

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

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

DECEMBER 31, 2005 AND 2004

ABWE MINISTRIES, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying combined statements of financial position of ABWE Ministries, Inc., (“ABWE”) as of December 31, 2005 and 2004, and the related combined statements of activities and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of ABWE’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABWE as of December 31, 2005 and 2004, the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Philadelphia, Pennsylvania
March 10, 2006**

ABWE MINISTRIES, INC.

COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and cash equivalents (including amounts held in foreign field accounts)	\$ 2,634,626	\$ 1,966,791
Accounts receivable	359,850	375,149
Missionary staff advances	576,189	14,767
Due from Foundation	-	475,000
Investments (<i>Note 4</i>)	139,887	159,743
Inventories	127,565	230,718
Property and equipment less accumulated depreciation of \$1,493,082 in 2005 and \$1,208,082 in 2004 (<i>Note 5</i>)	<u>6,650,254</u>	<u>6,863,254</u>
Total assets	<u>\$10,488,371</u>	<u>\$10,085,422</u>
LIABILITIES		
Accounts payable	\$ 109,718	\$ 12,386
Due to Foundation	532,118	-
Amounts held for others	<u>381,222</u>	<u>534,029</u>
Total liabilities	<u>1,023,058</u>	<u>546,415</u>
NET ASSETS		
Unrestricted		
Undesignated	2,815,059	2,675,753
Equity in property and equipment	<u>6,650,254</u>	<u>6,863,254</u>
Total net assets	<u>9,465,313</u>	<u>9,539,007</u>
Total liabilities and net assets	<u>\$10,488,371</u>	<u>\$10,085,422</u>

ABWE MINISTRIES, INC.

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Support and Revenue		
Contributions	\$37,950,005	\$39,571,697
Interest and dividends	6,978	5,748
Net realized and unrealized gains (losses) on investments	<u>(21,682)</u>	<u>6,222</u>
Total support and revenue	<u>37,935,301</u>	<u>39,583,667</u>
Expenses		
Program Services		
Evangelism and church growth	20,487,728	21,646,338
Bible training	4,153,121	4,208,039
Communication	691,406	782,227
Compassion	3,332,400	2,794,511
Child education	1,767,355	1,755,667
Linguistics	349,096	301,411
Field support	<u>2,965,227</u>	<u>3,658,715</u>
Total program services	<u>33,746,227</u>	<u>35,146,908</u>
Supporting Services		
General and administrative	2,976,527	2,764,417
Fund raising	<u>1,286,241</u>	<u>1,378,211</u>
Total supporting services	<u>4,262,768</u>	<u>4,142,628</u>
Total expenses	<u>38,008,995</u>	<u>39,289,536</u>
Other Changes		
International field cash accounts (Note 3)	<u>-</u>	<u>1,956,641</u>
Change in net assets	(73,694)	2,250,772
Net Assets		
Beginning of year	<u>9,539,007</u>	<u>7,288,235</u>
End of year	<u>\$ 9,465,313</u>	<u>\$ 9,539,007</u>

ABWE MINISTRIES, INC.

COMBINED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (73,694)	\$2,250,772
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i>		
Depreciation	213,000	157,000
Unrealized (gains)/losses on investments	21,682	(6,222)
(Increase) decrease in		
Accounts receivable	15,299	(65,359)
Missionary staff advances	(561,422)	5,233
Due from Foundation	475,000	(475,000)
Inventories	103,153	(14,850)
Increase (decrease) in		
Accounts payable	97,332	9,849
Due to Foundation	532,118	-
Amounts held for others	<u>(152,807)</u>	<u>12,677</u>
Net cash provided by operating activities	<u>669,661</u>	<u>1,874,100</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(280,000)
Purchases of investments	<u>(1,826)</u>	<u>(942)</u>
Net cash used in investing activities	<u>(1,826)</u>	<u>(280,942)</u>
Increase in cash and cash equivalents	667,835	1,593,158
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,966,791</u>	<u>373,633</u>
End of year	<u>\$2,634,626</u>	<u>\$1,966,791</u>

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2005 and 2004

(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”*), and ABWE Canada (*“Canada”*), (*collectively “Ministries”*). These entities comprise a group of worldwide Christian missionary organizations operating as not-for-profit religious corporations, which are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Property and business of the corporations are managed by the Board of Trustees of each organization. Trustees for International and North America are elected by Trustees of ABWE Ministries, Inc. An Agency agreement between International and Canada established control by International.

Commencing September 2005, with the change in the agency agreement between International and Canada, International no longer has control over the operations of Canada. As such, Canadian operations have not been consolidated since September 2005. The operations of Canada are not material to the financial statements of Ministries.

All intercompany balances and transactions have been eliminated.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets as follows:

Unrestricted amounts are those currently available at the discretion of the board for use in operations and those resources invested in property and equipment

Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or for the acquisition of property or equipment

All contributions are considered available for unrestricted use, unless specifically restricted by the donor, or subject to other legal restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

CASH AND CASH EQUIVALENTS

Cash consists of interest bearing checking and money market accounts. Ministries considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash and cash equivalents. Total cash and cash equivalents held in foreign accounts were \$2,334,469 and \$1,956,641 at December 31, 2005 and 2004 respectively.

INVESTMENTS

Investments in equity securities with readily determinable fair values and all debt securities are reported at fair value with gains and losses included in the combined statements of activities.

Non-readily marketable securities are carried at estimated fair value.

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2005 and 2004

CONCENTRATION OF CREDIT AND OTHER RISKS

Ministries places substantially all of its cash and liquid investments with high-quality financial institutions and limits the amount of exposure to any one financial institution. These accounts, from time to time, may exceed federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions

Additionally, Ministries operates in many foreign countries, many of which do not have stable governments or economies. To the extent adverse events occur in these countries, Ministries foreign cash accounts may decline sharply or such accounts may not be able to be recovered or removed from these countries.

PROPERTY AND EQUIPMENT

Land and buildings are stated at cost. Post-1985 acquisitions are stated at cost. Pre-1985 furnishings and equipment were not capitalized. Real estate and equipment owned in foreign and national fields are not reflected on the balance sheet, as they are recorded as expenses when purchased. The capitalizing of these assets are not material to the financial statements.

Depreciation is recorded on property and equipment using the straight-line method based on estimated lives as follows:

Buildings and Improvements	40-50 Years
Equipment	5-20 Years

CONTRIBUTIONS

Ministries records unconditional promises to give (pledges) as a receivable and revenue in the year pledged. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are then classified to unrestricted net assets. Substantially all contributions are received from an affiliated organization, ABWE Foundation, Inc.

FUNCTIONAL ALLOCATION OF EXPENSES

Ministries' costs of program and support activities have been summarized on a functional basis in the statement of activities and changes in net assets. The costs of certain multipurpose activities have been allocated based on level of effort among program and support ministry categories.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2005 and 2004

(3) INTERNATIONAL FIELD CASH ACCOUNTS

Previously, Ministries charged to expenses funds remitted to foreign field offices when disbursed. Unexpended balances were not reflected as assets in the financial statements. In 2004, Ministries changed its policy to record these transfers of funds as advances until expenses are incurred. As a result, these unexpended balances at December 31, 2004 amounted to \$1,956,641 and were recorded as assets in the financial statements. The effect of this change was included in other changes in the Statement of Activity and Changes in Net Assets.

(4) INVESTMENTS

Investments at December 31, 2005 and 2004 consist of the following:

	<u>2005</u>	<u>2004</u>
Money Market	\$ 6,316	\$ 4,913
Corporate Notes and Bonds	-	4,170
Common Stock	115,933	134,266
Mutual Funds	<u>17,638</u>	<u>16,394</u>
Total Investments	<u>\$139,887</u>	<u>\$159,743</u>

(5) PROPERTY AND EQUIPMENT

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

	<u>2005</u>	<u>2004</u>
Office furniture and equipment	\$1,211,142	\$1,211,142
Land/building	<u>6,932,194</u>	<u>6,932,194</u>
	8,143,336	8,143,336
Less accumulated depreciation and amortization	<u>1,493,082</u>	<u>1,280,082</u>
Net property and equipment	<u>\$6,650,254</u>	<u>\$6,863,254</u>

Depreciation and amortization for the years ended December 31, 2005 and 2004 was \$213,000 and \$185,000, respectively.

(6) PENSION PLANS

Ministries participate in pension plans which provide retirement benefits for qualified full-time missionaries and staff. The ABWE Missionary Retirement Trust and ABWE Staff Retirement Plan are qualified defined benefit plans. Both plans are administered by the ABWE Foundation, Inc. For the years ended December 31, 2005 and 2004, missionary pension expense was \$679,694 and \$717,927, respectively, and staff pension expense was \$286,976 and \$173,448, respectively. These amounts were paid to the ABWE Foundation, which by agreement with Ministries 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.

SUPPLEMENTAL INFORMATION

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON SUPPLEMENTAL INFORMATION**

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of ABWE Ministries, Inc. as of and for the year ended December 31, 2005 which are presented in the preceding section of this report. The accompanying supplemental combining statement of financial position and combining statement of activities is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

**Philadelphia, Pennsylvania
March 10, 2006**

ABWE MINISTRIES, INC.

COMBINING STATEMENT OF FINANCIAL POSITION

December 31, 2005

	<u>International</u>	<u>North America</u>	<u>Ministries</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$2,589,742	\$ 44,384	\$ 500	\$ 2,634,626
Accounts receivable	350,050	9,800	-	359,850
Missionary staff advances	573,741	-	2,448	576,189
Investments	-	-	139,887	139,887
Inventories	-	127,565	-	127,565
Property and equipment less accumulated depreciation of \$1,493,082	-	6,650,254	-	6,650,254
Total assets	<u>\$3,513,533</u>	<u>\$6,832,003</u>	<u>\$142,835</u>	<u>\$10,488,371</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ -	\$ 109,108	\$ 610	\$ 109,718
Due to (from) Foundation/Affiliates	1,150,628	(597,250)	(21,260)	532,118
Amounts held for others	377,886	3,204	132	381,222
Total liabilities	<u>1,528,514</u>	<u>(484,938)</u>	<u>(20,518)</u>	<u>1,023,058</u>
NET ASSETS				
Unrestricted				
Undesignated	1,985,019	666,687	163,353	2,815,059
Equity in property and equipment	-	6,650,254	-	6,650,254
Total net assets	<u>1,985,019</u>	<u>7,316,941</u>	<u>163,353</u>	<u>9,465,313</u>
Total liabilities and net assets	<u>\$3,513,533</u>	<u>\$6,832,003</u>	<u>\$142,835</u>	<u>\$10,488,371</u>

ABWE MINISTRIES, INC.

COMBINING STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

	<u>International</u>	<u>North America</u>	<u>Ministries</u>	<u>Total</u>
Support and Revenue				
Contributions	\$33,042,637	\$4,094,188	\$813,180	\$37,950,005
Interest and dividends	963	4,189	1,826	6,978
Net realized and unrealized (losses)	-	-	(21,682)	(21,682)
Total support and revenue	<u>33,043,600</u>	<u>4,098,377</u>	<u>793,324</u>	<u>37,935,301</u>
Expenses				
Program Services				
Evangelism and church growth	19,569,248	424,578	493,902	20,487,728
Bible training	4,004,423	115,148	33,550	4,153,121
Communication	319,110	333,708	38,588	691,406
Compassion	3,195,640	136,760	-	3,332,400
Child education	1,767,355	-	-	1,767,355
Linguistics	349,096	-	-	349,096
Field support	<u>2,496,548</u>	<u>389,430</u>	<u>79,143</u>	<u>2,965,227</u>
	<u>31,701,420</u>	<u>1,399,624</u>	<u>645,183</u>	<u>33,746,227</u>
Supporting Activities				
General and administrative	500,489	2,440,709	35,329	2,976,527
Fund raising	<u>914,594</u>	<u>265,483</u>	<u>106,164</u>	<u>1,286,241</u>
	<u>1,415,083</u>	<u>2,706,192</u>	<u>141,493</u>	<u>4,262,768</u>
Total expenses	<u>33,116,503</u>	<u>4,105,816</u>	<u>786,676</u>	<u>38,008,995</u>
Change in net assets	(72,903)	(7,439)	6,648	(73,694)
Net Assets				
Beginning of year	<u>2,057,922</u>	<u>7,324,380</u>	<u>156,705</u>	<u>9,539,007</u>
End of year	<u>\$ 1,985,019</u>	<u>\$7,316,941</u>	<u>\$163,353</u>	<u>\$ 9,465,313</u>