



EAST WEST MINISTRIES
INTERNATIONAL, INC.

Consolidated Financial Statements
With Independent Auditors' Report

September 30, 2017 and 2016

EAST-WEST MINISTRIES INTERNATIONAL, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
East-West Ministries International, Inc.
Plano, Texas

We have audited the accompanying consolidated financial statements of East-West Ministries International, Inc. which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
East-West Ministries International, Inc.
Plano, Texas

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of East-West Ministries International, Inc. as of September 30, 2017 and 2016, and the changes in their consolidated net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Grapevine, Texas
December 18, 2017

EAST-WEST MINISTRIES INTERNATIONAL, INC.

Consolidated Statements of Financial Position

	September 30,	
	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 2,482,244	\$ 3,782,221
Advances	244,960	149,463
Prepaid expenses and other assets	211,192	142,242
Certificates of deposit	4,566,915	3,064,315
Assets held for sale	158,400	228,400
Property and equipment–net	139,735	223,377
Total Assets	\$ 7,803,446	\$ 7,590,018
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 89,401	\$ 28,374
Net assets:		
Unrestricted:		
Undesignated	2,206,303	2,262,463
Equity in assets held for sale	158,400	228,400
Equity in property and equipment–net	139,735	223,377
	2,504,438	2,714,240
Temporarily restricted	5,209,607	4,847,404
	7,714,045	7,561,644
Total Liabilities and Net Assets	\$ 7,803,446	\$ 7,590,018

See notes to consolidated financial statements

EAST-WEST MINISTRIES INTERNATIONAL, INC.

Consolidated Statements of Activities

	Year Ended September 30,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 4,369,137	\$ 13,592,895	\$ 17,962,032	\$ 4,423,419	\$ 12,837,839	\$ 17,261,258
Gift-in-kind contributions	202,876	-	202,876	182,354	-	182,354
Loss on sale of assets	-	-	-	(382,191)	-	(382,191)
Interest income	29,872	-	29,872	22,308	-	22,308
Other income	40,893	-	40,893	168,120	-	168,120
Total Support and Revenue	4,642,778	13,592,895	18,235,673	4,414,010	12,837,839	17,251,849
RECLASSIFICATIONS:						
Satisfaction of purpose restrictions	13,230,692	(13,230,692)	-	11,945,555	(11,945,555)	-
EXPENSES:						
Program services:						
Evangelizing	4,490,519	-	4,490,519	4,481,029	-	4,481,029
Equipping	3,441,764	-	3,441,764	3,074,025	-	3,074,025
Multiplication	2,812,050	-	2,812,050	2,572,692	-	2,572,692
Mobilization	3,232,132	-	3,232,132	2,847,783	-	2,847,783
	13,976,465	-	13,976,465	12,975,529	-	12,975,529
Supporting activities:						
General and administration	2,528,136	-	2,528,136	2,100,110	-	2,100,110
Missionary support-raising	436,890	-	436,890	428,281	-	428,281
Fund-raising	1,141,781	-	1,141,781	1,371,387	-	1,371,387
	4,106,807	-	4,106,807	3,899,778	-	3,899,778
Total Expenses	18,083,272	-	18,083,272	16,875,307	-	16,875,307
Change in Net Assets	(209,802)	362,203	152,401	(515,742)	892,284	376,542
Net Assets, Beginning of Year	2,714,240	4,847,404	7,561,644	3,229,982	3,955,120	7,185,102
Net Assets, End of Year	\$ 2,504,438	\$ 5,209,607	\$ 7,714,045	\$ 2,714,240	\$ 4,847,404	\$ 7,561,644

See notes to consolidated financial statements

EAST-WEST MINISTRIES INTERNATIONAL, INC.

Consolidated Statements of Cash Flows

	Year Ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 152,401	\$ 376,542
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	97,758	80,487
Loss on sale of assets	-	382,191
Change in:		
Advances	(95,497)	35,513
Prepaid expenses and other assets	(68,950)	(51,004)
Accounts payable and accrued expenses	61,027	(230,943)
Net Cash Provided by Operating Activities	146,739	592,786
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of certificates of deposit	-	1,761,229
Purchases of certificates of deposit	(1,475,440)	(1,042,014)
Reinvested interest	(27,160)	(18,274)
Proceeds from sale of assets	70,000	137,051
Purchases of property and equipment	(14,116)	(54,765)
Net Cash Provided (Used) by Investing Activities	(1,446,716)	783,227
Net Change in Cash and Cash Equivalents	(1,299,977)	1,376,013
Cash and Cash Equivalents, Beginning of Year	3,782,221	2,406,208
Cash and Cash Equivalents, End of Year	\$ 2,482,244	\$ 3,782,221

See notes to consolidated financial statements

EAST-WEST MINISTRIES INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

1. NATURE OF ORGANIZATION:

East-West Ministries International, Inc. (EWMI) is a Texas not-for-profit corporation formed in 1990 under Section 501(c)(3) of the Internal Revenue Code (code) of 1986, as amended. EWMI is currently classified as a publicly supported organization which is not a private foundation under Section 509(a)(1) of the code. Contributions to EWMI are tax-deductible within the limitations prescribed by the code.

The vision of EWMI is to glorify God by multiplying disciples of Jesus in the spiritually darkest areas of the world. EWMI accomplishes this through their mission statement: EWMI exists to mobilize the Body of Christ to evangelize the lost and equip local believers to multiply disciples and churches among unreached peoples and/or in restricted access communities. Their focus:

To mobilize – both people and resources, participating in the spreading of the Gospel of Jesus,

To evangelize – to local believers about Jesus and His love for them,

To equip – nationals for evangelism and church planting, and

To multiply – disciples and churches in countries that have had minimal exposure to the Gospel.

Through the sacrificial commitments of over 200 missionaries, thousands of indigenous partners, and hundreds of annual short-term trip participants, EWMI is active in 54 countries in Latin America, Russia and the Caucasus, Central Asia, South Asia, East Asia, Southeast Asia, Europe, the Middle East, and Africa. EWMI's primary source of support is through the contributions of generous individuals, corporations, and foundations, much of which is temporarily restricted for the various programs of the ministry.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

EWMI maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of 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, disclosures of any contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements for the years ended September 30, 2017 and 2016, include the operations of EWMI and its sole member LLC (sole member). All material balances and transactions between the consolidated entities have been eliminated.

EAST-WEST MINISTRIES INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PRINCIPLES OF CONSOLIDATION, continued

In addition, the consolidated financial statements report the worldwide ministries of EWMI as identified in Note 1. The consolidated financial statements do not include certain assets held by foreign affiliates which are not owned by EWMI. These assets include computers, office furniture, and vehicles.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in checking and saving accounts. These accounts may, at times, exceed federally insured limits. EWMI has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

CERTIFICATES OF DEPOSIT

Certificates of deposit are carried at cost and have maturities greater than ninety days. Interest earned from certificates of deposit is recorded in the consolidated statements of activities in the year it is earned as interest income.

For the years ended September 30, 2017 and 2016, interest income from certificates of deposits of \$29,872 and \$22,308, respectively.

ADVANCES

Advances are funds controlled by EWMI that are sent to field offices and missionaries in various countries and funds provided for short-term trips. The use of the funds is reported to EWMI and the expense is recorded in the period incurred.

ASSETS HELD FOR SALE

Assets held for sale are valued at the lower of cost or market less selling costs.

PROPERTY AND EQUIPMENT—NET

Expenditures greater than \$2,500 for property and equipment are capitalized and recorded at cost or at estimated fair value at the date of gift. Depreciation is computed using the straight-line method over the following estimated useful lives of assets:

Building	40 years
Office furniture and equipment	5 years
Vehicles	5 years
Computer and video equipment	3 years

EAST-WEST MINISTRIES INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The consolidated financial statements report amounts by class of net assets:

Unrestricted net assets are currently available for ministry purposes under the direction of the board, designated by the board for specific use, or resources invested in property and equipment and subsidiaries.

Temporarily restricted net assets are contributed with donor stipulations for specific operating purposes or programs, time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

PUBLIC SUPPORT, REVENUE, RECLASSIFICATIONS, AND EXPENSES

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of donated assets is transferred to EWMI. Donated goods are recorded at fair value at the date of the gift.

Contributions are recorded as temporarily restricted if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from temporarily restricted to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Temporarily restricted contributions are subject to an administration fee ranging from 8% to 15% which is used for general and administrative expenses. Total administrative fees for the years ended September 30, 2017 and 2016, were \$1,312,352 and \$1,248,339, respectively.

For contributions restricted by donors for the acquisition of property or other long-lived assets, the restriction is considered to be met when the property or other long-lived asset is placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

ALLOCATION OF JOINT COSTS

EWMI incurred joint costs that include costs of missionary support-raising activities during the years ending September 30, 2017 and 2016. These costs have been allocated as follows for the years ended September 30, 2017 and 2016, respectively: \$420,083 and \$410,233 of program services and \$226,198 and \$220,895 of fund-raising expenses. Total costs of joint activities for the years ended September 30, 2017 and 2016, were \$646,281 and \$631,128, respectively.

EAST-WEST MINISTRIES INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FOREIGN OPERATIONS

In connection with its international ministry, EWMI maintains offices and other supporting facilities in various countries outside the United States. As of September 30, 2017 and 2016, current assets in other countries, including cash, receivables, and advances totaled \$332,657 and \$149,463, respectively; assets held for sale amounted to \$0 and \$70,000, respectively.

Management has reviewed the assets in other countries and, in its opinion, determined they are under control and ownership of EWMI. While such items are recognized as assets of EWMI, it should be noted that the political situation in many other countries is subject to rapid change. Therefore, the reader should be aware, that while EWMI believes the assets are properly stated at the date of this report, subsequent changes could occur that would adversely affect the realizable value of the assets in other countries. In addition, it should be understood the carrying value of the assets in other countries may not be representative of the amount that would be realized should the assets be sold.

3. ADVANCES:

Advances consist of:

	September 30,	
	2017	2016
Foreign field advances	\$ 143,974	\$ 88,157
Short-term trip advances	74,416	46,006
Missionary advances	26,570	15,300
	<u>\$ 244,960</u>	<u>\$ 149,463</u>

4. ASSETS HELD FOR SALE:

Assets held for sale consist of:

	September 30,	
	2017	2016
Land	\$ 158,400	\$ 158,400
Buildings	-	70,000
	<u>\$ 158,400</u>	<u>\$ 228,400</u>

EAST-WEST MINISTRIES INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

5. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	September 30,	
	2017	2016
Office furniture and equipment	\$ 203,702	\$ 189,577
Computer and video equipment	317,642	317,648
Vehicles	143,268	143,268
	664,612	650,493
Less accumulated depreciation	(556,477)	(458,716)
	108,135	191,777
Construction in progress	31,600	31,600
	\$ 139,735	\$ 223,377

6. TEMPORARILY RESTRICTED NET ASSETS:

The following tables reflects the temporarily restricted activity by restriction during the years ended September 30, 2017 and 2016:

	September 30, 2016	Contributions	Net assets released from restriction	September 30, 2017
Missionary ministries	\$ 3,585,496	\$ 9,930,878	\$ (9,954,532)	3,561,842
Establishing	312,622	492,003	(538,339)	266,286
Evangelizing	385,023	341,945	(454,264)	272,704
Equipping	218,891	595,182	(387,599)	426,474
Short-term mission trips	345,372	1,911,302	(1,895,958)	360,716
Other restricted funds	-	321,585	-	321,585
	\$ 4,847,404	\$ 13,592,895	\$ (13,230,692)	\$ 5,209,607

EAST-WEST MINISTRIES INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

6. TEMPORARILY RESTRICTED NET ASSETS, continued:

	September 30, 2015	Contributions	Net assets released from restriction	September 30, 2016
Missionary ministries	\$ 2,924,513	\$ 10,121,405	\$ (9,460,422)	\$ 3,585,496
Establishing	237,472	574,054	(498,904)	312,622
Evangelizing	348,181	324,533	(287,691)	385,023
Equipping	209,217	435,822	(426,148)	218,891
Short-term mission trips	225,737	1,382,025	(1,262,390)	345,372
Contributions receivable	10,000	-	(10,000)	-
	<u>\$ 3,955,120</u>	<u>\$ 12,837,839</u>	<u>\$ (11,945,555)</u>	<u>\$ 4,847,404</u>

7. NATURAL CLASSIFICATION OF EXPENSES:

Expenses have been allocated on a functional basis as follows:

	Year Ended September 30, 2017			Total
	Program Services	Supporting Activities		
		General and Administrative	Fund-raising	
Salaries and benefits	\$ 7,727,615	\$ 1,483,663	\$ 1,122,819	\$ 10,334,097
Travel and entertainment	2,956,700	26,030	67,228	3,049,958
Donations and aid	965,451	2,936	3,347	971,734
Contracted services	546,477	85,744	268,834	901,054
Training	839,046	42,843	11,137	893,026
Office expense	216,973	63,927	51,627	332,528
Rent and leasing expense	93,805	215,642	8,119	317,566
Contributed rent expense	55,667	145,125	2,085	202,876
Bank fees	60,756	137,720	52	198,529
Equipment	103,711	76,881	8,032	188,623
Professional Fees	56,993	119,367	490	176,850
Supplies	102,237	5,013	23,889	131,139
Miscellaneous	134,824	3,654	4,067	142,545
Insurance	53,918	52,818	5,748	112,485
Depreciation expense	32,021	65,737	-	97,758
Literature and tapes	30,271	1,036	1,198	32,504
	<u>\$ 13,976,465</u>	<u>\$ 2,528,136</u>	<u>\$ 1,578,671</u>	<u>\$ 18,083,272</u>

EAST-WEST MINISTRIES INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

7. NATURAL CLASSIFICATION OF EXPENSES, continued:

	Year Ended September 30, 2016			
	Program Services	Supporting Activities		Total
		General and Administrative	Fund-raising	
Salaries and benefits	\$ 7,314,093	\$ 1,280,612	\$ 1,210,764	\$ 9,805,469
Travel and entertainment	2,436,218	27,946	149,608	2,613,772
Donations and aid	995,833	-	-	995,833
Contracted services	476,763	82,007	217,090	775,860
Training	749,641	37,315	6,298	793,254
Office expense	257,541	60,523	65,714	383,778
Rent and leasing expense	153,717	116,868	60,873	331,458
Contributed rent	69,230	78,695	34,429	182,354
Bank fees	55,961	114,234	1,067	171,262
Equipment	134,888	63,313	8,648	206,849
Professional fees	15,880	117,876	15,352	149,108
Supplies	95,453	10,968	9,828	116,249
Miscellaneous	99,584	287	2,913	102,784
Insurance	39,795	53,775	5,014	98,584
Depreciation	26,364	54,123	-	80,487
Literature and tapes	54,568	1,568	12,070	68,206
	\$ 12,975,529	\$ 2,100,110	\$ 1,799,668	\$ 16,875,307

8. OPERATING LEASES:

EWMI leases various office facilities and equipment under noncancelable operating leases which expire at various dates through 2022. Future minimum lease payments are approximately:

Year Ending September 30,

2018	\$ 209,972
2019	155,709
2020	2,784
2021	2,784
2022	2,784
	\$ 374,033

Rent expense associated with these leases for the years ended September 30, 2017 and 2016, was approximately \$317,566 and \$331,548, respectively.

EAST-WEST MINISTRIES INTERNATIONAL, INC.

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

8. OPERATING LEASES, continued:

As part of the above operating lease, EWMI is provided below market rent from a third party organization. The difference between the rent paid and the fair value of the rent has been recorded as contributed rent in the consolidated statements of activities. EWMI received donated rent income during the years ended September 30, 2017 and 2016, of \$202,876 and \$182,354, respectively.

9. RETIREMENT PLAN:

EWMI has a defined contribution plan covering substantially all employees who are at least 21 years old. EWMI makes contributions to all eligible employees with immediate vesting. EWMI's contribution is based on a percentage of salary with a maximum 4% match. Employees may make additional contributions. Employer contributions to the plan for the years ended September 30, 2017 and 2016, were \$167,102 and \$139,058, respectively.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through December 18, 2017, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.