

CAM INTERNATIONAL

FINANCIAL STATEMENTS
With Independent Auditors' Report

December 31, 2007 and 2006

CAM INTERNATIONAL

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INDEPENDENT AUDITORS' REPORT

Board of Directors
CAM International
Dallas, Texas

We have audited the accompanying statements of financial position of CAM International as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CAM International as of December 31, 2007 and 2006, and the results of its activities and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Colorado Springs, Colorado
August 21, 2008

CAM INTERNATIONAL

Statements of Financial Position

	December 31,	
	2007	2006
ASSETS:		
Cash and cash equivalents	\$ 2,141,055	\$ 2,501,332
Investments (Note 3)	2,322,477	2,259,397
Receivables	196,474	83,392
Inventory	53,470	57,653
Prepaid expenses and other assets	14,431	12,296
Land, buildings, and equipment—net (Note 4)	679,486	479,113
Assets held in trust and annuities (Note 5)	229,443	221,693
	<u>5,636,836</u>	<u>5,614,876</u>
Total Assets	<u>\$ 5,636,836</u>	<u>\$ 5,614,876</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 56,214	\$ 191,640
Accrued expenses	619,158	610,195
Software contract payable (Note 6)	86,035	-
Annuities payable	73,349	45,352
Deferred compensation liability (Note 7)	30,251	31,405
Revocable trust liabilities	51,640	55,516
	<u>916,647</u>	<u>934,108</u>
Total liabilities	<u>916,647</u>	<u>934,108</u>
Net assets:		
Unrestricted:		
Operating	1,223,152	1,323,607
Equity in land, buildings, and equipment	593,451	479,113
	<u>1,816,603</u>	<u>1,802,720</u>
Temporarily restricted:		
Missionary support	1,925,109	1,654,839
Projects	678,341	926,718
	<u>2,603,450</u>	<u>2,581,557</u>
Permanently restricted endowments	300,136	296,491
	<u>4,720,189</u>	<u>4,680,768</u>
Total net assets	<u>4,720,189</u>	<u>4,680,768</u>
Total Liabilities and Net Assets	<u>\$ 5,636,836</u>	<u>\$ 5,614,876</u>

See notes to financial statements

CAM INTERNATIONAL

Statements of Activities

	Years Ended December 31,							
	2007				2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE:								
Contributions	\$ 272,889	\$ 9,733,277	\$ 275	\$ 10,006,441	\$ 458,518	\$ 9,430,167	\$ 300	\$ 9,888,985
Sales revenue	216,687	-	-	216,687	235,116	-	-	235,116
Investment income (Note 3)	126,990	18,622	3,370	148,982	81,111	58,307	18,067	157,485
Change in value of annuities (Note 5)	17,704	-	-	17,704	73,215	-	-	73,215
Other income	45,409	-	-	45,409	62,157	-	-	62,157
Total support and revenue	679,679	9,751,899	3,645	10,435,223	910,117	9,488,474	18,367	10,416,958
RECLASSIFICATIONS:								
Net assets released from purpose restrictions	9,730,006	(9,730,006)	-	-	9,269,788	(9,269,788)	-	-
EXPENSES:								
Program services	8,405,293	-	-	8,405,293	8,028,265	-	-	8,028,265
Supporting activities:								
Management and general	1,556,495	-	-	1,556,495	1,331,143	-	-	1,331,143
Fund-raising	434,014	-	-	434,014	472,354	-	-	472,354
	1,990,509	-	-	1,990,509	1,803,497	-	-	1,803,497
Total expenses	10,395,802	-	-	10,395,802	9,831,762	-	-	9,831,762
Change in net assets	13,883	21,893	3,645	39,421	348,143	218,686	18,367	585,196
Net Assets–Beginning of Year	1,802,720	2,581,557	296,491	4,680,768	1,454,577	2,362,871	278,124	4,095,572
Net Assets–End of Year	\$ 1,816,603	\$ 2,603,450	\$ 300,136	\$ 4,720,189	\$ 1,802,720	\$ 2,581,557	\$ 296,491	\$ 4,680,768

See notes to financial statements

CAM INTERNATIONAL

Statements of Cash Flows

	Years Ended December 31,	
	2007	2006
OPERATING ACTIVITIES:		
Change in net assets	\$ 39,421	\$ 585,196
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	61,772	63,052
Net realized and unrealized gains and losses	(23,105)	(105,779)
Loss on disposal of equipment	2,951	3,075
Actuarial change of annuities	27,997	(10,052)
Annuity payments	13,339	14,752
Change in operating assets and liabilities:		
Receivables	(113,082)	(5,600)
Inventory	4,183	(12,790)
Prepaid expenses and other assets	(2,135)	521
Accounts payable	(135,426)	921
Accrued expenses	8,963	125,494
	(115,122)	658,790
Net Cash (Used) Provided by Operating Activities	(115,122)	658,790
INVESTING ACTIVITIES:		
Purchases of investments	(1,262,098)	(72,278)
Proceeds from sales of investments	1,210,497	323,170
Proceeds from the sale of land, buildings, and equipment	-	8,000
Purchases of land, buildings, and equipment	(147,849)	(109,770)
	(199,450)	149,122
Net Cash (Used) Provided by Investing Activities	(199,450)	149,122
FINANCING ACTIVITIES:		
Annuity payments	(13,339)	(14,752)
Payments on software contract payable	(31,212)	-
Change in deferred compensation liability	(1,154)	(11,509)
	(45,705)	(26,261)
Net Cash Used by Financing Activities	(45,705)	(26,261)
Net (Decrease) Increase in Cash and Cash Equivalents	(360,277)	781,651
Cash and Cash Equivalents—Beginning of Year	2,501,332	1,719,681
Cash and Cash Equivalents—End of Year	\$ 2,141,055	\$ 2,501,332
SUPPLEMENTAL DISCLOSURE:		
Assets acquired with software contract payable	\$ 117,247	\$ -

See notes to financial statements

CAM INTERNATIONAL

Notes to Financial Statements

December 31, 2007 and 2006

1. NATURE OF ORGANIZATION:

CAM International (CAM) is a not-for-profit missionary organization, exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is not classified as a private foundation under Section 509(a) of the Code.

CAM was founded as the Central American Mission in 1890. As a faith mission, CAM is upheld by prayer and supported primarily by voluntary contributions. CAM serves in partnership with churches, related organizations and friends, and is responsible to them for careful stewardship of resources, adherence to biblical principles in ministry, and Godly leadership of personnel.

CAM is a nondenominational sending agency of evangelical tradition engaged in church planting, evangelism, leadership training, radio broadcasting, theological education, literature production, camping programs, youth ministries, medical and dental assistance, bible translation and distribution, and short-term ministries.

CAM's mission is to produce and empower committed followers of Jesus Christ in Spanish-speaking areas to reach the world. CAM missionaries serve in Mexico, Panama, Nicaragua, Honduras, Guatemala, Spain, Albania, and Hispanic USA.

REPORTING ENTITY

These financial statements also include the material assets, liabilities, net assets, revenue, and expenses of CAM fields located in the US and abroad. CAM is also affiliated with certain national ministries. Although missionaries in those areas work with the affiliates, the national entities are not under CAM control. Accordingly, assets and expenditures are treated as grants and not consolidated in these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

CAM uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include checking, savings, and money market accounts. These accounts may, at times, exceed federally insured limits. CAM has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

CAM INTERNATIONAL

Notes to Financial Statements

December 31, 2007 and 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS, continued

Included in cash and cash equivalents are accounts which have been designated for gift annuities. Total cash and cash equivalents designated for gift annuities were \$13,553 and \$776 at December 31, 2007 and 2006, respectively.

INVESTMENTS

Investments are recorded at fair value based upon readily determinable values. Investments without readily determinable fair value are carried at cost. Donated securities are recorded at fair value on the date of the gift. Realized and unrealized gains and losses are reported in the statements of activities in the year in which they occur.

RECEIVABLES

Receivables primarily consist of revolving church loan funds, amounts due from employees, amounts due from CAM's medical plan, and amounts due from customers. All amounts are considered to be collectible; accordingly an allowance for doubtful accounts has not been recorded.

INVENTORY

Inventory consists primarily of Spanish Bibles, hymnals, and other books. Inventory is valued at the lower of cost or market using the first-in, first-out method.

LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are recorded at cost at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from four to forty years. Repairs and maintenance, minor furnishings, and equipment purchases less than \$500 are expensed as incurred.

ANNUITIES PAYABLE

CAM 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. The difference between the amount provided for the gift annuity and the liability for future payments is recognized as contribution income at the date of the gift. The annuity liability is revalued annually based upon actuarially computed present values.

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Notes to Financial Statements

December 31, 2007 and 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVOCABLE TRUSTS

As trustee, CAM administers revocable trusts. These trusts provide for the payment of lifetime distributions to the grantor or other designated beneficiaries. Gifts under revocable lifetime income trust agreements are recorded as assets and offsetting liabilities until they terminate upon the death of the donor. Upon the death of the donor, the trust assets become the property of CAM and are recognized as contributions at that time.

NET ASSETS

The net assets of CAM are reported in the following three classes:

- **Unrestricted** net assets include resources that are used to support CAM's current operations, including land, buildings, and equipment.
- **Temporarily restricted** net assets include contributions designated by donors for specific purposes. Significant programs supported by donors included in temporarily restricted net assets are primarily support of field ministry staff and related projects.
- **Permanently restricted** net assets includes permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income can be utilized.

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Contributions designated by the donor for a specific purpose are recorded as support in the temporarily restricted class of net assets until funds have been expended by CAM for the purpose specified. Upon satisfaction of the restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from purpose restrictions. CAM reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, CAM reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Revenue from all other sources is recorded when earned in accordance with the accrual basis of accounting.

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Notes to Financial Statements

December 31, 2007 and 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FOREIGN OPERATIONS

In connection with its ministry, CAM maintains fields and institutions in Central America, Spain and Mexico. As of December 31, 2007 and 2006, assets in other countries totaled \$353,618 and \$349,023, respectively, and liabilities in other countries were approximately \$0 and \$1,190, respectively. Total support and revenue received from foreign sources totaled approximately \$26,199 and \$15,292 for the years ended December, 2007 and 2006, respectively. The account balances relating to foreign operations are reflected in the financial statements in United States dollars.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year presentation.

3. INVESTMENTS:

Investments, at fair value, consist of the following:

	December 31,	
	2007	2006
<u>Operating funds:</u>		
Stock mutual funds	\$ 801,289	\$ -
U.S. Government bonds	707,848	1,516,743
Corporate bonds	355,986	149,030
Mutual funds	98,139	96,531
Certificates of deposit	94,130	-
U.S. Government securities	5,000	200,602
	<u>2,062,392</u>	<u>1,962,906</u>
<u>Endowment funds:</u>		
U.S. Government securities	169,991	-
Certificates of deposit	90,094	-
Corporate securities	-	225,821
Corporate bonds	-	70,670
	<u>260,085</u>	<u>296,491</u>
	<u>\$ 2,322,477</u>	<u>\$ 2,259,397</u>

Investment income consists of the following:

	Years Ended December 31,	
	2007	2006
Interest and dividends	\$ 126,620	\$ 69,573
Net realized and unrealized gains and losses	22,362	87,912
	<u>\$ 148,982</u>	<u>\$ 157,485</u>

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Notes to Financial Statements

December 31, 2007 and 2006

4. LAND, BUILDINGS, AND EQUIPMENT-NET:

Land, buildings, and equipment-net consist of the following:

	December 31, 2007		
	U.S.	Mission	Total
	Headquarters	Fields	
Land	\$ 19,000	\$ 125,000	\$ 144,000
Land improvements	67,890	-	67,890
Buildings and improvements	400,242	60,000	460,242
Furniture and equipment	659,493	-	659,493
Vehicles	92,038	-	92,038
Website development	100,327	-	100,327
	1,338,990	185,000	1,523,990
Accumulated depreciation	(870,098)	(9,667)	(879,765)
	468,892	175,333	644,225
Construction in progress	35,261	-	35,261
	\$ 504,153	\$ 175,333	\$ 679,486
	December 31, 2006		
	U.S.	Mission	Total
	Headquarters	Fields	
Land	\$ 19,000	\$ 125,000	\$ 144,000
Land improvements	67,890	-	67,890
Buildings and improvements	349,295	60,000	409,295
Furniture and equipment	532,964	-	532,964
Vehicles	205,508	-	205,508
Website development	47,969	-	47,969
	1,222,626	185,000	1,407,626
Accumulated depreciation	(922,846)	(5,667)	(928,513)
	\$ 299,780	\$ 179,333	\$ 479,113

Management has reviewed the land and buildings in Mexico and, in its opinion, determined they are under the control and ownership of the ministry. While such items are recognized as assets of the ministry, it should be noted that the political situation in many other countries is subject to rapid change. Therefore, the reader should be aware that while the ministry 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. In addition, it should be understood that the carrying value of the assets in other countries may not be representative of the amount that could be realized should the assets be sold.

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Notes to Financial Statements

December 31, 2007 and 2006

5. ASSETS HELD IN TRUST AND ANNUITIES:

Assets held in trust and annuities consist of the following:

	December 31,	
	2007	2006
<u>Trust assets:</u>		
Domestic common stock	\$ 33,647	\$ 36,338
Bonds	14,213	15,398
Other	3,780	3,780
	51,640	55,516
 <u>Annuity funds:</u>		
Stock mutual funds	161,212	92,833
U.S. Government bonds	12,140	68,442
Corporate bonds	4,451	4,902
	177,803	166,177
	\$ 229,443	\$ 221,693

Change in value consists of the following:

	Years Ended December 31,	
	2007	2006
<u>Investment income:</u>		
Net realized and unrealized gains and losses	\$ 743	\$ 17,867
Interest and dividends	58,297	60,048
Annuity and trustor payments	(13,339)	(14,752)
Actuarial change	(27,997)	10,052
	\$ 17,704	\$ 73,215

6. SOFTWARE CONTRACT PAYABLE:

During the year ended December 31, 2007, CAM purchased an accounting software system under a four year agreement with 0% interest. CAM made payments of \$31,212 during the year ended December 31, 2007. Future minimum payments are as follows:

Years Ending December 31,	
2008	\$ 26,212
2009	31,212
2010	28,611
	\$ 86,035

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Notes to Financial Statements

December 31, 2007 and 2006

7. DEFERRED COMPENSATION BENEFITS:

Prior to 1980, CAM offered deferred compensation benefits to all of its missionaries. These benefits amounted to \$100 per month for the rest of their lives. A decision was made to freeze benefits under this nonqualified deferred compensation arrangement effective December 31, 1980. However, all persons receiving benefits as of that date continue to be covered. At December 31, 2007 and 2006, a liability of \$30,251 and \$31,405, respectively, has been recorded for the estimated present value of future benefits to be paid to these missionaries.

8. SELF-INSURED MEDICAL PLAN:

CAM sponsors a self-insured medical plan for its employees. The financial resources of this plan are not included in these financial statements. At December 31, 2007 and 2006, the plan had net assets available for benefits over benefit obligations of approximately \$560,000 and \$732,000, respectively.

9. RELATED PARTY TRANSACTIONS:

During 2004, CAM renewed a loan of \$20,000 to its President, which matures on demand. The loan is unsecured and bears interest at 6% per annum. The unpaid principal balance at December 31, 2007 and 2006, was \$20,000. This loan is included in receivables in the statements of financial position.

CAM advances money to employees for personal health care costs. The total amount of these loans at December 31, 2007 and 2006, respectively, was \$1,831 and \$12,475. These loans are included in receivables in the statements of financial position.

10. LEASE COMMITMENTS:

CAM has operating leases for a copier and a phone system. Lease expense for the years ended December 31, 2007 and 2006, was \$15,415 and \$16,265, respectively. Future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	
2008	\$ 14,277
2009	<u>8,368</u>
	<u>\$ 22,645</u>

11. NEW PRONOUNCEMENTS:

In September 2006, FASB issued Statement of Financial Accounting Standards (SFAS) No. 157 Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2008. Management has not yet determined the impact this will have on CAM.