



EAST WEST MINISTRIES  
INTERNATIONAL, INC.

Consolidated Financial Statements  
With Independent Auditors' Report

September 30, 2016 and 2015

# 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, 2016 and 2015, 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, 2016 and 2015, 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 22, 2016

# EAST-WEST MINISTRIES INTERNATIONAL, INC.

## Consolidated Statements of Financial Position

	September 30,	
	2016	2015
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 3,782,221	\$ 2,406,208
Certificates of deposit	3,064,315	3,765,256
Advances	149,463	184,976
Prepaid expenses and other assets	142,242	91,238
Assets held for sale	228,400	205,680
Property held for investment purposes–net	-	363,987
Property and equipment–net	223,377	427,074
<b>Total Assets</b>	<b>\$ 7,590,018</b>	<b>\$ 7,444,419</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 28,374	\$ 259,317
<b>Net assets:</b>		
<b>Unrestricted:</b>		
Undesignated	2,262,463	2,233,241
Equity in assets held for sale	228,400	205,680
Equity in property held for investment–net	-	363,987
Equity in property and equipment–net	223,377	427,074
	2,714,240	3,229,982
Temporarily restricted	4,847,404	3,955,120
	7,561,644	7,185,102
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,590,018</b>	<b>\$ 7,444,419</b>

See notes to consolidated financial statements

# EAST-WEST MINISTRIES INTERNATIONAL, INC.

## Consolidated Statements of Activities

	Year Ended September 30,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 4,423,419	\$ 12,837,839	\$ 17,261,258	\$ 4,957,217	\$ 11,811,055	\$ 16,768,272
Gift-in-kind contributions	108,148	-	108,148	112,687	-	112,687
Loss on sale of assets	(382,191)	-	(382,191)	-	-	-
Investment income	22,308	-	22,308	23,463	-	23,463
Other income	168,120	-	168,120	44,329	-	44,329
<b>Total Support and Revenue</b>	<b>4,339,804</b>	<b>12,837,839</b>	<b>17,177,643</b>	<b>5,137,696</b>	<b>11,811,055</b>	<b>16,948,751</b>
<b>RECLASSIFICATIONS:</b>						
Satisfaction of purpose restrictions	11,945,555	(11,945,555)	-	11,301,681	(11,301,681)	-
<b>EXPENSES:</b>						
Program services:						
Evangelizing	4,469,898	-	4,469,898	4,225,691	-	4,225,691
Equipping	3,070,315	-	3,070,315	3,095,248	-	3,095,248
Multiplication	2,568,982	-	2,568,982	2,539,518	-	2,539,518
Mobilization	2,847,783	-	2,847,783	2,697,698	-	2,697,698
	<b>12,956,978</b>	<b>-</b>	<b>12,956,978</b>	<b>12,558,155</b>	<b>-</b>	<b>12,558,155</b>
Supporting activities:						
General and administration	2,059,297	-	2,059,297	1,862,665	-	1,862,665
Missionary support-raising	428,281	-	428,281	347,540	-	347,540
Fund-raising	1,356,545	-	1,356,545	1,131,848	-	1,131,848
	<b>3,844,123</b>	<b>-</b>	<b>3,844,123</b>	<b>3,342,053</b>	<b>-</b>	<b>3,342,053</b>
<b>Total Expenses</b>	<b>16,801,101</b>	<b>-</b>	<b>16,801,101</b>	<b>15,900,208</b>	<b>-</b>	<b>15,900,208</b>
Change in Net Assets	(515,742)	892,284	376,542	539,169	509,374	1,048,543
Net Assets, Beginning of Year	3,229,982	3,955,120	7,185,102	2,690,813	3,445,746	6,136,559
Net Assets, End of Year	\$ 2,714,240	\$ 4,847,404	\$ 7,561,644	\$ 3,229,982	\$ 3,955,120	\$ 7,185,102

See notes to consolidated financial statements

# EAST-WEST MINISTRIES INTERNATIONAL, INC.

## Consolidated Statements of Cash Flows

	Year Ended September 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 376,542	\$ 1,048,543
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	80,487	83,797
Loss on sale of assets	382,191	-
Change in:		
Advances	35,513	(48,995)
Prepaid expenses and other assets	(51,004)	16,507
Pledges receivable	-	165,763
Accounts payable and accrued expenses	(230,943)	165,598
Net Cash Provided by Operating Activities	592,786	1,431,213
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	1,761,229	1,529,615
Purchases of investments	(1,042,014)	(1,000,000)
Reinvested interest	(18,274)	(18,848)
Proceeds from sale of assets	137,051	-
Purchases of property and equipment	(54,765)	(90,433)
Net Cash Provided by Investing Activities	783,227	420,334
Net Change in Cash and Cash Equivalents	1,376,013	1,851,547
Cash and Cash Equivalents, Beginning of Year	2,406,208	554,661
Cash and Cash Equivalents, End of Year	\$ 3,782,221	\$ 2,406,208

See notes to consolidated financial statements

# EAST-WEST MINISTRIES INTERNATIONAL, INC.

## Notes to Consolidated Financial Statements

September 30, 2016 and 2015

### 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: East-West 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 160 missionaries, thousands of indigenous partners, and hundreds of annual short-term trip participants, East-West 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. East-West'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, 2016 and 2015, include the operations of East-West Ministries International 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, 2016 and 2015

### 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 investment and other income.

For the years ended September 30, 2016 and 2015, investment income consist of interest from certificates of deposits of \$22,308 and \$23,463, 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 HELD FOR INVESTMENT PURPOSES—NET

EWMI had two Business as Missions housing construction projects in Central Asia. As of March 31, 2011, both houses were completed and, due to poor real estate market conditions, they were rented to missionaries on the field. Management's policy regarding property held for investment purposes is to treat it as property held for use and depreciate over 40 years using the straight-line method. One of these properties was sold during the year ended September 30, 2016, and the other property was sold subsequent to fiscal year 2016. This piece of property is classified as held for sale at September 30, 2016.

# EAST-WEST MINISTRIES INTERNATIONAL, INC.

## Notes to Consolidated Financial Statements

September 30, 2016 and 2015

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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

#### 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, 2016 and 2015, were \$1,248,339 and \$1,129,129, 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.

# EAST-WEST MINISTRIES INTERNATIONAL, INC.

## Notes to Consolidated Financial Statements

September 30, 2016 and 2015

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### 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, 2016 and 2015. These costs have been allocated as follows for the years ended September 30, 2016 and 2015, respectively: \$410,233 and \$342,640 of program services and \$220,895 and \$184,499 of fund-raising expenses. Total costs of joint activities for the years ended September 30, 2016 and 2015, were \$631,128 and \$527,139, respectively.

#### 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, 2016 and 2015, respectively, current assets in other countries, including cash, receivables, and advances totaled \$149,463 and \$184,976; property and equipment, net of accumulated depreciation, amounted to \$70,000 and \$363,987.

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.

#### UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on technical merits, that the position will be sustained upon examination. As of September 30, 2016, EWMI had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

EWMI files information tax returns in the U.S. and various states. EWMI is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013.

# EAST-WEST MINISTRIES INTERNATIONAL, INC.

## Notes to Consolidated Financial Statements

September 30, 2016 and 2015

3. ADVANCES:

Advances consist of:

	September 30,	
	2016	2015
Foreign field advances	\$ 88,157	\$ 148,110
Short-term trip advances	46,006	25,666
Missionary advances	15,300	11,200
	<u>\$ 149,463</u>	<u>\$ 184,976</u>

4. PROPERTY HELD FOR INVESTMENT PURPOSES—NET:

Property held for investment purposes—net consist of:

	September 30,	
	2016	2015
Buildings	\$ -	\$ 420,689
Less accumulated depreciation	-	(56,702)
	<u>\$ -</u>	<u>\$ 363,987</u>

5. ASSETS HELD FOR SALE:

Assets held for sale consist of:

	September 30,	
	2016	2015
Land	\$ 158,400	\$ 205,680
Buildings	70,000	-
	<u>\$ 228,400</u>	<u>\$ 205,680</u>

# EAST-WEST MINISTRIES INTERNATIONAL, INC.

## Notes to Consolidated Financial Statements

September 30, 2016 and 2015

6. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of:

	September 30,	
	2016	2015
Land	\$ -	\$ 60,621
Buildings	-	151,909
Office furniture and equipment	189,577	189,576
Computer and video equipment	317,648	276,257
Vehicles	143,268	129,896
	650,493	808,259
Less accumulated depreciation	(458,716)	(412,785)
	191,777	395,474
Construction in progress	31,600	31,600
	\$ 223,377	\$ 427,074

7. TEMPORARILY RESTRICTED NET ASSETS:

The following tables reflects the temporarily restricted activity by restriction during the years ended September 30, 2016 and 2015:

	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)	-
	\$ 3,955,120	\$ 12,837,839	\$ (11,945,555)	\$ 4,847,404

# EAST-WEST MINISTRIES INTERNATIONAL, INC.

## Notes to Consolidated Financial Statements

September 30, 2016 and 2015

7. TEMPORARILY RESTRICTED NET ASSETS, continued:

	September 30, 2014	Contributions	Net assets released from restriction	September 30, 2015
Missionary ministries	\$ 2,336,632	\$ 8,650,951	\$ (8,063,070)	\$ 2,924,513
Establishing	218,667	537,236	(518,431)	237,472
Evangelizing	298,196	516,735	(466,750)	348,181
Equipping	230,880	922,114	(943,777)	209,217
Short-term mission trips	185,608	1,184,019	(1,143,890)	225,737
Contributions receivable	175,763	-	(165,763)	10,000
	<u>\$ 3,445,746</u>	<u>\$ 11,811,055</u>	<u>\$ (11,301,681)</u>	<u>\$ 3,955,120</u>

8. NATURAL CLASSIFICATION OF EXPENSES:

Expenses have been allocated on a functional basis as follows:

	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
Training	749,641	37,315	6,298	793,254
Contracted services	476,763	82,007	217,090	775,860
Office expense	257,541	60,523	65,714	383,778
Rent and leasing expense	153,717	116,868	60,873	331,458
Equipment	134,888	63,313	8,648	206,849
Bank fees	55,961	114,234	1,067	171,262
Professional fees	15,880	117,876	15,352	149,108
Supplies	95,453	10,968	9,828	116,249
Contributed rent	50,679	37,882	19,587	108,148
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
Miscellaneous	99,584	287	2,913	102,784
	<u>\$ 12,956,978</u>	<u>\$ 2,059,297</u>	<u>\$ 1,784,826</u>	<u>\$ 16,801,101</u>

# EAST-WEST MINISTRIES INTERNATIONAL, INC.

## Notes to Consolidated Financial Statements

September 30, 2016 and 2015

8. NATURAL CLASSIFICATION OF EXPENSES, continued:

	Year Ended September 30, 2015			Total
	Program Services	Supporting Activities		
		General and Administrative	Fund-raising	
Salaries and benefits	\$ 6,352,950	\$ 1,161,505	\$ 897,075	\$ 8,411,530
Travel and entertainment	2,452,345	23,028	77,157	2,552,530
Donations	1,525,209	-	-	1,525,209
Contracted services	597,900	26,855	325,983	950,738
Training	745,130	20,757	3,776	769,663
Office expense	217,387	34,054	59,999	311,440
Rent and leasing expense	136,887	98,538	44,432	279,857
Equipment	108,061	98,141	8,248	214,450
Supplies	18,910	147,563	6,088	172,561
Contributed rent	57,681	91,668	190	149,539
Miscellaneous	82,904	9,705	34,761	127,370
Professional fees	58,560	35,101	19,026	112,687
Bank fees	95,628	1,650	1,741	99,019
Insurance	32,290	54,758	472	87,520
Depreciation	27,448	56,349	-	83,797
Literature and tapes	48,865	2,993	440	52,298
	\$ 12,558,155	\$ 1,862,665	\$ 1,479,388	\$ 15,900,208

9. OPERATING LEASES:

EWMI leases various office facilities and equipment under noncancelable operating leases which expire at various dates through 2019. Future minimum lease payments are approximately:

Year Ending September 30,

2017	\$ 204,813
2018	203,616
2019	144,452
	\$ 552,881

Rent expense associated with these leases for the years ended September 30, 2016 and 2015, were approximately \$331,458 and \$279,857, respectively.

# EAST-WEST MINISTRIES INTERNATIONAL, INC.

## Notes to Consolidated Financial Statements

September 30, 2016 and 2015

9. 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, 2016 and 2015, of \$108,148 and \$112,687, respectively.

10. 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, 2016 and 2015, were \$139,058 and \$124,911, respectively.

11. SUBSEQUENT EVENTS:

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