

ABWE MINISTRIES, INC.
HARRISBURG, PENNSYLVANIA

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

DECEMBER 31, 2007 AND 2006

ABWE MINISTRIES, INC.

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TAIT, WELLER & BAKER LLP

Certified Public Accountants

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, 2007 and 2006, 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, 2007 and 2006, 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
April 4, 2008**

ABWE MINISTRIES, INC.

COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents (including \$2,232,581 and \$1,991,288 held in foreign currencies at December 31, 2007 and 2006, respectively)	\$ 2,905,948	\$ 2,667,901
Accounts receivable	903,006	916,724
Missionary staff advances	612,534	642,482
Investments (<i>Note 3</i>)	183,078	164,994
Inventories	173,892	162,996
Property and equipment – net (<i>Note 4</i>)	<u>6,350,336</u>	<u>6,437,254</u>
Total assets	<u>\$11,128,794</u>	<u>\$10,992,351</u>
LIABILITIES		
Accounts payable	\$ 464,904	\$ 562,519
Due to Foundation	532,086	362,196
Amounts held for others	<u>619,532</u>	<u>613,311</u>
Total liabilities	<u>1,616,522</u>	<u>1,538,026</u>
NET ASSETS		
Unrestricted		
Undesignated	3,161,936	3,017,071
Equity in property and equipment	<u>6,350,336</u>	<u>6,437,254</u>
Total net assets	<u>9,512,272</u>	<u>9,454,325</u>
Total liabilities and net assets	<u>\$11,128,794</u>	<u>\$10,992,351</u>

ABWE MINISTRIES, INC.

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Support and Revenue		
Contributions	\$42,486,639	\$40,423,038
Interest and dividends	8,698	8,944
Net realized and unrealized gains (losses) on investments	<u>14,979</u>	<u>23,085</u>
Total support and revenue	<u>42,510,316</u>	<u>40,455,067</u>
Expenses		
Program Services		
Evangelism and church growth	23,384,859	22,381,604
Bible training	4,598,963	4,901,619
Communication	682,826	625,919
Compassion	2,940,955	2,811,233
Child education	1,733,214	1,685,086
Linguistics	394,602	432,047
Field support	<u>3,070,789</u>	<u>2,834,728</u>
Total program services	<u>36,806,208</u>	<u>35,672,236</u>
Supporting Services		
General and administrative	2,775,190	2,473,605
Fund raising	<u>2,870,971</u>	<u>2,320,214</u>
Total supporting services	<u>5,646,161</u>	<u>4,793,819</u>
Total expenses	<u>42,452,369</u>	<u>40,466,055</u>
Change in net assets	57,947	(10,988)
Net Assets		
Beginning of year	<u>9,454,325</u>	<u>9,465,313</u>
End of year	<u>\$ 9,512,272</u>	<u>\$ 9,454,325</u>

ABWE MINISTRIES, INC.

COMBINED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 57,947	\$ (10,988)
<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	(14,979)	(23,085)
(Increase) decrease in		
Accounts receivable	13,718	(556,874)
Missionary staff advances	29,948	(66,293)
Inventories	(10,896)	(35,431)
Increase (decrease) in		
Accounts payable	(97,615)	452,801
Due to Foundation	169,890	(169,922)
Amounts held for others	<u>6,221</u>	<u>232,089</u>
Net cash provided by operating activities	<u>367,234</u>	<u>35,297</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(3,105)	(2,022)
Purchase of property	<u>(126,082)</u>	<u>-</u>
Net cash used in investing activities	<u>(129,187)</u>	<u>(2,022)</u>
Increase in cash and cash equivalents	238,047	33,275
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,667,901</u>	<u>2,634,626</u>
End of year	<u>\$2,905,948</u>	<u>\$2,667,901</u>

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2007 and 2006

(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.

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 \$2,829,345 and \$2,494,719 at December 31, 2007 and 2006 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.

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

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2007 and 2006

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.

RECLASSIFICATIONS

Certain reclassifications were made to the 2006 financial statements to conform to the 2007 presentation.

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2007 and 2006

(3) INVESTMENTS

Investments at December 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Money Market	\$ 10,487	\$ 655
Common Stock	150,497	136,262
Mutual Funds	<u>22,094</u>	<u>28,077</u>
Total Investments	<u>\$183,078</u>	<u>\$164,994</u>

(4) PROPERTY AND EQUIPMENT

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

	<u>2007</u>	<u>2006</u>
Office furniture and equipment	\$1,211,142	\$1,211,142
Land/building	<u>7,058,276</u>	<u>6,932,194</u>
	8,269,418	8,143,336
Less accumulated depreciation and amortization	<u>1,919,082</u>	<u>1,706,082</u>
Net property and equipment	<u>\$6,350,336</u>	<u>\$6,437,254</u>

Depreciation and amortization for the years ended December 31, 2007 and 2006 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, 2007 and 2006, missionary pension expense was \$848,662 and \$707,305, respectively, and staff pension expense was \$201,840 and \$190,296, 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, 2007 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
April 4, 2008**

ABWE MINISTRIES, INC.

COMBINING STATEMENT OF FINANCIAL POSITION

December 31, 2007

	<u>International</u>	<u>North America</u>	<u>Ministries</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$2,866,684	\$ 38,764	\$ 500	\$ 2,905,948
Accounts receivable	893,299	9,707	-	903,006
Missionary staff advances	610,318	1,716	500	612,534
Investments	-	-	183,078	183,078
Inventories	-	173,892	-	173,892
Property and equipment less accumulated depreciation of \$1,919,082	-	6,350,336	-	6,350,336
Total assets	<u>\$4,370,301</u>	<u>\$ 6,574,415</u>	<u>\$184,078</u>	<u>\$11,128,794</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ (1,783)	\$ 466,077	\$ 610	\$ 464,904
Due to (from) Foundation/Affiliates	1,639,326	(1,098,836)	(8,404)	532,086
Amounts held for others	585,634	33,765	133	619,532
Total liabilities	<u>2,223,177</u>	<u>(598,994)</u>	<u>(7,661)</u>	<u>1,616,522</u>
NET ASSETS				
Unrestricted				
Undesignated	2,147,124	823,073	191,739	3,161,936
Equity in property and equipment	-	6,350,336	-	6,350,336
Total net assets	<u>2,147,124</u>	<u>7,173,409</u>	<u>191,739</u>	<u>9,512,272</u>
Total liabilities and net assets	<u>\$4,370,301</u>	<u>\$ 6,574,415</u>	<u>\$184,078</u>	<u>\$11,128,794</u>

ABWE MINISTRIES, INC.

COMBINING STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

	<u>International</u>	<u>North America</u>	<u>Ministries</u>	<u>Total</u>
Support and Revenue				
Contributions	\$38,380,777	\$3,204,297	\$901,565	\$ 42,486,639
Interest and dividends	4,677	916	3,105	8,698
Net realized and unrealized (losses)	<u>-</u>	<u>-</u>	<u>14,979</u>	<u>14,979</u>
Total support and revenue	<u>38,385,454</u>	<u>3,205,213</u>	<u>919,649</u>	<u>42,510,316</u>
Expenses				
Program Services				
Evangelism and church growth	22,633,053	407,524	344,282	23,384,859
Bible training	4,522,298	45,347	31,318	4,598,963
Communication	380,505	271,003	31,318	682,826
Compassion	2,784,113	156,842	-	2,940,955
Child education	1,698,337	3,559	31,318	1,733,214
Linguistics	363,284	-	31,318	394,602
Field support	<u>2,878,846</u>	<u>191,943</u>	<u>-</u>	<u>3,070,789</u>
	<u>36,260,436</u>	<u>1,076,218</u>	<u>469,554</u>	<u>36,806,208</u>
Supporting Activities				
General and administrative	594,195	1,813,378	367,617	2,775,190
Fund raising	<u>2,479,691</u>	<u>309,255</u>	<u>82,025</u>	<u>2,870,971</u>
	<u>3,073,886</u>	<u>2,122,633</u>	<u>449,642</u>	<u>5,646,161</u>
Total expenses	<u>38,334,322</u>	<u>3,198,851</u>	<u>919,196</u>	<u>42,452,369</u>
Change in net assets	51,132	6,362	453	57,947
Net Assets				
Beginning of year	<u>2,095,992</u>	<u>7,167,047</u>	<u>191,286</u>	<u>9,454,325</u>
End of year	<u>\$ 2,147,124</u>	<u>\$7,173,409</u>	<u>\$191,739</u>	<u>\$ 9,512,272</u>