

ABWE MINISTRIES, INC.
HARRISBURG, PENNSYLVANIA

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

DECEMBER 31, 2010 AND 2009

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 statement of financial position of ABWE Ministries, Inc., (“ABWE”) as of December 31, 2010, and the related combined statements of activities and changes in net assets and of cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the ABWE’s 2009 financial statements and, in our report dated April 16, 2010, we expressed an unqualified opinion.

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 audit provides 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, 2010, the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
March 25, 2011**

ABWE MINISTRIES, INC.

COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents (including \$3,319,300 and \$2,936,057 held in foreign currencies at December 31, 2010 and 2009, respectively) | \$ 5,215,705 | \$ 2,939,193 |
| Accounts receivable | 884,135 | 921,805 |
| Missionary staff advances | 790,145 | 1,201,454 |
| Investments (<i>Note 3</i>) | 246,985 | 219,040 |
| Inventories | 169,908 | 140,819 |
| Property and equipment – net (<i>Note 5</i>) | <u>5,798,154</u> | <u>5,959,154</u> |
| Total assets | <u>\$13,105,032</u> | <u>\$11,381,465</u> |
| | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 466,753 | \$ 639,935 |
| Due to Foundation | 2,434,082 | 757,077 |
| Other liabilities | <u>928,838</u> | <u>957,881</u> |
| Total liabilities | <u>3,829,673</u> | <u>2,354,893</u> |
| | | |
| NET ASSETS | | |
| Unrestricted | | |
| Undesignated | 3,452,205 | 3,042,418 |
| Equity in property and equipment | <u>5,798,154</u> | <u>5,959,154</u> |
| Total unrestricted | 9,250,359 | 9,001,572 |
| Permanently restricted (<i>Note 7</i>) | <u>25,000</u> | <u>25,000</u> |
| Total net assets | <u>9,275,359</u> | <u>9,026,572</u> |
| Total liabilities and net assets | <u>\$13,105,032</u> | <u>\$11,381,465</u> |

ABWE MINISTRIES, INC.

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2010 and 2009

| | <u>Unrestricted</u> | <u>Permanently Restricted</u> | <u>Total</u> | |
|---|---------------------|-----------------------------------|---------------------|---------------------|
| | | | <u>2010</u> | <u>2009</u> |
| Support and Revenue | | | | |
| Contributions | \$42,514,125 | \$ - | \$42,514,125 | \$40,893,179 |
| Royalty income | 70,332 | - | 70,332 | 65,793 |
| Interest and dividends | 3,971 | - | 3,971 | 5,212 |
| Other income (loss) | 41,585 | - | 41,585 | 10,529 |
| Net realized and unrealized gains on investments | <u>25,224</u> | <u>-</u> | <u>25,224</u> | <u>67,478</u> |
| Total support and revenue | <u>42,655,237</u> | <u>-</u> | <u>42,655,237</u> | <u>41,042,191</u> |
| Expenses | | | | |
| Salaries and housing | 18,731,288 | - | 18,731,288 | 19,285,092 |
| Benefits | 6,734,634 | - | 6,734,634 | 6,540,642 |
| General ministry | 7,759,769 | - | 7,759,769 | 6,967,257 |
| Travel | 2,872,374 | - | 2,872,374 | 2,568,096 |
| Vehicles and aircraft | 1,801,430 | - | 1,801,430 | 1,397,239 |
| Office expense and supplies | 2,156,318 | - | 2,156,318 | 1,755,112 |
| Professional fees | 126,165 | - | 126,165 | 152,819 |
| Facilities operations | 442,058 | - | 442,058 | 448,034 |
| Bank charges and other | 153,291 | - | 153,291 | 137,885 |
| Other charities | 804,167 | - | 804,167 | 559,838 |
| Relief grants | <u>824,956</u> | <u>-</u> | <u>824,956</u> | <u>550,190</u> |
| Total expenses | <u>42,406,450</u> | <u>-</u> | <u>42,406,450</u> | <u>40,362,204</u> |
| Change in net assets | 248,787 | - | 248,787 | 679,987 |
| Net Assets | | | | |
| Beginning of year | <u>9,001,572</u> | <u>25,000</u> | <u>9,026,572</u> | <u>8,346,585</u> |
| End of year | <u>\$ 9,250,359</u> | <u>\$25,000</u> | <u>\$ 9,275,359</u> | <u>\$ 9,026,572</u> |

ABWE MINISTRIES, INC.

COMBINED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2010 and 2009

| | <u>2010</u> | <u>2009</u> |
|--|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| <i>Change in net assets</i> | \$ 248,787 | \$ 679,987 |
| <i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i> | | |
| Depreciation | 161,000 | 217,000 |
| Unrealized gains on investments | (23,974) | (67,478) |
| (Increase) decrease in | | |
| Accounts receivable | 37,670 | 37,604 |
| Missionary staff advances | 411,309 | 213,294 |
| Inventories | (29,089) | (5,102) |
| Increase (decrease) in | | |
| Accounts payable and accrued expenses | (173,182) | 158,237 |
| Due to Foundation | 1,677,005 | (729,588) |
| Other liabilities | (29,043) | (19,281) |
| Net cash provided by operating activities | <u>2,280,483</u> | <u>484,673</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments | <u>(3,971)</u> | <u>(3,192)</u> |
| Net cash used in investing activities | <u>(3,971)</u> | <u>(3,192)</u> |
| Increase in cash and cash equivalents | 2,276,512 | 481,481 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | <u>2,939,193</u> | <u>2,457,712</u> |
| End of year | <u>\$5,215,705</u> | <u>\$2,939,193</u> |

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2010 and 2009

(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.

The Ministries has reviewed their tax positions and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

(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 \$3,319,300 and \$2,936,057 at December 31, 2010 and 2009 respectively.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2010 and 2009

SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, March 25, 2011, have been evaluated in the preparation of the financial statements.

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. Accounting Standards Codification (“ASC”) 825, “*Financial Instruments*” identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

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. During the year ended December 31, 2010 and 2009, \$42,492,261 and \$41,728,842, respectively, of contributions were received from an affiliated organization, ABWE Foundation, Inc. (“*Foundation*”).

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2010 and 2009

PRIOR YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's audited financial statements for the year ended December 31, 2009, from which the summarized information was derived.

RECLASSIFICATIONS

Certain reclassifications were made to the 2009 financial statements to conform to the 2010 presentation.

(3) INVESTMENTS

Investments at December 31, 2010 and 2009 consist of the following:

| | <u>2010</u> | <u>2009</u> |
|-------------------|------------------|------------------|
| Money Market | \$ 23,936 | \$ 20,236 |
| Common Stock | 199,887 | 178,286 |
| Mutual Fund | <u>23,162</u> | <u>20,518</u> |
| Total Investments | <u>\$246,985</u> | <u>\$219,040</u> |

(4) FAIR VALUE MEASUREMENTS

The Ministries utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles established a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs 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 the years ended 2010 and 2009, all Ministries investments are level 1.

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2010 and 2009

(5) PROPERTY AND EQUIPMENT

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

| | <u>2010</u> | <u>2009</u> |
|---|--------------------|--------------------|
| Office furniture and equipment | \$1,251,960 | \$1,251,960 |
| Land/building | <u>7,058,276</u> | <u>7,058,276</u> |
| | 8,310,236 | 8,310,236 |
| Less: accumulated depreciation and amortization | <u>2,512,082</u> | <u>2,351,082</u> |
| Net property and equipment | <u>\$5,798,154</u> | <u>\$5,959,154</u> |

Depreciation and amortization for the years ended December 31, 2010 and 2009 was \$161,000 and \$217,000, respectively.

(6) 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, 2010 and 2009, missionary pension expense was \$1,058,540 and \$1,049,751, respectively, and staff pension expense was \$118,504 and \$236,657, 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.

(7) NET ASSETS

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

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2010 and 2009

(8) FUNCTIONAL EXPENSES

Expenses of the Foundation have been allocated on a functional basis as follows:

| | <u>2010</u> | <u>2009</u> |
|----------------------------------|---------------------|---------------------|
| Program Services | | |
| Evangelism and church growth | \$24,606,148 | \$23,348,871 |
| Bible training | 4,859,314 | 4,714,936 |
| Communication | 423,711 | 435,616 |
| Compassion | 3,411,045 | 3,056,426 |
| Child education | 1,669,468 | 1,576,389 |
| Linguistics | 349,392 | 379,457 |
| Field support | <u>2,651,602</u> | <u>2,469,256</u> |
| Total program services | <u>37,970,680</u> | <u>35,980,951</u> |
| Supporting Services | | |
| General and administrative | 1,724,571 | 1,731,897 |
| Fund raising | <u>2,711,199</u> | <u>2,649,356</u> |
| Total supporting services | <u>4,435,770</u> | <u>4,381,253</u> |
| Total expenses | <u>\$42,406,450</u> | <u>\$40,362,204</u> |

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, 2010 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
March 25, 2011**

ABWE MINISTRIES, INC.

COMBINING STATEMENT OF FINANCIAL POSITION

December 31, 2010

| | <u>International</u> | <u>North America</u> | <u>Ministries</u> | <u>Total</u> |
|--|----------------------|--------------------------|-------------------|---------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$5,208,352 | \$ 6,853 | \$ 500 | \$ 5,215,705 |
| Accounts receivable | 882,558 | 1,577 | - | 884,135 |
| Missionary staff advances | 788,255 | 1,290 | 600 | 790,145 |
| Investments | - | - | 246,985 | 246,985 |
| Inventories | - | 169,908 | - | 169,908 |
| Property and equipment less accumulated depreciation of \$2,512,082 | - | <u>5,798,154</u> | - | <u>5,798,154</u> |
| Total assets | <u>\$6,879,165</u> | <u>\$ 5,977,782</u> | <u>\$248,085</u> | <u>\$13,105,032</u> |
| LIABILITIES AND NET ASSETS | | | | |
| Liabilities | | | | |
| Accounts payable and accrued expenses | \$ 1,092 | \$ 465,051 | \$ 610 | \$ 466,753 |
| Due to (from) Foundation/Affiliates | 4,148,753 | (1,890,621) | 175,950 | 2,434,082 |
| Other liabilities | <u>900,644</u> | <u>28,142</u> | <u>52</u> | <u>928,838</u> |
| Total liabilities | <u>5,050,489</u> | <u>(1,397,428)</u> | <u>176,612</u> | <u>3,829,673</u> |
| NET ASSETS | | | | |
| Unrestricted | | | | |
| Undesignated | 1,828,676 | 1,552,056 | 71,473 | 3,452,205 |
| Equity in property and equipment | - | <u>5,798,154</u> | - | <u>5,798,154</u> |
| Total unrestricted | <u>1,828,676</u> | <u>7,350,210</u> | <u>71,473</u> | <u>9,250,359</u> |
| Permanently restricted | - | <u>25,000</u> | - | <u>25,000</u> |
| Total net assets | <u>1,828,676</u> | <u>7,375,210</u> | <u>71,473</u> | <u>9,275,359</u> |
| Total liabilities and net assets | <u>\$6,879,165</u> | <u>\$ 5,977,782</u> | <u>\$248,085</u> | <u>\$13,105,032</u> |

ABWE MINISTRIES, INC.

COMBINING STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

| | <u>International</u> | <u>North America</u> | <u>Ministries</u> | <u>Total</u> |
|---|----------------------|----------------------|-------------------|---------------------|
| Support and Revenue | | | | |
| Contributions | \$40,980,618 | \$ 814,329 | \$719,178 | \$42,514,125 |
| Royalty income | - | 70,332 | - | 70,332 |
| Interest and dividends | - | - | 3,971 | 3,971 |
| Other income | 2,075 | 39,510 | - | 41,585 |
| Net realized and unrealized gains | - | 1,250 | 23,974 | 25,224 |
| Total support and revenue | <u>40,982,693</u> | <u>925,421</u> | <u>747,123</u> | <u>42,655,237</u> |
| Expenses | | | | |
| Salaries and housing | 16,761,629 | 1,557,846 | 411,813 | 18,731,288 |
| Benefits | 6,097,507 | 532,613 | 104,514 | 6,734,634 |
| General ministry | 7,585,306 | 137,670 | 36,793 | 7,759,769 |
| Travel | 2,600,431 | 151,155 | 120,788 | 2,872,374 |
| Vehicles and aircraft | 1,724,020 | 72,931 | 4,479 | 1,801,430 |
| Office expense and supplies | 1,296,504 | 833,172 | 26,642 | 2,156,318 |
| Professional fees | 67,125 | 58,826 | 214 | 126,165 |
| Facilities operations | 9,755 | 423,406 | 8,897 | 442,058 |
| Bank charges and other | 48,083 | 104,101 | 1,107 | 153,291 |
| Other charities | 803,667 | 500 | - | 804,167 |
| Relief grants | 824,956 | - | - | 824,956 |
| Total expenses | <u>37,818,983</u> | <u>3,872,220</u> | <u>715,247</u> | <u>42,406,450</u> |
| Excess (deficiency) of support And revenue over expenses | 3,163,710 | (2,946,799) | 31,876 | 248,787 |
| Other Changes | | | | |
| Administrative charge to missionaries | <u>(2,887,410)</u> | <u>2,894,222</u> | <u>(6,812)</u> | <u>-</u> |
| Change in net assets | 276,300 | (52,577) | 25,064 | 248,787 |
| Net Assets | | | | |
| Beginning of year | <u>1,552,376</u> | <u>7,427,787</u> | <u>46,409</u> | <u>9,026,572</u> |
| End of year | <u>\$ 1,828,676</u> | <u>\$ 7,375,210</u> | <u>\$ 71,473</u> | <u>\$ 9,275,359</u> |