

**ARAB WORLD MINISTRIES
U.S. BOARD OF TRUSTEES**

**REPORT ON EXAMINATION
DECEMBER 31, 2008 AND 2007**

ARAB WORLD MINISTRIES
U.S. BOARD OF TRUSTEES
DECEMBER 31, 2008 and 2007

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HOLMES, SIMMONS & OSWALD, PC
Certified Public Accountants

ACCOUNTANT'S REPORT ON FINANCIAL STATEMENTS

The Board of Trustees
ARAB WORLD MINISTRIES - U.S. BOARD OF TRUSTEES
Upper Darby, Pennsylvania

We have audited the accompanying statements of financial position of Arab World Ministries - U.S. Board of Trustees (a nonprofit organization) as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arab World Ministries as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Holmes, Simmons & Oswald, PC

September 16, 2009

ARAB WORLD MINISTRIES - U.S. BOARD OF TRUSTEES
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Assets:		
Cash and cash equivalents [note 2]	\$ 1,043,522	\$ 1,135,687
Advances to employees	126,904	82,580
Accrued interest receivable	6,708	0
Loans employees [note 3]	80,479	116,039
Prepaid expense	50,188	66,503
Prepaid pension cost [note 13]	126,599	144,878
Due from affiliates, net	352,196	45,030
Due from other funds	6,743	0
Inventory	22,222	20,826
Long-term investments [note 5]	1,603,043	1,975,582
Land, buildings, and equipment [note 4]	<u>229,816</u>	<u>297,271</u>
Total assets	\$ <u>3,648,420</u>	\$ <u>3,884,396</u>
Liabilities:		
Accounts payable	\$ 265,464	\$ 133,131
Wages and taxes payable	2,439	23,340
Transmission gifts	119,714	40,603
Due to other funds	0	17,152
Accrued education fund benefits	533,957	625,856
Underfunded pension obligation [note 13]	440,110	184,274
Other liabilities	45,926	35,389
Accrued post retirement benefits other than pension [note 14]	<u>0</u>	<u>0</u>
Total liabilities	<u>1,407,610</u>	<u>1,059,745</u>
Net assets:		
Unrestricted	1,682,077	2,617,684
Temporarily restricted	518,733	166,967
Permanently restricted	<u>40,000</u>	<u>40,000</u>
Total net assets [note 6]	<u>2,240,810</u>	<u>2,824,651</u>
Total liabilities and net assets	\$ <u>3,648,420</u>	\$ <u>3,884,396</u>

The accompanying footnotes are an integral part of the audited financial statements.

ARAB WORLD MINISTRIES - U.S. BOARD OF TRUSTEES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Support and revenue:				
Missionary support contributions	\$ 5,716,187	\$ 333,270	\$	\$ 6,049,457
Other contributions	713,768	540,669		1,254,437
Investment income [note 5]	(380,814)			(380,814)
Other income[note 8]	<u>114,424</u>	<u> </u>	<u> </u>	<u>114,424</u>
	6,163,565	873,939		7,037,504
Net assets released from restrictions:				
Satisfaction of program restrictions [note 7]	<u>522,173</u>	<u>(522,173)</u>	<u> </u>	<u> 0</u>
Total support and revenue	<u>6,685,738</u>	<u>351,766</u>	<u> </u>	<u>7,037,504</u>
Expenses:				
Field operations	5,119,399			5,119,399
US National operations	370,973			370,973
Management and general	1,398,539			1,398,539
Fund raising	<u>476,598</u>	<u> </u>	<u> </u>	<u>476,598</u>
Total expenses [note 18]	<u>7,365,509</u>	<u> </u>	<u> </u>	<u>7,365,509</u>
Operating surplus / (deficit)	(679,771)	351,766	0	(328,005)
Non-operating:				
Pension-related changes other than net periodic pension cost [note 13]	<u>(255,836)</u>	<u> </u>	<u> </u>	<u>(255,836)</u>
Change in net assets	(935,607)	351,766	0	(583,841)
Net assets at beginning of year	<u>2,617,684</u>	<u>166,967</u>	<u>40,000</u>	<u>2,824,651</u>
Net assets at end of year	\$ <u>1,682,077</u>	\$ <u>518,733</u>	\$ <u>40,000</u>	\$ <u>2,240,810</u>

The accompanying footnotes are an integral part of the audited financial statements.

ARAB WORLD MINISTRIES - U.S. BOARD OF TRUSTEES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Totals</u>
Support and revenue:				
Missionary support contributions	\$ 5,040,735	\$ 400,720	\$	\$ 5,441,455
Other contributions	1,239,488	621,473		1,860,961
Investment income [note 5]	166,662			166,662
Other [note 8]	<u>70,950</u>	<u> </u>	<u> </u>	<u>70,950</u>
	6,517,835	1,022,193		7,540,028
Net assets released from restrictions:				
Satisfaction of program restrictions [note 7]	<u>1,034,350</u>	<u>(1,034,350)</u>	<u> </u>	<u> 0</u>
Total support and revenue	<u>7,552,185</u>	<u>(12,157)</u>	<u> </u>	<u>7,540,028</u>
Expenses:				
Field operations	5,062,503			5,062,503
Home operations	152,893			152,893
Management and general	1,369,161			1,369,161
Fund raising	<u>574,622</u>	<u> </u>	<u> </u>	<u>574,622</u>
Total expenses [note 18]	<u>7,159,179</u>	<u> </u>	<u> </u>	<u>7,159,179</u>
Operating surplus / (deficit)	393,006	(12,157)		380,849
Non-operating:				
Effect of adoption of recognition and measurement date provisions of FASB Statement No. 158 [note 16]	(184,274)			(184,274)
Effect of dissolving Post-Retirement Medical Fund [note 15]	<u>508,429</u>	<u> </u>	<u> </u>	<u>508,429</u>
Change in net assets	717,161	(12,157)		705,004
Net assets at beginning of year	<u>1,900,523</u>	<u>179,124</u>	<u>40,000</u>	<u>2,119,647</u>
Net assets at end of year	<u>\$2,617,684</u>	<u>\$ 166,967</u>	<u>\$ 40,000</u>	<u>\$2,824,651</u>

The accompanying footnotes are an integral part of the audited financial statements.

ARAB WORLD MINISTRIES - U.S. BOARD OF TRUSTEES
STATEMENT OF CASH FLOWS
AS OF DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (583,841)	\$ 705,004
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	90,007	84,617
Net unrealized and realized loss or (gain) on securities	441,614	(121,428)
Gifts of securities	(2,956)	24,055
(Increase) decrease in contributions receivable	0	29,782
(Increase) decrease in accrued interest receivable	(6,708)	0
(Increase) decrease in loans employees	35,560	(11,477)
(Increase) decrease in advances to employees	(44,324)	(3,193)
(Increase) decrease in inventory	(1,396)	(2,104)
(Increase) decrease in due from other funds and affiliates	(331,061)	(68,137)
(Increase) decrease in prepaid expenses and prepaid pension	34,594	19,567
Increase (decrease) in accounts payable, accrued payroll and taxes	111,422	78,093
Increase (decrease) in transmission gifts	77,817	(1,294)
Increase (decrease) in accrued education fund benefits	(91,899)	(28,143)
Increase (decrease) in other liabilities, due to other councils	10,547	94,422
Increase (decrease) in accrued post retirement benefits	<u>255,836</u>	<u>(197,862)</u>
Total adjustments	<u>579,053</u>	<u>(103,102)</u>
Net cash provided (used) by operating activities	<u>(4,788)</u>	<u>601,902</u>
Cash flows from investing activities:		
Proceeds from sale of securities	1,983,020	237,016
Purchase of investment securities	(2,049,139)	(220,722)
Absorption of post-retirement investments	0	(94,301)
Disposal of fixed assets	7,535	0
Acquisition of fixed assets	<u>(28,793)</u>	<u>(13,445)</u>
Net cash provided (used) by investing activities	<u>(87,377)</u>	<u>(91,452)</u>
Net increase (decrease) in cash and cash equivalents	(92,165)	510,450
Cash and cash equivalents beginning of year	<u>1,135,687</u>	<u>625,237</u>
Cash and cash equivalents end of year	\$ <u>1,043,522</u>	\$ <u>1,135,687</u>
Supplemental information:		
Interest paid	\$ <u>0</u>	\$ <u>0</u>

The accompanying footnotes are an integral part of the audited financial statements.

ARAB WORLD MINISTRIES - U.S. BOARD OF TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of Arab World Ministries are as follows:

BASIS OF ACCOUNTING

The financial statements of Arab World Ministries have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

BASIS OF PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The financial statements include the accounts of Arab World Ministries and its related entity, Middle East Resources. All inter-company transactions have been eliminated to conform to authoritative literature of the Financial Accounting Standards Board.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days.

DONATED MATERIALS AND SERVICES

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

EXPENSE ALLOCATION

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ARAB WORLD MINISTRIES - U.S. BOARD OF TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (A) and has been classified as an organization that is not a private foundation under Section 509(a) (2).

INVENTORIES

Inventory consists mainly of Middle East Resources publications. Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method, and market represents the lower of replacement cost or estimated net realizable value.

INVESTMENTS

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

NATURE OF ACTIVITIES

Arab World Ministries - U.S. Board of Trustees (formerly North Africa Mission) is a New Jersey Corporation affiliated with an international missionary organization operating under the name Arab World Ministries.

The International Organization is composed of national boards, councils or divisions located in Canada, Great Britain, France and the Netherlands as well as the U.S. There are also field administrative areas designated as North Africa Fields (Mauritania, Morocco, Algeria, Tunisia, and Libya); Middle East Fields (Israel / Palestine, Egypt, Jordan, Lebanon, Syria, Sudan, and Iraq); Arabian Peninsula Fields (Kuwait, Bahrain, UAE, Oman, Qatar, Saudi Arabia, and Yemen); Europe Fields (France, United Kingdom, Germany, Spain, the Netherlands, Italy, and Switzerland); Marseille Media Centre, Worthing Media Centre, Beirut Media Centre and Cairo Media Centre.

ARAB WORLD MINISTRIES - U.S. BOARD OF TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

NATURE OF ACTIVITIES, continued

The International Organization is governed by an International Council composed of the International Director and members from national councils or boards, field missionaries, and the Christian public; the work is coordinated and guided by the international headquarters (international director and his staff). The operations of the field areas are supported by the funds raised by national councils or boards.

PROMISES TO GIVE

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. The Organization's capitalization policy is to capitalize property and equipment when the cost exceeds \$500.

UNCONSOLIDATED FINANCIAL STATEMENTS

The accompanying financial statements are unconsolidated statements of the U.S. Board of Trustees, incorporated in New Jersey, and reflect the operations and financial position of that entity only. In these statements, funds which have been remitted to the international field treasurer are considered to be expended for the program activity or the purpose for which they have been designated.

ALLOCATION OF FUNDS

Each missionary is expected to raise support for his/her ministry by means of contributions from churches and individuals. The mission establishes the required support total and allocates a portion of the support to such purposes as Home Ministry Assignment Housing, Medical Expenses, Retirement Fund and National and Field Administration.

The costs of providing various programs and other activities have been summarized in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ARAB WORLD MINISTRIES - U.S. BOARD OF TRUSTEES
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2008 AND 2007

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following:

	<u>2008</u>	<u>2007</u>
Cash on hand and in banks	\$ 1,041,403	\$ 1,095,050
Cash held in brokerage accounts	<u>2,119</u>	<u>40,637</u>
Total	\$ <u>1,043,522</u>	\$ <u>1,135,687</u>

3. LOANS EMPLOYEES

Loans to employees consist of the following:

	<u>2008</u>	<u>2007</u>
Various loans made to employees	\$ 70,479	\$ 103,539
Restricted loan made to US Director	<u>10,000</u>	<u>12,500</u>
Total	\$ <u>80,479</u>	\$ <u>116,039</u>

The US Director was given a loan in the form of a signing bonus, which was restricted to be used as a down payment on a house. According to the terms of the agreement, he would have to pay back the loan, on a pro-rated basis, if he left Arab World Ministries - U.S. Board of Trustees. The amount to be repaid decreases \$2,500 per year of continued employment.

4. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment and accumulated depreciation accounts are composed of the following:

	<u>2008</u>	<u>2007</u>
Land	\$ 20,000	\$ 20,000
Building and improvements	225,002	225,002
Furniture and fixtures	101,360	89,874
Computer equipment	427,560	417,623
Vehicles	<u>18,399</u>	<u>18,399</u>
	792,321	770,898
Accumulated depreciation	<u>562,505</u>	<u>473,627</u>
Net book value	\$ <u>229,816</u>	\$ <u>297,271</u>

Depreciation expense for 2008 and 2007 was \$ 90,007 and \$ 84,617 respectively.

ARAB WORLD MINISTRIES - U.S. BOARD OF TRUSTEES
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2008 AND 2007

5. LONG TERM INVESTMENTS

Long term investments consisted of the following:

	<u>2008</u>	<u>2007</u>
Invested cash	\$ 562,952	\$ 46,033
Equity investments	250,822	1,126,843
Fixed income investments	650,054	801,777
Other	<u>139,215</u>	<u>929</u>
Total long term investments	\$ <u>1,603,043</u>	\$ <u>1,975,582</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 65,606	\$ 64,002
Realized gains (losses)	36,253	217,773
Unrealized gains (losses)	(472,936)	(96,346)
Less: investment expenses	<u>(9,737)</u>	<u>(18,767)</u>
Total investment returns	\$ <u>(380,814)</u>	\$ <u>166,662</u>

6. NET ASSETS

Temporarily restricted net assets available for purposes designated by the donor are restricted for overseas projects and contributions made for affiliates.

Permanently restricted net assets consist of endowment fund assets to be held indefinitely. The income from the assets can be used to support the Organization's general activities.

7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2008</u>	<u>2007</u>
Contributions paid to affiliates	\$ <u>522,173</u>	\$ <u>1,034,350</u>

8. OTHER INCOME

Other contributions include contributions not specifically designated for the support of missionaries or overseas projects. This includes contributions for support of appointees, short term workers and summer workers, memorial and bequest gifts, and gifts received for various Arab World Ministries training and outreach projects. Other income consists primarily of fees for programs and services provided by the Organization and actuarial losses on the education fund.

ARAB WORLD MINISTRIES - U.S. BOARD OF TRUSTEES
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2008 AND 2007

9. CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

Arab World Ministries maintains most of its cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. Currently, the \$250,000 amount is set to expire on December 31, 2013. On January 1, 2014, the standard insurance amount will return to \$ 100,000 per depositor for all account categories except IRAs and other certain retirement accounts, which will remain at \$ 250,000 per depositor.

10. EDUCATION FUND

Currently, Arab World Ministries contributes to an education fund for participating missionaries. This fund aids missionaries with children in secondary and post-secondary schooling. The amounts distributed by Arab World Ministries are recorded in the unrestricted fund as salaries and benefits. A liability for the present value of estimated future distributions in excess of estimated future contributions is re-computed each year. The actuarial increase (decrease) in the liability account of (\$91,899) and (\$28,143) in 2008 and 2007, respectively, is recorded as a loss (income) in the statement of activities as other income.

11. TAX-DEFERRED ANNUITY PLAN

In 1998 the Organization established a tax-deferred annuity plan qualified under section 403 (b) of the Internal Revenue Code. The Organization contributes \$85 per month for qualified full-time employees who choose the plan. In addition, employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code.

12. PERMANENTLY RESTRICTED ENDOWMENT – AFTER IMPLEMENTATION OF FSP FAS 117-1

As of December 31, 2008, Arab World Ministries has \$ 40,000 of permanently restricted net assets as a general endowment fund to support the mission of the Organization. The endowment was created due to donor-restrictions on the monies. The endowment is kept in a financial institution. The permanently restricted endowment is inactive and because of this the Organization does not have an investment policy regarding the endowment.

Composition of and changes in endowment net assets for the year ended December 31, 2008 were as follows:

Board-designated endowment net assets, beginning of year	\$ 40,000
Investment income	0
Net appreciation	0
Amounts appropriated for expenditure	<u>0</u>
Board-designated endowment net assets, end of year	\$ <u>40,000</u>

ARAB WORLD MINISTRIES - U.S. BOARD OF TRUSTEES
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2008 AND 2007

13. PENSION PLAN

Arab World Ministries has a defined benefit pension plan covering all eligible employees who elect to participate in this plan instead of participating in the 403(b) plan. The benefits are based on years of service. Arab World Ministries policy is to contribute \$50 per month for each employee accruing benefits under the plan. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. The net periodic pension cost was \$21,159 and \$16,000 in 2008 and 2007, respectively.

The following table sets forth the plan's funded status and amounts recognized in the Organization's statement of financial position:

Pension Plan obligations and funded status:

	<u>2008</u>	<u>2007</u>
Projected benefit obligation at December 31	\$ (1,483,167)	\$ (1,522,370)
Plan assets at fair value at December 31	<u>1,169,656</u>	<u>1,482,974</u>
Funded status	\$ <u>(313,511)</u>	\$ <u>(39,396)</u>
Accumulated benefit obligation at December 31	\$ 1,483,167	\$ 1,522,370
Employer contributions	2,880	3,600
Participant contributions	0	0
Benefits paid	177,224	162,674

Amounts recognized in the Statement of Financial Position at December 31, 2008 consist of:

Prepaid benefit cost	\$ <u>126,599</u>	\$ <u>144,878</u>
Pension liability	\$ <u>440,110</u>	\$ <u>184,274</u>

Amounts recognized in the Statement of Activities for the year ended December 31, 2008 consist of:

Net loss (gain)	\$ 268,221	\$ 159,275
Prior service cost	242	(242)
Amortization of prior service cost and net loss	<u>(12,627)</u>	<u>25,241</u>
Total pension-related changes other than net periodic pension cost	255,836	184,274
Net periodic pension cost	<u>21,159</u>	<u>16,000</u>
Total amount recognized	\$ <u>276,995</u>	\$ <u>200,274</u>

ARAB WORLD MINISTRIES - U.S. BOARD OF TRUSTEES
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2008 AND 2007

PENSION PLAN, continued

Other changes in plan assets and benefit obligations previously recognized in changes in unrestricted net assets:

Transition obligation	\$ 12,614	\$ 25,241
Accumulated net loss (gain)	427,496	159,275
Net prior service cost	<u>0</u>	<u>(242)</u>

Amounts previously recognized in unrestricted net assets, not yet recognized as periodic pension cost at December 31, 2008	\$ <u>440,110</u>	\$ <u>184,274</u>
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The following assumptions were used in accounting for the Pension Plan:

Weighted-average assumptions used to determine pension benefit obligations at December 31,2008:

	<u>2008</u>	<u>2007</u>
Discount rate	5.75%	5.75%
Rate of compensation increase	0%	0%

Weighted-average assumptions used to determine net periodic pension benefit cost for the year ended December 31,2008:

	<u>2008</u>	<u>2007</u>
Discount rate	5.75%	5.75%
Expected return on plan assets	6.00%	6.00%
Rate of compensation increase	0%	0%

The expected rate of return on Pension Plan assets is determined by those assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

The Organization's overall investment strategy is to achieve a mix of approximately 75% of investments for long-term growth and 25% for near-term benefit payments with a diversification of asset types, fund strategies, and fund managers. The target allocations for plan assets are 75% equity securities and 25% corporate bonds and U.S. Treasury securities. Equity securities include investments in companies located primarily in the United States. Fixed income securities include corporate bonds of companies from diversified industry and U.S. Treasuries.

ARAB WORLD MINISTRIES - U.S. BOARD OF TRUSTEES
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2008 AND 2007

PENSION PLAN, continued

The fair value of the Organization's pension plan assets at December 31, 2008, by asset category are as follows:

<u>Asset Category</u>	<u>Fair Value Measurement at December 31, 2008</u>	<u>Quoted Prices in Active Market for Identical Assets (Level 1)</u>
	<u>Total</u>	
Equity securities	\$ 175,448	\$ 175,448
Debt securities	362,593	362,593
Real estate	0	0
Other	<u>631,615</u>	<u>631,615</u>
Total	\$ <u>1,169,656</u>	\$ <u>1,169,656</u>

The Organization expects to contribute approximately \$ 180,000 to the pension plan in 2009. No plan assets are expected to be returned to the Organization during 2009.

The following benefits are expected to be paid:

<u>For the year ended:</u>	<u>Pension Benefits</u>
2009	\$ 170,808
2010	179,348
2011	188,315
2012	197,731
2013	207,618
2014 to 2018	1,201,719

14. POST RETIREMENT BENEFITS OTHER THAN PENSION

The Organization's Board passed a resolution to dissolve the post-retirement medical fund (the plan) effective December 31, 2007.

In prior years, based on an actuarial study, each year the Organization calculated the net periodic post retirement benefit cost and recorded the benefit cost as an expense in the statement of activities. Further, the underfunded status of the plan was recorded as an accrued liability on the statement of financial position.

Because the plan was dissolved, the Organization will expense payments made from the plan in the year the payment was made rather than estimate the cost based on an actuarial study.

ARAB WORLD MINISTRIES - U.S. BOARD OF TRUSTEES
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

15. EFFECT OF DISSOLVING THE POST-RETIREMENT MEDICAL FUND

Prior to the dissolution of the post-retirement medical fund, the assets of the plan were not included in the statement of financial position. Since the plan was dissolved the Organization will absorb the plan's assets into its' own investment account. The market value of the plan's assets was \$125,295.

Also, prior to dissolution, the Organization recorded a liability on the statement of financial position which illustrated the underfunded status of the plan. Since the plan was dissolved the Organization will no longer accrue a liability in the statement of financial position. As explained in a separate disclosure, the Organization will expense the medical costs as the payments are made. The cost will be recorded as an expense in the statement of activities. The amount of the liability eliminated from the statement of financial position amounted to \$382,136.

Since the Organization is a not-for-profit entity, there was no effect against any related income taxes.

16. CHANGE IN ACCOUNTING PRINCIPLE

SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans

For the year ended December 31, 2007, Arab World Ministries adopted SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans*. SFAS 158 requires organizations to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position.

As a result of this change in accounting treatment, Arab World Ministries has recorded this pension liability on the Statement of Financial Position in the amount of \$184,274. In implementing SFAS 158, Arab World Ministries also recorded a one-time charge of \$184,274 as a change in unrestricted net assets. Additionally, each year when a new determination of the funded status is made, the change in the funded status will be recognized as an increase or decrease in unrestricted net assets.

17. FASB INTERPRETATION NO 48, ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The Organization has elected to defer the application of Interpretation 48 in accordance with FASB Staff Position (FSP) FIN 48-3 Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises. The FSP defers the effective date of Interpretation 48 for nonpublic enterprises included within the FSP's scope to the annual financial statements for fiscal years beginning after December 15, 2008.

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18. EXPENSES

Expenses were incurred for:

Year ended December 31, 2008

	<u>Field Operations</u>	<u>Home Operations</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salary	\$ 2,393,745	\$ 11,474	\$ 714,738	\$ 289,685	\$ 3,409,642
Benefits	963,141	4,550	352,950	58,064	1,378,705
Furlough travel & housing	12,015				12,015
Missionary work funds	748,101	70,984		19,441	838,526
Special projects		159,017	6,336		165,353
Field services	158,454			5,663	164,117
Support services		37,030	324,515	103,745	465,290
Remittances to affiliates	841,854				841,854
Depreciation	<u>2,089</u>	<u>87,918</u>	<u> </u>	<u> </u>	<u>90,007</u>
Totals	\$ <u>5,119,399</u>	\$ <u>370,973</u>	\$ <u>1,398,539</u>	\$ <u>476,598</u>	\$ <u>7,365,509</u>

Year ended December 31, 2007

	<u>Field Operations</u>	<u>Home Operations</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salary	\$ 2,063,248	\$	\$ 570,123	\$ 279,718	\$ 2,913,089
Benefits	1,234,205		373,248	133,562	1,741,015
Furlough travel & housing	16,423			10,155	26,578
Missionary work funds	555,801	30,455		23,158	609,414
Special projects	15,009	39,910	3,081		58,000
Field services	184,635				184,635
Support services			422,709	128,029	550,738
Remittances to affiliates	991,092				991,092
Depreciation	<u>2,090</u>	<u>82,528</u>	<u> </u>	<u> </u>	<u>84,618</u>
Totals	\$ <u>5,062,503</u>	\$ <u>152,893</u>	\$ <u>1,369,161</u>	\$ <u>574,622</u>	\$ <u>7,159,179</u>