$ 13,849.00	\$ -	\$ 5,636.00	\$ 19,485.00
Other Expense - Field	\$ -	\$ -	\$ 218,360.00	\$ -	\$ -	\$ 218,360.00
	<u>\$ 312,373.10</u>	<u>\$ 38,627.71</u>	<u>\$ 886,210.00</u>	<u>\$ 191,608.00</u>	<u>\$ 39,812.00</u>	<u>\$ 1,468,630.81</u>

# **EQUIP, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2010**

---

**1. Purpose and Organization**

Equip, Inc. provides the following services: Transporting medical equipment to mission fields; training missionaries; and conducting seminars and other educational activities to prepare missionaries to serve. Equip, Inc. is supported primarily through donor contributions. Equip, Inc. is exempt from federal income tax under Section 509(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Board of Directors and management intend all income from the organization's activities to be substantially related to the organization's exempt purpose.

**2. Significant Accounting Policies**

**a. General**

The policies for preparation of financial statements are consistent with those appearing in the Audit and Accounting Guide - Not-For-Profit Organizations issued by the American Institute of Certified Public Accountants.

Equip, Inc. has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements of Not-for-Profit Organizations." SFAS No. 117 established the standards for external financial reporting for not-for-profit organizations, which includes a statement of financial position, a statement of functional expenses and a statement of cash flows. It requires the classification of resources into three classes of net assets based on the absence or existence of donor-imposed restrictions. These three classifications are defined as follows:

**Unrestricted Net Assets** – not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Directors.

**Temporarily Restricted Net Assets** – subject to donor-imposed stipulations that may be fulfilled by actions of Equip, Inc. to meet the stipulations or become unrestricted at the date specified by the donor.

**Permanently Restricted Net Assets** – subject to donor imposed stipulations that they be retained and invested permanently by Equip, Inc. The donors require Equip, Inc. to use all or part of the investment return on these net assets for specified or unspecified purposes.

Equip, Inc. has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made". In accordance with SFAS No. 116, support and revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions that are not satisfied in the accounting period. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. All expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets, that is, the expiration of the donor-imposed stipulated purpose or the elapsing of the specified time period, are reported as reclassifications of net assets.

Contributions subject to donor-imposed restrictions are recorded as temporarily restricted support and are reclassified as unrestricted when the donor imposed restriction has been fulfilled or the stipulated time period has elapsed. Promises to give that are scheduled to be received after the end of the reporting period are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or time restriction is met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at the risk-free rate applicable to the years in which the promises are received. Amortization of the discount is recorded as contribution revenue.

b. Cash and Cash Equivalents

For purposes of these statements, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and having original maturities of three months or less.

c. Investments

Equip Inc.'s management has the responsibility for investment activity, within the guidelines of the bylaws, for unrestricted assets, including board designated assets; temporarily restricted assets; and permanently restricted assets.

d. Land, Buildings and Equipment

Land, buildings and equipment are stated at cost or, if donated, at fair market value at the date of donation. Depreciation is computed using the modified asset cost recovery system for tax purposes and the straight-line method for book purposes over the estimated useful lives of the related assets as follows:

Buildings	15 years
Equipment and vehicles	5 to 7 years

Repairs and maintenance of property and equipment are charged to expense as incurred.

e. Revenue and Support

All items of revenue and support are stated on the cash basis, including revenues receivable as reimbursements for incurred costs from government units and other third party payers.

Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as unrestricted income at the time of receipt.

f. Donations-in-kind

Contributed land, buildings and equipment are recorded at fair value at the date of donation as unrestricted support and revenue unless the use of such contributed assets is restricted by a donor-imposed restriction.

g. Expenses

All expenses are stated on the cash basis.

h. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Estimates have been used in computing depreciation expense based on the useful life of assets.

i. Basis of Accounting

The financial statements of Equip, Inc. have been prepared on a modified cash basis of accounting.

3. Property and Equipment

Property and equipment consist of the following:

Land	\$ 60,743
Buildings	144,111
Dormatory Construction in Progress	106,632
Furniture, fixtures and equipment	110,685
Vehicles	<u>19,994</u>
	\$442,165
Less accumulated depreciation	<u>(37,638)</u>
Net Property, Plant, and Equipment	\$404,527

4. Restrictions on net assets

All of the restrictions on net assets at the end of 2010 relate to funds received by Equip, Inc. for the benefit of specific missionaries or projects. Equip, Inc. receives contributions from various churches and individuals which are credited to the individual missionaries' accounts or projects. As the missionaries request funds for mission field needs, upon approval, the disbursements are charged against the missionaries' accounts. Equip, Inc. withholds approximately 12% of general missionary contributions as an administrative fee.

5. Related Party Transactions

Equip Inc. has formed a joint venture with Equip, Canada, based in Victoria, British Columbia. Both organizations share the same purpose. The general director of Equip Inc. also acts as the general director of Equip, Canada. Equip, Inc provided administrative services on behalf of Equip, Canada during the year. Equip, Inc. received reimbursements from Equip, Canada during 2010 for administrative expenses. Equip, Inc. loaned Equip Canada \$9,793.04 for equipment during 2009. Zero interest is imputed on the loan. The balance due as of December 31, 2010 is \$6,399.12. Management has determined that this loan is fully collectible.

Equip, Inc. purchased the land on which it has constructed its operational facilities from its general director and his wife for \$60,743.23 in May of 2006. Two independent appraisals were obtained prior to the purchase.

Equip, Inc. has entered into a lease agreement with its general director and his wife to lease 12.8 acres of land and three buildings (Chapel/Laundry, Tractor barn and Workshop). The lease began on November 1, 2009 and extends to November 1, 2012. Equip, Inc. has agreed to pay \$1.00 per year for the entire term of the lease. Equip, Inc. is responsible for all reasonable repairs, maintenance of the property and its surrounding, personal property taxes, and adequate liability insurance.

Equip, Inc. has entered into employment agreements with the director's daughter and wife. They perform office support and kitchen support duties on a part-time basis. The employees can neither exercise control, nor are they in a position of influence over the employment of the other or of the Equip, Inc. organization.

6. Fundraising expenses

Fundraising expense allocations for the year ended December 31, 2010 were \$38,627.