

ABWE MINISTRIES, INC.
HARRISBURG, PENNSYLVANIA

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

DECEMBER 31, 2013 AND 2012

ABWE MINISTRIES, INC.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying combined financial statements of the ABWE Ministries, Inc. (“ABWE”), which comprise the combined statement of financial position as of December 31, 2013 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, 2013, 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, 2013, and have issued our report dated May 1, 2014. 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 2012 financial statements, and our report dated May 28, 2013, 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, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Tait, Weller & Baker LLP". The signature is written in a cursive, flowing style.

**Philadelphia, Pennsylvania
May 1, 2014**

ABWE MINISTRIES, INC.

COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents (Including \$3,105,382 and \$3,175,060 held in foreign currencies at December 31, 2013 and 2012, respectively)	\$ 3,339,850	\$ 5,416,241
Accounts receivables	312,341	256,994
Due from Foundation	924,800	541,564
Missionary staff advances	398,327	523,745
Investments (<i>Note 3</i>)	338,739	302,143
Inventories	207,391	125,714
Property and equipment - net (<i>Note 5</i>)	5,655,174	5,625,527
Total assets	<u>\$ 11,176,622</u>	<u>\$ 12,791,928</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,780,066	\$ 1,463,950
Other Liabilities	449,921	481,146
Total liabilities	<u>2,229,987</u>	<u>1,945,096</u>
NET ASSETS		
Unrestricted		
Undesignated	3,266,461	5,196,305
Equity in property and equipment	5,655,174	5,625,527
Total unrestricted	8,921,635	10,821,832
Permanently restricted (<i>Note 7</i>)	25,000	25,000
Total net assets	<u>8,946,635</u>	<u>10,846,832</u>
Total liabilities and net assets	<u>\$ 11,176,622</u>	<u>\$ 12,791,928</u>

ABWE MINISTRIES, INC.

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2013 with summarized information for 2012

	Unrestricted	Permanently Restricted	Total	
			2013	2012
Support and Revenue				
Contributions	\$ 47,578,263	\$ -	\$ 47,578,263	\$ 49,400,381
Royalty income	59,516	-	59,516	82,066
Interest and dividends	11,290	-	11,290	5,083
Other income	31,589	-	31,589	37,812
Net realized and unrealized gains on investments	25,306	-	25,306	28,387
Total support and revenue	47,705,964	-	47,705,964	49,553,729
Expenses				
Salaries	20,121,247	-	20,121,247	19,671,575
Benefits	7,893,027	-	7,893,027	7,719,172
General ministry	9,686,627	-	9,686,627	8,192,778
Travel	3,013,209	-	3,013,209	3,217,060
Vehicle and aircraft	1,971,863	-	1,971,863	1,967,497
Office expense and supplies	2,583,906	-	2,583,906	2,021,535
Professional fees	972,336	-	972,336	872,117
Facilities operations	495,387	-	495,387	518,116
Bank charges and other	171,154	-	171,154	163,182
Other charities	1,677,483	-	1,677,483	1,471,252
Relief grants	1,019,922	-	1,019,922	969,129
Total supporting activities	49,606,161	-	49,606,161	46,783,413
Changes in net assets	(1,900,197)	-	(1,900,197)	2,770,316
Net Assets				
Beginning of year	10,821,832	25,000	10,846,832	8,076,516
End of year	\$ 8,921,635	\$ 25,000	\$ 8,946,635	\$ 10,846,832

ABWE MINISTRIES, INC.

COMBINED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
<i>Change in net assets</i>	\$ (1,900,197)	\$ 2,770,316
<i>Adjustments to reconcile increase in net assets to net cash used in operating activities</i>		
Depreciation	133,844	113,746
Realized gains on investments	(25,306)	(26,928)
(Increase) decrease in		
Accounts receivable	(55,347)	19,717
Due to Foundation	(383,236)	(6,549,291)
Missionary staff advances	125,418	517,379
Inventories	(81,677)	56,454
Increase (decrease) in		
Accounts payable and accrued expenses	316,116	33,809
Other liabilities	(31,225)	302
Net cash used in operating activities	<u>(1,901,610)</u>	<u>(3,064,496)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(11,290)	(4,998)
Purchase of fixed assets	(163,491)	(102,119)
Net cash used in investing activities	<u>(174,781)</u>	<u>(107,117)</u>
Decrease in cash and cash equivalents	(2,076,391)	(3,171,613)
Cash - Beginning of year	<u>5,416,241</u>	<u>8,587,854</u>
Cash - End of year	<u>\$ 3,339,850</u>	<u>\$ 5,416,241</u>

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2013 and 2012

(1) ORGANIZATION

The combined financial statements includes the operations of ABWE Ministries, Inc., ABWE International, Inc., (*“International”*), Association of Baptists for World Evangelism – North America, Inc. (*“North America”*), (*collectively “Ministries”*). These entities comprise a group of worldwide Christian missionary organizations operating as not-for-profit religious corporations, which are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Property and business of the corporations are managed by the Board of Trustees of each organization. Trustees for International and North America are elected by Trustees of ABWE Ministries, Inc.

All intercompany balances and transactions have been eliminated.

The Ministries has reviewed their tax positions and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CLASSES OF NET ASSETS

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

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

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

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

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

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash consists of interest bearing checking and money market accounts. Ministries considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash and cash equivalents. Total cash and cash equivalents held in foreign accounts were \$3,105,382 and \$3,175,060 at December 31, 2013 and 2012 respectively.

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2013 and 2012

INVESTMENTS

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

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

CONCENTRATION OF CREDIT AND OTHER RISKS

Ministries place substantially all of its cash and liquid investments with high-quality financial institutions and limits the amount of exposure to any one financial institution. These accounts, from time to time, may exceed federally insured limits. Accounting Standards Codification (“ASC”) 825, “*Financial Instruments*” identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

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

PROPERTY AND EQUIPMENT

Land and buildings are stated at cost. Post-1985 acquisitions are stated at cost. Pre-1985 furnishings and equipment were not capitalized. Building improvements and furnishings and equipment are capitalized when total costs exceed \$5,000. Real estate and equipment owned in foreign and national fields are not reflected on the balance sheet, as they are recorded as expenses when purchased. These overseas properties are generally transferred to local ownership at time of purchase or construction, contemplated to be transferred in the future or are located in various countries which do not have stable governments or economies. As such, to the extent negative events occur in these countries, ABWE may not be able to recover these assets.

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

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

CONTRIBUTIONS

Ministries records unconditional promises to give (pledges) as a receivable and revenue in the year pledged. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are then classified to unrestricted net assets. During the year ended December 31, 2013 and 2012, \$47,578,263 and \$48,618,457, respectively, of contributions were received from an affiliated organization, ABWE Foundation, Inc. (“*Foundation*”).

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2013 and 2012

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, 2012, from which the summarized information was derived.

3) INVESTMENTS

Investments at December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Money Market	\$ 6,807	\$ 3,731
U.S. Government Agencies	36,778	8,720
U.S. Treasury Notes	18,154	61,441
Corporate Bonds	16,787	6,412
Common Stock	114,863	92,274
Mutual Funds		
Fixed Income	62,148	51,772
Equity	<u>83,202</u>	<u>77,793</u>
Total Investments	<u>\$ 338,739</u>	<u>\$ 302,143</u>

(4) FAIR VALUE MEASUREMENTS

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

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2013 and 2012

The summary of inputs used to value the Ministries' assets that are carried at fair value as of December 31, 2013 and 2012 is as follows:

	2013			Total
	Level 1	Level 2	Level 3	
Investments				
Money Market	\$ 6,807	\$ -	\$ -	\$ 6,807
U.S. Government Agencies	-	36,778	-	36,778
U.S. Treasury Notes	18,154	-	-	18,154
Corporate Bonds	-	16,787	-	16,787
Common Stock	114,863	-	-	114,863
Mutual Funds				
Fixed Income	62,148	-	-	62,148
Equity	<u>83,202</u>	<u>-</u>	<u>-</u>	<u>83,202</u>
Total Investments	<u>\$ 285,174</u>	<u>\$ 53,565</u>	<u>\$ -</u>	<u>\$ 338,739</u>

	2012			Total
	Level 1	Level 2	Level 3	
Investments				
Money Market	\$ 3,731	\$ -	\$ -	\$ 3,731
U.S. Government Agencies	-	8,720	-	8,720
U.S. Treasury Notes	61,441	-	-	61,441
Corporate Bonds	-	6,412	-	6,412
Common Stock	92,274	-	-	92,274
Mutual Funds				
Fixed Income	51,772	-	-	51,772
Equity	<u>77,793</u>	<u>-</u>	<u>-</u>	<u>77,793</u>
Total Investments	<u>\$ 287,011</u>	<u>\$ 15,132</u>	<u>\$ -</u>	<u>\$ 302,143</u>

There were no transfers between Level 1 and Level 2 during the year ended December 31, 2013.

(5) PROPERTY AND EQUIPMENT

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

	2013	2012
Office furniture and equipment	\$1,447,777	\$1,309,601
Land/building	<u>7,128,069</u>	<u>7,102,754</u>
	8,575,846	8,412,355
Less: accumulated depreciation and amortization	<u>2,920,672</u>	<u>2,786,828</u>
Net property and equipment	<u>\$5,655,174</u>	<u>\$5,625,527</u>

Depreciation and amortization for the years ended December 31, 2013 and 2012 was \$133,844 and \$113,746, respectively.

ABWE MINISTRIES, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2013 and 2012

(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, 2013 and 2012, missionary pension expense was \$1,056,138 and \$1,041,832 respectively, and staff pension expense was \$213,934 and \$160,227, 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>2013</u>	<u>2012</u>
Program Services		
Evangelism and church growth	\$ 27,972,572	\$ 26,975,185
Bible training	4,561,236	4,751,987
Communication	273,124	541,440
Compassion	5,133,913	3,107,873
Child education	1,847,449	1,866,601
Linguistics	234,898	250,261
Field support	<u>2,653,468</u>	<u>3,029,250</u>
Total program services	<u>42,676,660</u>	<u>40,522,597</u>
Supporting Services		
General and administrative	4,134,442	3,551,916
Fund raising	<u>2,795,059</u>	<u>2,708,900</u>
Total supporting services	<u>6,929,501</u>	<u>6,260,816</u>
Total expenses	<u>\$ 49,606,161</u>	<u>\$ 46,783,413</u>

(9) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, May 1, 2014, have been evaluated in the preparation of the financial statements.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

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

We have audited the combined financial statements of ABWE Ministries, Inc. as of and for the year ended December 31, 2013, and have issued our report thereon dated May 1, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the 2013 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 2013 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 2013 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 1, 2014**

ABWE MINISTRIES, INC.

COMBINING STATEMENT OF FINANCIAL POSITION

December 31, 2013

	<u>International</u>	<u>North America</u>	<u>Ministries</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 3,264,619	\$ 71,527	\$ 3,704	\$ 3,339,850
Accounts receivables	308,279	4,062	-	312,341
Due to (from) Foundation/Affiliates	68,120	856,580	100	924,800
Missionary staff advances	398,327	-	-	398,327
Investments	-	-	338,739	338,739
Inventories	-	207,391	-	207,391
Property and equipment less accumulated depreciation of	-	5,655,174	-	5,655,174
Total assets	<u>\$ 4,039,345</u>	<u>\$ 6,794,734</u>	<u>\$ 342,543</u>	<u>\$ 11,176,622</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 1,581,039	\$ 160,423	\$ 38,604	\$ 1,780,066
Other Liabilities	409,044	40,877	-	449,921
Total liabilities	<u>1,990,083</u>	<u>201,300</u>	<u>38,604</u>	<u>2,229,987</u>
NET ASSETS				
Unrestricted				
Undesignated	2,049,262	913,260	303,939	3,266,461
Equity in property and equipment	-	5,655,174	-	5,655,174
Total unrestricted	<u>2,049,262</u>	<u>6,568,434</u>	<u>303,939</u>	<u>8,921,635</u>
Permanently restricted	-	25,000	-	25,000
Total net assets	<u>2,049,262</u>	<u>6,593,434</u>	<u>303,939</u>	<u>8,946,635</u>
Total liabilities and net assets	<u>\$ 4,039,345</u>	<u>\$ 6,794,734</u>	<u>\$ 342,543</u>	<u>\$ 11,176,622</u>

ABWE MINISTRIES, INC.

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2013

	<u>International</u>	<u>North America</u>	<u>Ministries</u>	<u>Elimination</u>	<u>Total</u>
Support and Revenue					
Contributions	\$ 41,264,620	\$ 5,254,163	\$ 309,928	\$ 749,552	\$ 47,578,263
Royalty income	-	59,516	-	-	59,516
Interest and dividends	-	-	11,290	-	11,290
Other income (loss)	12,159	19,430	-	-	31,589
Net realized and unrealized gains	-	-	25,306	-	25,306
Total support and revenue	<u>41,276,779</u>	<u>5,333,109</u>	<u>346,524</u>	<u>749,552</u>	<u>47,705,964</u>
Expenses					
Salaries	17,526,050	2,595,197	-	-	20,121,247
Benefits	7,059,561	833,446	20	-	7,893,027
General ministry	9,503,817	172,335	10,475	-	9,686,627
Travel	2,503,111	414,315	95,783	-	3,013,209
Vehicle and aircraft	1,936,178	32,163	3,522	-	1,971,863
Office expense and supplies	1,752,052	824,154	7,700	-	2,583,906
Professional fees	614,683	67,605	290,048	-	972,336
Facilities operations	2,784	467,092	25,511	-	495,387
Bank charges and other	55,724	114,623	807	-	171,154
Other charities	1,675,830	1,653	-	-	1,677,483
Relief grants	1,019,922	-	-	-	1,019,922
Total expenses	<u>43,649,712</u>	<u>5,522,583</u>	<u>433,866</u>	<u>-</u>	<u>49,606,161</u>
Excess (deficiency) of support And revenue over expense	(2,372,933)	(189,474)	(87,342)	749,552	(1,900,197)
Other Changes					
Intercompany settlements	3,966,108	(3,473,422)	256,866	(749,552)	-
Administrative charge to missionaries	(2,969,983)	2,971,215	(1,232)	-	-
Change in net assets	(1,376,808)	(691,681)	168,292	-	(1,900,197)
Net Assets					
Beginning of year	<u>3,426,070</u>	<u>7,285,115</u>	<u>135,647</u>	<u>-</u>	<u>10,846,832</u>
End of year	<u>\$ 2,049,262</u>	<u>\$ 6,593,434</u>	<u>\$ 303,939</u>	<u>\$ -</u>	<u>\$ 8,946,635</u>