

BAPTIST WORLD ALLIANCE

AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

For the years ended December 31, 2019 and 2018



**BAPTIST
WORLD
ALLIANCE**

BAPTIST WORLD ALLIANCE

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REPORT OF INDEPENDENT AUDITORS

To the Audit Committee
Baptist World Alliance
Falls Church, Virginia

We have audited the accompanying financial statements of the Baptist World Alliance (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 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 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 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Baptist World Alliance as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Columbia, Maryland
September 30, 2020

BAPTIST WORLD ALLIANCE
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 929,629	\$ 952,031
Accounts receivable	11,103	6,688
Pledges receivable	-	100,000
Loans receivable	18,328	2,643
Due from departments	14,031	37,597
Prepaid expenses and other current assets	<u>236,001</u>	<u>153,962</u>
Total current assets	<u>1,209,092</u>	<u>1,252,921</u>
PROPERTY AND EQUIPMENT - net	<u>2,416,292</u>	<u>2,445,922</u>
INVESTMENTS		
Endowment fund investments	1,343,477	1,342,677
Other investments	<u>2,442,717</u>	<u>1,439,464</u>
Total investments	<u>3,786,194</u>	<u>2,782,141</u>
OTHER ASSETS		
Loans receivable, net of current portion	251,064	269,400
Beneficial interest in trusts	<u>1,277,776</u>	<u>1,128,151</u>
Total other assets	<u>1,528,840</u>	<u>1,397,551</u>
Total assets	<u><u>\$ 8,940,418</u></u>	<u><u>\$ 7,878,535</u></u>

	<u>2019</u>	<u>2018</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 69,111	\$ 56,441
Deferred revenue	244,619	29,142
	<u>313,730</u>	<u>85,583</u>
NON-CURRENT LIABILITIES		
Security deposits held for tenants	19,530	19,530
	<u>333,260</u>	<u>105,113</u>
NET ASSETS		
Without Donor Restrictions:		
Available for operations	523,859	131,563
Invested in property and equipment	2,416,292	2,445,922
Internally designated net assets	293,164	199,083
	<u>3,233,315</u>	<u>2,776,568</u>
With Donor Restrictions:		
Temporarily restricted for time and purpose	2,787,678	2,555,076
Permanently restricted:		
Endowment funds	1,343,477	1,342,677
Beneficial interest in perpetual trusts	1,242,688	1,099,101
	<u>5,373,843</u>	<u>4,996,854</u>
Total net assets with donor restrictions	<u>5,373,843</u>	<u>4,996,854</u>
Total net assets	<u>8,607,158</u>	<u>7,773,422</u>
Total liabilities and net assets	<u>\$ 8,940,418</u>	<u>\$ 7,878,535</u>

BAPTIST WORLD ALLIANCE
STATEMENT OF ACTIVITIES
For the year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operations:			
Support and Revenue			
Contributions from member bodies	\$ 396,399	\$ 45,800	\$ 442,199
Combined federal campaign contributions	2,869	2,987	5,856
Contributions from churches, individuals and others	696,612	584,219	1,280,831
General council, conferences and other meeting income	530,004	-	530,004
Interest and dividends	87,929	34,305	122,234
Distributions from perpetual trusts	-	71,940	71,940
Rental income	284,628	-	284,628
Currency exchange loss	(2,587)	-	(2,587)
Miscellaneous	7,588	-	7,588
	<u>2,003,442</u>	<u>739,251</u>	<u>2,742,693</u>
Net assets released from restrictions	633,256	(633,256)	-
	<u>2,636,698</u>	<u>105,995</u>	<u>2,742,693</u>
Expenses			
Program services:			
Strengthen Worship, Fellowship and Unity	1,127,721	-	1,127,721
Lead in Mission and Evangelism	162,225	-	162,225
Advance Theological Reflection and Transformational Leadership	256,559	-	256,559
BWAid / Respond through Aid, Relief and Community Development	293,012	-	293,012
Defend Religious Freedom, Human Rights and Justice	92,846	-	92,846
	<u>1,932,363</u>	<u>-</u>	<u>1,932,363</u>
Supporting services:			
Administration	239,586	-	239,586
Fundraising	140,263	-	140,263
Tenants	149,709	-	149,709
	<u>2,461,921</u>	<u>-</u>	<u>2,461,921</u>
Change in Net Assets from Operations	<u>174,777</u>	<u>105,995</u>	<u>280,772</u>
Non-operating gains			
Realized and unrealized gains	281,970	121,369	403,339
Change in value of beneficial interests	-	149,625	149,625
	<u>281,970</u>	<u>270,994</u>	<u>552,964</u>
Change in Net Assets	<u>456,747</u>	<u>376,989</u>	<u>833,736</u>
Net Assets, Beginning	<u>2,776,568</u>	<u>4,996,854</u>	<u>7,773,422</u>
Net Assets, Ending	<u>\$ 3,233,315</u>	<u>\$ 5,373,843</u>	<u>\$ 8,607,158</u>

BAPTIST WORLD ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2019

PROGRAM SERVICES

	Worship	Mission and Evangelism	Theological Reflection	BWAid	Justice
Personnel costs:					
Salaries, including housing allowance	\$ 288,506	\$ 42,889	\$ 115,835	\$ 21,843	\$ 42,889
Payroll taxes	14,660	1,375	3,163	1,189	1,375
Pension plan contributions	40,284	4,550	10,465	3,073	4,550
Other employee benefits	61,879	5,629	12,816	3,538	5,626
Total personnel costs	<u>405,329</u>	<u>54,443</u>	<u>142,279</u>	<u>29,643</u>	<u>54,440</u>
Advertising	3,623	684	1,572	273	684
Building maintenance and utilities	33,979	8,119	13,315	3,383	8,119
Conferences and meetings	432,128	1,083	26,594	205	512
Depreciation	23,461	6,439	10,079	3,416	6,439
Grants	35,343	68,978	-	235,929	1,886
Grants to regions	84,524	-	-	-	-
Hospitality	4,700	873	2,007	421	873
Insurance	3,891	1,234	2,338	777	1,234
Office equipment and computer costs	27,948	5,907	15,094	2,836	5,638
Other fees	3,495	713	1,357	698	693
Other publications and web	5,272	1,187	2,284	398	995
Postage and shipments	2,691	558	1,196	205	493
President's travel	10,923	2,061	4,740	824	2,061
Printing	2,642	499	1,307	199	498
Printing and mailing of "Baptist World"	223	42	97	16	42
Professional fees	-	-	-	-	-
Subscriptions, dues and literature	848	1,150	346	2,160	470
Supplies and materials	2,452	423	862	192	423
Taxes	-	-	-	-	-
Telephone, facsimile and internet	5,898	1,196	2,161	599	1,196
Travel of staff and others	38,351	6,636	28,931	10,838	6,150
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 1,127,721</u>	<u>\$ 162,225</u>	<u>\$ 256,559</u>	<u>\$ 293,012</u>	<u>\$ 92,846</u>

SUPPORTING SERVICES

Total Program Services	Adminis- tration	Fundraising	Tenants	Total
\$ 511,962	\$ 109,713	\$ 70,583	\$ 25,330	\$ 717,588
21,762	5,107	646	1,861	29,376
62,922	18,907	7,728	-	89,557
89,488	29,948	15,467	6,175	141,078
686,134	163,675	94,424	33,366	977,599
6,836	-	23,785	-	30,621
66,915	8,810	2,777	47,351	125,853
460,522	-	-	-	460,522
49,834	6,816	1,845	39,399	97,894
342,136	-	-	-	342,136
84,524	-	-	-	84,524
8,874	-	-	-	8,874
9,474	599	205	3,457	13,735
57,423	21,742	2,806	-	81,971
6,956	12,317	252	-	19,525
10,136	-	13,421	-	23,557
5,143	-	-	-	5,143
20,609	-	-	-	20,609
5,145	-	-	-	5,145
420	-	-	-	420
-	19,842	-	1,658	21,500
4,974	-	-	-	4,974
4,352	919	120	-	5,391
-	-	-	24,478	24,478
11,050	4,866	628	-	16,544
90,906	-	-	-	90,906
\$ 1,932,363	\$ 239,586	\$ 140,263	\$ 149,709	\$ 2,461,921

BAPTIST WORLD ALLIANCE
STATEMENT OF ACTIVITIES
For the year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operations:			
Support and Revenue			
Contributions from member bodies	\$ 387,614	\$ 43,674	\$ 431,288
Combined federal campaign contributions	6,485	6,750	13,235
In-kind contributions	32,686	-	32,686
Contributions from churches, individuals and others	738,345	469,087	1,207,432
General council, conferences and other meeting income	231,372	-	231,372
Interest and dividends	115,789	-	115,789
Distributions from perpetual trusts	-	71,182	71,182
Rental income	303,775	-	303,775
Currency exchange loss	(2,964)	-	(2,964)
Miscellaneous	6,414	-	6,414
	<u>1,819,516</u>	<u>590,693</u>	<u>2,410,209</u>
Net assets released from restrictions	534,655	(534,655)	-
	<u>2,354,171</u>	<u>56,038</u>	<u>2,410,209</u>
Expenses			
Program services:			
Strengthen Worship, Fellowship and Unity	279,453	-	279,453
Youth department	28,189	-	28,189
Lead in Mission and Evangelism and			
Advance Theological Reflection and Leadership	111,877	-	111,877
BWAid / Respond through Aid, Relief and Community Development	384,797	-	384,797
Defend Religious Freedom, Human Rights and Justice	56,561	-	56,561
Supporting the program services:			
Executive office	334,392	-	334,392
Communications	150,075	-	150,075
Ministry support	104,210	-	104,210
Advancement	106,859	-	106,859
	<u>1,556,413</u>	<u>-</u>	<u>1,556,413</u>
Supporting services:			
Administration	428,967	-	428,967
Fundraising	132,699	-	132,699
Tenants	142,550	-	142,550
	<u>2,260,629</u>	<u>-</u>	<u>2,260,629</u>
Change in Net Assets from Operations	<u>93,542</u>	<u>56,038</u>	<u>149,580</u>
Non-operating losses			
Realized and unrealized losses	(246,658)	-	(246,658)
Change in value of beneficial interests	-	(106,221)	(106,221)
	<u>(246,658)</u>	<u>(106,221)</u>	<u>(352,879)</u>
Change in Net Assets	<u>(153,116)</u>	<u>(50,183)</u>	<u>(203,299)</u>
Net Assets, Beginning	<u>2,929,684</u>	<u>5,047,037</u>	<u>7,976,721</u>
Net Assets, Ending	<u>\$ 2,776,568</u>	<u>\$ 4,996,854</u>	<u>\$ 7,773,422</u>

BAPTIST WORLD ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	PROGRAM SERVICES				
	Worship	Youth Department	Mission and Evangelism	BWAid	Justice
Personnel Costs:					
Salaries, including housing allowance	\$ 11,143	\$ 5,155	\$ 33,010	\$ 21,504	\$ 23,913
Payroll taxes	801	400	948	1,655	948
Pension plan contributions	1,272	1,272	2,926	3,892	2,926
Other employee benefits	3,773	3,773	2,896	3,838	2,896
Total personnel costs	<u>16,989</u>	<u>10,600</u>	<u>39,780</u>	<u>30,889</u>	<u>30,683</u>
Advertising	-	-	-	-	-
Building maintenance and utilities	4,820	4,339	7,026	9,805	7,113
Conferences and meetings	187,479	-	9,081	-	-
Depreciation	3,457	3,112	5,039	7,036	5,102
Donated materials	-	-	-	-	-
Grants	-	675	34,652	321,362	675
Grants to regions	57,000	-	-	-	-
Hospitality	50	-	-	502	612
Insurance	730	822	891	1,245	898
Office equipment and computer costs	2,987	5,993	7,243	8,995	6,806
Other fees	195	195	445	585	445
Other publications and web	-	-	375	-	-
Postage and shipments	-	-	518	-	-
President's travel	-	-	-	-	-
Printing	-	-	-	-	-
Printing and mailing of "Baptist World"	-	-	-	-	-
Professional fees	50	-	-	2,100	279
Subscriptions, dues and literature	-	-	-	-	-
Supplies and materials	302	180	801	593	410
Taxes	-	-	-	-	-
Telephone, facsimile and internet	563	563	1,282	1,685	1,282
Travel of staff and others	4,831	1,710	4,744	-	2,256
Total	<u>\$ 279,453</u>	<u>\$ 28,189</u>	<u>\$ 111,877</u>	<u>\$ 384,797</u>	<u>\$ 56,561</u>

PROGRAM SERVICES				SUPPORTING SERVICES				
Supporting the Programs				Total Program Services	Adminis- tration	Fundraising	Tenants	Total
Executive Office	Communi- cations	Ministry Support	Advancement					
\$ 127,086	\$ 50,348	\$ 43,413	\$ 46,178	\$ 361,750	\$ 244,686	\$ 53,604	\$ 29,384	\$ 689,424
1,271	1,047	3,269	3,395	13,734	13,522	2,649	2,193	32,098
18,782	9,852	8,872	6,477	56,271	35,517	7,731	-	99,519
15,005	19,853	11,853	830	64,717	50,774	2,715	5,130	123,336
162,144	81,100	67,407	56,880	496,472	344,499	66,699	36,707	944,377
-	-	-	12,023	12,023	-	53,970	-	65,993
13,056	6,805	12,319	6,114	71,397	9,888	1,453	44,358	127,096
23,653	-	-	2,927	223,140	-	-	-	223,140
9,365	4,881	8,836	4,386	51,214	7,094	1,040	34,796	94,144
-	-	-	1,345	1,345	-	-	-	1,345
64,795	-	-	-	422,159	-	-	-	422,159
-	-	-	-	57,000	-	-	-	57,000
4,471	813	851	6,110	13,409	-	-	-	13,409
1,333	875	1,159	700	8,653	722	106	2,923	12,404
5,480	5,731	7,144	3,540	53,919	24,260	3,178	-	81,357
618	375	485	211	3,554	15,438	1,963	-	20,955
2,297	5,436	-	2,520	10,628	665	3,500	-	14,793
2,002	75	1,177	2,289	6,061	-	-	-	6,061
11,146	-	-	-	11,146	-	-	-	11,146
3,295	-	-	600	3,895	-	-	-	3,895
-	33,831	-	-	33,831	-	-	-	33,831
-	320	-	678	3,427	20,369	-	1,398	25,194
232	-	211	-	443	-	-	-	443
1,196	345	1,325	5,929	11,081	1,461	191	-	12,733
-	-	-	-	-	-	-	22,368	22,368
1,110	1,079	1,170	607	9,341	4,571	599	-	14,511
28,199	8,409	2,126	-	52,275	-	-	-	52,275
<u>\$ 334,392</u>	<u>\$ 150,075</u>	<u>\$ 104,210</u>	<u>\$ 106,859</u>	<u>\$ 1,556,413</u>	<u>\$ 428,967</u>	<u>\$ 132,699</u>	<u>\$ 142,550</u>	<u>\$ 2,260,629</u>

BAPTIST WORLD ALLIANCE
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Cash received from:		
Contributions from member bodies	\$ 442,199	\$ 431,288
Combined federal campaign contributions	5,856	13,235
Contributions from churches, individuals and others	1,399,182	1,227,694
General council, conferences and other meeting income	745,481	254,830
Interest and dividends	122,234	115,789
Distributions from perpetual trusts	71,940	71,182
Rental income and miscellaneous	292,216	310,189
	<u>3,079,108</u>	<u>2,424,207</u>
Cash paid for:		
Personnel costs	(969,844)	(951,234)
Grants	(426,660)	(479,159)
Goods, services and meetings	(1,036,892)	(764,370)
	<u>(2,433,396)</u>	<u>(2,194,763)</u>
Net cash provided by operating activities	<u>645,712</u>	<u>229,444</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(68,264)	(55,104)
Purchases of investments	(600,714)	(6,719)
Proceeds from sales of investments	-	250,000
Cash paid for loan receivable	-	(250,000)
Loan repayments received	2,651	2,637
	<u>(666,327)</u>	<u>(59,186)</u>
Net cash used by investing activities	<u>(666,327)</u>	<u>(59,186)</u>
Cash Flows from Financing Activities		
Cash contributions received and restricted for endowment funds	<u>800</u>	<u>250</u>
Effect of Exchange Rate Changes on Cash	<u>(2,587)</u>	<u>(2,964)</u>
Net Change in Cash and Cash Equivalents	<u>(22,402)</u>	<u>167,544</u>
Cash and Cash Equivalents, Beginning	<u>952,031</u>	<u>784,487</u>
Cash and Cash Equivalents, Ending	<u>\$ 929,629</u>	<u>\$ 952,031</u>

Supplemental Disclosure:

During 2018, BWA disposed of fully-depreciated equipment of \$26,548 and capitalized donated building improvements of \$31,341.

See notes to financial statements.

BAPTIST WORLD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 1 - DESCRIPTION OF ORGANIZATION

The Baptist World Alliance (BWA) is the worldwide fellowship of Baptists called together by the Holy Spirit to express the essential unity of Baptist people in the Lord Jesus Christ.

As people of God, and through its ministries and programs, the Baptist World Alliance proclaims the Gospel, meets human need, strengthens fellowship, promotes evangelism, education and church development, stimulates cooperative actions, and serves as a prophetic voice for human rights and religious freedom.

Descriptions of the program services are as follows:

Strengthen Worship, Fellowship and Unity: Centered in Jesus Christ and rooted in deep spiritual life, BWA strengthens our worldwide family through ongoing gatherings, pastoral presence, mutual friendships, and the cultivation of worship, fellowship and unity. BWA hosts the most internationally diverse Baptist annual gathering in the world, touching thousands of lives through each five year quinquennial celebration. BWA also produces resources and leadership initiatives that promote worship, fellowship and unity.

Youth Department: The BWA Youth Department plans, coordinates and implements youth activities to further the church's mission through BWA-related youth groups and their members around the world. It provides training opportunities for youth leadership development, fosters fellowship and promotes Baptist unity among the youth, and nurtures among the youth a commitment to the BWA mission.

Lead in Mission and Evangelism: Compelled by the Great Commission, BWA leads with a passionate commitment to Gospel witness in every context and people group, fosters multidirectional partnerships that connect individuals and churches, and encourages global mission and evangelism. BWA provides churches and pastors with resources for context-appropriate gospel sharing. In the past 20 years, BWA has held more than 25 events in 25 countries, trained more than 4,700 registrants and affected tens of thousands, including supporting church planting and indigenous evangelistic, outreach programs.

Respond through Aid, Relief and Community Development (a/k/a Baptist World Aid): Challenged to generously love our neighbor, BWA responds to people in need, collaborates in times of crisis, networks with other agencies, supports sustainability and creation care, builds capacity, empowers local church engagement and provides aid, relief, and community development. Baptist World Aid (BWAid) puts resources in the hands of Baptist churches and organizations around the world so they may pursue empowered, holistic transformation. BWAid has distributed initiatives for emergency shelter, refugee assistance, hunger and water relief, agriculture and husbandry developments, natural disaster responses, skill training projects and education. BWAid serves people in need regardless of their ethnicity, gender, caste, color or religion.

BAPTIST WORLD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 1 - DESCRIPTION OF ORGANIZATION (Continued)

Descriptions of the program services are as follows:

Advance Theological Reflection and Transformational Leadership: Called to discipleship, BWA advances multicultural and multilingual training, empowers next generation leaders, encourages meaningful dialogue and praxis, and engages in relevant theological reflection and transformational leadership.

Defend Religious Freedom, Human Rights and Justice: Committed to a biblical understanding of the image of God in every person, BWA defends an ethic of life, supports religious freedom for all, stands in solidarity with the marginalized, advocates at every level, trains and networks proactively, and mobilizes for religious freedom, human rights, and justice.

In addition, the following departments actively support all of the above programs throughout the year:

Executive Office – coordinates, administers and executes programs, which help to support positive relationships within BWA and between BWA and its member bodies and related organizations.

Communications – seeks to validate the perception of BWA as playing a key role in the life of the worldwide Baptist community. It positions BWA as a unique organization that truly reflects and represents Baptist life, thought, belief and unity.

Ministry Support – manages the financial activities of BWA in a manner designed to protect the assets, meet reporting requirements and effectively accomplish the financial stewardship responsibilities of BWA.

Advancement – oversees promotional events and the creation and distribution of materials designed to inform and inspire donors and potential donors.

Descriptions of the supporting services are as follows:

Administration – activities necessary to secure proper administrative functioning of the governing board, to maintain an adequate working environment, and to manage the financial responsibilities which include business management, human resources, record-keeping, budgeting, building management, and related administrative activities.

Fundraising – activities include soliciting contributions from member bodies, churches, individuals and others to provide the structure necessary to encourage and secure financial support for BWA's programs and operations.

Tenants – activities include managing the tenant rental agreements for the additional office space in the headquarters building located in Falls Church, Virginia, which is rented to other nonprofits or small businesses.

BAPTIST WORLD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

BWA prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenue is recognized when earned and expenses are recorded as incurred.

Measure of Operations

BWA has presented the statements of activities based on an intermediate measure of operations. The change in net assets from operations includes all revenue and expenses that are an integral part of BWA's programs and supporting activities and net assets released from restrictions to support operating expenditures. The measure of operations includes support for operating activities from both net assets with donor restrictions and net assets without donor restrictions. The measure of operations excludes the realized and unrealized net appreciation in fair value of investments and the change in value of beneficial interests.

Use of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include amounts invested in short-term investments with original maturities of 90 days or less or designated for use in operations. Cash and cash equivalents held by an investment custodian to facilitate investment transactions or for investment are included in investments in the statements of financial position.

Foreign Currencies

All amounts in the accompanying financial statements are expressed in United States dollars. Foreign currencies (Euros/Pounds) received which were not immediately exchanged for U.S. dollars and foreign currencies disbursed have been translated to U.S. dollar equivalents at an average exchange rate for the year.

Accounts Receivable

Receivables are valued at management's estimate of the amount that will ultimately be collected. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and BWA's historical collection experience.

BAPTIST WORLD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All receivables are considered to be fully collectible at December 31, 2019 and 2018, and as such, no allowance for doubtful accounts has been provided for in the financial statements.

Pledges Receivable

Unconditional promises to give are recognized as revenue or gains in the period the promise is received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Promises made to BWA for future contributions expected to be fully collectible are recorded as pledges receivable and as revenue at the value of such future payments. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. The discounts will be recognized as contribution revenue in future fiscal years as the discount is amortized over the duration of the contributions.

Pledges receivable as of December 31, 2018 were due within one year. There was no allowance or discount to present value as of December 31, 2018.

Property and Equipment

BWA follows the practice of capitalizing the cost of all major additions of property and equipment while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed immediately. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which are as follows:

Building and improvements	20 - 40 years
Furniture and fixtures	10 years
Equipment and software	3 - 8 years

Investments

The investments of BWA consist of amounts invested in group or pooled investment funds managed by various Baptist Foundations which invest these funds in readily marketable securities. The net asset value of each of these funds is calculated at least monthly by the fund management based on quoted market values of the underlying securities of the pools. BWA may redeem amounts from its share of the pooled funds at the latest calculated net asset value by giving the fund proper notice. In all cases the required notice is 30 days or less. Accordingly, BWA carries its investments at their fair value based on these calculated net asset values, which are considered to be unobservable inputs (Level 3) in the fair value measurement hierarchy.

BAPTIST WORLD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments may also include donated stock that is not immediately sold. All investments are carried at their fair value as of the date of the statements of financial position, which may differ from the amount ultimately realized at the time of sale. Realized and unrealized gains and losses are reflected in the statements of activities. The cost of investments sold is determined by the specific identification method.

Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the accompanying financial statements.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- *Level 1*: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date (e. g., equity securities traded on the New York Stock Exchange).
- *Level 2*: Level 2 inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (e. g., quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active).
- *Level 3*: Level 3 inputs are unobservable (e. g., a company's own data) and should be used to measure fair value to the extent that observable inputs are not available.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of the observable inputs and minimize the use of the unobservable inputs.

Beneficial Interest in Trusts

The beneficial interest in trusts consists of permanently restricted perpetual trusts with donor restrictions held by the Arkansas Baptist Foundation (ABF) and the Virginia Baptist Foundation (VBF). The charitable remainder trusts held by the Kentucky Baptist Foundation (KBF) are presented as temporarily donor restricted due to the time restrictions during the donor's lifetime.

BAPTIST WORLD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Annually, BWA receives a portion of the capital appreciation, interest, and dividends earned by ABF and VBF. With respect to ABF only, distributions in excess of the allotted portion of interest, dividends and capital appreciation may be made to BWA in any year as determined by the ABF.

All unrealized gains of ABF and VBF are classified as permanently restricted net assets with donor restrictions. Unrealized gains of KBF are temporarily restricted net assets with donor restrictions.

Net Assets

Net assets, revenue, gains, and losses are classified based on the existence or absence of contributions with donor-imposed restrictions. Accordingly, net assets of BWA and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for general use and not subject to donor restrictions. Net assets without donor restrictions also include BWA's investment in property and equipment, net of accumulated depreciation. BWA's General Council and/or its Committees may internally designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net assets with donor restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. BWA reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting BWA to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or the provisions of an approved spending policy.

See Note 8 for more information on the composition of net assets with donor restrictions.

Administration Fees

A one-time administrative fee on all contributions with donor restrictions received (excluding endowment funds, building funds, funds for support of regional fellowships, and in-kind contributions) is charged to help cover the administrative expenses of handling such donor restricted assets. In 2019 and 2018, the administrative fee was 20%. A percentage of these administrative fees has been designated for scholarships provided by the Program of Assistance for Travel and Hospitality (PATH), which was two percent in 2019 and 2018. These fees are reported as a release from net assets with donor restrictions to net assets without donor restrictions.

BAPTIST WORLD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds

The State of Virginia enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on July 1, 2008. BWA applies the provisions of UPMIFA for its endowment funds.

Revenue Recognition

The following describes each of BWA's revenue streams and how the revenue is recognized:

Contributions - Contributions received are recorded as revenues without donor restrictions or revenues with donor restrictions and include contributions from member bodies, federal campaigns, churches, individuals, and other sources. Contributions include unconditional promises to give, which are reported as revenue in the year notification is received from the donor.

In-kind Contributions - A substantial number of volunteers have donated significant amounts of time to BWA's program services. Donated services generally are not recorded because in most cases they do not meet the criteria for recognition. Donated services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Rental Income - Rental income consists of amounts recognized from tenants during the year. The revenue is recognized on a straight-line basis over the term of the lease.

General council, conferences, and other meeting income - This includes amounts earned for BWA's general council meetings and conferences, and world congress. Revenue is recognized during the year in which the event occurs. Any amounts received in advance for future events are recorded as deferred revenue.

Functional Allocation of Expenses

The statements of functional expenses present the expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Certain costs have been allocated among the programs and supporting services benefited. Personnel costs and related expenses are allocated on the basis of estimates of time and effort while building and maintenance expenses are allocated based on square footage assigned to a functional area.

BAPTIST WORLD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising costs are expensed in the period in which they are incurred and are included in the statements of functional expenses. Advertising for the years ended December 31, 2019 and 2018 was \$30,621 and \$65,993, respectively.

New Accounting Pronouncements Adopted

During 2019, BWA adopted ASU 2014-09, *Revenue from Contracts with Customers* and ASU 2018-08, *Not-for-profits Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Management has analyzed these new accounting pronouncements and has concluded that no changes to the revenue recognition accounting policies are considered necessary to conform with the new standards.

NOTE 3 - LOANS RECEIVABLE

In 2018, BWA provided a \$250,000 loan to an officer. The loan is collateralized by the officer's principal residence. Interest only payments are due until August 31, 2029. The loan includes an adjustable rate rider allowing for changes in the interest rate and monthly payment. The loan has an initial rate of 3.0% and interest only payments. The interest may be changed by BWA on the following change dates: August 1, 2021, August 1, 2024, and August 1, 2027. The interest rate cannot be increased or decreased on these change dates by more than 3.0% points from the initial interest rate and the interest rate shall not exceed 8.0%.

BWA has provided a loan to a former employee. The interest on the loan is 4.11% with monthly principal and interest payments of \$200 due until March 2020, at which time all amounts owed are due in full. The unpaid principal balance on this loan as of December 31, 2019 and 2018 was \$17,320 and \$18,971, respectively.

BWA has also provided a five-year interest free loan to one of its tenants with monthly principal payments of \$84 until January 31, 2022. The unpaid principal balance on the loan as of December 31, 2019 and 2018 was \$2,072 and \$3,072, respectively.

Principal payments on the loans receivable are due as follows: 2020 - \$18,328; 2021 - \$1,008; 2022 - \$56; and 2029 - \$250,000.

BAPTIST WORLD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 4 - DUE FROM DEPARTMENTS

BWA has separate Women's and Men's Departments which are affiliated with BWA but have their own bylaws, officers and governing bodies. In addition, they each have funds in accounts separate from those held by BWA. For these reasons, the amounts received and disbursed for these affiliated departments are not included as revenue and expenses of BWA in the accompanying financial statements. The balance due from the Women's Department of BWA as of December 31, 2019 and 2018 were \$14,031 and \$37,597, respectively.

During 2018, BWA signed a memorandum of understanding (the memo) with the Women's Department of BWA. The memo outlines that BWA will apply \$8,000 per year as a reduction to the balance due for three years in exchange for services. BWA reported this amount in grant expense for the years ended December 31, 2019 and 2018.

NOTE 5 - PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Building and improvements	\$ 2,323,402	\$ 2,273,029
Furniture, fixtures, equipment and software	<u>388,666</u>	<u>370,770</u>
	2,712,068	2,643,799
Less: accumulated depreciation	<u>(1,470,176)</u>	<u>(1,372,277)</u>
Net book value of depreciable property and equipment	1,241,892	1,274,522
Land	<u>1,174,400</u>	<u>1,174,400</u>
Property and equipment - net	<u>\$ 2,416,292</u>	<u>\$ 2,445,922</u>

Depreciation expense for the years ended December 31, 2019 and 2018 totaled \$97,894 and \$94,144, respectively.

BAPTIST WORLD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following are the major categories of assets measured at fair value on a recurring basis as of December 31, 2019 and 2018, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2019</u>				
Pooled investment funds	\$ -	\$ -	\$ 3,786,194	\$ 3,786,194
Beneficial interest in trusts	<u>-</u>	<u>-</u>	<u>1,277,776</u>	<u>1,277,776</u>
Total assets measured at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,063,970</u>	<u>\$ 5,063,970</u>
 <u>December 31, 2018</u>				
Pooled investment funds	\$ -	\$ -	\$ 2,782,141	\$ 2,782,141
Beneficial interest in trusts	<u>-</u>	<u>-</u>	<u>1,128,151</u>	<u>1,128,151</u>
Total assets measured at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,910,292</u>	<u>\$ 3,910,292</u>

Gains and losses (realized and unrealized) for Level 3 assets included in the change in net assets are presented in the statements of activities as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Total gains (losses) included in the change in net assets for the year	<u>\$ 552,964</u>	<u>\$ (352,879)</u>
Change in unrealized gains (losses) relating to net assets still held at year end	<u>\$ 552,964</u>	<u>\$ (352,879)</u>

Fair values for assets in Level 3 are calculated using net asset value techniques. There were no changes in the valuation techniques during the current year. Transfers in (out) are reported as of the end of the reporting period.

BAPTIST WORLD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

	Balance at January 1, 2019	2019			Balance at December 31, 2019
		Realized/ Unrealized Gain (Loss)	Purchases	Sales	
Investments:					
ABF Stock Fund	\$ 351,773	\$ 68,729	\$ -	\$ -	\$ 420,502
Higher Ground Advisors Endowment Fund Summit	1,304,361	123,071	351,112	-	1,778,544
Higher Ground Advisors Cash	266,217	401	249,602	-	516,220
SBF Growth Fund	771,484	207,934	-	-	979,418
SBF Flexible Fund	88,306	3,204	-	-	91,510
	<u>\$ 2,782,141</u>	<u>\$ 403,339</u>	<u>\$ 600,714</u>	<u>\$ -</u>	<u>\$ 3,786,194</u>

Beneficial interest in trusts:					
VBF Greenwood Charitable Fund	\$ 25,997	\$ 4,673	\$ -	\$ -	\$ 30,670
ArkBF Cobb and Warren Funds	904,474	108,335	-	-	1,012,809
KBF Winchester Fund #1	10,965	3,187	-	-	14,152
KBF Winchester Fund #2	3,605	1,133	-	-	4,738
KBF Patterson Fund	14,479	1,719	-	-	16,198
KBF Tassie Fund	168,631	30,578	-	-	199,209
	<u>\$ 1,128,151</u>	<u>\$ 149,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,277,776</u>

	Balance at January 1, 2018	2018			Balance at December 31, 2018
		Realized/ Unrealized Gain (Loss)	Purchases	Sales	
Investments:					
ABF Stock Fund	\$ 409,465	\$ (57,692)	\$ -	\$ -	\$ 351,773
Higher Ground Advisors Endowment Fund Summit	1,423,462	(125,820)	6,719	-	1,304,361
Higher Ground Advisors Cash	516,217	-	-	(250,000)	266,217
SBF Growth Fund	831,484	(60,000)	-	-	771,484
SBF Flexible Fund	91,452	(3,146)	-	-	88,306
	<u>\$ 3,272,080</u>	<u>\$ (246,658)</u>	<u>\$ 6,719</u>	<u>\$ (250,000)</u>	<u>\$ 2,782,141</u>

Beneficial interest in trusts:					
VBF Greenwood Charitable Fund	\$ 28,780	\$ (2,783)	\$ -	\$ -	\$ 25,997
ArkBF Cobb and Warren Funds	990,806	(86,332)	-	-	904,474
KBF Winchester Fund #1	12,581	(1,616)	-	-	10,965
KBF Winchester Fund #2	4,237	(632)	-	-	3,605
KBF Patterson Fund	16,926	(2,447)	-	-	14,479
KBF Tassie Fund	181,042	(12,411)	-	-	168,631
	<u>\$ 1,234,372</u>	<u>\$ (106,221)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,128,151</u>

BAPTIST WORLD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Investment income is comprised of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 122,234	\$ 115,789
Distributions from perpetual trusts	71,940	71,182
Net unrealized and realized gains (losses)	<u>403,339</u>	<u>(246,658)</u>
	<u>\$ 597,513</u>	<u>\$ (59,687)</u>

NOTE 7 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are available to finance the general operations of BWA. The only limits on the use of these assets are the broad limits resulting from the nature of BWA, the environment in which it operates, and the purpose specified in its constitution. Voluntary resolutions by BWA's General Council and/or its Committees to designate a portion of its net assets without donor restrictions for specific purposes do not result in net assets with donor restrictions. Since designations are voluntary and may be reversed at any time, internally designated net assets are included under the caption "without donor restrictions".

BWA's net assets without donor restrictions are comprised of undesignated and internally designated amounts at December 31:

	<u>2019</u>	<u>2018</u>
Available for operations	\$ <u>523,859</u>	\$ <u>131,563</u>
Invested in property and equipment	<u>2,416,292</u>	<u>2,445,922</u>
Internally designated:		
Bequests	128,681	49,136
400 Legacy Fund	58,200	58,200
Building Reserve	35,867	35,867
PATH	29,281	14,745
BWA reserve for special projects	20,000	20,000
Staff Relocation Fund	11,058	11,058
Hillhouse Aid Fund	<u>10,077</u>	<u>10,077</u>
Total internally designated	<u>293,164</u>	<u>199,083</u>
Total net assets without donor restrictions	<u>\$ 3,233,315</u>	<u>\$ 2,776,568</u>

BAPTIST WORLD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net asset with donor restrictions result from gifts of cash, assets donated with stipulations that they be invested to provide a permanent source of income (endowment funds), or assets such as land or works of art donated with stipulations that they be preserved and not be sold. Donations received in response to an appeal for funds or contributions to be used for a specified purpose are also considered to be restricted funds. Earnings on some endowment funds are to be used for specified purposes and thus are additions to net assets with donor restrictions. Earnings on other endowment funds are available for general operations once they have been appropriated for expenditure and thus are included in investment income net assets with donor restrictions until appropriated.

Net assets with donor restrictions are released from restrictions when the specified date passes or amounts are expended for the purpose specified. BWA's net assets with donor restrictions consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Temporarily restricted for time and purpose:		
Executive Office	\$ 194,584	\$ 183,864
Regional Support	5,357	5,357
Capital Funds	49,497	49,497
Communication Funds	14,450	9,713
Mission, Evangelism and Theological Reflection	413,980	406,422
Religious Freedom and Human Rights	45,004	37,186
Youth Funds	55,779	42,321
BWAid Funds	<u>2,009,027</u>	<u>1,820,716</u>
Total temporarily restricted net assets	<u>2,787,678</u>	<u>2,555,076</u>
Permanently restricted endowment funds:		
Use of income is unrestricted:		
21 st Century Fund	619,056	619,056
Baptists Together Fund	36,331	36,331
Cothen Memorial Fund	82,851	82,851
Use of income is restricted for:		
Hoover Conference Fund	207,315	207,315
BWA Relief Fund	3,000	3,000
Hoover Relief Fund	110,000	110,000
Cardwell Memorial Fund	32,324	32,324
Cumbie Emerging Leaders Fund	13,617	13,317
Lotz Human Rights Fund	104,024	103,524
Youth OMO Fund	<u>134,959</u>	<u>134,959</u>
Total endowment funds – permanently restricted	<u>\$ 1,343,477</u>	<u>\$ 1,342,677</u>

BAPTIST WORLD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	<u>2019</u>	<u>2018</u>
Permanently restricted beneficial interests in perpetual trusts:		
Cobb Fund	\$ 895,126	\$ 799,505
Cobb/Cooper Fund	8,912	7,960
Greenwood Trust	30,670	25,997
Warren Fund	108,771	97,008
Tassie Fund	<u>199,209</u>	<u>168,631</u>
Total beneficial interests in perpetual trusts – permanently restricted	<u>1,242,688</u>	<u>1,099,101</u>
Total permanently restricted	<u>2,586,165</u>	<u>2,441,778</u>
Total net assets with donor restrictions	<u>\$ 5,373,843</u>	<u>\$ 4,996,854</u>

NOTE 9 - ENDOWMENTS

BWA's endowment consists of several donor-restricted funds established for a variety of purposes. BWA has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing BWA to appropriate for expenditure or accumulate so much of the assets of an endowment fund as BWA determines is prudent for the uses, benefits, and purposes for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument. Although UPMIFA does not require the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, U.S. generally accepted accounting principles require BWA to record and report as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by BWA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, BWA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of BWA and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of BWA, and the investment policies of BWA.

The endowment net assets of BWA at December 31, 2019 and 2018 consisted entirely of donor-restricted endowment funds.

BAPTIST WORLD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 9 - ENDOWMENTS (Continued)

The changes in endowment net assets for 2019 and 2018 were as follows:

	<u>Without Donor Restrictions</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2019	\$ (77,887)	\$ 105,109	\$ 1,342,677	\$ 1,369,899
Investment return:				
Investment income	36,038	15,433	-	51,471
Net realized and unrealized appreciation	<u>127,489</u>	<u>54,601</u>	<u>-</u>	<u>182,090</u>
Total investment return	<u>163,527</u>	<u>70,034</u>	<u>-</u>	<u>233,561</u>
Contributions	<u>-</u>	<u>-</u>	<u>800</u>	<u>800</u>
Appropriated for expenditures	<u>(85,640)</u>	<u>(13,934)</u>	<u>-</u>	<u>(99,577)</u>
Endowment net assets, December 31, 2019	<u>\$ -</u>	<u>\$ 161,209</u>	<u>\$ 1,343,477</u>	<u>\$ 1,504,686</u>
	<u>Without Donor Restrictions</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2018	\$ -	\$ 112,638	\$ 1,342,427	\$ 1,455,065
Investment return:				
Investment income	61,060	-	-	61,060
Net realized and unrealized depreciation	<u>(138,947)</u>	<u>-</u>	<u>-</u>	<u>(138,947)</u>
Total investment return	<u>(77,887)</u>	<u>-</u>	<u>-</u>	<u>(77,887)</u>
Contributions	<u>-</u>	<u>-</u>	<u>250</u>	<u>250</u>
Appropriated for expenditures	<u>-</u>	<u>(7,529)</u>	<u>-</u>	<u>(7,529)</u>
Endowment net assets, December 31, 2018	<u>\$ (77,887)</u>	<u>\$ 105,109</u>	<u>\$ 1,342,677</u>	<u>\$ 1,369,899</u>

BAPTIST WORLD ALLIANCE
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

NOTE 9 - ENDOWMENTS (Continued)

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor-restricted gift amounts. In accordance with BWA’s policies, deficiencies of this nature are reported as reductions in net assets without donor restrictions. As of December 31, 2019 and 2018, the accumulated deficiencies in the endowment funds totaled \$0 and \$77,887, respectively.

Return Objectives and Risk Parameters

BWA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, endowment assets are invested in group investment funds managed by Baptist Foundations that also adhere to moral values consistent with BWA’s Christian ethics and traditions. Actual earnings (interest and dividends), less applicable fees, are distributed semi-annually. When the value of the investment falls below the cost basis of the fund, no income distributions are made.

NOTE 10 - RENTAL INCOME

As a lessor, BWA has certain operating leases for office space in its headquarters building with various tenants, expiring at various times through April 30, 2024, with options to renew. As of December 31, 2019, future minimum lease receipts for these operating leases, not including the optional renewal extensions, are as follows:

Year ending December 31:	
2020	\$ 284,391
2021	278,504
2022	211,288
2023	190,276
2024	<u>19,336</u>
	<u>\$ 983,795</u>

NOTE 11 - LEASE OBLIGATIONS

BWA has entered into a non-cancelable operating lease agreement for office equipment expiring in March 2024. The future minimum lease payments under the agreement are as follows: 2020 - \$6,924; 2021 - \$6,924; 2022 - \$6,924; 2023 - \$6,924; 2024 - \$1,731.

BAPTIST WORLD ALLIANCE
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NOTE 11 - LEASE OBLIGATIONS (Continued)

Rental expense for equipment leases totaled \$10,125 and \$9,640 for the years ended December 31, 2019 and 2018, respectively and are included with office equipment and computer costs in the statement of functional expenses.

NOTE 12 - PENSION PLAN

The employees of BWA participate in one of two defined contribution pension plans, the Southern Baptist Convention Annuity Plan or the American Baptist Churches Retirement Plan. Contributions are made on behalf of fulltime employees after three months of service. During 2019 and 2018, BWA contributed 10% of an employee's salary during the first three years of employment and 16% thereafter. BWA contributed \$89,557 and \$99,519 for the years ended December 31, 2019 and 2018, respectively.

NOTE 13 - INCOME TAXES

BWA is exempt from federal and state income taxes (except taxes on unrelated business income) under Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified by the Internal Revenue Service as *other than a private foundation*. No provision for income taxes is required for the years ended December 31, 2019 and 2018 since BWA had no taxable income from unrelated business activities.

NOTE 14 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents BWA's financial assets which are available to meet general operating expenditures within one year of December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 929,629	\$ 952,031
Receivables due within one year	43,462	146,928
Other investments	<u>2,442,717</u>	<u>1,439,464</u>
Total financial assets available within one year	3,415,808	2,538,423
Less, amounts unavailable for general operations within one year, due to:		
Restricted by donors with purpose or time restrictions	(2,787,678)	(2,555,076)
Board designated	<u>(293,164)</u>	<u>(199,083)</u>
Total financial assets available (shortfall) to management for general operations within one year	<u>\$ 334,966</u>	<u>\$ (215,736)</u>

BAPTIST WORLD ALLIANCE
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NOTE 14 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

Liquidity Management

BWA maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, BWA's Budget and Finance Committee has established internally designated net assets of \$293,164 and \$199,083 as of December 31, 2019 and 2018, respectively that could be made available for current operations, if necessary, although BWA does not intend to spend the funds for purposes other than those identified. As described in Note 9, BWA also has endowments for which the income is reported as an increase to income without donor restrictions and available for operations. These amounts are available if the value of the investment does not fall below the cost basis of the fund.

NOTE 15 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 30, 2020, which is the date the financial statements were available to be issued.

Towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. In 2020, the World Health Organization declared it to be a pandemic. Actions taken around the world to help mitigate the spread of coronavirus include restrictions on travel, quarantines in certain areas and forced closures of non-essential businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the BWA has members. As a result of the pandemic, BWA postponed the 2020 World Congress. The Board and management are considering alternatives to hosting an in-person World Congress. It is unknown how long these conditions will last and what the complete financial effect will be to BWA. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, any significant reduction in revenue caused by COVID-19 could result in a reduction in programs and other material financial effects.

On March 23, 2020, BWA signed an agreement with 21 Wilberforce Global Freedom Center, an organization exempt from federal income tax, to merge their operations into BWA during 2020. The merger was effective April 17, 2020.

On May 1, 2020, BWA received a loan for \$165,233 from a local bank under the U.S. Small Business Administration Paycheck Protection Program with an interest rate of 1% due in two years. The loan may be eligible for forgiveness pursuant to the Paycheck Protection Program as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act).

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY INFORMATION**

To the Audit Committee
Baptist World Alliance

We have audited the financial statements of Baptist World Alliance as of and for the years ended December 31, 2019 and 2018, and our report thereon dated September 30, 2020, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules on pages 31 - 44 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

UHY LLP

Columbia, Maryland
September 30, 2020