

**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

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	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
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>
<b>Total assets</b>	<u>\$13,105,032</u>	<u>\$11,381,465</u>
<b>LIABILITIES</b>		
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>
<b>Total liabilities</b>	<u>3,829,673</u>	<u>2,354,893</u>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	3,452,205	3,042,418
Equity in property and equipment	<u>5,798,154</u>	<u>5,959,154</u>
<b>Total unrestricted</b>	9,250,359	9,001,572
Permanently restricted ( <i>Note 7</i> )	<u>25,000</u>	<u>25,000</u>
<b>Total net assets</b>	<u>9,275,359</u>	<u>9,026,572</u>
<b>Total liabilities and net assets</b>	<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>
<b>Support and Revenue</b>				
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>
<b>Total support and revenue</b>	<u>42,655,237</u>	<u>-</u>	<u>42,655,237</u>	<u>41,042,191</u>
<b>Expenses</b>				
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>
<b>Total expenses</b>	<u>42,406,450</u>	<u>-</u>	<u>42,406,450</u>	<u>40,362,204</u>
<b>Change in net assets</b>	248,787	-	248,787	679,987
<b>Net Assets</b>				
Beginning of year	<u>9,001,572</u>	<u>25,000</u>	<u>9,026,572</u>	<u>8,346,585</u>
<b>End of year</b>	<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

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	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<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)
<b>Net cash provided by operating activities</b>	<u>2,280,483</u>	<u>484,673</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	<u>(3,971)</u>	<u>(3,192)</u>
<b>Net cash used in investing activities</b>	<u>(3,971)</u>	<u>(3,192)</u>
<b>Increase in cash and cash equivalents</b>	2,276,512	481,481
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>2,939,193</u>	<u>2,457,712</u>
<b>End of year</b>	<u>\$5,215,705</u>	<u>\$2,939,193</u>

# ABWE MINISTRIES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2010 and 2009

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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.

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

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### ***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

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### **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

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### (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

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### (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>
<b>Total program services</b>	<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>
<b>Total supporting services</b>	<u>4,435,770</u>	<u>4,381,253</u>
<b>Total expenses</b>	<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>
<b>ASSETS</b>				
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>
<b>Total assets</b>	<u>\$6,879,165</u>	<u>\$ 5,977,782</u>	<u>\$248,085</u>	<u>\$13,105,032</u>
<b>LIABILITIES AND NET ASSETS</b>				
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>
<b>Total liabilities</b>	<u>5,050,489</u>	<u>(1,397,428)</u>	<u>176,612</u>	<u>3,829,673</u>
<b>NET ASSETS</b>				
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>
<b>Total unrestricted</b>	<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>
<b>Total net assets</b>	<u>1,828,676</u>	<u>7,375,210</u>	<u>71,473</u>	<u>9,275,359</u>
<b>Total liabilities and net assets</b>	<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>
<b>Support and Revenue</b>				
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
<b>Total support and revenue</b>	<u>40,982,693</u>	<u>925,421</u>	<u>747,123</u>	<u>42,655,237</u>
<b>Expenses</b>				
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
<b>Total expenses</b>	<u>37,818,983</u>	<u>3,872,220</u>	<u>715,247</u>	<u>42,406,450</u>
<b>Excess (deficiency) of support And revenue over expenses</b>	3,163,710	(2,946,799)	31,876	248,787
<b>Other Changes</b>				
Administrative charge to missionaries	<u>(2,887,410)</u>	<u>2,894,222</u>	<u>(6,812)</u>	<u>-</u>
<b>Change in net assets</b>	276,300	(52,577)	25,064	248,787
<b>Net Assets</b>				
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>