

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

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

**DECEMBER 31, 2008 AND 2007**

# 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, 2008 and 2007, 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, 2008 and 2007, 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 2, 2009**

# ABWE MINISTRIES, INC.

## COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2008 and 2007

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	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and cash equivalents (including \$2,400,251 and \$2,829,345 held in foreign currencies at December 31, 2008 and 2007, respectively)	\$ 2,457,712	\$ 2,905,948
Accounts receivable	1,032,275	903,006
Missionary staff advances	1,341,882	612,534
Investments ( <i>Note 3</i> )	148,370	183,078
Inventories	135,717	173,892
Property and equipment – net ( <i>Note 4</i> )	<u>6,176,154</u>	<u>6,350,336</u>
<b>Total assets</b>	<u>\$11,292,110</u>	<u>\$11,128,794</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 481,695	\$ 464,904
Due to Foundation	1,486,665	532,086
Amounts held for others	<u>977,165</u>	<u>619,532</u>
<b>Total liabilities</b>	<u>2,945,525</u>	<u>1,616,522</u>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	2,145,431	3,161,936
Equity in property and equipment	<u>6,176,154</u>	<u>6,350,336</u>
<b>Total unrestricted</b>	8,321,585	9,512,272
Permanently restricted ( <i>Note 6</i> )	<u>25,000</u>	<u>-</u>
<b>Total net assets</b>	<u>8,346,585</u>	<u>9,512,272</u>
<b>Total liabilities and net assets</b>	<u>\$11,292,110</u>	<u>\$11,128,794</u>

# ABWE MINISTRIES, INC.

## COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2008 and 2007

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
			<u>2008</u>	<u>2007</u>
<b>Support and Revenue</b>				
Contributions	\$42,426,042	\$25,000	\$42,451,042	\$42,395,565
Royalty income	123,327	-	123,327	91,074
Interest and dividends	8,108	-	8,108	8,698
Net realized and unrealized gains (losses) on investments	<u>(37,915)</u>	<u>-</u>	<u>(37,915)</u>	<u>14,979</u>
<b>Total support and revenue</b>	<u>42,519,562</u>	<u>25,000</u>	<u>42,544,562</u>	<u>42,510,316</u>
<b>Expenses</b>				
Program Services				
Evangelism and church growth	23,964,338	-	23,964,338	23,384,859
Bible training	4,784,772	-	4,784,772	4,598,963
Communication	666,317	-	666,317	682,826
Compassion	2,735,624	-	2,735,624	2,940,955
Child education	1,752,989	-	1,752,989	1,733,214
Linguistics	469,310	-	469,310	394,602
Field support	<u>3,051,388</u>	<u>-</u>	<u>3,051,388</u>	<u>3,070,789</u>
<b>Total program services</b>	<u>37,424,738</u>	<u>-</u>	<u>37,424,738</u>	<u>36,806,208</u>
Supporting Services				
General and administrative	3,316,231	-	3,316,231	2,775,190
Fund raising	<u>2,969,280</u>	<u>-</u>	<u>2,969,280</u>	<u>2,870,971</u>
<b>Total supporting services</b>	<u>6,285,511</u>	<u>-</u>	<u>6,285,511</u>	<u>5,646,161</u>
<b>Total expenses</b>	<u>43,710,249</u>	<u>-</u>	<u>43,710,249</u>	<u>42,452,369</u>
<b>Change in net assets</b>	(1,190,687)	25,000	(1,165,687)	57,947
<b>Net Assets</b>				
Beginning of year	<u>9,512,272</u>	<u>-</u>	<u>9,512,272</u>	<u>9,454,325</u>
<b>End of year</b>	<u>\$ 8,321,585</u>	<u>\$25,000</u>	<u>\$ 8,346,585</u>	<u>\$ 9,512,272</u>

# ABWE MINISTRIES, INC.

## COMBINED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$(1,165,687)	\$ 57,947
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i>		
Depreciation	215,000	213,000
Unrealized losses/(gains) on investments	37,915	(14,979)
(Increase) decrease in		
Accounts receivable	(129,269)	13,718
Missionary staff advances	(729,348)	29,948
Inventories	38,175	(10,896)
Increase (decrease) in		
Accounts payable	16,791	(97,615)
Due to Foundation	954,579	169,890
Amounts held for others	<u>357,633</u>	<u>6,221</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(404,211)</u>	<u>367,234</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(3,207)	(3,105)
Purchase of property	<u>(40,818)</u>	<u>(126,082)</u>
<b>Net cash used in investing activities</b>	<u>(44,025)</u>	<u>(129,187)</u>
<b>(Decrease) increase in cash and cash equivalents</b>	(448,236)	238,047
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>2,905,948</u>	<u>2,667,901</u>
<b>End of year</b>	<u>\$ 2,457,712</u>	<u>\$2,905,948</u>

# ABWE MINISTRIES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2008 and 2007

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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.

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

*Permanently restricted* amounts that are subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or removed by actions of Ministries.

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 \$2,400,251 and \$2,829,345 at December 31, 2008 and 2007 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 monitoring the financial institutions in which deposits are made.

# ABWE MINISTRIES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2008 and 2007

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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. (“*Foundation*”).

### **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 2007 financial statements to conform to the 2008 presentation.

# ABWE MINISTRIES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2008 and 2007

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### (3) INVESTMENTS

Investments at December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Money Market	\$ 17,242	\$ 10,487
Common Stock	114,626	150,497
Mutual Funds	<u>16,502</u>	<u>22,094</u>
Total Investments	<u>\$148,370</u>	<u>\$183,078</u>

On January 1, 2008, the Ministries adopted Financial Accounting Standards Board No. 157, “*Fair Value Measurements*” (“*FAS 157*”) which was issued in September 2006 effective for fiscal years beginning after November 15, 2007. For financial statements elements currently required to be measured at fair value, FAS 157 clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. The three levels of the fair value hierarchy under FAS 157 are described below:

Level 1 – quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – significant unobservable inputs (including the Ministries’ own assumptions in determining the fair value of investments)

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For example, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities are reflected as Level 2.

All Ministries investments are Level 1.

### (4) PROPERTY AND EQUIPMENT

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

	<u>2008</u>	<u>2007</u>
Office furniture and equipment	\$1,251,960	\$1,211,142
Land/building	<u>7,058,276</u>	<u>7,058,276</u>
	8,310,236	8,269,418
Less: accumulated depreciation and amortization	<u>2,134,082</u>	<u>1,919,082</u>
Net property and equipment	<u>\$6,176,154</u>	<u>\$6,350,336</u>

Depreciation and amortization for the years ended December 31, 2008 and 2007 was \$215,000 and \$213,000, respectively.

# ABWE MINISTRIES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2008 and 2007

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### (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, 2008 and 2007, missionary pension expense was \$1,007,367 and \$848,662, respectively, and staff pension expense was \$232,716 and \$201,840, respectively. These amounts were paid to the Foundation, which by agreement with Foundation 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.

### (6) NET ASSETS

Permanently restricted net assets are funds to provide for the perpetual care of a cemetery on the Ministries property.

## **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, 2008 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 2, 2009**

# ABWE MINISTRIES, INC.

## COMBINING STATEMENT OF FINANCIAL POSITION

December 31, 2008

	<u>International</u>	<u>North America</u>	<u>Ministries</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,454,675	\$ 2,537	\$ 500	\$ 2,457,712
Accounts receivable	1,032,149	126	-	1,032,275
Missionary staff advances	1,338,039	3,343	500	1,341,882
Investments	-	-	148,370	148,370
Inventories	-	135,717	-	135,717
Property and equipment less accumulated depreciation of \$1,919,082	<u>-</u>	<u>6,176,154</u>	<u>-</u>	<u>6,176,154</u>
<b>Total assets</b>	<b><u>\$ 4,824,863</u></b>	<b><u>\$ 6,317,877</u></b>	<b><u>\$149,370</u></b>	<b><u>\$11,292,110</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Accounts payable and accrued expenses	\$ 15,229	\$ 465,856	\$ 610	\$ 481,695
Due to (from) Foundation/Affiliates	3,152,517	(1,787,184)	121,332	1,486,665
Amounts held for others	<u>949,502</u>	<u>27,522</u>	<u>141</u>	<u>977,165</u>
<b>Total liabilities</b>	<b><u>4,117,248</u></b>	<b><u>(1,293,806)</u></b>	<b><u>122,083</u></b>	<b><u>2,945,525</u></b>
<b>NET ASSETS</b>				
Unrestricted				
Undesignated	707,615	1,410,529	27,287	2,145,431
Equity in property and equipment	<u>-</u>	<u>6,176,154</u>	<u>-</u>	<u>6,176,154</u>
<b>Total unrestricted</b>	<b><u>707,615</u></b>	<b><u>7,586,683</u></b>	<b><u>27,287</u></b>	<b><u>8,321,585</u></b>
Permanently restricted	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
<b>Total net assets</b>	<b><u>707,615</u></b>	<b><u>7,611,683</u></b>	<b><u>27,287</u></b>	<b><u>8,346,585</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 4,824,863</u></b>	<b><u>\$ 6,317,877</u></b>	<b><u>\$149,370</u></b>	<b><u>\$11,292,110</u></b>

# 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>
<b>Support and Revenue</b>				
Contributions	\$38,207,932	\$3,593,110	\$ 650,000	\$ 42,451,042
Royalty income	-	123,327	-	123,327
Interest and dividends	3,757	1,145	3,206	8,108
Net realized and unrealized (losses)	<u>-</u>	<u>-</u>	<u>(37,915)</u>	<u>(37,915)</u>
<b>Total support and revenue</b>	<u>38,211,689</u>	<u>3,717,582</u>	<u>615,291</u>	<u>42,544,562</u>
<b>Expenses</b>				
Program Services				
Evangelism and church growth	23,483,924	369,134	111,280	23,964,338
Bible training	4,705,122	41,463	38,187	4,784,772
Communication	381,363	246,767	38,187	666,317
Compassion	2,562,987	172,637	-	2,735,624
Child education	1,706,370	8,432	38,187	1,752,989
Linguistics	431,123	-	38,187	469,310
Field support	<u>2,864,003</u>	<u>187,385</u>	<u>-</u>	<u>3,051,388</u>
	<u>36,134,892</u>	<u>1,025,818</u>	<u>264,028</u>	<u>37,424,738</u>
Supporting Activities				
General and administrative	937,304	1,931,672	447,255	3,316,231
Fund raising	<u>2,579,002</u>	<u>321,818</u>	<u>68,460</u>	<u>2,969,280</u>
	<u>3,516,306</u>	<u>2,253,490</u>	<u>515,715</u>	<u>6,285,511</u>
<b>Total expenses</b>	<u>39,651,198</u>	<u>3,279,308</u>	<u>779,743</u>	<u>43,710,249</u>
<b>Change in net assets</b>	(1,439,509)	438,274	(164,452)	(1,165,687)
<b>Net Assets</b>				
Beginning of year	<u>2,147,124</u>	<u>7,173,409</u>	<u>191,739</u>	<u>9,512,272</u>
End of year	<u>\$ 707,615</u>	<u>\$7,611,683</u>	<u>\$ 27,287</u>	<u>\$ 8,346,585</u>