



ABWE NORTH AMERICA

COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017





REPORT OF INDEPENDENT AUDITOR

The Board of Directors
ABWE North America
New Cumberland, Pennsylvania

We have audited the accompanying combined financial statements of ABWE North America ("ABWE"), which comprise the combined statement of financial position as of December 31, 2017, and the related combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined 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 from 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 ABWE'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 ABWE'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 combined financial position of ABWE North America as of December 31, 2017, the combined changes in its net assets and its combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As described in Note K, during the year ended December 31, 2017, ABWE identified and made certain corrections to its combined financial statements related to transactions and activities that occurred in prior years. The corrections decreased net assets as of January 1, 2017 by \$1,462,043. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplemental combining statement of financial position as of December 31, 2017, and the related supplemental combining statement of activities for the year then ended are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
October 2, 2018

ABWE NORTH AMERICA
 COMBINED STATEMENT OF FINANCIAL POSITION
 December 31, 2017

ASSETS

ASSETS

Cash and cash equivalents	\$ 2,024,019
Cash designated for health insurance reserves	1,134,800
Cash restricted for long-term purposes	25,000
Investments	36,144,044
Investments held in trust	4,417,341
Beneficial interest in trust	2,011,910
Other assets	931,651
Property and equipment, net	<u>7,756,410</u>

Total assets \$ 54,445,175

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 2,803,728
Amounts held for others	125,240
Net pension obligation	20,719,041
Trust liabilities	3,701,224
Annuities payable	<u>2,067,805</u>

Total liabilities 29,417,038

NET ASSETS

Unrestricted	
Undesignated	<u>4,331,012</u>
Designated	
Deficit associated with net pension obligation	(20,719,041)
Funds held in missionary accounts	18,960,509
Donor-advised funds	1,985,845
Health insurance reserves	1,134,800
Investment in property and equipment	<u>7,756,410</u>

Total designated 9,118,523

Total unrestricted 13,449,535

Temporarily restricted	11,553,602
Permanently restricted	<u>25,000</u>

Total net assets 25,028,137

Total liabilities and net assets \$ 54,445,175

The Accompanying Notes are an Integral
 Part of These Combined Financial Statements

ABWE NORTH AMERICA
COMBINED STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2017

CHANGE IN UNRESTRICTED NET ASSETS	
Public support and revenue	
Contributions	\$ 40,993,982
Investment income	4,150,592
Other income	661,924
Change in value of trusts and charitable gift annuities	<u>(324,311)</u>
Total public support and revenue	45,482,187
Net assets released from restrictions	<u>6,374,652</u>
Total public support and revenue and net assets released from restrictions	<u>51,856,839</u>
Expenses	
Program activities	<u>41,691,768</u>
Supporting activities	
Management and general	6,055,141
Fundraising	<u>2,905,424</u>
Total supporting activities	<u>8,960,565</u>
Total expenses	<u>50,652,333</u>
Change in unrestricted net assets before pension liability adjustment	1,204,506
Pension liability adjustment	<u>133,506</u>
Change in unrestricted net assets	<u>1,338,012</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	
Contributions	6,892,209
Change in beneficial interest in trust	293,251
Investment income	26,253
Change in value of trusts and charitable gift annuities	1,896
Net assets released from restrictions	<u>(6,374,652)</u>
Change in temporarily restricted net assets	<u>838,957</u>
CHANGE IN NET ASSETS	<u>2,176,969</u>
NET ASSETS - Beginning of year as originally reported	24,313,211
Prior period adjustments (see Note K)	<u>(1,462,043)</u>
NET ASSETS - Beginning of year, as restated	<u>22,851,168</u>
NET ASSETS - End of year	<u>\$ 25,028,137</u>

The Accompanying Notes are an Integral
Part of These Combined Financial Statements

ABWE NORTH AMERICA
COMBINED STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2017

OPERATING CASH FLOWS

Cash received from contributors	\$ 47,886,191
Other income received	661,924
Investment income	540,144
Cash paid for operating activities and costs	<u>(51,312,549)</u>

Net operating cash flows **(2,224,290)**

INVESTING CASH FLOWS

Proceeds from net sales of investments	3,155,529
Change in cash designated for health insurance reserves	(970,960)
Purchases of and improvements to property and equipment	<u>(661,538)</u>

Net investing cash flows **1,523,031**

NET CHANGE IN CASH AND CASH EQUIVALENTS **(701,259)**

CASH AND CASH EQUIVALENTS - Beginning of year **2,725,278**

CASH AND CASH EQUIVALENTS - End of year **\$ 2,024,019**

RECONCILIATION OF CHANGE IN NET ASSETS TO NET

OPERATING CASH FLOWS

Change in net assets	\$ 2,176,969
Adjustments to reconcile change in net assets to net operating cash flows	
Depreciation	744,361
Net investment gain	(3,636,701)
Change in investments held in trust	46,694
Change in beneficial interest in trust	(293,251)
Change in other assets	(177,179)
Change in accounts payable and accrued expenses	(779,683)
Change in amounts held for others	(18,119)
Change in liabilities for trusts and annuities	(153,875)
Pension liability adjustment	<u>(133,506)</u>

Net operating cash flows **\$ (2,224,290)**

ABWE NORTH AMERICA
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2017

NOTE A – NATURE OF ACTIVITIES

ABWE North America (“ABWE”) refers to the combined activities of ABWE Foundation, Inc. and ABWE Ministries, Inc.

ABWE Foundation, Inc. (“the Foundation”) is a not-for-profit Pennsylvania corporation established in 1996. The purpose of the Foundation is to solicit, hold, invest, and administer funds for the benefit of ABWE Ministries, Inc., ABWE International, Inc., and Association of Baptists for World Evangelism, Inc. d/b/a ABWE North America. As of December 31, 2017, the Foundation also served as the trustee and plan sponsor for the ABWE Missionary Retirement Plan and the ABWE Staff Retirement Plan (“the Retirement Plans”).

ABWE Ministries, Inc. (“Ministries”) is a not-for-profit New Jersey corporation established in 1992 to operate exclusively as a worldwide Christian missionary organization in the proclamation and spread of the gospel of the Lord Jesus Christ, as revealed in God’s Word, the Bible, and to engage in such other religious, charitable, and educational activities as shall be necessary, incidental, or appropriate to the foregoing, including but not limited to evangelism, teaching, medical services, and assisting in the establishment of indigenous and autonomous Baptist churches. ABWE Ministries, Inc. includes the accounts of the following organizations, which are separate legal entities.

- ABWE International, Inc. (“International”) is a not-for-profit New Jersey corporation established in 1992. International supports Ministries by employing missionaries serving in countries across the world. Ministries appoints the board members of International.
- Association of Baptists for World Evangelism, Inc. d/b/a ABWE North America (“North America”) is a not-for-profit New Jersey corporation established in 1971. North America supports Ministries by employing staff serving at the global headquarters location in New Cumberland, Pennsylvania. Ministries appoints the board members of North America.
- Global Neighbors, Inc. (“Global Neighbors”) is a not-for-profit Pennsylvania corporation established in 1996. Global Neighbors supports Ministries by employing missionaries serving in certain foreign countries. Ministries appoints the majority of the board members of Global Neighbors.

All significant inter-organization accounts and transactions have been eliminated in combination.

References to “ABWE” in these footnotes include each of the organizations described above.

During 2017, the Boards of Directors of ABWE Ministries, Inc., ABWE International, Inc., and Association of Baptists for World Evangelism, Inc., approved an Agreement and Plan of Merger which merged the entities effective January 1, 2018, with Association of Baptists for World Evangelism, Inc. continuing as the surviving corporation.

During 2017, the Board of Directors of Global Neighbors’ approved a plan to convert Global Neighbors to a Pennsylvania limited liability company (“Global Neighbors, LLC”) with an effective date of January 1, 2018. Association of Baptists for World Evangelism, Inc. became the sole member of Global Neighbors, LLC effective January 1, 2018.

During 2017, the Board of Directors of the Foundation approved a plan to convert the Foundation to a Pennsylvania limited liability company (“ABWE Foundation, LLC”) with an effective date of January 1, 2018. Association of Baptists for World Evangelism, Inc. became the sole member of ABWE Foundation, LLC as of the effective date. Effective January 1, 2018, Association of Baptists for World Evangelism, Inc. also became the trustee and plan sponsor of the Retirement Plans.

ABWE NORTH AMERICA
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted and unrestricted revenue and support

Contributions are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions or time restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as “net assets released from restrictions.”

All contributions are received as donations to the Foundation and not to specific individuals. Contributions which donors request to be used to support the ministry activities of specific missionaries are under the full control of the Foundation. The Foundation accounts for such contributions as board designated until they are expended for appropriate ministry purposes.

Cash and cash equivalents

Investments purchased or donated with original maturities of three months or less are considered to be cash equivalents.

Cash designated for health insurance reserves

Cash designated for health insurance reserves is designated by the Board for future insurance claims and premium rate increases.

Cash restricted for long-term purposes

Cash restricted for long-term purposes is held in accordance with an endowment agreement for the perpetual maintenance of a certain cemetery.

Split-interest gifts

For irrevocable split-interest arrangements such as charitable gift annuities, charitable remainder trusts, and similar arrangements in which the Foundation is a trustee or custodian, the assets of such arrangements are reflected in the combined financial statements as further described in Note D. The carrying values of such investments conform to accounting principles generally accepted in the United States of America (“GAAP”), which generally require that investment securities be carried at estimated fair value at all times and that other assets be carried at the estimated fair value of the assets on the date the assets are contributed, unadjusted for subsequent changes in value. Also, for arrangements in which the Foundation is a trustee or custodian, a liability is recognized for the estimated present value of benefits payable to other beneficiaries. For split-interest arrangements in which the Foundation is not the trustee or custodian, the Foundation recognizes an asset for the estimated present value of the Foundation’s benefits under the arrangements. For all irrevocable split-interest arrangements, regardless of whether or not the Foundation acts as trustee or custodian, unrestricted or temporarily restricted contribution revenue is recognized for the estimated present value of the Foundation’s benefits under each such arrangement in the year the arrangement is established or in the year in which the Foundation is provided sufficient information about the existence and nature of the arrangement. Periodic adjustments are made for changes in estimated present values using applicable mortality tables and appropriate discount rates. State law imposes certain restrictions on the manner in which charitable gift annuity assets may be invested.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Income taxes

Each of the entities included in the combined financial statements is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law and is further classified as a public charity and not a private foundation for federal tax purposes. None of the organizations have incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying combined financial statements.

ABWE NORTH AMERICA
 NOTES TO COMBINED FINANCIAL STATEMENTS
 December 31, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

Management uses estimates and assumptions in preparing combined financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these combined financial statements include those used in estimating the fair value of investments, the useful lives of property and equipment, the accrued pension liability, and the liabilities for trusts and annuities. Actual results could differ from the estimates.

Subsequent events

ABWE has evaluated for possible financial reporting and disclosure subsequent events through October 2, 2018, the date as of which the combined financial statements were available to be issued.

NOTE C – CONCENTRATION OF CREDIT RISK

ABWE maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. ABWE has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

NOTE D – INVESTMENTS

The Foundation and Ministries hold investments of various types both as trustee or custodian and as owner. Investments are carried at estimated fair value. Investments were held for the following purposes or activities:

Investments held as trustee or in a similar capacity

• Investments held to satisfy charitable gift annuity obligations	\$ 4,384,009
• Investments held as trustee for irrevocable trusts	2,402,213
• Investments held as trustee for revocable trusts	2,015,128

Investments held for other purposes

• Investments held for general operations	29,662,968
• Investments held for donor-advised funds	1,985,845
• Investments held for temporarily restricted purposes	<u>111,222</u>

Total investments	<u>\$ 40,561,385</u>
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Investments (including investments held in trust) consisted of the following:

<u>Category</u>	
Money market and similar funds	\$ 2,288,835
Mutual funds	13,631,339
Common and preferred stock	12,349,086
Government securities	8,528,646
Corporate bonds	1,703,291
Debt securities	1,239,283
Nonpublicly traded investments	<u>820,905</u>
Total investments	<u>\$ 40,561,385</u>

ABWE NORTH AMERICA
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2017

NOTE E – INVESTMENTS HELD IN TRUST

Investments held in trust were for the following purposes:

Category	
Investments held for irrevocable trusts	\$ 2,402,213
Investments held for revocable trusts	<u>2,015,128</u>
Total investments held in trust	<u>\$ 4,417,341</u>

Liabilities and net assets held in trust consisted of the following:

Category	
Revocable charitable beneficiary liabilities	\$ 2,015,128
Irrevocable charitable beneficiary liabilities	<u>1,686,096</u>
Total liabilities	3,701,224
Net assets with donor restrictions for irrevocable charitable remainder trusts	<u>716,117</u>
Total investments held in trust	<u>\$ 4,417,341</u>

NOTE F – FAIR VALUE MEASUREMENTS

GAAP defines fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value. The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – Unadjusted quoted market prices in active markets for identical items

Level 2 – Other significant observable inputs, such as quoted prices for similar items. Liabilities for trusts and annuities are based on estimated present value, applying certain assumptions regarding interest rates and life expectancies.

Level 3 – Significant unobservable inputs

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

ABWE NORTH AMERICA
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2017

NOTE F - FAIR VALUE MEASUREMENTS (Continued)

The estimated fair value of certain assets (liabilities) measured on a recurring basis at December 31, 2017 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 13,631,339	\$ 13,631,339	\$ —	\$ —
Common and preferred stock	12,349,086	12,349,086	—	—
Government securities	8,528,646	8,528,646	—	—
Corporate bonds	1,703,291	1,703,291	—	—
Debt securities	1,239,283	1,239,283	—	—
Nonpublicly traded investments	820,905	—	—	820,905
Beneficial interest in trust	<u>2,011,910</u>	<u>—</u>	<u>—</u>	<u>2,011,910</u>
 Total	 <u>\$ 40,284,460</u>	 <u>\$ 37,451,645</u>	 <u>\$ —</u>	 <u>\$ 2,832,815</u>
 Liabilities for trusts	 \$ (3,701,224)	 \$ —	 \$ (3,701,224)	 \$ —
Liabilities for gift annuities	<u>(2,067,805)</u>	<u>—</u>	<u>(2,067,805)</u>	<u>—</u>
 Total	 <u>\$ (5,769,029)</u>	 <u>\$ —</u>	 <u>\$ (5,769,029)</u>	 <u>\$ —</u>

Investments in nonpublicly traded investments consist primarily of an interest in a limited partnership, the estimated fair value of which is based on an amount provided by the investee. The estimated fair value of the beneficial interest in trust is based on an amount provided by a certain bank and considers life expectancy tables and other relevant factors. The activity for Level 3 assets for 2017 was immaterial.

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Category</u>	
Land	\$ 3,047,990
Buildings and improvements	6,317,407
Vehicles	3,641,706
Furniture and equipment	<u>2,155,104</u>
 Net property and equipment	 15,162,207
 Less: Accumulated depreciation	 <u>(7,405,797)</u>
 Net property and equipment	 <u>\$ 7,756,410</u>

Depreciation expense was \$744,361 during 2017.

In connection with its activities, ABWE maintains certain property in foreign countries. ABWE has estimated the historical cost of certain of these properties based upon the property assessments of foreign governments and other information available to management. As of December 31, 2017, ABWE held property in foreign countries with carrying values (net of accumulated depreciation) of approximately \$1,164,000. In addition, at December 31, 2017, ABWE missionaries located throughout the world held for the benefit of ABWE vehicles and equipment with carrying values (net of accumulated depreciation) of approximately \$1,070,000. See Note K.

ABWE NORTH AMERICA
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2017

NOTE G - PROPERTY AND EQUIPMENT (Continued)

ABWE may have interests in other assets, particularly real estate, in foreign jurisdictions that are not reflected in the accompanying combined statement of financial position due to political instability in the foreign jurisdiction and/or the lack of documentation clearly indicating ABWE's rights in the property, if any. Upon receipt of further documentation supporting the existence, ownership, and valuation of such properties, ABWE may recognize an asset related to its rights in these properties.

NOTE H - DEFINED BENEFIT PLANS

The Foundation is the trustee and plan sponsor for the following defined benefit pension plans:

Missionary Retirement Plan - A noncontributory defined benefit pension plan maintained for the benefit of full-term missionaries who meet certain eligibility requirements. Benefits, which are normally payable upon the attainment of age 65, are based on qualifying years of service and marital status.

Staff Retirement Plan - A noncontributory defined benefit pension plan maintained for the benefit of staff employees with five or more years of credited service. Benefits, which are normally payable upon the attainment of age 65, are based on a certain percentage of average monthly compensation.

The following information is presented for the plans on a combined basis.

Change in benefit obligation:

Benefit obligation, January 1, 2017	\$ 55,072,145
Service cost	1,196,534
Interest cost	2,033,171
Benefits paid	(3,154,182)
Change in discount rate assumption	2,562,702
Change in mortality table assumption	(141,320)
Actuarial (gain)/loss	<u>(174,014)</u>
Benefit obligation, December 31, 2017	<u>57,395,036</u>

Change in plan assets:

Estimated fair value of plan assets, January 1, 2017	34,219,598
Employer contributions	1,636,031
Benefits paid	(3,154,182)
Return on plan assets	<u>3,974,548</u>
Estimated fair value of plan assets, December 31, 2017	<u>36,675,995</u>
Unfunded status (liability)	<u><u>\$(20,719,041)</u></u>

Components of net periodic benefit cost:

Service cost	\$ 1,196,534
Interest cost	2,033,171
Expected return on plan assets	(2,276,762)
Amortization of unrecognized prior service cost	(123,175)
Amortization of unrecognized loss	<u>2,007,845</u>
Total net periodic benefit cost recognized	<u><u>\$ 2,837,613</u></u>

ABWE NORTH AMERICA
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2017

NOTE H - DEFINED BENEFIT PLANS (Continued)

Following are the weighted average assumptions and additional information related to the pension plans:

Weighted-average assumptions

Discount rate (3.36% for staff retirement plan)	3.35%
Expected return on plan assets	7.0%
Rate of compensation increase (for staff retirement plan only)	2.50%
Average remaining service in years (6.2 for staff retirement plan)	6.1

Selection of assumptions

The selection of the discount rate assumption reflects an estimate made based on the rates of return on high-quality fixed-income investments currently available and expected to be available during the period to maturity of the pension benefits.

The selection of the expected return on plan assets reflects an estimate from within a reasonable range, based on future long-term asset growth expectations and acknowledging recent return experience.

The selection of the rate of compensation increase for the staff retirement plan reflects an estimate from within a reasonable range, based on both recent salary increases and future expectations.

Expected employer contributions for the year ending December 31, 2018 are approximately \$1,135,000.

During 2017, ABWE International, Inc. made contributions totaling approximately \$1,636,000 to the plans.

Approximate projected benefit payments for the years ending December 31 are as follows:

2018	\$ 4,761,000
2019	\$ 3,703,000
2020	\$ 3,667,000
2021	\$ 3,700,000
2022	\$ 3,716,000
2023 - 2027	\$ 18,201,000

The estimated fair value of plan assets consisted of the following:

Cash and equivalents	\$ 1,520,966
Equity securities (including mutual funds)	23,086,669
Fixed income securities	<u>12,068,360</u>
Total	<u>\$ 36,675,995</u>

Assets of the Foundation's defined benefit plans are invested in portfolios that are designed to generate returns sufficient to meet obligations to beneficiaries at acceptable levels of risk. For fair value measurement purposes, the plan assets are considered to fall within Level 1 of the fair value hierarchy.

ABWE NORTH AMERICA
NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2017

NOTE I – TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes during the year ended December 31, 2017:

	Balance January 1, 2017	Contributions and other	Releases	Balance December 31, 2017
Missionary projects	\$ 8,308,018	\$ 6,892,209	\$ (6,374,652)	\$ 8,825,575
Beneficial interest in trust	1,718,659	293,251	—	2,011,910
Irrevocable charitable remainder trusts	<u>687,968</u>	<u>28,149</u>	<u>—</u>	<u>716,117</u>
Total	<u>\$ 10,714,645</u>	<u>\$ 7,213,609</u>	<u>\$ (6,374,652)</u>	<u>\$ 11,553,602</u>

NOTE J – RETIREMENT PLAN

The Foundation maintains a 403(b) retirement plan (“the Plan”) through GuideStone Financial Resources of the Southern Baptist Convention. Employees are eligible to participate upon meeting the eligibility requirements described in the Plan document. Eligible employees may make tax-deferred contributions to the Plan. Employer contributions to the Plan are discretionary. During 2017, ABWE Ministries, Inc. made contributions to the Plan totaling approximately \$169,000.

NOTE K – PRIOR PERIOD ADJUSTMENTS

ABWE previously reported in its combined financial statements the cash and cash equivalents of certain foreign entities with which ABWE has a relationship but which ABWE does not “control” (as that term is defined under GAAP). Accordingly, cash and cash equivalents and net assets as of January 1, 2017 were reduced by \$2,459,442.

ABWE did not previously recognize its interest in certain property and equipment owned by ABWE and held in foreign countries. Accordingly, property and equipment and net assets as of January 1, 2017 were increased by \$2,158,033.

ABWE did not previously record accrued compensation for certain employees. Accordingly, accounts payable and accrued expenses were increased and net assets were decreased as of January 1, 2017 by \$1,160,634.

The corrections above, which have no effect on the results of the current year’s activities, are summarized as follows:

Effect of adjusting cash and cash equivalents	\$ (2,459,442)
Effect of adjusting property and equipment	2,158,033
Effect of adjusting accounts payable and accrued expenses	<u>(1,160,634)</u>
Total prior period adjustment to net assets (decrease)	<u>\$ (1,462,043)</u>

The effect of these corrections on the prior year’s beginning net assets and changes in net assets has not been determined.

SUPPLEMENTAL SCHEDULES

ABWE NORTH AMERICA
COMBINING STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS

	ABWE Foundation, Inc.	ABWE Ministries, Inc.	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 1,731,004	\$ 293,015	\$ —	\$ 2,024,019
Cash designated for health insurance reserves	1,134,800	—	—	1,134,800
Cash restricted for long-term purposes	—	25,000	—	25,000
Investments	35,783,892	360,152	—	36,144,044
Investments held in trust	4,417,341	—	—	4,417,341
Beneficial interest in trust	2,011,910	—	—	2,011,910
Other assets	125,129	806,522	—	931,651
Property and equipment, net	—	7,756,410	—	7,756,410
Total assets	\$ 45,204,076	\$ 9,241,099	\$ —	\$ 54,445,175

LIABILITIES AND NET ASSETS

LIABILITIES				
Accounts payable and accrued expenses	\$ 37,444	\$ 2,766,284	\$ —	\$ 2,803,728
Amounts held for others	125,240	—	—	125,240
Net pension obligation	20,719,041	—	—	20,719,041
Trust liabilities	3,701,224	—	—	3,701,224
Annuities payable	2,067,805	—	—	2,067,805
Total liabilities	26,650,754	2,766,284	—	29,417,038
NET ASSETS				
Unrestricted				
Undesignated	5,637,607	(1,306,595)	—	4,331,012
Designated				
Deficit associated with net pension obligation	(20,719,041)	—	—	(20,719,041)
Funds held in missionary accounts	18,960,509	—	—	18,960,509
Donor-advised funds	1,985,845	—	—	1,985,845
Health insurance reserves	1,134,800	—	—	1,134,800
Investment in property and equipment	—	7,756,410	—	7,756,410
Total designated	1,362,113	7,756,410	—	9,118,523
Total unrestricted	6,999,720	6,449,815	—	13,449,535
Temporarily restricted	11,553,602	—	—	11,553,602
Permanently restricted	—	25,000	—	25,000
Total net assets	18,553,322	6,474,815	—	25,028,137
Total liabilities and net assets	\$ 45,204,076	\$ 9,241,099	\$ —	\$ 54,445,175

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ABWE NORTH AMERICA
COMBINING STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2017

	ABWE Foundation, Inc.	ABWE Ministries, Inc.	Eliminations	Total
CHANGE IN UNRESTRICTED NET ASSETS				
Public support and revenue				
Contributions	\$ 40,993,982	\$ —	\$ —	\$ 40,993,982
Investment income	4,103,988	46,604	—	4,150,592
Other income	349,741	312,183	—	661,924
Change in value of trusts and charitable gift annuities	(324,311)	—	—	(324,311)
Grants	—	48,274,195	(48,274,195)	—
	<u>45,123,400</u>	<u>48,632,982</u>	<u>(48,274,195)</u>	<u>45,482,187</u>
Total public support and revenue				
Net assets released from restrictions	<u>6,374,652</u>	<u>—</u>	<u>—</u>	<u>6,374,652</u>
Total public support and revenue and net assets released from restrictions	<u>51,498,052</u>	<u>48,632,982</u>	<u>(48,274,195)</u>	<u>51,856,839</u>
Expenses				
Program activities	<u>49,519,513</u>	<u>40,446,450</u>	<u>(48,274,195)</u>	<u>41,691,768</u>
Supporting activities				
Management and general	294,702	5,760,439	—	6,055,141
Fundraising	<u>249,855</u>	<u>2,655,569</u>	<u>—</u>	<u>2,905,424</u>
Total supporting activities	<u>544,557</u>	<u>8,416,008</u>	<u>—</u>	<u>8,960,565</u>
Total expenses	<u>50,064,070</u>	<u>48,862,458</u>	<u>(48,274,195)</u>	<u>50,652,333</u>
Change in unrestricted net assets before pension liability adjustment	1,433,982	(229,476)	—	1,204,506
Pension liability adjustment	<u>133,506</u>	<u>—</u>	<u>—</u>	<u>133,506</u>
Change in unrestricted net assets	<u>1,567,488</u>	<u>(229,476)</u>	<u>—</u>	<u>1,338,012</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS				
Contributions	6,892,209	—	—	6,892,209
Change in beneficial interest in trust	293,251	—	—	293,251
Investment income	26,253	—	—	26,253
Change in value of trusts and charitable gift annuities	1,896	—	—	1,896
Net assets released from restrictions	<u>(6,374,652)</u>	<u>—</u>	<u>—</u>	<u>(6,374,652)</u>
Change in temporarily restricted net assets	<u>838,957</u>	<u>—</u>	<u>—</u>	<u>838,957</u>
CHANGE IN NET ASSETS	<u>2,406,445</u>	<u>(229,476)</u>	<u>—</u>	<u>2,176,969</u>
NET ASSETS - Beginning of year as originally reported	16,146,877	8,166,334	—	24,313,211
Prior period adjustments (see Note K)	<u>—</u>	<u>(1,462,043)</u>	<u>—</u>	<u>(1,462,043)</u>
NET ASSETS - Beginning of year, as restated	<u>16,146,877</u>	<u>6,704,291</u>	<u>—</u>	<u>22,851,168</u>
NET ASSETS - End of year	<u>\$ 18,553,322</u>	<u>\$ 6,474,815</u>	<u>\$ —</u>	<u>\$ 25,028,137</u>

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