

**BAPTIST WORLD ALLIANCE
AND AFFILIATE**

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

For the years ended December 31, 2020 and 2019



BAPTIST WORLD ALLIANCE AND AFFILIATE

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REPORT OF INDEPENDENT AUDITORS

To the Audit Committee
Baptist World Alliance and Affiliate
Falls Church, Virginia

We have audited the accompanying financial statements of the Baptist World Alliance and its Affiliate, 21Wilberforce Global Freedom Center, (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements. We have also audited the accompanying financial statements of the Baptist World Alliance, prior to consolidation, as of and for the year ended December 31, 2019.

Management's Responsibility for the Consolidated 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 the 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Baptist World Alliance and its affiliate as of December 31, 2020 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Baptist World Alliance as of December 31, 2019, and the 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.

UHY LLP

Columbia, Maryland
December 31, 2021

BAPTIST WORLD ALLIANCE AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
	<u>Consolidated</u>	<u>BWA</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,366,313	\$ 929,629
Accounts receivable	102,537	25,134
Loans receivable	3,218	18,328
Prepaid expenses and other current assets	173,274	236,001
	<u>1,645,342</u>	<u>1,209,092</u>
Total current assets		
PROPERTY AND EQUIPMENT - net	<u>2,343,066</u>	<u>2,416,292</u>
INVESTMENTS		
Endowment fund investments	1,343,727	1,343,477
Other investments	2,774,917	2,442,717
	<u>4,118,644</u>	<u>3,786,194</u>
Total investments		
OTHER ASSETS		
Loans receivable, net of current portion	264,698	251,064
Beneficial interest in trusts	1,347,830	1,277,776
	<u>1,612,528</u>	<u>1,528,840</u>
Total other assets		
Total assets	<u>\$ 9,719,580</u>	<u>\$ 8,940,418</u>

	2020	2019
	Consolidated	BWA
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 78,871	\$ 69,111
Deferred revenue	258,466	244,619
Paycheck Protection Program ("PPP") loan	206,938	-
Total current liabilities	544,275	313,730
NON-CURRENT LIABILITIES		
Security deposits held for tenants	19,530	19,530
Total liabilities	563,805	333,260
NET ASSETS		
Without Donor Restrictions:		
Available for operations	799,772	523,859
Invested in property and equipment	2,343,066	2,416,292
Internally designated net assets	407,516	293,164
Total net assets without donor restrictions	3,550,354	3,233,315
With Donor Restrictions:		
Temporarily restricted	2,937,254	2,787,678
Permanently restricted:		
Endowment funds	1,343,727	1,343,477
Beneficial interest in perpetual trusts	1,324,440	1,242,688
Total net assets with donor restrictions	5,605,421	5,373,843
Total net assets	9,155,775	8,607,158
Total liabilities and net assets	\$ 9,719,580	\$ 8,940,418

BAPTIST WORLD ALLIANCE AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2020

	Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total
Operations:			
Support and Revenue			
Contributions from member bodies	\$ 388,068	\$ 36,000	\$ 424,068
Combined federal campaign contributions	2,935	2,481	5,416
Contributions from churches, individuals and others	1,209,566	626,386	1,835,952
Contribution from 21Wilberforce affiliation agreement	91,134	-	91,134
General council, conferences and other meeting income	7,335	-	7,335
Interest and dividends	82,511	57,160	139,671
Distributions from perpetual trusts	-	71,351	71,351
Rental income	298,646	-	298,646
Miscellaneous	11,891	-	11,891
	<u>2,092,086</u>	<u>793,378</u>	<u>2,885,464</u>
Net assets released from restrictions	750,581	(750,581)	-
	<u>2,842,667</u>	<u>42,797</u>	<u>2,885,464</u>
Expenses			
Program services:			
Strengthen Worship, Fellowship and Unity	652,115	-	652,115
Lead in Mission and Evangelism	131,742	-	131,742
Advance Theological Reflection and Transformational Leadership	177,739	-	177,739
BWAid / Respond through Aid, Relief and Community Development	538,628	-	538,628
Defend Religious Freedom, Human Rights and Justice	497,747	-	497,747
	<u>1,997,971</u>	<u>-</u>	<u>1,997,971</u>
Supporting services:			
Administration	382,628	-	382,628
Fundraising	147,792	-	147,792
Tenants	132,318	-	132,318
	<u>2,660,709</u>	<u>-</u>	<u>2,660,709</u>
Change in Net Assets from Operations	<u>181,958</u>	<u>42,797</u>	<u>224,755</u>
Non-operating gains			
Realized and unrealized gains	123,795	96,051	219,846
Change in value of beneficial interests	-	92,730	92,730
Currency exchange gains	11,286	-	11,286
	<u>135,081</u>	<u>188,781</u>	<u>323,862</u>
Change in Net Assets	<u>317,039</u>	<u>231,578</u>	<u>548,617</u>
Net Assets, Beginning	<u>3,233,315</u>	<u>5,373,843</u>	<u>8,607,158</u>
Net Assets, Ending	<u>\$ 3,550,354</u>	<u>\$ 5,605,421</u>	<u>\$ 9,155,775</u>

BAPTIST WORLD ALLIANCE AND AFFILIATE
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
Miscellaneous	7,588	-	7,588
	<u>2,006,029</u>	<u>739,251</u>	<u>2,745,280</u>
Net assets released from restrictions	633,256	(633,256)	-
	<u>2,639,285</u>	<u>105,995</u>	<u>2,745,280</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>177,364</u>	<u>105,995</u>	<u>283,359</u>
Non-operating gains			
Realized and unrealized gains	281,970	121,369	403,339
Change in value of beneficial interests	-	149,625	149,625
Currency exchange loss	(2,587)	-	(2,587)
	<u>279,383</u>	<u>270,994</u>	<u>550,377</u>
Change in Net Assets	456,747	376,989	833,736
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 AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2020

	PROGRAM SERVICES				
	Worship	Mission and Evangelism	Theological Reflection	BWAid	Justice
Personnel costs:					
Salaries, including housing allowance	\$ 317,535	\$ 49,542	\$ 105,838	\$ 27,147	\$ 250,390
Payroll taxes	14,866	1,191	2,143	1,306	11,271
Pension plan contributions	40,094	5,174	8,333	3,492	6,920
Other employee benefits	72,291	17,157	15,815	4,128	34,687
Total personnel costs	444,786	73,064	132,129	36,073	303,268
Advertising	-	-	-	-	-
Building maintenance and utilities	27,765	6,250	8,666	3,011	6,079
Conferences and meetings	7,494	75	135	38	53
Depreciation	23,803	5,715	7,800	3,049	4,933
Grants	-	23,972	-	477,977	49,553
Grants to regions	57,000	-	-	-	-
Hospitality	1,944	452	583	162	227
Insurance	3,169	849	1,400	522	1,218
Office equipment and computer costs	34,880	7,285	9,983	3,638	11,778
Other fees	3,044	563	718	3,404	3,256
Other publications and web	7,636	1,465	2,415	703	955
Postage and shipments	2,482	720	744	207	1,456
President's travel	1,892	315	568	158	221
Printing	2,683	447	805	224	8,621
Printing and mailing of "Baptist World"	11,608	1,935	3,482	967	1,354
Professional fees	168	28	50	14	91,984
Subscriptions, dues and literature	882	1,138	249	4,169	273
Supplies and materials	2,630	824	718	254	4,763
Taxes	-	-	-	-	-
Telephone, facsimile and internet	6,909	1,275	1,939	712	2,505
Travel of staff and others	11,340	5,370	5,355	3,346	5,250
Total expenses	<u>\$ 652,115</u>	<u>\$ 131,742</u>	<u>\$ 177,739</u>	<u>\$ 538,628</u>	<u>\$ 497,747</u>

SUPPORTING SERVICES

<u>Total Program Services</u>	<u>Adminis- tration</u>	<u>Fundraising</u>	<u>Tenants</u>	<u>Total</u>
\$ 750,452	\$ 189,968	\$ 86,963	\$ 24,271	\$ 1,051,654
30,777	9,091	2,813	1,850	44,531
64,013	19,769	4,640	-	88,422
144,078	40,563	10,745	6,819	202,205
989,320	259,391	105,161	32,940	1,386,812
-	-	18,977	-	18,977
51,771	6,936	2,228	35,112	96,047
7,795	-	-	-	7,795
45,300	6,104	1,758	34,363	87,525
551,502	-	-	-	551,502
57,000	13,862	-	-	70,862
3,368	-	-	-	3,368
7,158	683	286	2,928	11,055
67,564	27,802	4,850	-	100,216
10,985	16,043	944	-	27,972
13,174	-	3,500	-	16,674
5,609	410	940	-	6,959
3,154	-	-	-	3,154
12,780	2,901	5,953	-	21,634
19,346	-	-	-	19,346
92,244	38,110	-	1,619	131,973
6,711	62	42	-	6,815
9,189	3,038	1,241	-	13,468
-	605	-	25,356	25,961
13,340	5,297	969	-	19,606
30,661	1,384	943	-	32,988
<u>\$ 1,997,971</u>	<u>\$ 382,628</u>	<u>\$ 147,792</u>	<u>\$ 132,318</u>	<u>\$ 2,660,709</u>

BAPTIST WORLD ALLIANCE AND AFFILIATE
STATEMENT OF FUNCTIONAL EXPENSES - BAPTIST WORLD ALLIANCE
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

<u>Total Program Services</u>	<u>Adminis- tration</u>	<u>Fundraising</u>	<u>Tenants</u>	<u>Total</u>
\$ 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
<u>\$ 1,932,363</u>	<u>\$ 239,586</u>	<u>\$ 140,263</u>	<u>\$ 149,709</u>	<u>\$ 2,461,921</u>

BAPTIST WORLD ALLIANCE AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019

	<u>Consolidated</u>	<u>BWA</u>
Cash Flows from Operating Activities		
Cash received from:		
Contributions from member bodies	\$ 424,068	\$ 442,199
Combined federal campaign contributions	5,416	5,856
Contributions from churches, individuals and others	1,780,975	1,399,182
General council, conferences and other meeting income	21,182	745,481
Interest and dividends and other	148,921	122,234
Distributions from perpetual trusts	71,351	71,940
Rental income and miscellaneous	392,421	292,216
	<u>2,844,334</u>	<u>3,079,108</u>
Net cash received from operating activities		
Cash paid for:		
Personnel costs	(1,380,086)	(969,844)
Grants	(622,364)	(426,660)
Goods, services and meetings	(651,380)	(1,036,892)
	<u>(2,653,830)</u>	<u>(2,433,396)</u>
Net cash paid for operating activities		
Net cash provided by operating activities	<u>190,504</u>	<u>645,712</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(14,299)	(68,264)
Purchases of investments	(112,604)	(600,714)
Loan repayments received	1,476	2,651
	<u>(125,427)</u>	<u>(666,327)</u>
Net cash used for investing activities		
Cash Flows from Financing Activities		
Cash contributions received and restricted for endowment funds	250	800
Cash received from PPP loan	206,938	-
	<u>207,188</u>	<u>800</u>
Net cash provided by financing activities		
Effect of Exchange Rate Changes on Cash	<u>11,286</u>	<u>(2,587)</u>
Net Change in Cash and Cash Equivalents	<u>283,551</u>	<u>(22,402)</u>
Cash and Cash Equivalents, Beginning	<u>1,082,762</u>	<u>952,031</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,366,313</u>	<u>\$ 929,629</u>

BAPTIST WORLD ALLIANCE AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

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.

21Wilberforce Global Freedom Center (21Wilberforce), formerly known as Twenty-First Century Wilberforce Initiative, is a Christian human rights organization. During 2020, a Memorandum of Understanding (MOU) was signed by BWA and 21Wilberforce to establish BWA as the sole member of 21Wilberforce pursuant to the restated certificate of formation and revised bylaws being filed by 21Wilberforce. The affiliation structure could terminate under certain circumstances outlined in the MOU.

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.

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.

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.

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.

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 1 - DESCRIPTION OF ORGANIZATION (Continued)

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.

Defend Religious Freedom, Human Rights and Justice: Committed to a biblical understanding of the image of God in every person, the Organization 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. 21Wilberforce has developed a variety of programs designed to equip persecuted groups and their leaders with resources, training, and tools to defend against harassment, intimidation, discrimination, and repression based on religion or belief.

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 the Organization and between the Organization and its member bodies and related organizations.

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

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

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 the Organization's programs and operations.

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 1 - DESCRIPTION OF ORGANIZATION (Continued)

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements for year ended December 31, 2020 include the accounts of BWA and its Affiliate, 21Wilberforce (collectively, the Organization). All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The Organization prepares its consolidated 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

The Organization has presented the consolidated 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 the Organization'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, the change in value of beneficial interests and the currency exchange gains and losses.

Use of Estimates

The preparation of the consolidated 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 these consolidated financial statements and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from those estimates and be affected by the severity and duration of the COVID-19 pandemic, the extent of actions to contain or treat COVID-19, how quickly and to what extent normal economic and operating activity can resume, and the severity and duration of the global economic downturn that results from the pandemic.

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the Organization's historical collection experience. All receivables are considered to be fully collectible at December 31, 2020 and 2019, and as such, no allowance for doubtful accounts has been provided for in these 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 the Organization 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.

There were no pledges receivable as of December 31, 2020 or 2019.

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

The Organization 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 held by 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.

The Organization carries its investments at fair value based on these calculated net asset values, which are considered to be unobservable inputs (Level 3) in the fair value measurement hierarchy.

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).

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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), the Virginia Baptist Foundation (VBF) and the Kentucky Baptist Foundation (KBF). KBF also holds the charitable remainder trusts which are presented as temporarily donor restricted due to the time restrictions during the donor's lifetime. Annually, BWA receives a portion of the capital appreciation, interest, and dividends earned by ABF, VBF and KBF. 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.

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 the Organization 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 the Organization's investment in property and equipment, net of accumulated depreciation. The Organization'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.

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Organization 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 the Organization 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 9 for more information on the composition of net assets with donor restrictions.

Administration Fees

A one-time administration 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 2020 and 2019, the administrative fee was 20%. A percentage of these administration fees has been designated for scholarships provided by the Program of Assistance for Travel and Hospitality (PATH), which was two percent in 2020 and 2019. These fees are reported as a release from net assets with donor restrictions to net assets without donor restrictions.

Endowment Funds

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

Revenue Recognition

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

Contributions - Contributions received are recorded as revenue without donor restrictions or revenue 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.

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

In-kind Contributions - A substantial number of volunteers have donated significant amounts of time to the Organization'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 the Organization's general council meetings, conferences, and the Organization's 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.

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, 2020 and 2019 totaled \$18,977 and \$30,621, respectively.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported change in net assets or net assets.

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

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 also provided a loan to a former employee. The interest on the refinanced loan is 3.0% with monthly principal and interest payments of \$223 due until December 2027, at which time all amounts owed are due in full. The unpaid principal balance on this loan as of December 31, 2020 and 2019 was \$16,844 and \$17,320, 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, 2020 and 2019 was \$1,072 and \$2,072, respectively.

Principal payments on the loans receivable are due as follows: 2021 - \$3,218; 2022 - \$2,325; 2023 - \$2,338, 2024 - \$2,409, 2025 - \$2,483, 2026 - \$2,558, 2027 - \$2,585, and 2029 - \$250,000.

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 consolidated financial statements. The balance due from the Women's Department of BWA as of December 31, 2020 and 2019 were \$0 and \$14,031, 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, 2020 and 2019. The balance due was fully expensed during the year ended December 31, 2020.

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 5 - PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 2,334,069	\$ 2,323,402
Furniture, fixtures, equipment and software	<u>352,943</u>	<u>388,666</u>
	2,687,012	2,712,068
Less: accumulated depreciation	<u>(1,518,346)</u>	<u>(1,470,176)</u>
Net book value of depreciable property and equipment	1,168,666	1,241,892
Land	<u>1,174,400</u>	<u>1,174,400</u>
Property and equipment - net	<u>\$ 2,343,066</u>	<u>\$ 2,416,292</u>

Depreciation expense for the years ended December 31, 2020 and 2019 totaled \$87,525 and \$97,894, respectively.

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, 2020 and 2019, 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, 2020</u>				
Pooled investment funds	\$ -	\$ -	\$ 4,118,644	\$ 4,118,644
Beneficial interest in trusts	<u>-</u>	<u>-</u>	<u>1,347,830</u>	<u>1,347,830</u>
Total assets measured at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,466,474</u>	<u>\$ 5,466,474</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>

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

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>2020</u>	<u>2019</u>
Total gains included in the change in net assets for the year	<u>\$ 312,576</u>	<u>\$ 552,964</u>
Change in unrealized gains relating to net assets still held at year end	<u>\$ 312,576</u>	<u>\$ 552,964</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.

	<u>Balance at January 1, 2020</u>	<u>2020</u>	<u>Balance at December 31, 2020</u>		
		Realized/ Unrealized Gain (Loss)	Purchases	Sales	
Investments:					
ABF Stock Fund	\$ 420,502	\$ 41,226	\$ -	\$ -	\$ 461,728
Higher Ground Advisors Endowment Fund Summit	1,778,544	124,347	112,604	-	2,015,495
Higher Ground Advisors Cash	516,220	-	-	-	516,220
SBF Growth Fund	979,418	48,416	-	-	1,027,834
SBF Flexible Fund	91,510	5,857	-	-	97,367
	<u>\$ 3,786,194</u>	<u>\$ 219,846</u>	<u>\$ 112,604</u>	<u>\$ -</u>	<u>\$ 4,118,644</u>
Beneficial interest in trusts:					
VBF Greenwood Charitable Fund	\$ 30,670	\$ 3,439	\$ -	\$ -	\$ 34,109
ArkBF Cobb and Warren Funds	1,012,809	51,015	-	-	1,063,824
KBF Winchester Fund #1	14,152	3,296	-	-	17,448
KBF Winchester Fund #2	4,738	1,204	-	-	5,942
KBF Patterson Fund	16,198	6,478	-	22,676	-
KBF Tassie Fund	199,209	27,298	-	-	226,507
	<u>\$ 1,277,776</u>	<u>\$ 92,730</u>	<u>\$ -</u>	<u>\$ 22,676</u>	<u>\$ 1,347,830</u>

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

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>

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

	2020	2019
Interest and dividends	\$ 139,671	\$ 122,234
Distributions from perpetual trusts	71,351	71,940
Net unrealized and realized gains	<u>219,846</u>	<u>403,339</u>
	<u>\$ 430,868</u>	<u>\$ 597,513</u>

NOTE 7 - PAYCHECK PROTECTION PROGRAM

On May 1, 2020, the Organization received loans in the amounts of \$165,233 and \$41,705 for BWA and 21Wilberforce, respectively from local banks under the Paycheck Protection Program (PPP). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses. The notes bear interest at 1% and mature in two years; however, monthly payments are deferred for a period of ten months. PPP borrowers can qualify to have the loans forgiven if the proceeds are used to pay payroll and certain other eligible costs, however the amount of loan forgiveness will be reduced under certain conditions.

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 7 - PAYCHECK PROTECTION PROGRAM (Continued)

Until the forgiveness is actually received, the loans are reported as a liability in the consolidated statement of financial position. The Organization will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended December 31, 2020. Both loans were forgiven by the Small Business Administration (SBA) during 2021.

According to the rules of the SBA, the Organization is required to retain documentation for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Organization’s judgements pertaining to satisfying conditions of the loan, the Organization may be required to adjust previously reported amounts and disclosures in the consolidated financial statements.

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are available to finance the general operations of the Organization. The only limits on the use of these assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, and the purpose specified in its constitution. Voluntary resolutions by the 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”.

The Organization’s consolidated net assets without donor restrictions are comprised of undesignated and internally designated amounts at December 31:

	<u>2020</u>	<u>2019</u>
Available for operations	<u>\$ 799,772</u>	<u>\$ 523,859</u>
Invested in property and equipment	<u>2,343,066</u>	<u>2,416,292</u>
Internally designated:		
Bequests	194,123	128,681
400 Legacy Fund	58,200	58,200
Building Reserve	35,867	35,867
PATH	45,060	29,281
BWAID Director Salary Donations	33,131	-
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>407,516</u>	<u>293,164</u>
Total net assets without donor restrictions	<u>\$ 3,550,354</u>	<u>\$ 3,233,315</u>

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 9 - 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>2020</u>	<u>2019</u>
Temporarily restricted for time and purpose:		
Executive Office	\$ 279,431	\$ 194,582
Regional Support	5,357	5,357
Capital Funds	49,497	49,497
Communication Funds	20,786	14,450
Mission, Evangelism and Theological Reflection	437,275	413,980
Religious Freedom and Human Rights	51,993	45,004
Youth Funds	68,387	55,783
BWAid Funds	<u>2,024,528</u>	<u>2,009,025</u>
Total temporarily restricted net assets	<u>2,937,254</u>	<u>2,787,678</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	13,867	13,617
Lotz Human Rights Fund	104,024	104,024
Youth OMO Fund	<u>134,959</u>	<u>134,959</u>
Total endowment funds – permanently restricted	<u>\$ 1,343,727</u>	<u>\$ 1,343,477</u>

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	<u>2020</u>	<u>2019</u>
Permanently restricted beneficial interests in perpetual trusts:		
Cobb Fund	\$ 940,158	\$ 895,126
Cobb/Cooper Fund	9,360	8,912
Greenwood Trust	34,109	30,670
Warren Fund	114,306	108,771
Tassie Fund	<u>226,507</u>	<u>199,209</u>
Total beneficial interests in perpetual trusts – permanently restricted	<u>1,324,440</u>	<u>1,242,688</u>
Total permanently restricted	<u>2,668,167</u>	<u>2,586,165</u>
Total net assets with donor restrictions	<u>\$ 5,605,421</u>	<u>\$ 5,373,843</u>

NOTE 10 - 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, 2020 and 2019 consisted entirely of donor-restricted endowment funds.

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 10 - ENDOWMENTS (Continued)

The changes in endowment net assets for 2020 and 2019 were as follows:

	<u>Endowment Earnings</u>		<u>Permanently Restricted</u>	<u>Total</u>
	<u>General Purposes</u>	<u>Specific Purposes</u>		
Endowment net assets, January 1, 2020	\$ -	\$ 161,209	\$ 1,343,477	\$ 1,504,686
Investment return:				
Investment income	31,403	25,757	-	57,160
Net realized and unrealized appreciation	<u>52,770</u>	<u>43,281</u>	<u>-</u>	<u>96,051</u>
Total investment return	<u>84,173</u>	<u>69,038</u>	<u>-</u>	<u>153,211</u>
Contributions	<u>-</u>	<u>131</u>	<u>250</u>	<u>381</u>
Appropriated for expenditures	<u>(13,589)</u>	<u>(13,739)</u>	<u>-</u>	<u>(27,328)</u>
Endowment net assets, December 31, 2020	<u>\$ 70,584</u>	<u>\$ 216,639</u>	<u>\$ 1,343,727</u>	<u>\$ 1,630,950</u>
	<u>Endowment Earnings</u>		<u>Permanently Restricted</u>	<u>Total</u>
	<u>General Purposes</u>	<u>Specific Purposes</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 depreciation	<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>233,581</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>(99,594)</u>
Endowment net assets, December 31, 2019	<u>\$ -</u>	<u>\$ 161,209</u>	<u>\$ 1,343,477</u>	<u>\$ 1,504,686</u>

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10 - 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, 2020 and 2019, there were no accumulated deficiencies in the endowment funds.

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, may be distributed semi-annually. When the value of the investment falls below the cost basis of the fund, no income distributions are made.

NOTE 11 - 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, 2020, future minimum lease receipts for these operating leases, not including the optional renewal extensions, are as follows:

Year ending December 31:	
2021	\$ 278,504
2022	211,288
2023	190,276
2024	<u>19,336</u>
	<u>\$ 699,404</u>

NOTE 12 - 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: 2021 - \$6,924; 2022 - \$6,924; 2023 - \$6,924; 2024 - \$1,731.

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 - LEASE OBLIGATIONS (Continued)

Rental expense for equipment leases totaled \$8,494 and \$10,125 for the years ended December 31, 2020 and 2019, respectively and are included with office equipment and computer costs in the statements of functional expenses.

NOTE 13 - 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 2020 and 2019, BWA contributed 10% of an employee's salary during the first three years of employment and 16% thereafter. BWA contributed \$83,769 and \$89,557 for the years ended December 31, 2020 and 2019, respectively.

NOTE 14 - INCOME TAXES

The Organization 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, 2020 and 2019 since the Organization had no taxable income from unrelated business activities.

NOTE 15 - LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,366,313	\$ 929,629
Receivables due within one year	105,755	43,462
Other investments	<u>2,774,917</u>	<u>2,442,717</u>
Total financial assets available within one year	4,246,985	3,415,808
Less, amounts unavailable for general operations within one year, due to:		
Restricted by donors with purpose or time restrictions	(2,937,254)	(2,787,678)
Board designated	<u>(407,516)</u>	<u>(293,164)</u>
Total financial assets available to management for general operations within one year	<u>\$ 902,215</u>	<u>\$ 334,966</u>

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 15 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

Liquidity Management

The Organization 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, the Budget and Finance Committee has established internally designated net assets of \$407,516 and \$293,164 as of December 31, 2020 and 2019, respectively that could be made available for current operations, if necessary, although the Organization does not intend to spend the funds for purposes other than those identified. As described in Note 10, 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 16 - IMPACT OF COVID-19 VIRUS

During March 2020, U.S. government officials declared a national emergency in response to a pandemic of respiratory disease caused by a novel coronavirus (COVID-19). Actions taken to help mitigate the spread of this virus including restrictions on travel, quarantines in certain areas, and forced closures of non-essential businesses, have had, and are expected to continue to have, an adverse effect on the economy. Although the Organization has continued to operate during the pandemic by conducting virtual meetings, the Organization's operations have been affected by this outbreak.

Because of the outbreak, the Organization had to postpone its world congress and annual meetings. It is not practicable to attempt to measure the number of attendees who did not register or the extent of decline in contributions to the Organization, if any, as a result of the pandemic. It is unknown how long these conditions will last and what the complete financial effect will be to the Organization. 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.

NOTE 17 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 31, 2021, which is the date the consolidated financial statements were available to be issued. Except as disclosed, management has determined that there are no other subsequent events which require disclosure.

In 2021, the Women's Department of BWA approved a decision to merge its operations into BWA.

As disclosed in Note 7, the first PPP loans obtained by BWA and 21Wilberforce's were both forgiven subsequent to year end.

BAPTIST WORLD ALLIANCE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2020 and 2019

NOTE 17 - SUBSEQUENT EVENTS (Continued)

On March 18, 2021, BWA entered into a second SBA PPP loan in the principal amount of \$150,000. On March 25, 2021, 21Wilberforce entered into a second PPP loan in the amount of \$71,683. The loans will bear interest at a rate of 1% per annum. No payments will be due on the second PPP loans until either (1) the date that SBA remits the loan forgiveness amount to the lender or (2) if the Organization does not apply for loan forgiveness, 10 months after the end of the loan forgiveness covered period. Subsequent to year end, both BWA's and 21Wilberforce's second SBA PPP loans were fully forgiven by the SBA.

The 22nd Baptist World Congress event was held virtually in July 2021, uniting more than 4,000 registrants from over 140 countries. The event raised approximately \$467,000 in revenue while expenses totaled approximately \$452,000.

On October 8, 2021, BWA remitted a convention and exhibition center deposit for \$20,058 for the 23rd Baptist World Congress to be held in Brisbane, Australia in July 2025. Per the event contract, future amounts due are as follows: 2024 - \$50,145 and 2025 - \$371,076 (as converted to an estimated US dollars as of the date the first deposit was made). The contract does include minimum notice periods for cancellation.

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY INFORMATION**

To the Audit Committee
Baptist World Alliance and Affiliate

We have audited the consolidated financial statements of Baptist World Alliance and its Affiliate, 21Wilberforce Global Freedom Center, as of and for the year ended December 31, 2020 and we have also audited the accompanying financial statements of the Baptist World Alliance, prior to consolidation, as of and for the year ended December 31, 2019. Our report thereon dated December 31, 2021, 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 these financial statements as a whole. The supplementary schedules on pages 33 - 60 are presented for purposes of additional analysis and are not a required part of these 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 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
December 31, 2021