

*TAIT, WELLER & BAKER LLP*  
*Certified Public Accountants*

**ABWE MINISTRIES, INC.  
HARRISBURG, PENNSYLVANIA**

***COMBINED FINANCIAL STATEMENTS  
AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

**DECEMBER 31, 2006 AND 2005**

# ABWE MINISTRIES, INC.

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*TAIT, WELLER & BAKER LLP*  
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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**Board of Trustees**  
**ABWE Ministries, Inc.**  
**Harrisburg, Pennsylvania**

We have audited the accompanying combined statements of financial position of ABWE Ministries, Inc., (“ABWE”) as of December 31, 2006 and 2005, and the related combined statements of activities and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of ABWE’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABWE as of December 31, 2006 and 2005, the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania**  
**February 22, 2007**

# ABWE MINISTRIES, INC.

## COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2006 and 2005

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	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>		
Cash and cash equivalents (including amounts held in foreign field accounts)	\$ 2,667,901	\$ 2,634,626
Accounts receivable	916,724	359,850
Missionary staff advances	642,482	576,189
Investments ( <i>Note 3</i> )	164,994	139,887
Inventories	162,996	127,565
Property and equipment – net ( <i>Note 4</i> )	<u>6,437,254</u>	<u>6,650,254</u>
<b>Total assets</b>	<u>\$10,992,351</u>	<u>\$10,488,371</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 562,519	\$ 109,718
Due to Foundation	362,196	532,118
Amounts held for others	<u>613,311</u>	<u>381,222</u>
<b>Total liabilities</b>	<u>1,538,026</u>	<u>1,023,058</u>
<b>NET ASSETS</b>		
<b>Unrestricted</b>		
Undesignated	3,017,071	2,815,059
Equity in property and equipment	<u>6,437,254</u>	<u>6,650,254</u>
<b>Total net assets</b>	<u>9,454,325</u>	<u>9,465,313</u>
<b>Total liabilities and net assets</b>	<u>\$10,992,351</u>	<u>\$10,488,371</u>

# ABWE MINISTRIES, INC.

## COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2006 and 2005

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	<u>2006</u>	<u>2005</u>
<b>Support and Revenue</b>		
Contributions	\$40,423,038	\$37,950,005
Interest and dividends	8,944	6,978
Net realized and unrealized gains (losses) on investments	<u>23,085</u>	<u>(21,682)</u>
<b>Total support and revenue</b>	<u>40,455,067</u>	<u>37,935,301</u>
<b>Expenses</b>		
Program Services		
Evangelism and church growth	22,561,450	20,487,728
Bible training	4,930,723	4,153,121
Communication	510,065	691,406
Compassion	2,791,922	3,332,400
Child education	1,820,942	1,767,355
Linguistics	450,310	349,096
Field support	<u>2,797,455</u>	<u>2,965,121</u>
<b>Total program services</b>	<u>35,862,867</u>	<u>33,746,227</u>
Supporting Services		
General and administrative	3,254,740	2,976,527
Fund raising	<u>1,348,448</u>	<u>1,286,241</u>
<b>Total supporting services</b>	<u>4,603,188</u>	<u>4,262,768</u>
<b>Total expenses</b>	<u>40,466,055</u>	<u>38,008,995</u>
<b>Change in net assets</b>	(10,988)	(73,694)
<b>Net Assets</b>		
Beginning of year	<u>9,465,313</u>	<u>9,539,007</u>
<b>End of year</b>	<u>\$ 9,454,325</u>	<u>\$ 9,465,313</u>

# ABWE MINISTRIES, INC.

## COMBINED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2006 and 2005

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	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ (10,988)	\$ (73,694)
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i>		
Depreciation	213,000	213,000
Unrealized (gains)/losses on investments	(23,085)	21,682
(Increase) decrease in		
Accounts receivable	(556,874)	15,299
Missionary staff advances	(66,293)	(561,422)
Due from Foundation	-	475,000
Inventories	(35,431)	103,153
Increase (decrease) in		
Accounts payable	452,801	97,332
Due to Foundation	(169,922)	532,118
Amounts held for others	<u>232,089</u>	<u>(152,807)</u>
<b>Net cash provided by operating activities</b>	<u>35,297</u>	<u>669,661</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	<u>(2,022)</u>	<u>(1,826)</u>
<b>Net cash used in investing activities</b>	<u>(2,022)</u>	<u>(1,826)</u>
<b>Increase in cash and cash equivalents</b>	33,275	667,835
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>2,634,626</u>	<u>1,966,791</u>
<b>End of year</b>	<u>\$2,667,901</u>	<u>\$2,634,626</u>

# ABWE MINISTRIES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2006 and 2005

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### (1) ORGANIZATION

The combined financial statements includes the operations of ABWE Ministries, Inc., ABWE International, Inc., (“*International*”), Association of Baptists for World Evangelism – North America, Inc. (“*North America*”), (*collectively “Ministries”*). These entities comprise a group of worldwide Christian missionary organizations operating as not-for-profit religious corporations, which are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Property and business of the corporations are managed by the Board of Trustees of each organization. Trustees for International and North America are elected by Trustees of ABWE Ministries, Inc. An agency agreement between International and Canada established control by International.

Commencing September 2005, with the change in the agency agreement between International and Canada, International no longer has control over the operations of Canada. As such, Canadian operations have not been consolidated since September 2005. The operations of Canada are not material to the financial statements of Ministries.

All intercompany balances and transactions have been eliminated.

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *CLASSES OF NET ASSETS*

The financial statements report amounts separately by class of net assets as follows:

*Unrestricted* amounts are those currently available at the discretion of the board for use in operations and those resources invested in property and equipment

*Temporarily restricted* amounts are those which are stipulated by donors for specific operating purposes or for the acquisition of property or equipment

All contributions are considered available for unrestricted use, unless specifically restricted by the donor, or subject to other legal restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

#### *CASH AND CASH EQUIVALENTS*

Cash consists of interest bearing checking and money market accounts. Ministries considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash and cash equivalents. Total cash and cash equivalents held in foreign accounts were \$2,494,719 and \$2,334,469 at December 31, 2006 and 2005 respectively.

#### *INVESTMENTS*

Investments in equity securities with readily determinable fair values and all debt securities are reported at fair value with gains and losses included in the combined statements of activities.

Non-readily marketable securities are carried at estimated fair value.

# **ABWE MINISTRIES, INC.**

## **NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)**

**December 31, 2006 and 2005**

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### ***CONCENTRATION OF CREDIT AND OTHER RISKS***

Ministries places substantially all of its cash and liquid investments with high-quality financial institutions and limits the amount of exposure to any one financial institution. These accounts, from time to time, may exceed federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions

Additionally, Ministries operates in many foreign countries, many of which do not have stable governments or economies. To the extent adverse events occur in these countries, Ministries foreign cash accounts may decline sharply or such accounts may not be able to be recovered or removed from these countries.

### ***PROPERTY AND EQUIPMENT***

Land and buildings are stated at cost. Post-1985 acquisitions are stated at cost. Pre-1985 furnishings and equipment were not capitalized. Building improvements and furnishings and equipment are capitalized when total costs exceed \$30,000 and \$15,000, respectively. Real estate and equipment owned in foreign and national fields are not reflected on the balance sheet, as they are recorded as expenses when purchased. The capitalizing of these assets are not material to the financial statements.

Depreciation is recorded on property and equipment using the straight-line method based on estimated lives as follows:

Buildings and Improvements	40-50 Years
Equipment	5-20 Years

### ***CONTRIBUTIONS***

Ministries records unconditional promises to give (pledges) as a receivable and revenue in the year pledged. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are then classified to unrestricted net assets. Substantially all contributions are received from an affiliated organization, ABWE Foundation, Inc.

### ***FUNCTIONAL ALLOCATION OF EXPENSES***

Ministries' costs of program and support activities have been summarized on a functional basis in the statement of activities and changes in net assets. The costs of certain multipurpose activities have been allocated based on level of effort among program and support ministry categories.

### ***ACCOUNTING ESTIMATES***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# ABWE MINISTRIES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2006 and 2005

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### (3) INVESTMENTS

Investments at December 31, 2006 and 2005 consist of the following:

	<u>2006</u>	<u>2005</u>
Money Market	\$ 655	\$ 6,316
Common Stock	136,262	115,933
Mutual Funds	<u>28,077</u>	<u>17,638</u>
Total Investments	<u>\$164,994</u>	<u>\$139,887</u>

### (4) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of December 31:

	<u>2006</u>	<u>2005</u>
Office furniture and equipment	\$1,211,142	\$1,211,142
Land/building	<u>6,932,194</u>	<u>6,932,194</u>
	8,143,336	8,143,336
Less accumulated depreciation and amortization	<u>1,706,082</u>	<u>1,493,082</u>
Net property and equipment	<u>\$6,437,254</u>	<u>\$6,650,254</u>

Depreciation and amortization for the years ended December 31, 2006 and 2005 was \$213,000 and \$213,000, respectively.

### (5) PENSION PLANS

Ministries participate in pension plans which provide retirement benefits for qualified full-time missionaries and staff. The ABWE Missionary Retirement Trust and ABWE Staff Retirement Plan are qualified defined benefit plans. Both plans are administered by the ABWE Foundation, Inc. For the years ended December 31, 2006 and 2005, missionary pension expense was \$707,305 and \$679,694, respectively, and staff pension expense was \$190,296 and \$286,976, respectively. These amounts were paid to the ABWE Foundation, which by agreement with Ministries assumes all liability for payment of future retirement benefits based on qualifying service of its employees covered by the plans.

The financial statements of the ABWE Missionary Retirement Trust and the ABWE Staff Retirement Plan are audited separately.

## **SUPPLEMENTAL INFORMATION**

*TAIT, WELLER & BAKER LLP*  
*Certified Public Accountants*

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON SUPPLEMENTAL INFORMATION**

**Board of Trustees  
ABWE Ministries, Inc.  
Harrisburg, Pennsylvania**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of ABWE Ministries, Inc. as of and for the year ended December 31, 2006 which are presented in the preceding section of this report. The accompanying supplemental combining statement of financial position and combining statement of activities is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
February 22, 2007**

# ABWE MINISTRIES, INC.

## COMBINING STATEMENT OF FINANCIAL POSITION

December 31, 2006

	<u>International</u>	<u>North America</u>	<u>Ministries</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$2,713,897	\$ (46,496)	\$ 500	\$ 2,667,901
Accounts receivable	899,853	16,871	-	916,724
Missionary staff advances	642,482	-	-	642,482
Investments	-	-	164,994	164,994
Inventories	-	162,996	-	162,996
Property and equipment less accumulated depreciation of \$1,706,082	<u>-</u>	<u>6,437,254</u>	<u>-</u>	<u>6,437,254</u>
<b>Total assets</b>	<u>\$4,256,232</u>	<u>\$ 6,570,625</u>	<u>\$165,494</u>	<u>\$10,992,351</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Accounts payable and accrued expenses	\$ 5,216	\$ 556,693	\$ 610	\$ 562,519
Due to (from) Foundation/Affiliates	1,579,224	(1,187,910)	(29,118)	362,196
Amounts held for others	<u>575,800</u>	<u>34,795</u>	<u>2,716</u>	<u>613,311</u>
<b>Total liabilities</b>	<u>2,160,240</u>	<u>(596,422)</u>	<u>(25,792)</u>	<u>1,538,026</u>
<b>NET ASSETS</b>				
<b>Unrestricted</b>				
Undesignated	2,095,992	729,793	191,286	3,017,071
Equity in property and equipment	<u>-</u>	<u>6,437,254</u>	<u>-</u>	<u>6,437,254</u>
<b>Total net assets</b>	<u>2,095,992</u>	<u>7,167,047</u>	<u>191,286</u>	<u>9,454,325</u>
<b>Total liabilities and net assets</b>	<u>\$4,256,232</u>	<u>\$ 6,570,625</u>	<u>\$165,494</u>	<u>\$10,992,351</u>

# ABWE MINISTRIES, INC.

## COMBINING STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

	<u>International</u>	<u>North America</u>	<u>Ministries</u>	<u>Total</u>
<b>Support and Revenue</b>				
Contributions	\$36,863,078	\$2,791,230	\$768,730	\$40,423,038
Interest and dividends	3,788	3,135	2,021	8,944
Net realized and unrealized (losses)	<u>-</u>	<u>-</u>	<u>23,085</u>	<u>23,085</u>
<b>Total support and revenue</b>	<u>36,866,866</u>	<u>2,794,365</u>	<u>793,836</u>	<u>40,455,067</u>
<b>Expenses</b>				
Program Services				
Evangelism and church growth	22,004,430	338,390	218,630	22,561,450
Bible training	4,849,244	56,188	25,291	4,930,723
Communication	377,066	107,708	25,291	510,065
Compassion	2,710,005	81,917	-	2,791,922
Child education	1,793,178	2,473	25,291	1,820,942
Linguistics	425,019	-	25,291	450,310
Field support	<u>2,667,320</u>	<u>130,135</u>	<u>-</u>	<u>2,797,455</u>
	<u>34,826,262</u>	<u>716,811</u>	<u>319,794</u>	<u>35,862,867</u>
Supporting Activities				
General and administrative	782,963	2,084,031	387,746	3,254,740
Fund raising	<u>1,146,668</u>	<u>143,417</u>	<u>58,363</u>	<u>1,348,448</u>
	<u>1,929,631</u>	<u>2,227,448</u>	<u>466,109</u>	<u>4,603,188</u>
<b>Total expenses</b>	<u>36,755,893</u>	<u>2,944,259</u>	<u>765,903</u>	<u>40,466,055</u>
<b>Change in net assets</b>	110,973	(149,894)	27,933	(10,988)
<b>Net Assets</b>				
Beginning of year	<u>1,985,019</u>	<u>7,316,941</u>	<u>163,353</u>	<u>9,465,313</u>
End of year	<u>\$ 2,095,992</u>	<u>\$7,167,047</u>	<u>\$191,286</u>	<u>\$ 9,454,325</u>