



ASSOCIATION OF BAPTISTS FOR WORLD EVANGELISM, INC.
D/B/A ABWE INTERNATIONAL

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018





REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Association of Baptists for World Evangelism, Inc. d/b/a ABWE International
New Cumberland, Pennsylvania

We have audited the accompanying consolidated financial statements of Association of Baptists for World Evangelism, Inc. d/b/a ABWE International ("ABWE"), which consist of the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Association of Baptists for World Evangelism, Inc. d/b/a ABWE International as of December 31, 2018, the consolidated changes in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental consolidating statement of financial position as of December 31, 2018, and the related supplemental consolidating statement of activities for the year then ended are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
May 16, 2019

ASSOCIATION OF BAPTISTS FOR WORLD EVANGELISM, INC.

D/B/A ABWE INTERNATIONAL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

ASSETS

Cash and cash equivalents	\$	3,599,317
Investments		33,533,269
Investments held in trust		3,614,829
Beneficial interest in trust		1,859,216
Other assets		1,603,350
Property and equipment, net		<u>7,831,266</u>

Total assets **\$ 52,041,247**

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$	2,320,563
Amounts held for others		100,653
Net pension obligation		18,421,818
Trust liabilities		3,103,884
Annuities payable		<u>1,954,978</u>

Total liabilities **25,901,896**

NET ASSETS

Without restrictions		
Undesignated		<u>1,736,834</u>
Designated		
Deficit associated with net pension obligation	(18,421,818)	
Funds held in missionary accounts	22,113,191	
Donor-advised funds	644,748	
Health insurance reserves	64,498	
Investment in property and equipment	<u>7,831,266</u>	

Total designated 12,231,885

Total net assets without restrictions 13,968,719

With restrictions 12,170,632

Total net assets **26,139,351**

Total liabilities and net assets **\$ 52,041,247**

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

ASSOCIATION OF BAPTISTS FOR WORLD EVANGELISM, INC.

D/B/A ABWE INTERNATIONAL
CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2018

CHANGE IN NET ASSETS WITHOUT RESTRICTIONS

Public support and revenue	
Contributions	\$ 42,034,542
Investment loss, net	(534,679)
Other income	1,031,643
Change in value of trusts and charitable gift annuities	<u>(180,936)</u>
Total public support and revenue	42,350,570
Net assets released from restrictions	<u>4,112,264</u>
Total public support and revenue and net assets released from restrictions	<u>46,462,834</u>
Expenses	
Program activities	<u>40,167,673</u>
Supporting activities	
Management and general	5,554,777
Fundraising	<u>2,926,574</u>
Total supporting activities	<u>8,481,351</u>
Total expenses	<u>48,649,024</u>
Change in net assets without restrictions before pension liability adjustment	(2,186,190)
Pension liability adjustment	<u>2,297,223</u>
Change in net assets without restrictions	<u>111,033</u>
CHANGE IN NET ASSETS WITH RESTRICTIONS	
Contributions	5,470,311
Change in beneficial interest in trust	(152,694)
Investment loss, net	(61,936)
Change in value of trusts and charitable gift annuities	(143,236)
Net assets released from restrictions	<u>(4,112,264)</u>
Change in net assets with restrictions	<u>1,000,181</u>
CHANGE IN NET ASSETS	1,111,214
NET ASSETS - Beginning of year	<u>25,028,137</u>
NET ASSETS - End of year	<u>\$ 26,139,351</u>

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

ASSOCIATION OF BAPTISTS FOR WORLD EVANGELISM, INC.
D/B/A ABWE INTERNATIONAL
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2018

	Supporting activities				Total expenses
	Program activities	Management and general	Fundraising	Total supporting activities	
Wages and benefits	\$ 24,209,056	\$ 2,963,902	\$ 2,129,421	\$ 5,093,323	\$ 29,302,379
General ministry expense	5,193,837	234,734	165,103	399,837	5,593,674
Travel expenses	2,761,058	421,964	263,944	685,908	3,446,966
Grants	3,248,742	69,590	107,145	176,735	3,425,477
Office expense and supplies	1,617,200	712,299	131,400	843,699	2,460,899
Non-capitalized project expenditures	1,371,972	5,416	3,765	9,181	1,381,153
Vehicles and aircraft	909,779	—	90,029	90,029	999,808
Facilities management	558,564	407,971	19,709	427,680	986,244
Professional fees	219,705	513,942	10,451	524,393	744,098
Service fees	8,025	205,897	272	206,169	214,194
Public relations expense	69,735	19,062	5,335	24,397	94,132
Total	\$ 40,167,673	\$ 5,554,777	\$ 2,926,574	\$ 8,481,351	\$ 48,649,024

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

ASSOCIATION OF BAPTISTS FOR WORLD EVANGELISM, INC.

D/B/A ABWE INTERNATIONAL

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2018

OPERATING CASH FLOWS

Cash received from contributors	\$ 47,504,853
Other income received	1,031,643
Investment income	502,584
Cash paid for operating activities and costs	<u>(48,157,063)</u>

Net operating cash flows 882,017

INVESTING CASH FLOWS

Proceeds from net sales of investments	1,511,576
Purchases of and improvements to property and equipment	<u>(818,295)</u>

Net investing cash flows 693,281

NET CHANGE IN CASH AND CASH EQUIVALENTS **1,575,298**

CASH AND CASH EQUIVALENTS - Beginning of year 2,024,019

CASH AND CASH EQUIVALENTS - End of year \$ 3,599,317

ASSOCIATION OF BAPTISTS FOR WORLD EVANGELISM, INC.

D/B/A ABWE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

NOTE A – NATURE OF ACTIVITIES

Association of Baptists for World Evangelism, Inc. d/b/a ABWE International (“ABWE”) is a not-for-profit New Jersey corporation established in 1971 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 includes the activities that were previously conducted by ABWE Ministries, Inc., ABWE International, Inc., and Association of Baptists for World Evangelism, Inc. d/b/a ABWE North America. Effective January 1, 2018, ABWE Ministries, Inc., ABWE International, Inc., and Association of Baptists for World Evangelism, Inc., merged, with Association of Baptists for World Evangelism, Inc. d/b/a ABWE International continuing as the surviving corporation. Also effective January 1, 2018, Association of Baptists for World Evangelism, Inc. d/b/a ABWE International became the trustee and plan sponsor of the ABWE Missionary Retirement Plan and the ABWE Staff Retirement Plan (“the Retirement Plans”).

In conformity with accounting principles generally accepted in the United States of America (“GAAP”), the consolidated financial statements of ABWE include the accounts of the following organizations, which are separate legal entities. All significant inter-organization accounts and transactions have been eliminated in consolidation.

- ABWE Foundation, LLC (“the Foundation”) is a Pennsylvania limited liability company whose purpose is to solicit, hold, invest, and administer funds for the benefit of ABWE. The activities of the Foundation were previously conducted by ABWE Foundation, Inc. Effective January 1, 2018, ABWE Foundation, Inc. was converted to a Pennsylvania limited liability company with Association of Baptists for World Evangelism, Inc. d/b/a ABWE International becoming the sole member.
- Global Neighbors, LLC (“Global Neighbors”) is a Pennsylvania limited liability company that supports ABWE by employing missionaries serving in certain foreign countries. The activities of Global Neighbors were previously conducted by Global Neighbors, Inc. Effective January 1, 2018, Global Neighbors, Inc. was converted to a Pennsylvania limited liability company with Association of Baptists for World Evangelism, Inc. d/b/a ABWE International becoming the sole member.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue and support

ABWE recognizes cash contributions as revenue when the contributions are received by ABWE. Contributions are recorded as with or without restrictions, 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), net assets with restrictions are reclassified to net assets without restrictions and reported in the consolidated statement of activities as “net assets released from restrictions.”

All contributions are received as donations to ABWE 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 ABWE. ABWE 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.

ASSOCIATION OF BAPTISTS FOR WORLD EVANGELISM, INC.

D/B/A ABWE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated financial statements as further described in Note E. The carrying values of such investments conform to 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, contribution revenue with or without restrictions 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.

Donor-advised funds

The Foundation administers various donor-advised funds. Donor gifts to such funds are made irrevocably with the understanding that while the donor retains an advisory role in the distribution of funds, the Foundation retains ultimate control over the use of the funds. Accordingly, such gifts are reflected as contributions without donor restrictions and designated net assets in the accompanying consolidated financial statements.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. The Board has designated a portion of net assets without donor restrictions for missionary accounts, donor-advised funds, health insurance reserves, and investment in property and equipment. Net assets with donor restrictions consist of amounts with uses limited by donor-imposed time and/or purpose restrictions.

Functional allocation of expenses

The consolidated statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time.

Income taxes

Association of Baptists for World Evangelism, Inc. d/b/a ABWE International 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. The Foundation and Global Neighbors are considered disregarded entities for income 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 consolidated financial statements.

ASSOCIATION OF BAPTISTS FOR WORLD EVANGELISM, INC.

D/B/A ABWE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently adopted accounting pronouncement

Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities is effective for ABWE’s consolidated financial statements for the year ended December 31, 2018. The ASU requires various changes to the presentation of financial statements for not-for-profit entities, the most significant of which relate to the classifications of net assets, a requirement to report expenses by natural classification as well as by functional classification, and new required disclosures related to an entity’s liquidity and availability of resources. The adoption of the ASU had no effect on ABWE’s consolidated net assets as of January 1, 2018.

Use of estimates

Management uses estimates and assumptions in preparing consolidated 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 consolidated 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 May 16, 2019, the date as of which the consolidated financial statements were available to be issued.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available within one year of the date of the consolidated statement of financial position for general expenditure are as follows:

Cash and cash equivalents	\$ 3,599,317
Investments	<u>37,148,098</u>
Total financial assets available within one year	<u>40,747,415</u>
Less:	
Amounts unavailable for general expenditure within one year, due to donor-imposed restrictions	(9,775,471)
Amounts unavailable for general expenditure within one year, due to amounts held to satisfy charitable gift annuity obligations	(3,968,760)
Amounts unavailable for general expenditure within one year, due to amounts held as trustee for revocable and irrevocable trusts	(3,614,829)
Amounts unavailable to management without Board approval, board-designated net assets	<u>(644,748)</u>
Net financial assets available within one year	<u>\$ 22,743,607</u>

ABWE is primarily supported by contributions. As part of ABWE’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. ABWE has assets limited to use for donor-restricted purposes. Because a donor’s restriction requires resources to be used in a specific manner or in a future period, ABWE must maintain sufficient resources to meet its responsibilities to its donors. Thus, those financial assets may not be available for general expenditures within one year of December 31, 2018, and are excluded from net financial assets available to meet general expenditures within one year. Certain designated amounts are also not available for general expenditure within the next year and are excluded from net financial assets available within one year. The designated funds held in missionary accounts are available for general expenditure within the next year.

ASSOCIATION OF BAPTISTS FOR WORLD EVANGELISM, INC.

D/B/A ABWE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

Management believes ABWE has sufficient investments available for general operations that may be drawn upon in the event of an unanticipated financial distress or an immediate liquidity need.

NOTE D – 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 E – INVESTMENTS

ABWE holds 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	\$ 3,968,760
• Investments held as trustee for irrevocable trusts	2,053,805
• Investments held as trustee for revocable trusts	1,561,024

Investments held for other purposes

• Investments held for general operations	19,144,290
• Investments held for temporarily restricted purposes	9,775,471
• Investments held for donor-advised funds	<u>644,748</u>

Total investments \$ 37,148,098

Investments (including investments held in trust) consisted of the following:

<u>Category</u>	
Money market and similar funds	\$ 1,002,568
Mutual funds	11,955,392
Common and preferred stocks	11,446,882
Government securities	9,318,530
Corporate bonds	1,736,100
Debt securities	974,041
Nonpublicly traded investments	<u>714,585</u>
Total investments	<u>\$ 37,148,098</u>

ASSOCIATION OF BAPTISTS FOR WORLD EVANGELISM, INC.

D/B/A ABWE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

NOTE F – INVESTMENTS HELD IN TRUST

Investments held in trust were for the following purposes:

<u>Category</u>	
Investments held for irrevocable trusts	\$ 2,053,805
Investments held for revocable trusts	<u>1,561,024</u>
Total investments held in trust	<u>\$ 3,614,829</u>

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

<u>Category</u>	
Revocable charitable beneficiary liabilities	\$ 1,561,024
Irrevocable charitable beneficiary liabilities	<u>1,542,860</u>
Total liabilities	3,103,884
Net assets with donor restrictions for irrevocable charitable remainder trusts	<u>510,945</u>
Total investments held in trust	<u>\$ 3,614,829</u>

NOTE G – 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.

ASSOCIATION OF BAPTISTS FOR WORLD EVANGELISM, INC.

D/B/A ABWE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

NOTE G – FAIR VALUE MEASUREMENTS (Continued)

The estimated fair value of certain assets (liabilities) measured on a recurring basis at December 31, 2018 are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 11,955,392	\$ 11,955,392	\$ —	\$ —
Common and preferred stock	11,446,882	11,446,882	—	—
Government securities	9,318,530	9,318,530	—	—
Corporate bonds	1,736,100	1,736,100	—	—
Debt securities	974,041	974,041	—	—
Nonpublicly traded investments	714,585	—	—	714,585
Beneficial interest in trust	<u>1,859,216</u>	<u>—</u>	<u>—</u>	<u>1,859,216</u>
 Total	 <u>\$ 38,004,746</u>	 <u>\$ 35,430,945</u>	 <u>\$ —</u>	 <u>\$ 2,573,801</u>
 Liabilities for trusts	 \$ (3,103,884)	 \$ —	 \$ (3,103,884)	 \$ —
Liabilities for gift annuities	<u>(1,954,978)</u>	<u>—</u>	<u>(1,954,978)</u>	<u>—</u>
 Total	 <u>\$ (5,058,862)</u>	 <u>\$ —</u>	 <u>\$ (5,058,862)</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 during 2018 was immaterial.

NOTE H – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Category</u>	
Land	\$ 3,047,990
Buildings and improvements	6,341,716
Vehicles	4,199,905
Furniture and equipment	<u>2,166,103</u>
 Net property and equipment	 15,755,714
 Less: Accumulated depreciation	 <u>(7,924,448)</u>
 Net property and equipment	 <u>\$ 7,831,266</u>

Depreciation expense was approximately \$743,000 during 2018.

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, 2018, ABWE held property in foreign countries with carrying values (net of accumulated depreciation) of approximately \$1,161,000. In addition, at December 31, 2018, ABWE missionaries located throughout the world held for the benefit of ABWE vehicles and equipment with carrying values (net of accumulated depreciation) of approximately \$1,341,000.

ASSOCIATION OF BAPTISTS FOR WORLD EVANGELISM, INC.

D/B/A ABWE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

NOTE H – PROPERTY AND EQUIPMENT (Continued)

ABWE may have interests in other assets, particularly real estate, in foreign jurisdictions that are not reflected in the accompanying consolidated 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 in future years.

NOTE I – DEFINED BENEFIT PLANS

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

ABWE 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.

ABWE 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 consolidated basis.

Change in benefit obligation:

Benefit obligation, January 1, 2018	\$ 57,395,036
Service cost	1,209,040
Interest cost	1,885,452
Benefits paid	(2,611,473)
Change in discount rate assumption	(4,513,349)
Change in mortality table assumption	(623,833)
Actuarial (gain)/loss	<u>606,374</u>
Benefit obligation, December 31, 2018	<u>53,347,247</u>

Change in plan assets:

Estimated fair value of plan assets, January 1, 2018	36,675,995
Employer contributions	1,296,792
Benefits paid	(2,611,473)
Net loss on plan assets	<u>(435,885)</u>
Estimated fair value of plan assets, December 31, 2018	<u>34,925,429</u>

Unfunded status (liability) \$(18,421,818)

Components of net periodic benefit cost:

Service cost	\$ 1,209,040
Interest cost	1,885,452
Expected return on plan assets	(2,443,031)
Amortization of unrecognized prior service cost	(123,175)
Amortization of unrecognized loss	<u>1,790,418</u>

Total net periodic benefit cost recognized \$ 2,318,704

ASSOCIATION OF BAPTISTS FOR WORLD EVANGELISM, INC.

D/B/A ABWE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

NOTE 1 – DEFINED BENEFIT PLANS (Continued)

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

Weighted-average assumptions

Discount rate (4.11% for ABWE Staff Retirement Plan)	4.12%
Expected return on plan assets	7.0%
Rate of compensation increase (for ABWE Staff Retirement Plan only)	2.50%
Average remaining service in years (7.0 for ABWE Staff Retirement Plan)	6.6

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, 2019 are approximately \$1,173,000.

During 2018, ABWE made contributions totaling approximately \$1,297,000 to the plans.

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

2019	\$ 4,505,000
2020	\$ 3,823,000
2021	\$ 3,829,000
2022	\$ 3,797,000
2023	\$ 3,813,000
2024 – 2028	\$ 18,405,000

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

Cash and equivalents	\$ 382,236
Equity securities (including mutual funds)	22,916,733
Fixed income securities	<u>11,626,460</u>
Total	<u>\$ 34,925,429</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.

ASSOCIATION OF BAPTISTS FOR WORLD EVANGELISM, INC.

D/B/A ABWE INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

NOTE J - NET ASSETS WITH RESTRICTIONS

Net assets with restrictions were for the following purposes during the year ended December 31, 2018:

	Balance January 1, 2018	Contributions and other	Releases	Balance December 31, 2018
Missionary projects	\$ 8,311,593	\$ 5,470,311	\$ (4,112,264)	\$ 9,669,640
Beneficial interest in trust	2,011,910	(152,694)	—	1,859,216
Irrevocable charitable remainder trusts	716,117	(205,172)	—	510,945
Funds held for retired missionary	105,831	—	—	105,831
Endowment for cemetery maintenance	<u>25,000</u>	<u>—</u>	<u>—</u>	<u>25,000</u>
Total	<u>\$ 11,170,451</u>	<u>\$ 5,112,445</u>	<u>\$ (4,112,264)</u>	<u>\$ 12,170,632</u>

During 2018, management of ABWE determined that certain amounts previously treated as net assets with restrictions should have been treated as net assets without restrictions. Accordingly, \$408,151 of net assets have been reclassified from net assets with restrictions to net assets without restrictions as of January 1, 2018, with no effect on total net assets.

NOTE K - RETIREMENT PLAN

ABWE 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 2018, ABWE made employer discretionary contributions to the Plan totaling approximately \$179,000.

SUPPLEMENTAL SCHEDULES

ASSOCIATION OF BAPTISTS FOR WORLD EVANGELISM, INC.
D/B/A ABWE INTERNATIONAL
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

	Association of Baptists for World Evangelism, Inc.	ABWE Foundation, LLC	Global Neighbors, LLC	Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ 2,722,364	\$ 867,922	\$ 9,031	\$ —	\$ 3,599,317
Investments	28,813,929	4,719,340	—	—	33,533,269
Investments held in trust	—	3,614,829	—	—	3,614,829
Beneficial interest in trust	—	1,859,216	—	—	1,859,216
Other assets	1,601,350	10,000	2,000	(10,000)	1,603,350
Property and equipment, net	7,831,266	—	—	—	7,831,266
Total assets	\$ 40,968,909	\$ 11,071,307	\$ 11,031	\$ (10,000)	\$ 52,041,247

LIABILITIES AND NET ASSETS

LIABILITIES					
Accounts payable and accrued expenses	\$ 2,219,292	\$ —	\$ 111,271	\$ (10,000)	\$ 2,320,563
Amounts held for others	100,653	—	—	—	100,653
Net pension obligation	18,421,818	—	—	—	18,421,818
Trust liabilities	—	3,103,884	—	—	3,103,884
Annuities payable	—	1,954,978	—	—	1,954,978
Total liabilities	20,741,763	5,058,862	111,271	(10,000)	25,901,896
NET ASSETS					
Without restrictions					
Undesignated	(1,054,631)	2,891,705	(100,240)	—	1,736,834
Designated					
Deficit associated with net pension obligation	(18,421,818)	—	—	—	(18,421,818)
Funds held in missionary accounts	22,113,191	—	—	—	22,113,191
Donor-advised funds	—	644,748	—	—	644,748
Health insurance reserves	64,498	—	—	—	64,498
Investment in property and equipment	7,831,266	—	—	—	7,831,266
Total designated	11,587,137	644,748	—	—	12,231,885
Total unrestricted	10,532,506	3,536,453	(100,240)	—	13,968,719
With restrictions	9,694,640	2,475,992	—	—	12,170,632
Total net assets	20,227,146	6,012,445	(100,240)	—	26,139,351
Total liabilities and net assets	\$ 40,968,909	\$ 11,071,307	\$ 11,031	\$ (10,000)	\$ 52,041,247

See the Accompanying Report of Independent Auditor

ASSOCIATION OF BAPTISTS FOR WORLD EVANGELISM, INC.

D/B/A ABWE INTERNATIONAL
CONSOLIDATING STATEMENT OF ACTIVITIES
 For The Year Ended December 31, 2018

	Association of Baptists for World Evangelism, Inc.	ABWE Foundation, LLC	Global Neighbors, LLC	Eliminations	Total
CHANGE IN NET ASSETS WITHOUT RESTRICTIONS					
Public support and revenue					
Contributions	\$ 42,033,960	\$ 582	\$ —	\$ —	\$ 42,034,542
Investment loss, net	(490,666)	(44,013)	—	—	(534,679)
Other income	1,250,105	7,138	—	(225,600)	1,031,643
Change in value of trusts and charitable gift annuities	—	(180,936)	—	—	(180,936)
Grants	<u>11,652,841</u>	<u>—</u>	<u>2,010,717</u>	<u>(13,663,558)</u>	<u>—</u>
Total public support and revenue	54,446,240	(217,229)	2,010,717	(13,889,158)	42,350,570
Net assets released from restrictions	<u>4,112,264</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,112,264</u>
Total public support and revenue and net assets released from restrictions	<u>58,558,504</u>	<u>(217,229)</u>	<u>2,010,717</u>	<u>(13,889,158)</u>	<u>46,462,834</u>
Expenses					
Program activities	<u>39,591,186</u>	<u>11,164,536</u>	<u>1,949,019</u>	<u>(12,537,068)</u>	<u>40,167,673</u>
Supporting activities					
Management and general	5,966,666	522,302	20,856	(955,047)	5,554,777
Fundraising	<u>2,921,871</u>	<u>278,944</u>	<u>122,802</u>	<u>(397,043)</u>	<u>2,926,574</u>
Total supporting activities	<u>8,888,537</u>	<u>801,246</u>	<u>143,658</u>	<u>(1,352,090)</u>	<u>8,481,351</u>
Total expenses	<u>48,479,723</u>	<u>11,965,782</u>	<u>2,092,677</u>	<u>(13,889,158)</u>	<u>48,649,024</u>
Change in net assets without restrictions before pension liability adjustment	10,078,781	(12,183,011)	(81,960)	—	(2,186,190)
Pension liability adjustment	<u>2,297,223</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,297,223</u>
Change in net assets without restrictions	<u>12,376,004</u>	<u>(12,183,011)</u>	<u>(81,960)</u>	<u>—</u>	<u>111,033</u>
CHANGE IN NET ASSETS WITH RESTRICTIONS					
Contributions	5,470,311	—	—	—	5,470,311
Change in beneficial interest in trust	—	(152,694)	—	—	(152,694)
Investment loss, net	—	(61,936)	—	—	(61,936)
Change in value of trusts and charitable gift annuities	—	(143,236)	—	—	(143,236)
Net assets released from restrictions	<u>(4,112,264)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,112,264)</u>
Change in net assets with restrictions	<u>1,358,047</u>	<u>(357,866)</u>	<u>—</u>	<u>—</u>	<u>1,000,181</u>
CHANGE IN NET ASSETS	13,734,051	(12,540,877)	(81,960)	—	1,111,214
NET ASSETS - Beginning of year	<u>6,493,095</u>	<u>18,553,322</u>	<u>(18,280)</u>	<u>—</u>	<u>25,028,137</u>
NET ASSETS - End of year	<u>\$ 20,227,146</u>	<u>\$ 6,012,445</u>	<u>\$ (100,240)</u>	<u>\$ —</u>	<u>\$ 26,139,351</u>

See the Accompanying Report of Independent Auditor