

ABWE MINISTRIES, INC.
HARRISBURG, PENNSYLVANIA

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

DECEMBER 31, 2015 AND 2014

ABWE MINISTRIES, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying combined financial statements of the ABWE Ministries, Inc. (“ABWE”), which comprise the combined statement of financial position as of December 31, 2015 and the related combined statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of ABWE Ministries, Inc. as of December 31, 2015, the combined changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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

Other Matter

ABWE consists of the Association of Baptists for World Evangelism, Inc. –North America (“North America”) and two of its integrated church auxiliaries (*See Note 1 in Notes to Financial Statements*). These financial statements do not include ABWE Foundation, Inc. which is another integrated church auxiliary of North America. We have audited the combined financial statements of the Association of Baptists for World Evangelism, Inc. – North America as of December 31, 2015, and have issued our report dated May 23, 2016. The accompanying financial statements are not financial statements of the primary reporting entity and should be read in conjunction with the consolidated financial statements referred to in the preceding sentence.

Report on Summarized Comparative Information

We have previously audited ABWE Ministries, Inc.’s 2014 financial statements, and our report dated May 18, 2015, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
May 23, 2016**

ABWE MINISTRIES, INC.

COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents (Including \$2,480,773 and \$2,498,600 held in foreign currencies at December 31, 2015 and 2014, respectively)	\$ 2,987,202	\$ 3,604,622
Accounts receivable	127,262	356,731
Due from Foundation	436,130	935,121
Missionary staff advances	379,045	406,178
Investments (<i>Note 3</i>)	301,949	317,454
Inventories	166,454	169,505
Property and equipment - net (<i>Note 5</i>)	5,766,996	5,676,674
Total assets	<u><u>\$ 10,165,038</u></u>	<u><u>\$ 11,466,285</u></u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 895,740	\$ 1,381,276
Other liabilities	1,061,856	783,713
Total liabilities	<u>1,957,596</u>	<u>2,164,989</u>
NET ASSETS		
Unrestricted		
Undesignated	2,415,446	3,599,622
Equity in property and equipment	5,766,996	5,676,674
Total unrestricted	8,182,442	9,276,296
Permanently restricted (<i>Note 7</i>)	25,000	25,000
Total net assets	<u>8,207,442</u>	<u>9,301,296</u>
Total liabilities and net assets	<u><u>\$ 10,165,038</u></u>	<u><u>\$ 11,466,285</u></u>

ABWE MINISTRIES, INC.

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2015 with summarized information for 2014

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
			<u>2015</u>	<u>2014</u>
Support and Revenue				
Contributions	\$ 47,907,268	\$ -	\$ 47,907,268	\$ 53,194,435
Royalty income	44,828	-	44,828	134,521
Interest and dividends	8,601	-	8,601	29,502
Other income	82,416	-	82,416	31,468
Net realized and unrealized loss on investments	(21,576)	-	(21,576)	(12,163)
Total support and revenue	<u>48,021,537</u>	<u>-</u>	<u>48,021,537</u>	<u>53,377,763</u>
Expenses				
Salaries	19,800,689	-	19,800,689	19,870,181
Benefits	8,004,549	-	8,004,549	8,366,620
General ministry	8,745,862	-	8,745,862	11,861,624
Travel	2,847,880	-	2,847,880	3,450,857
Vehicle and aircraft	1,717,501	-	1,717,501	1,744,289
Office expense and supplies	1,862,620	-	1,862,620	2,449,356
Professional fees	1,955,535	-	1,955,535	1,540,045
Facilities operations	600,720	-	600,720	484,194
Bank charges and other	158,654	-	158,654	170,283
Other charities	1,788,322	-	1,788,322	1,774,445
Relief grants	1,633,059	-	1,633,059	1,311,208
Total supporting activities	<u>49,115,391</u>	<u>-</u>	<u>49,115,391</u>	<u>53,023,102</u>
Changes in net assets	(1,093,854)	-	(1,093,854)	354,661
Net Assets				
Beginning of year	<u>9,276,296</u>	<u>25,000</u>	<u>9,301,296</u>	<u>8,946,635</u>
End of year	<u>\$ 8,182,442</u>	<u>\$ 25,000</u>	<u>\$ 8,207,442</u>	<u>\$ 9,301,296</u>

ABWE MINISTRIES, INC.

COMBINED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
<i>Change in net assets</i>	\$ (1,093,854)	\$ 354,661
<i>Adjustments to reconcile increase in net assets to net cash used in operating activities</i>		
Depreciation	191,587	171,096
Realized and unrealized loss on investments	21,576	12,163
(Increase) decrease in		
Accounts receivable	229,469	(44,390)
Due from Foundation	498,991	(10,321)
Missionary staff advances	27,133	(7,851)
Inventories	3,051	37,886
Increase (decrease) in		
Accounts payable and accrued expenses	(485,536)	(398,790)
Other liabilities	278,143	333,792
Net cash (used in) provided by operating activities	<u>(329,440)</u>	<u>448,246</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(6,071)	(55,168)
Proceeds from sales of investments	-	64,290
Purchase of fixed assets	(281,909)	(192,596)
Net cash used in investing activities	<u>(287,980)</u>	<u>(183,474)</u>
(Decrease) increase in cash and cash equivalents	(617,420)	264,772
Cash - Beginning of year	<u>3,604,622</u>	<u>3,339,850</u>
Cash - End of year	<u><u>\$ 2,987,202</u></u>	<u><u>\$ 3,604,622</u></u>

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2015 and 2014

(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 net assets are those 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 net assets amounts are those which are stipulated by donors for specific operating purposes or for the acquisition of property or equipment.

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

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.

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 \$2,480,773 and \$2,498,600 at December 31, 2015 and 2014 respectively.

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2015 and 2014

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 place 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 \$5,000. 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. These overseas properties are generally transferred to local ownership at time of purchase or construction, contemplated to be transferred in the future or are located in various countries which do not have stable governments or economies. As such, to the extent negative events occur in these countries, ABWE may not be able to recover these assets.

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, 2015 and 2014, \$47,888,976 and \$53,186,972, respectively, of contributions were received from an affiliated organization, ABWE Foundation, Inc. (“*Foundation*”).

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2015 and 2014

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 Ministries' audited financial statements for the year ended December 31, 2014, from which the summarized information was derived.

3) INVESTMENTS

All investments were held in an equity mutual fund at December 31, 2015 and 2014.

(4) FAIR VALUE MEASUREMENTS

The Ministries utilized various methods to measure the fair value of its investment 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.

The Ministries investment was based on Level 1 inputs. There were no transfers between Level 1 and Level 2 during the year ended December 31, 2015.

(5) PROPERTY AND EQUIPMENT

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

	<u>2015</u>	<u>2014</u>
Office furniture and equipment	\$ 1,922,282	\$ 1,640,373
Land/building	<u>7,128,069</u>	<u>7,128,069</u>
	9,050,351	8,768,442
Less: accumulated depreciation and amortization	<u>3,283,355</u>	<u>3,091,768</u>
Net property and equipment	<u>\$ 5,766,996</u>	<u>\$ 5,676,674</u>

Depreciation and amortization for the years ended December 31, 2015 and 2014 was \$191,587 and \$171,096, respectively.

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2015 and 2014

(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, 2015 and 2014, missionary pension expense was \$1,051,211 and \$1,052,454 respectively, and staff pension expense was \$211,041 and \$195,172, 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.

(8) FUNCTIONAL EXPENSES

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

	<u>2015</u>	<u>2014</u>
Program Services		
Evangelism and church growth	\$ 29,634,001	\$ 29,750,713
Bible training	4,384,680	4,256,654
Communication	309,494	322,428
Compassion	3,626,969	6,360,206
Child education	1,652,780	1,872,981
Linguistics	214,858	250,819
Field support	<u>2,300,377</u>	<u>2,905,105</u>
Total program services	<u>42,123,159</u>	<u>45,718,906</u>
Supporting Services		
General and administrative	4,429,518	4,532,365
Fund raising	<u>2,562,714</u>	<u>2,771,831</u>
Total supporting services	<u>6,992,232</u>	<u>7,304,196</u>
Total expenses	<u>\$ 49,115,391</u>	<u>\$ 53,023,102</u>

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2015 and 2014

(9) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, May 23, 2016, have been evaluated in the preparation of the financial statements and management has determined that there are no subsequent events that would require disclosure or adjustment in the financial statements.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

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

We have audited the combined financial statements of ABWE Ministries, Inc. as of and for the year ended December 31, 2015, and have issued our report thereon dated May 23, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the 2015 combined financial statements as a whole. The combining statement of financial position and combining statement of activities and changes in net assets is presented for the purpose of additional analysis and is not a required part of the 2015 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2015 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
May 23, 2016**

ABWE MINISTRIES, INC.

COMBINING STATEMENT OF FINANCIAL POSITION

December 31, 2015

	<u>International</u>	<u>North America</u>	<u>Ministries</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 2,929,167	\$ 52,225	\$ 5,810	\$ 2,987,202
Accounts receivable	127,035	227	-	127,262
Due from Foundation	422,376	13,754	-	436,130
Missionary staff advances	379,045	-	-	379,045
Investments	-	-	301,949	301,949
Inventories	-	166,454	-	166,454
Property and equipment - net	-	5,766,996	-	5,766,996
Total assets	<u>\$ 3,857,623</u>	<u>\$ 5,999,656</u>	<u>\$ 307,759</u>	<u>\$ 10,165,038</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 820,478	\$ 55,204	\$ 20,058	\$ 895,740
Other liabilities	977,836	84,020	-	1,061,856
Total liabilities	<u>1,798,314</u>	<u>139,224</u>	<u>20,058</u>	<u>1,957,596</u>
NET ASSETS				
Unrestricted				
Undesignated	2,059,309	68,436	287,701	2,415,446
Equity in property and equipment	-	5,766,996	-	5,766,996
Total unrestricted	<u>2,059,309</u>	<u>5,835,432</u>	<u>287,701</u>	<u>8,182,442</u>
Permanently restricted	-	25,000	-	25,000
Total net assets	<u>2,059,309</u>	<u>5,860,432</u>	<u>287,701</u>	<u>8,207,442</u>
Total liabilities and net assets	<u>\$ 3,857,623</u>	<u>\$ 5,999,656</u>	<u>\$ 307,759</u>	<u>\$ 10,165,038</u>

ABWE MINISTRIES, INC.

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2015

	<u>International</u>	<u>North America</u>	<u>Ministries</u>	<u>Total</u>
Support and Revenue				
Contributions	\$ 42,893,225	\$ 4,311,597	\$ 702,446	\$ 47,907,268
Royalty income	-	44,828	-	44,828
Interest and dividends	-	2,530	6,071	8,601
Other income	2,997	79,419	-	82,416
Net realized and unrealized losses	-	-	(21,576)	(21,576)
Total support and revenue	<u>42,896,222</u>	<u>4,438,374</u>	<u>686,941</u>	<u>48,021,537</u>
Expenses				
Salaries	17,448,017	2,352,672	-	19,800,689
Benefits	7,193,056	811,493	-	8,004,549
General ministry	8,562,744	177,611	5,507	8,745,862
Travel	2,494,597	308,439	44,844	2,847,880
Vehicle and aircraft	1,682,722	31,722	3,057	1,717,501
Office expense and supplies	1,176,424	680,281	5,915	1,862,620
Professional fees	1,301,890	140,629	513,016	1,955,535
Facilities operations	3,280	582,215	15,225	600,720
Bank charges and other	32,152	125,213	1,289	158,654
Other charities	1,763,472	24,850	-	1,788,322
Relief grants	1,633,059	-	-	1,633,059
Total expenses	<u>43,291,413</u>	<u>5,235,125</u>	<u>588,853</u>	<u>49,115,391</u>
Excess (deficiency) of support And revenue over expense	(395,191)	(796,751)	98,088	(1,093,854)
Other Changes				
Administrative charge to missionaries	(40,756)	46,634	(5,878)	-
Change in net assets	<u>(435,947)</u>	<u>(750,117)</u>	<u>92,210</u>	<u>(1,093,854)</u>
Net Assets				
Beginning of year	2,495,256	6,610,549	195,491	9,301,296
End of year	<u>\$ 2,059,309</u>	<u>\$ 5,860,432</u>	<u>\$ 287,701</u>	<u>\$ 8,207,442</u>