

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

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

DECEMBER 31, 2016 AND 2015

ABWE MINISTRIES, INC.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
 FINANCIAL STATEMENTS	
<i>Combined Statements of Financial Position,</i> December 31, 2016 and 2015	3
<i>Combined Statement of Activities and Changes in Net Assets,</i> Year ended December 31, 2016 with Summarized Information for 2015	4
<i>Combined Statements of Cash Flows,</i> Years ended December 31, 2016 and 2015	5
<i>Notes to Financial Statements</i>	6
 SUPPLEMENTAL INFORMATION	
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SUPPLEMENTAL INFORMATION	11
<i>Combining Statement of Financial Position,</i> Year ended December 31, 2016	12
<i>Combining Statement of Activities and Changes in Net Assets,</i> Year ended December 31, 2016	13

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, 2016 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, 2016, 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, 2016, and have issued our report dated May 30, 2017. 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 2015 financial statements, and our report dated May 23, 2016, 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, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
May 30, 2017**

ABWE MINISTRIES, INC.

COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents (Including \$2,543,323 and \$2,480,773 held in foreign countries at December 31, 2016 and 2015, respectively)	\$ 2,812,440	\$ 2,987,202
Accounts receivable	109,588	127,262
Missionary staff advances	428,340	379,045
Due from Foundation	1,089,976	436,130
Investments (<i>Note 3</i>)	313,548	301,949
Inventories	144,361	166,454
Property and equipment - net (<i>Note 5</i>)	<u>5,681,200</u>	<u>5,766,996</u>
Total assets	<u>\$ 10,579,453</u>	<u>\$ 10,165,038</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,222,286	\$ 895,740
Due to Missionary Retirement Plan	112,549	-
Other liabilities	<u>1,078,284</u>	<u>1,061,856</u>
Total liabilities	<u>2,413,119</u>	<u>1,957,596</u>
NET ASSETS		
Unrestricted		
Undesignated	2,460,134	2,415,446
Equity in property and equipment	<u>5,681,200</u>	<u>5,766,996</u>
Total unrestricted	<u>8,141,334</u>	<u>8,182,442</u>
Permanently restricted (<i>Note 7</i>)	<u>25,000</u>	<u>25,000</u>
Total net assets	<u>8,166,334</u>	<u>8,207,442</u>
Total liabilities and net assets	<u>\$ 10,579,453</u>	<u>\$ 10,165,038</u>

ABWE MINISTRIES, INC.

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2016 with summarized information for 2015

	Unrestricted	Permanently Restricted	Total 2016	Total 2015
Support and Revenue				
Contributions	\$ 51,313,716	\$ -	\$ 51,313,716	\$ 47,907,268
Royalty income	32,864	-	32,864	44,828
Interest and dividends	4,492	-	4,492	8,601
Other income	63,821	-	63,821	82,416
Net realized and unrealized loss on investments	7,106	-	7,106	(21,576)
Total support and revenue	51,421,999	-	51,421,999	48,021,537
Expenses				
Salaries	20,890,872	-	20,890,872	19,800,689
Benefits	7,227,394	-	7,227,394	8,004,549
General ministry	8,302,516	-	8,302,516	8,745,862
Travel	3,227,192	-	3,227,192	2,847,880
Vehicle and aircraft	1,853,287	-	1,853,287	1,717,501
Office expense and supplies	2,075,167	-	2,075,167	1,862,620
Professional fees	1,533,401	-	1,533,401	1,955,535
Facilities operations	467,886	-	467,886	600,720
Bank charges and other	182,696	-	182,696	158,654
Other charities	720,312	-	720,312	1,788,322
Relief grants	1,782,384	-	1,782,384	1,633,059
Total supporting activities	48,263,107	-	48,263,107	49,115,391
Changes in net assets before other changes	3,158,892	-	3,158,892	(1,093,854)
Other Changes				
Settlement expense	(3,200,000)	-	(3,200,000)	-
Changes in net assets	(41,108)	-	(41,108)	(1,093,854)
Net Assets				
Beginning of year	8,182,442	25,000	8,207,442	9,301,296
End of year	\$ 8,141,334	\$ 25,000	\$ 8,166,334	\$ 8,207,442

ABWE MINISTRIES, INC.

COMBINED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
<i>Change in net assets</i>	\$ (41,108)	\$ (1,093,854)
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Depreciation	233,465	191,587
Realized and unrealized (gain) loss on investments	(7,106)	21,576
(Increase) decrease in		
Accounts receivable	17,674	229,469
Due from Foundation	(653,846)	498,991
Missionary staff advances	(49,295)	27,133
Inventories	22,093	3,051
Increase (decrease) in		
Accounts payable and accrued expenses	326,546	(485,536)
Due to Missionary Retirement Plan	112,549	-
Other liabilities	16,428	278,143
Net cash used in operating activities	<u>(22,600)</u>	<u>(329,440)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(4,493)	(6,071)
Purchase of fixed assets	<u>(147,669)</u>	<u>(281,909)</u>
Net cash used in investing activities	<u>(152,162)</u>	<u>(287,980)</u>
Decrease in cash and cash equivalents	(174,762)	(617,420)
Cash - Beginning of year	<u>2,987,202</u>	<u>3,604,622</u>
Cash - End of year	<u>\$ 2,812,440</u>	<u>\$ 2,987,202</u>

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(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. of 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. In addition, the combined financial statements include the operations of World in Need (“*WIN*”), which is controlled by the management of Ministries.

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 \$2,543,323 and \$2,480,773 at December 31, 2016 and 2015 respectively.

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2016 and 2015

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.

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.

During 2016, the ABWE offered and made settlements to victim survivors as a result of the finalization of an independent investigation surrounding sexual misconduct of an ABWE Missionary in Bangladesh many decades ago. The settlements are in lieu of any possible future litigation being initiated by the victim survivors or their immediate family. All victims named in the report have either declined payment or made settlement. The cost of the legal settlements of \$3,200,000 is included in Other Changes in the Combined Statement of Activities and Changes in Net Assets.

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, 2016 and 2015, \$51,193,379 and \$47,888,976, respectively, of contributions were received from an affiliated organization, ABWE Foundation, Inc. (“**Foundation**”).

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2016 and 2015

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, 2015, from which the summarized information was derived.

3) INVESTMENTS

All investments were held in an equity mutual fund at December 31, 2016 and 2015.

(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, 2016.

(5) PROPERTY AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>
Office furniture and equipment	\$ 2,016,608	\$ 1,922,282
Land/building	<u>7,181,412</u>	<u>7,128,069</u>
	9,198,020	9,050,351
Less: accumulated depreciation and amortization	<u>3,516,820</u>	<u>3,283,355</u>
Net property and equipment	<u>\$ 5,681,200</u>	<u>\$ 5,766,996</u>

Depreciation and amortization for the years ended December 31, 2016 and 2015 was \$233,465 and \$191,587, respectively.

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2016 and 2015

(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, 2016 and 2015, missionary pension expense was \$980,394 and \$1,051,211 respectively, and staff pension expense was \$189,443 and \$211,041, 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>2016</u>	<u>2015</u>
Program Services		
Evangelism and church growth	\$ 29,867,661	\$ 29,634,001
Bible training	4,570,706	4,384,680
Communication	112,772	309,494
Compassion	3,500,915	3,626,969
Child education	1,603,341	1,652,780
Linguistics	217,762	214,858
Field support	<u>2,210,271</u>	<u>2,300,377</u>
Total program services	<u>42,083,428</u>	<u>42,123,159</u>
Supporting Services		
General and administrative	3,473,203	4,429,518
Fund raising	<u>2,706,476</u>	<u>2,562,714</u>
Total supporting services	<u>6,179,679</u>	<u>6,992,232</u>
Total expenses	<u>\$ 48,263,107</u>	<u>\$ 49,115,391</u>

(9) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, May 30, 2017, have been evaluated in the preparation of the financial statements and management has determined that there are no subsequent events, other than as noted below, that would require disclosure or adjustment in the financial statements.

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2016 and 2015

In March 2017, the Boards of Trustees of ABWE Ministries, Inc., International, and North America approved a resolution that would result in a merger of the three entities with North America as the surviving entity. In addition, the Foundation will be converted into a limited liability company with the surviving entity as its sole member. The surviving entity will become the sponsor and administrator of the ABWE Missionary Retirement Plan and the ABWE Staff Retirement Plan. The reorganization will result in certain assets and liabilities being transferred from the Foundation to the surviving entity. The merger and other organizational changes are expected to be effective January 1, 2018.

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, 2016, and have issued our report thereon dated May 30, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the 2016 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 2016 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 2016 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 30, 2017**

ABWE MINISTRIES, INC.

COMBINING STATEMENT OF FINANCIAL POSITION

December 31, 2016

	International	North America	Ministries	WIN	Eliminations	Total
ASSETS						
Cash and cash equivalents	\$ 2,702,238	\$ 49,348	\$ 41,185	\$ 19,669	\$ -	\$ 2,812,440
Accounts receivable	148,606	609	-	-	(39,627)	109,588
Missionary staff advances	428,340	-	-	-	-	428,340
Due from Foundation	1,089,976	-	-	-	-	1,089,976
Investments	-	-	313,548	-	-	313,548
Inventories	-	144,361	-	-	-	144,361
Property and equipment - net	-	5,681,200	-	-	-	5,681,200
Total assets	\$ 4,369,160	\$ 5,875,518	\$ 354,733	\$ 19,669	\$ (39,627)	\$ 10,579,453
LIABILITIES						
Accounts payable and accrued expenses	\$ 1,073,265	\$ 126,094	\$ 22,927	\$ -		\$ 1,222,286
Due to Missionary Retirement Plan	112,549	-	-	-		112,549
Other liabilities	1,036,129	42,155	-	39,627	(39,627)	1,078,284
Total liabilities	2,221,943	168,249	22,927	39,627	(39,627)	2,413,119
NET ASSETS						
Unrestricted						
Undesignated	2,147,217	1,069	331,806	(19,958)	-	2,460,134
Equity in property and equipment	-	5,681,200	-	-	-	5,681,200
Total unrestricted	2,147,217	5,682,269	331,806	(19,958)	-	8,141,334
Permanently restricted	-	25,000	-	-	-	25,000
Total net assets	2,147,217	5,707,269	331,806	(19,958)	-	8,166,334
Total liabilities and net assets	\$ 4,369,160	\$ 5,875,518	\$ 354,733	\$ 19,669	\$ (39,627)	\$ 10,579,453

ABWE MINISTRIES, INC.

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2016

	International	North America	Ministries	WIN	Eliminations	Total
Support and Revenue						
Contributions	\$ 45,587,318	\$ 5,155,226	\$ 444,491	\$ 1,205,823	\$ (1,079,142)	\$ 51,313,716
Royalty income	-	32,864	-	-	-	32,864
Interest and dividends	-	-	4,492	-	-	4,492
Other income	23,343	35,692	-	4,786	-	63,821
Net realized and unrealized losses	-	-	7,106	-	-	7,106
Total support and revenue	45,610,661	5,223,782	456,089	1,210,609	(1,079,142)	51,421,999
Expenses						
Salaries	17,448,494	2,474,128	-	968,250	-	20,890,872
Benefits	6,375,909	776,185	-	75,300	-	7,227,394
General ministry	8,206,497	89,024	6,995	-	-	8,302,516
Travel	2,770,056	385,677	71,404	55	-	3,227,192
Vehicle and aircraft	1,815,059	31,089	7,139	-	-	1,853,287
Office expense and supplies	1,173,885	876,285	7,064	17,933	-	2,075,167
Professional fees	1,092,768	145,895	292,583	2,155	-	1,533,401
Facilities operations	1,248	465,532	1,106	-	-	467,886
Bank charges and other	4,311	175,386	1,583	1,416	-	182,696
Other charities	1,798,154	1,300	-	-	(1,079,142)	720,312
Relief grants	1,616,926	-	-	165,458	-	1,782,384
Total expenses	42,303,307	5,420,501	387,874	1,230,567	(1,079,142)	48,263,107
Excess (deficiency) of support And revenue over expense						
	3,307,354	(196,719)	68,215	(19,958)	-	3,158,892
Other Changes						
Settlement expense	(3,200,000)	-	-	-	-	(3,200,000)
Administrative charge to missionaries	(19,446)	43,556	(24,110)	-	-	-
Change in net assets	87,908	(153,163)	44,105	(19,958)	-	(41,108)
Net Assets						
Beginning of year	2,059,309	5,860,432	287,701	-	-	8,207,442
End of year	\$ 2,147,217	\$ 5,707,269	\$ 331,806	\$ (19,958)	\$ -	\$ 8,166,334