

# **AMERICAN BAPTIST HOME MISSION SOCIETIES**

***COMBINED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

**DECEMBER 31, 2020 AND 2019**

# AMERICAN BAPTIST HOME MISSION SOCIETIES

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS****To the Board of American Baptist Home Mission Societies  
Valley Forge, Pennsylvania**

We have audited the accompanying combined financial statements of the American Baptist Home Mission Societies (the “Societies”), which comprise the combined statements of financial position as of December 31, 2020 and 2019, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

***Management’s Responsibility for the Financial Statements***

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

***Auditors’ Responsibility***

Our responsibility is to express an opinion on these combined 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 from 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 for 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Societies as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of American Baptist Home Mission Societies  
Valley Forge, Pennsylvania  
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***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental information on pages 27 through 30 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Tait, Weller & Baker LLP*

Philadelphia, Pennsylvania  
June 3, 2021

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2020 And 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,425,513	\$ 3,806,051
Assets held for others, current	1,323,043	1,323,043
Receivables, net (Publishing)	121,943	53,543
Receivables due from Baptist related organizations, net – current	535,918	686,190
Mortgage loans receivable, net – current	3,767,935	52,068
Interest receivable	152,021	1,564
Inventory (Publishing)	472,991	557,944
Prepaid expenses and other assets	173,943	172,266
Property held for investment purposes	<u>-</u>	<u>6,355,253</u>
<b>Total Current Assets</b>	9,973,307	13,007,922
<b>NONCURRENT ASSETS</b>		
Receivables due from Baptist related organizations, net – noncurrent	594,698	296,232
Mortgage loans receivable, net – noncurrent	1,437,325	1,529,177
Investments	196,125,472	180,676,548
Investment in limited liability company	15,564	4,821
Assets restricted for annuity obligations	774,782	777,207
Assets held for others, noncurrent	65,067,093	56,553,510
Property and equipment, net	<u>14,443,633</u>	<u>15,145,369</u>
<b>Total Assets</b>	<u>\$ 288,431,874</u>	<u>\$ 267,990,786</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 434,178	\$ 366,936
Equity note payable, current	-	2,672,174
Accrued expenses	584,046	596,735
Allowance for sales returns (Publishing)	283,403	327,695
Funds held for others, current	<u>1,323,043</u>	<u>1,323,043</u>
<b>Total Current Liabilities</b>	2,624,670	5,286,583
<b>NONCURRENT LIABILITIES</b>		
Actuarial liability for annuity obligations	32,164	34,934
Funds held for others, noncurrent	<u>65,067,093</u>	<u>56,553,510</u>
	<u>67,723,927</u>	<u>61,875,027</u>
<b>NET ASSETS</b>		
Without donor restrictions	50,827,429	48,350,435
With donor restrictions	<u>169,880,518</u>	<u>157,765,324</u>
<b>Total Net Assets</b>	<u>220,707,947</u>	<u>206,115,759</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 288,431,874</u>	<u>\$ 267,990,786</u>

*The accompanying notes are an integral part of these financial statements.*

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended December 31, 2020 (With Comparative 2019 Totals)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
<b>Revenues and Gains</b>				
Contributions:				
United Mission	\$ 162,375	\$ -	\$ 162,375	\$ 325,233
America for Christ Offering	537,120	-	537,120	685,907
One Great Hour of Sharing	-	547,160	547,160	499,743
Other contributions	196,538	103,512	300,050	886,710
Investment income	729,694	450,363	1,180,057	2,063,022
Mortgage interest income	234,578	-	234,578	63,183
Net realized gains on sale of investments	2,168,029	12,896,352	15,064,381	8,599,706
Legacies, terminated trusts and trust fund income	464,922	21,280	486,202	1,050,743
Publishing sales, net of cost of goods sold of \$612,920 and \$646,080, respectively	309,288	-	309,288	359,426
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>8,968,101</u>	<u>(8,968,101)</u>	<u>-</u>	<u>-</u>
<b>Total Revenues and Gains</b>	<u>13,770,645</u>	<u>5,050,566</u>	<u>18,821,211</u>	<u>14,533,673</u>
<b>Expenses</b>				
<b>Program Expenses</b>				
Mission Services	8,841,797	-	8,841,797	8,928,086
Publishing Ministry	<u>1,160,790</u>	<u>-</u>	<u>1,160,790</u>	<u>1,251,605</u>
<b>Total Program Expenses</b>	10,002,587	-	10,002,587	10,179,691
<b>Supporting Services</b>				
Management and general	1,867,346	-	1,867,346	2,363,604
Fundraising	<u>568,785</u>	<u>-</u>	<u>568,785</u>	<u>592,549</u>
<b>Total Expenses</b>	<u>12,438,718</u>	<u>-</u>	<u>12,438,718</u>	<u>13,135,844</u>
<b>Income from operations</b>	<u>1,331,927</u>	<u>5,050,566</u>	<u>6,382,493</u>	<u>1,397,829</u>
<b>Other Changes</b>				
Net unrealized gains	1,299,779	7,061,858	8,361,637	21,156,366
Loss on sale of property held for investment	(171,141)	-	(171,141)	-
Change in beneficial interest in annuities	16,429	-	16,429	52,843
Actuarial change on annuity obligations	<u>-</u>	<u>2,770</u>	<u>2,770</u>	<u>7,702</u>
<b>Total Other Changes</b>	<u>1,145,067</u>	<u>7,064,628</u>	<u>8,209,695</u>	<u>21,216,911</u>
<b>Change in Net Assets</b>	2,476,994	12,115,194	14,592,188	22,614,740
<b>Net Assets at beginning of year</b>	<u>48,350,435</u>	<u>157,765,324</u>	<u>206,115,759</u>	<u>183,501,019</u>
<b>Net Assets at end of year</b>	<u>\$ 50,827,429</u>	<u>\$ 169,880,518</u>	<u>\$ 220,707,947</u>	<u>\$ 206,115,759</u>

The accompanying notes are an integral part of these financial statements.

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
<b>Revenues and Gains</b>			
Contributions:			
United Mission	\$ 325,233	\$ -	\$ 325,233
America for Christ Offering	685,907	-	685,907
One Great Hour of Sharing	-	499,743	499,743
Other contributions	461,581	425,129	886,710
Investment income	1,038,754	1,024,268	2,063,022
Mortgage interest income	63,183	-	63,183
Net realized gains on sale of investments	965,975	7,633,731	8,599,706
Legacies, terminated trusts and trust fund income	980,743	70,000	1,050,743
Publishing sales, net of cost of goods sold of \$646,080	359,426	-	359,426
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>7,827,660</u>	<u>(7,827,660)</u>	<u>-</u>
<b>Total Revenues and Gains</b>	<u>12,708,462</u>	<u>1,825,211</u>	<u>14,533,673</u>
<b>Expenses</b>			
<b>Program Expenses</b>			
Mission Services	8,928,086	-	8,928,086
Publishing Ministry	<u>1,251,605</u>	<u>-</u>	<u>1,251,605</u>
<b>Total Program Expenses</b>	10,179,691	-	10,179,691
<b>Supporting Services</b>			
Management and general	2,363,604	-	2,363,604
Fundraising	<u>592,549</u>	<u>-</u>	<u>592,549</u>
<b>Total Expenses</b>	<u>13,135,844</u>	<u>-</u>	<u>13,135,844</u>
<b>Income (loss) from operations</b>	<u>(427,382)</u>	<u>1,825,211</u>	<u>1,397,829</u>
<b>Other Changes</b>			
Net unrealized gains	3,189,541	17,966,825	21,156,366
Change in beneficial interest in annuities	52,843	-	52,843
Actuarial change on annuity obligations	<u>-</u>	<u>7,702</u>	<u>7,702</u>
<b>Total Other Changes</b>	<u>3,242,384</u>	<u>17,974,527</u>	<u>21,216,911</u>
<b>Change in Net Assets</b>	2,815,002	19,799,738	22,614,740
<b>Net Assets at beginning of year</b>	<u>45,535,433</u>	<u>137,965,586</u>	<u>183,501,019</u>
<b>Net Assets at end of year</b>	<u>\$ 48,350,435</u>	<u>\$ 157,765,324</u>	<u>\$ 206,115,759</u>

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## COMBINED STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2020 (With Comparative 2019 Totals)

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL EXPENSES	
	Mission Services	Publishing Ministry	Total Program Services	Management And General	Fundraising	Total Supporting Services	2020	2019
Personnel	\$ 4,209,268	\$ 716,598	\$ 4,925,866	\$ 1,002,005	\$ 279,937	\$ 1,281,942	\$ 6,207,808	\$ 6,064,706
Ministry Support & Partner Grants	2,012,554	19,399	2,031,953	78,190	2,537	80,727	2,112,680	2,166,744
Professional Services & Fees	591,979	93,192	685,171	34,050	137,242	171,292	856,463	905,735
Travel	100,340	3,850	104,190	42,382	6,901	49,283	153,473	545,995
Occupancy	127,218	14,632	141,850	94,139	5,651	99,790	241,640	289,873
Depreciation and Amortization	599,893	70,564	670,457	167,617	21,131	188,748	859,205	885,241
Education Scholarships, Grants, and Support	721,661	-	721,661	-	750	750	722,411	518,545
Fulfillment Services & Postage	9,693	116,835	126,528	29,339	7,691	37,030	163,558	255,326
Technology and Phone Service	180,520	10,547	191,067	182,846	13,961	196,807	387,874	315,815
Conference, Events and Meetings	75,193	8,161	83,354	15,843	1,425	17,268	100,622	346,814
Insurance	101,952	30,832	132,784	150,402	4,704	155,106	287,890	276,092
Promotion and Advertising	30,085	36,114	66,199	39,261	84,477	123,738	189,937	258,049
Interest Expense	25,597	5,057	30,654	12,190	1,953	14,143	44,797	201,214
Other	<u>55,844</u>	<u>35,009</u>	<u>90,853</u>	<u>19,082</u>	<u>425</u>	<u>19,507</u>	<u>110,360</u>	<u>105,695</u>
Total Expenses	<u>\$ 8,841,797</u>	<u>\$ 1,160,790</u>	<u>\$ 10,002,587</u>	<u>\$ 1,867,346</u>	<u>\$ 568,785</u>	<u>\$ 2,436,131</u>	<u>\$ 12,438,718</u>	<u>\$ 13,135,844</u>

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## COMBINED STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2019

	PROGRAM SERVICES			SUPPORTING SERVICES			Total 2019
	Mission Services	Publishing Ministry	Total Program Services	Management And General	Fundraising	Total Supporting Services	
Personnel	\$ 4,117,315	\$ 703,765	\$ 4,821,080	\$ 1,030,480	\$ 213,146	\$ 1,243,626	\$ 6,064,706
Ministry Support & Partner Grants	2,067,167	1,037	2,068,204	93,093	5,447	98,540	2,166,744
Professional Services & Fees	350,072	100,598	450,670	312,733	142,332	455,065	905,735
Travel	343,451	24,717	368,168	153,289	24,538	177,827	545,995
Occupancy	172,970	19,894	192,864	89,326	7,683	97,009	289,873
Depreciation and Amortization	622,058	67,461	689,519	173,810	21,912	195,722	885,241
Education Scholarships, Grants, and Support	518,545	-	518,545	-	-	-	518,545
Fulfillment Services & Postage	11,805	196,232	208,037	34,141	13,148	47,289	255,326
Technology and Phone Service	126,584	8,587	135,171	169,276	11,368	180,644	315,815
Conference, Events and Meetings	294,000	4,931	298,931	42,709	5,174	47,883	346,814
Insurance	97,775	29,569	127,344	144,237	4,511	148,748	276,092
Promotion and Advertising	49,797	33,659	83,456	41,562	133,031	174,593	258,049
Interest Expense	114,976	22,713	137,689	54,753	8,772	63,525	201,214
Other	41,571	38,442	80,013	24,195	1,487	25,682	105,695
Total Expenses	<u>\$ 8,928,086</u>	<u>\$ 1,251,605</u>	<u>\$ 10,179,691</u>	<u>\$ 2,363,604</u>	<u>\$ 592,549</u>	<u>\$ 2,956,153</u>	<u>\$ 13,135,844</u>

*The accompanying notes are an integral part of these financial statements.*

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## COMBINED STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 2020 And 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 14,592,188	\$ 22,614,740
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	859,205	885,241
Change in value of annuity obligations	(2,770)	(7,702)
Net realized and unrealized gains on investments	(23,426,018)	(29,756,072)
Contributions restricted for long-term investment	(21,280)	(70,000)
Reserve for loan losses	(12,934)	(18,003)
Loss on sale of property held for investment	171,141	-
(Increase) decrease in Receivables (Publishing)	(68,400)	18,076
(Increase) decrease in Receivables from Baptist related organizations	(148,194)	(28,779)
(Increase) decrease in Prepaid expenses and other assets	(1,677)	56,534
(Increase) decrease in Inventory (Publishing)	84,953	103,411
(Increase) decrease in Interest receivable	(150,457)	2,691
Increase (decrease) in Accounts payable	67,242	(493,012)
Increase (decrease) in Accrued expenses	(12,689)	31,334
Increase (decrease) in Allowance for sales returns	<u>(44,292)</u>	<u>41,099</u>
<b>Net cash used in operating activities</b>	<u>(8,113,982)</u>	<u>(6,620,442)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Mortgage loans issued	(25,000)	(606,565)
Collections on mortgage loans	132,960	244,402
Purchases of property and equipment	(157,469)	(915,294)
Net proceeds received from sale of property held for investment	2,465,071	-
Purchases of investments	(103,132,404)	(51,428,923)
Proceeds from sale of investments	<u>111,101,180</u>	<u>58,924,607</u>
<b>Net cash provided by investing activities</b>	<u>10,384,338</u>	<u>6,218,227</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for endowment	21,280	70,000
Payments made on equity note	<u>(2,672,174)</u>	<u>(105,743)</u>
<b>Net cash used in financing activities</b>	<u>(2,650,894)</u>	<u>(35,743)</u>
<b>Net decrease in cash and cash equivalents</b>	(380,538)	(437,958)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>3,806,051</u>	<u>4,244,009</u>
End of year	<u>\$ 3,425,513</u>	<u>\$ 3,806,051</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 44,797</u>	<u>\$ 201,214</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Sales price of property held for investment, net of fees	\$ 6,184,112	\$ -
Less: Payments to be received on mortgage receivable	<u>(3,719,041)</u>	<u>-</u>
Net proceeds received	<u>\$ 2,465,071</u>	<u>\$ -</u>

*The accompanying notes are an integral part of these financial statements.*

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2020 And 2019

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### (1) GENERAL

The American Baptist Home Mission Society (**"ABHMS"**) and Woman's American Baptist Home Mission Society (**"WABHMS"**) are operated collectively as the American Baptist Home Mission Societies (collectively, the **"Societies"**). ABHMS was established for the purpose of promoting the preaching of the gospel; the establishing, maintaining, or aiding Baptist churches or missions; the acquisition of sites in contemplation of the erection of houses of worship and other buildings; and establishing, maintaining, assisting in the establishing or maintaining of schools and other institutions of learning in connection with its missionary work in North America. WABHMS was established to proclaim and witness to the Christian Faith in the United States and elsewhere in North America through the establishment, maintenance and assistance of churches, missions, and institutions of care or learning; to promote spiritual life and worship; and to minister to persons of special need in all ways its Board of Directors may deem appropriate. That work is carried on today through ministries that cultivate leaders, equip disciples, and heal communities. The accompanying combined financial statements include the activities of the Societies. All intercompany transactions have been eliminated.

Significant publishing activities are carried out by Judson Press, which serves as a trademark and imprint for the preparation for publication, printing and promoting the use of lesson texts, books, and other resource materials in support of the program of Christian education in the home, the local parish, and the community. The activities associated with Judson Press are reflected in the combined financial statements.

The Common Investment Fund (**"CIF"**) was established in 1962 to manage the assets of the Societies. In 1975, it was expanded to allow American Baptist churches and certain related agencies, boards, societies, conventions, institutions and administrative units of the American Baptist Churches in the U.S.A. (**"ABC-USA"**) to participate. As a pooled investment vehicle, it offers investors the benefits of participating in a professionally managed fund at lower costs, due to economies of scale. The minimum initial deposit in the CIF by any eligible organization is \$5,000. The investor balances included within the CIF are reflected in the Combined Statements of Financial Position as "Assets held for others" with a corresponding liability in "Funds held for others".

The Internal Revenue Service (**"IRS"**) has determined the Societies to be "associations of churches" and, therefore, exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The IRS has further determined that contributions made to the Societies are deductible by the donors to the extent allowed by law. Management has reviewed their tax positions and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***BASIS OF ACCOUNTING***

The accompanying combined financial statements of the Societies have been prepared using the accrual basis of accounting.

#### ***NET ASSETS***

The Societies classifies its resources into two net asset categories according to externally (donor) imposed restrictions. A description of the two net asset categories follows:

***Without donor restrictions*** – Net assets that are available for the support of operations and whose use is not externally restricted. Included in net assets without donor restrictions are net assets designated by the Board of Directors to function as endowment funds.

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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**With donor restrictions** – Net assets subject to donor-imposed restrictions that will be met either by actions of the Societies or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt, including gifts, endowment, pledges and investment returns on “true” endowment funds. Expirations of restrictions of net assets with donor restrictions are reported as net assets released from restriction.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Societies, including gifts wherein donors stipulate that the corpus of the gift be held in perpetuity (primarily gifts for endowment) and that only the income be made available for operations or other purposes.

### **CASH AND CASH EQUIVALENTS**

For the purpose of the statements of cash flows, the Societies consider all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

### **CONCENTRATIONS OF CREDIT RISK**

ABHMS has significant investments in stocks, bonds, and mutual funds and is therefore subject to concentrations of credit risk. Investments are made by investment managers engaged by ABHMS and the investments are monitored for ABHMS by an investment committee. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes its investment policies are prudent for the long-term welfare of ABHMS and its beneficiaries.

In addition, certain financial instruments potentially subject ABHMS to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents and mortgage loans receivable. ABHMS places its cash and cash equivalents with high credit quality financial institutions. Concentrations of credit risk with respect to loans receivable are generally diversified due to the large number of borrowers comprising the ABHMS customer base and their dispersal across geographical regions.

### **ASSETS HELD FOR OTHERS**

Assets held for others include amounts held by the Societies for the administration and management of assets in revocable charitable remainder trusts. They also include amounts held for The American Baptist Service Corporation (“**ABSCO**”) for which the Societies act as custodian. In addition, American Baptist churches and related American Baptist agencies can invest in the CIF. These funds are held in a fiduciary capacity and reflected as a liability (Funds of others) in the combined statements of financial position.

### **ACCOUNTS RECEIVABLE FROM BAPTIST RELATED ORGANIZATIONS**

Accounts receivable due from Baptist related organizations consists of funds held by related organizations, loans to organizations and individuals, and amounts due to the Societies for mission fund support, net of an allowance for doubtful accounts. The allowance for doubtful accounts is determined by review of the aged accounts receivable listing for balances that are specifically identifiable as a credit risk or uncollectible.

### **INVENTORY**

Inventories, consisting principally of printed materials and merchandise held for sale, are stated at cost less an estimated reserve for obsolescence, but not in excess of net realized value. The first-in, first-out method is used for inventory tracking and valuation.

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## *NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)*

December 31, 2020 And 2019

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### ***INVESTMENTS***

Investments are stated at fair value. Donated securities are recorded at fair value on the date of receipt. Investments consist principally of certificates of deposit, U.S. Government and fixed income securities, corporate obligations, marketable equity securities, mutual funds, and alternative investments. Alternative investments may include asset managers, partnerships or other similar vehicles investing in domestic and international securities (either buying long or selling short), venture capital investments, private equity, high yield, distressed securities, mezzanine debt, loans, real estate and timber.

Investment income is recorded on the accrual basis of accounting and investment transactions are recorded on trade date. Investment income including realized and unrealized gains and losses on investments are recognized as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

ABHMS' custodial bank computes gains and losses on sales using the FIFO method. ABHMS computes withdrawals from the CIF using the LIFO method. The CIF makes distributions to participating funds at a rate determined annually based on a 20-quarter average net asset value (NAV) approved by the Board of Directors. The annual payout rate for 2020 and 2019 was 5%.

### ***PROPERTY, EQUIPMENT AND DEPRECIATION***

Property and equipment are recorded at cost or, if donated, at fair value at the date of receipt. Depreciation is computed on a straight-line basis and is charged to expense over the estimated useful lives of the assets. Gains and losses on the disposition of assets are recognized in the Statement of Activities in the period of disposition. Repair and maintenance costs are expensed when incurred, while improvements that extend the life of the assets are capitalized.

The Societies reviews its assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

### ***ANNUITY OBLIGATIONS***

The actuarial liability for annuity payments is computed as required by New York State insurance law under the 1990 CM Standard IRS Annuity Tables, assuming a 6% reserve. The life expectancy of annuitants determines the actuarial obligations. If the life expectancy of the pool of annuitants differs from these assumptions, an actuarial loss or gain on annuity obligations can result.

### ***CONTRIBUTIONS AND DONATIONS***

Contributions and pledges are recognized as revenues in the period received and are considered to be without donor restrictions unless specifically restricted by the donor for time or purpose. The Societies report contributions in the donor restricted net assets if they are received with donor stipulations as to their use and/or time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released and reclassified to net assets without donor restriction in the statement of activities.

### ***FUNCTIONAL ALLOCATION OF EXPENSES***

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort.

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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### **USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and related disclosures. Actual results could differ from those estimates.

### **NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED**

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2022. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. The Societies plan to adopt this standard at the required implementation date.

### **(3) ASSETS HELD FOR OTHERS**

Assets whose use is limited at December 31, 2020 and 2019 are designated as follows:

	<u>2020</u>	<u>2019</u>
Custodial Funds:		
Assets held for The American Baptist Service Corporation	\$ 1,323,043	\$ 1,323,043
Assets held for others through the Common Investment Fund	<u>64,655,928</u>	<u>56,190,240</u>
	65,978,971	57,513,283
Assets held under trust agreements	<u>411,165</u>	<u>363,270</u>
	66,390,136	57,876,553
Less: current portion	<u>(1,323,043)</u>	<u>(1,323,043)</u>
Noncurrent portion	<u>\$ 65,067,093</u>	<u>\$ 56,553,510</u>

These assets consist of investments (*See Note 6*).

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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### (4) RECEIVABLES DUE FROM BAPTIST RELATED ORGANIZATIONS

ABHMS has loaned funds to other related organizations to be used for the redemption of debts and payment of operating expenses. In addition, as described in Note 5, ABHMS's mortgage loans are administered by the American Baptist Extension Corporation ("**ABEC**"). Amounts due from ABEC for loans collected in excess of the amounts due to ABEC for loan disbursements are recorded as receivables.

The collectability of these loans is dependent upon (1) the ability of these organizations to liquidate their assets for amounts at least equal to their liabilities and (2) the portion of these organizations' losses that are borne by other Baptist related organizations.

Gift annuities are administered by the American Baptist Foundation and are recorded as receivables.

As of December 31, 2020 and 2019, the receivables from these organizations include:

	<u>2020</u>	<u>2019</u>
American Baptist Extension Corporation	\$ 315,081	\$ 316,870
American Baptist Service Corporation	1,932,885	1,932,885
American Baptist Foundation	474,195	267,475
American Baptist Churches USA	90,079	228,020
American Baptist Historical Society	8,495	16,722
Other	<u>242,766</u>	<u>153,335</u>
	3,063,501	2,915,307
Less: Allowance for doubtful receivables	<u>(1,932,885)</u>	<u>(1,932,885)</u>
	1,130,616	982,422
Less: current portion	<u>(535,918)</u>	<u>(686,190)</u>
Noncurrent portion	<u>\$ 594,698</u>	<u>\$ 296,232</u>

### (5) MORTGAGE LOANS RECEIVABLE

The Societies mortgage loan portfolio was made up of 26 and 24 loans as of December 31, 2020 and 2019, respectively. The average interest rate on these loans as of December 31, 2020 and 2019 was 4.54% and 3.79%, respectively. Interest income on these mortgage loans is recorded on the accrual basis of accounting. These loans are geographically dispersed throughout the United States and all but two of these mortgages are administered by ABEC (*See Note 4*).

Included in mortgage loans receivable as of December 31, 2020 is the mortgage acquired from the sale of the Organization's former headquarters. The mortgage balance of \$3,719,041 as of December 31, 2020 was fully paid in 2021 (*See Note 8*).

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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Scheduled maturities of mortgage loans receivable are as follows:

<u>Year Ending December 31,</u>	
2021	\$3,767,935
2022	51,156
2023	53,524
2024	56,002
2025	58,594
Thereafter	<u>1,667,979</u>
Subtotal	5,655,190
Less: reserve for uncollectible	<u>(449,930)</u>
Total	<u>\$5,205,260</u>

### (6) INVESTMENTS

The Societies carries its investments at fair value. The Societies utilize various methods to measure the fair value of most of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

- Level 1 – Unadjusted quoted prices in active markets at the measurement date for identical assets and/or liabilities. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes contracts traded on active exchange markets valued using unadjusted prices quoted directly from the exchange.
- Level 2 – Observable inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.
- Level 3 – Assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost benefit constraints.

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## *NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)*

December 31, 2020 And 2019

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The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For example, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities are reflected as Level 2.

### ***EQUITIES***

For its investments with asset managers that hold public common and preferred stocks, the Societies have position-level transparency into individual holdings. These investments are priced by the Societies' custodians using observable market data and are classified as Level 1.

### ***FIXED INCOME***

The Societies also have investments with two fixed income managers.

Fixed income investments consist mainly of corporate bonds, U.S. Treasury obligations, mortgage and asset backed securities, foreign currency – denominated issues, and financial derivatives. These are classified as Level 2.

ABEC investments held by ABHMS are non-negotiable notes that mature between March 2021 and May 2023 with interest rates ranging from 1.60% to 2.12%. ABEC is a New York not-for-profit corporation that exists to promote and support church extension and to assist churches and other related entities with acquisition, construction, and renovation of property for the spreading and sharing of the Gospel of Jesus Christ. Because fair value of these investments is based on internally developed models or methodologies using unobservable inputs they have been classified as Level 3.

The Societies has also made private investment loans to various organizations consistent with its' Socially Responsible Investment Policy. Because fair value of these investments is based on internally developed models or methodologies using unobservable inputs they have been classified as Level 3.

### ***OTHER INVESTMENTS***

This category consists of investments placed with the American Baptist Foundation that the Societies received from the dissolution of Education Ministries Pooled Income and Annuity Fund. The assets of the Pooled Income fund are invested in the Wellington Admiral Fund and the Annuity Fund is invested in the Dodge & Cox Balanced Fund. Both are classified as Level 2.

Also included in this category are investments in community development loan funds that are held as part of the Societies' Mission Directed Funds. These investments serve as an expression of ABHMS' concern for the economic development and empowerment of low-income and minority communities. The hope is to provide such financial institutions with resources to further the economic growth of the communities in which they serve while at the same time earning a reasonable rate of return. Because fair value is based on internally developed models or methodologies using unobservable inputs these have been classified as Level 3.

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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### *INVESTMENTS MEASURED USING THE NET ASSET VALUE PRACTICAL EXPEDIENT*

For those alternative investments for which fair value is measured using the net asset value practical expedient, the American Baptist Home Mission Societies uses the reported capital account or net asset value (NAV) per share to determine the fair value of investments that (a) do not have a readily determinable fair value due to a lack of market activity or transparency into the underlying investments of the fund and (b) either have the attributes of an investment company or prepare their audited financial statements consistent with the measurement principles of an investment company. Valuations of underlying assets which comprise the capital account or NAV per share are provided by the general partner or fund manager, and consider variables such as comparable sales, income streams discounted for risk levels, and other pertinent information.

### *ALTERNATIVE INVESTMENTS*

- Hedge Fund - The fund consists of two funds. Bogle and Owl Creek Socially Responsible Investment Funds are respective individual hedge funds that invest consistent with the Societies' Socially Responsible Investment Policy. The fair value of these investments is determined by the administrator in consultation with each investment manager.
- Private Equity - Private Equity investments in Transformation Capital Fund II, Sustain VC: Impact Fund II, Resilient Ventures Fund I L.P., and Climate Investment Solutions Fund - Morgan Stanley were added in 2020. These funds invest consistently with the Societies' Socially Responsible Investment Policy. The fair value of these investments is determined by the administrator in consultation with each investment manager.
- Real Estate - The Societies are a Limited Partner investor in the CrossHarbor Institutional Partners II and Patron Capital IV & V funds. Each fund is a distressed equity real estate investor, primarily in North America and Europe respectively. The funds are designed to acquire and dispose of properties to generate an IRR that is consistent with the Societies long term investment goals. All properties are appraised independently each year.
- Forestland REIT - The Societies are a Limited Partner in Heartwood Forestland REIT. Heartwood Forestland engages in acquiring a diversified portfolio of commercial forestlands to provide current income from the management and operations of such forestlands and to realize capital appreciation of the forestlands. Valuations are made by the General Partner during the first three years after acquisition (the initial acquisition date was September 30, 2007). An independent appraiser will establish value at the end of every three-year cycle.

Unfunded commitments at December 31, 2020 are as follows:

CrossHarbor Institutional Partners II	\$ 117,647
Patron Capital IV	173,165
Patron Capital V	741,892
Transformation Capital Fund	2,828,191
Resilient Ventures Fund	74,230
Climate Impact Solutions Fund	198,683
Sustain VC	<u>196,250</u>
	<u>\$4,330,058</u>

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

### COMINGLED FUNDS

The Colchester Global Bond Fund includes, among others, the domestic sovereign debt of the higher quality smaller countries such as Australia, Brazil, Hungary, Mexico, New Zealand, Norway, Poland and Czech Republic. Bain Capital Senior Loan Fund invests in senior, variable rate loans.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Societies believe its valuation methods are consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair values of the investment securities (including assets held for others and assets restricted for annuity obligations) and the associated fair value measurements as of December 31, 2020 and 2019, are as follows:

<u>2020</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investment Type</b>				
Equities	\$ 170,563,224	\$ 170,563,224	\$ -	\$ -
Fixed Income	31,827,589	2,416,868	27,709,255	1,701,466
Other	645,107	-	566,663	78,444
Cash Equivalents	<u>13,210,775</u>	<u>13,210,775</u>	<u>-</u>	<u>-</u>
	216,246,695	<u>\$ 186,190,867</u>	<u>\$ 28,275,918</u>	<u>\$ 1,779,910</u>
Investments reported at NAV				
Alternative Investments	35,085,439			
Comingled Funds	<u>11,958,256</u>			
	<u>\$ 263,290,390</u>			
<u>2019</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investment Type</b>				
Equities	\$ 153,221,500	\$ 153,221,500	\$ -	\$ -
Fixed Income	32,058,230	2,310,780	28,245,984	1,501,466
Other	617,560	-	539,116	78,444
Cash Equivalents	<u>9,546,305</u>	<u>9,546,305</u>	<u>-</u>	<u>-</u>
	195,443,595	<u>\$ 165,078,585</u>	<u>\$ 28,785,100</u>	<u>\$ 1,579,910</u>
Investments reported at NAV				
Alternative Investments	21,071,534			
Comingled Funds	<u>22,815,179</u>			
	<u>\$ 239,330,308</u>			

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

The investments are classified on the statements of financial position at December 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Investments	\$ 196,125,472	\$ 180,676,548
Assets Held for Others		
Current	1,323,043	1,323,043
Noncurrent	65,067,093	56,553,510
Assets Restricted for Annuity Obligations	<u>774,782</u>	<u>777,207</u>
	<u>\$ 263,290,390</u>	<u>\$ 239,330,308</u>

### Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	<u>Fixed Income</u>			<u>Total</u>
	<u>ABEC Notes</u>	<u>Private Loans</u>	<u>Other</u>	
Beginning Balance 12/31/19	\$ 1,501,466	\$ -	\$ 78,444	\$ 1,579,910
Investments made during year	-	200,000	-	200,000
Withdrawals made during year	-	-	-	-
Unrealized/Realized Gain	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Balance 12/31/20	<u>\$ 1,501,466</u>	<u>\$ 200,000</u>	<u>\$ 78,444</u>	<u>\$ 1,779,910</u>

	<u>Fixed Income</u>			<u>Total</u>
	<u>ABEC Notes</u>	<u>Other</u>	<u>Total</u>	
Beginning Balance 12/31/18	\$ 1,501,466	\$ 77,682		\$ 1,579,148
Investments made during year	-	-		-
Withdrawals made during year	-	-		-
Unrealized/Realized Gain	<u>-</u>	<u>762</u>		<u>762</u>
Ending Balance 12/31/19	<u>\$ 1,501,466</u>	<u>\$ 78,444</u>		<u>\$ 1,579,910</u>

## (7) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Societies use derivative instruments for adjusting the degree of risk in the Societies' portfolio. The fair value of these investments is determined by each manager using either an in-house valuation team or a third-party administrative service. The financial statements of the investees are audited annually by independent auditors. The Societies record its derivative activities at fair value, based on third-party valuations. These amounts are included in total investments and assets held for others in the statements of financial position. Gains and losses from derivative financial instruments are included in net realized and unrealized gains and losses from investments in the statement of activities and assets held for others.

Bogle Opportunity Fund II SRI, L.P, Newton, MA and Owl Creek Socially Responsible Investment Fund Ltd., New York, New York are respective individual hedge funds, and both have socially responsible mandates focused on faith based, ethical principles. Both firms have strong teams and long-term investment performance track records. Each fund's objective is long term capital appreciation with moderate volatility and lower correlation to global equity and fixed income markets. To this end, the funds make allocations to individual equity and fixed income strategies respectively that may involve derivatives and short selling.

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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### **FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK**

The Societies' investment activities expose it to the various types of risk which are associated with the financial instruments and markets in which it invests. The following is not intended to be a comprehensive summary of all risks, but rather to highlight primary underlying risk exposure categories.

*Market Risk* – Market risk represents the potential loss that can be caused by a change in the fair value of the Societies' financial instruments. The Societies' exposure to market risk is determined by several factors, including market volatility. The Societies' exposure to market risk is monitored by the Finance Committee with support from its investment consultants at Crewcial Partners.

*Credit Risk* – All deposits and securities owned by the Societies are held by its custodian or by custodians engaged by certain investment managers. The Societies are subject to credit risk should broker-dealers be unable to repay amounts owed, or if the custodians are unable to fulfill their obligations to the Societies. It is the policy of the Societies to transact its investment activity with high credit quality financial institutions and broker-dealers the Societies consider to be well established. While both the U.S. Bankruptcy Code and the Federal Deposit Insurance Corporation seek to protect customer assets in the event of a failure, insolvency or liquidation of a bank, there is no certainty that, in the event of a failure of a bank that has custody of the Societies' assets that the Societies would not incur losses.

*Currency Risk* – Although most the Societies' investments are denominated in U.S. Dollars, the Societies may invest in assets denominated in currencies other than its reporting currency, the United States Dollar. Consequently, the Societies may be exposed to risks that the exchange rate of the U.S. Dollar relative to other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Societies' assets and liabilities which are denominated in currencies other than the U.S. Dollar.

*Interest Rate Risk* – Debt obligations are subject to interest rate risk. Interest rate risk is the risk that the Societies may incur losses due to adverse changes in interest rates. Fluctuations in interest rates have a direct impact on the market value of debt obligations. The Societies' exposure is determined by several factors including term to maturity for investments.

*Liquidity Risk* – Liquidity risk represents the possibility that the Societies may not be able to rapidly adjust the size of its positions in times of high volatility and financial stress at a reasonable price.

*Money Market Fund Risk* – An investment in money market funds is exposed to the risk that a fund will always not be able to maintain a net asset value per share of \$1. The investments in money market funds are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. In addition, money market funds are exposed to market risk, credit risk, interest rate risk, and liquidity risk.

*Off Balance Sheet Risk* – Off balance risk exists when the maximum potential loss on a particular investment is greater than the value of such investment as reflected in the Fund's statement of assets and liabilities.

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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### (8) PROPERTY HELD FOR INVESTMENT PURPOSES

In 2016, an Investment Partnership consisting of the former Headquarters for the Societies and other Baptist Organizations, (“the Partnership”) in which the Societies held a 35% interest was dissolved, and in connection with the dissolution, the Societies received its share of the property previously held by the Partnership. In 2018, the Societies relocated its headquarters, and along with the other owners of the former headquarters signed an agreement of sale subject to due diligence. The Property held for investment purposes had a net book value of \$6,355,253 as of December 31, 2019. On March 11, 2020, the sale of the property settled. The Societies received approximately \$2,465,000 in cash and a 35% interest in an interest free, ten-year mortgage. The mortgage holder has elected to exercise an acceleration clause in the agreement and the mortgage was paid off in full on April 30<sup>th</sup>, 2021 at the present value of the future payments at a 5.0% discount rate which totaled \$3,719,041 (*See Note 5*).

### (9) PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Computer equipment	\$ 3,079,983	\$ 3,042,752
Furniture and fixtures	1,035,835	989,745
Schools, Missions, Christian Centers and other properties	14,684,425	14,610,277
Land	<u>1,949,602</u>	<u>1,949,602</u>
	20,749,845	20,592,376
Less accumulated depreciation	<u>(6,306,212)</u>	<u>(5,447,007)</u>
Property and equipment, net of depreciation	<u>\$ 14,443,633</u>	<u>\$ 15,145,369</u>

Depreciation expense of property and equipment was \$859,205 and \$885,241 in 2020 and 2019, respectively.

### (10) EQUITY NOTE PAYABLE

ABHMS entered into a note payable in connection with their acquisition of a 34.65% interest in 588 Associates, LP (the “Partnership”), a Pennsylvania limited partnership, and a 35% interest in its general partner. The Partnership acquired the ABC Mission Center from ABC-USA for the purchase price of twenty million dollars (\$20,000,000). At that time, the Societies paid ABC-USA \$3,500,000 cash and entered into a 25-year equity financing agreement with ABCUSA for \$3,500,000 to finance the other half of its share of the acquisition. Under the original terms of this agreement, the equity note was formerly payable to ABC-USA in monthly installments of \$24,737, including interest at 7% per annum, through March 1, 2034.

The Partnership agreed to dissolve effective September 30, 2016 in accordance with the Tenants in Common Agreement signed by ABHMS, ABC-USA, ABFMS and MMBB. Per the agreement, the land, building and equipment and the interest in all lease agreements were distributed to the partners based on their respective share in the partnership.

The balance of the note was \$2,672,174 as of December 31, 2019. In conjunction with the sale of the Mission Center in March 2020 (*See Note 8*), ABHMS paid off the remaining balance due on the note.

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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### (11) ANNUITY AND LIFE INCOME FUNDS

The Insurance Law of the State of New York requires the segregation of annuity fund assets separate and distinct from all other funds of the Societies. Such assets are not available for payment of debts of the Societies other than for annuity benefits. The insurance law also requires prescribed minimum reserves for annuity contracts equal to the greater of the actuarial reserve, or \$100,000. The last annual report was filed in 2005 when the Societies' annuity fund assets fell below the State of New York reporting threshold of \$500,000. The Actuarial Liability for annuity obligations was \$32,164 and \$34,934 at December 31, 2020 and 2019, respectively.

### (12) NET ASSETS

Net assets without donor restrictions include the following Board/Other designated net assets at December 31:

	<u>2020</u>	<u>2019</u>
Board-designated endowment funds	\$ 28,206,534	\$ 26,237,255
Property and equipment, net	14,443,633	15,145,369
Property held for investment purposes, net of equity note payable	<u>-</u>	<u>3,683,079</u>
Total designated net assets	<u>\$ 42,650,167</u>	<u>\$ 45,065,703</u>

Net assets with donor restrictions consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
<b>Subject to expenditure for a special purpose:</b>		
Unexpended income and principal for capital expenditures, mortgage loans, student financial aid, endowment of schools, education purposes, operating programs and annuity life income funds	\$ 7,570,320	\$ 9,532,445
Accumulated endowment income	123,885,344	109,918,344
<b>Perpetual in nature:</b>		
Donor restricted endowments required to be maintained in perpetuity	<u>38,424,854</u>	<u>38,314,535</u>
Total net assets with donor restrictions	<u>\$ 169,880,518</u>	<u>\$ 157,765,324</u>

During the years ended December 31, 2020 and 2019, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes for program or time as follows:

	<u>2020</u>	<u>2019</u>
Accumulated endowment income	\$ 6,528,462	\$ 6,615,801
One Great Hour of Sharing	882,636	908,763
In Support of Excellence program	375,995	237,479
Other operating programs	<u>1,181,008</u>	<u>65,617</u>
	<u>\$ 8,968,101</u>	<u>\$ 7,827,660</u>

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## *NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)*

December 31, 2020 And 2019

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### (13) ENDOWMENT

The Societies' endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### ***INTERPRETATION OF RELEVANT LAW***

ABHMS is incorporated in the states of New York and Massachusetts. WABHMS is incorporated in the state of Illinois. All three of these states have enacted the Uniform Prudent Management of Institutional Funds Act ("*UPMIFA*"), which governs endowment funds for not-for-profit corporations. The Societies have interpreted the applicable state standards and guidelines for the prudent management of an endowment fund as requiring 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. As a result of this interpretation, the Societies retain in perpetuity (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) 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 (i.e. the accumulated realized and unrealized gains/losses) that is not retained in perpetuity are subject to appropriation for expenditure by the Societies. The Societies consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Societies and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Societies
- (7) The investment policies of the Societies.

#### ***RETURN OBJECTIVES AND RISK PARAMETERS***

The Societies' endowment funds are invested in its CIF. According to policy approved by the Board of Directors, CIF assets are invested in a manner to preserve the real purchasing power of the assets after all withdrawals and fees by earning a total rate of return over full market cycles of 3 to 5 years which will support the spending policy stated below. Additionally, the total rate of return (net of fees) is expected to equal or exceed a passive investment in commonly quoted market indices (benchmarks) based on a long-term optimal asset allocation.

To satisfy its long-term rate-of-return objectives, the Societies rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Societies target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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### *SPENDING POLICY*

The Societies have a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 20 quarters ending on June 30 preceding the fiscal year in which the distribution is planned. This policy is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

### *UNDERWATER ENDOWMENT FUNDS*

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or state standards require the Societies to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2020 and 2019.

### *ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF DECEMBER 31, 2020*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 162,310,198	\$ 162,310,198
Board-designated endowment funds	<u>28,206,534</u>	<u>-</u>	<u>28,206,534</u>
Total	<u>\$ 28,206,534</u>	<u>\$ 162,310,198</u>	<u>\$ 190,516,732</u>

### *CHANGES IN ENDOWMENT NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2020*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ <u>26,237,255</u>	\$ <u>148,232,879</u>	\$ <u>174,470,134</u>
Contributions	<u>-</u>	<u>110,319</u>	<u>110,319</u>
Investment return:			
Investment income	75,424	433,855	509,279
Net appreciation (realized and unrealized)	<u>3,487,644</u>	<u>20,061,607</u>	<u>23,549,251</u>
Total	<u>3,563,068</u>	<u>20,495,462</u>	<u>24,058,530</u>
Appropriation of endowment assets for expenditure	<u>(1,593,789)</u>	<u>(6,528,462)</u>	<u>(8,122,251)</u>
Endowment net assets, end of year	<u>\$ 28,206,534</u>	<u>\$ 162,310,198</u>	<u>\$ 190,516,732</u>

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

### ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 148,232,879	\$ 148,232,879
Board-designated endowment funds	<u>26,237,255</u>	<u>-</u>	<u>26,237,255</u>
Total	<u>\$ 26,237,255</u>	<u>\$ 148,232,879</u>	<u>\$ 174,470,134</u>

### CHANGES IN ENDOWMENT NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 23,432,906</u>	<u>\$ 128,460,891</u>	<u>\$ 151,893,797</u>
Contributions	<u>-</u>	<u>73,005</u>	<u>73,005</u>
Investment return:			
Investment income	178,567	1,008,717	1,187,284
Net appreciation (realized and unrealized)	<u>4,479,794</u>	<u>25,306,067</u>	<u>29,785,861</u>
Total	<u>4,658,361</u>	<u>26,314,784</u>	<u>30,973,145</u>
Appropriation of endowment assets for expenditure	<u>(1,854,012)</u>	<u>(6,615,801)</u>	<u>(8,469,813)</u>
Endowment net assets, end of year	<u>\$ 26,237,255</u>	<u>\$ 148,232,879</u>	<u>\$ 174,470,134</u>

\* The Societies' endowment funds are invested in its Common Investment Fund ("CIF"), which is a unitized fund. The net asset values for each individual fund are tracked separately based on (a) the original value of gifts donated, (b) accumulated net investment returns, and (c) distributions for expenditure. These amounts are reflected in the statement of activities through investment activity and net realized and unrealized gains and losses.

#### (14) RETIREMENT PLAN

The Societies employees participate in the American Baptist Churches Retirement Plan (a defined contribution plan). All staff are covered and vested under the plan immediately upon employment. Pension expense was \$792,688 and \$745,126 for the years ended December 31, 2020 and 2019, respectively.

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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### (15) COMMITMENTS AND CONTINGENCIES

#### Leases

The Societies leases a copier under an operating lease agreement expiring in September 2023. The total rental expense for the years ended December 31, 2020 and 2019 was \$28,782.

As of December 31, 2020, the future minimum lease payments under the lease are as follows:

2021	\$ 28,782
2022	28,782
2023	<u>21,587</u>
	<u>\$ 79,151</u>

#### Lease Income

The Societies leases office space to tenants under noncancelable leases expiring through 2023. The following is a schedule of future minimum rentals to be received under the lease agreements:

2021	\$ 256,900
2022	61,600
2023	<u>63,500</u>
	<u>\$ 382,000</u>

#### Letter of Credit

The Societies has guaranteed a \$225,325 letter of credit, expiring December 31, 2021, issued by BNY Mellon for Bacone College. In connection with the guaranty, the Societies has pledged investment securities as collateral.

#### Other

The Societies are from time to time involved in litigation arising in the ordinary course of business. At December 31, 2020 and 2019, there was no outstanding litigation or potential losses outstanding, therefore, no accrual has been recorded.

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The current operating environment is changing rapidly. The extent of the impact that the COVID-19 pandemic will have on the financial performance of the Societies' operations and investments is not reasonably estimable as of the date that the financial statements were available for issuance. The Societies will continue to monitor the effects of the COVID-19 pandemic and will adjust its operations as necessary.

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

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### (16) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects the Societies' financial assets as of December 31, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual and/or donor restrictions.

<u>Financial Assets</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,425,513	\$ 3,806,051
Investments	196,125,472	180,676,548
Receivables – current	<u>4,577,817</u>	<u>793,365</u>
Total financial assets	204,128,802	185,275,964
Less:		
Board-designated quasi and true endowment funds	(190,516,732)	(174,470,134)
Net assets with donor restrictions not expected to be spent within one year	<u>(6,352,319)</u>	<u>(8,580,263)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 7,259,751</u>	<u>\$ 2,225,567</u>

As part of the Societies' liquidity management, it has a practice to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Societies has donor-restricted endowment and investments used similar to quasi-endowment. Income from the endowments has a spending rate which generates approximately \$7.8 million which will be available within the next 12 months. Although the Society does not intend to spend from its quasi-endowment of approximately \$28.2 million other than amounts generated from the annual spending rate, amounts from its quasi-endowment could be made available, if necessary, with Board approval.

### (17) SUBSEQUENT EVENTS

The Societies evaluated its December 31, 2020 combined financial statements for subsequent events through June 3, 2021, the date the combined financial statements were available to be issued. Management has determined that there are no subsequent events that would require disclosure or adjustment in the financial statements.

# **SUPPLEMENTAL INFORMATION**

# WOMAN'S AMERICAN BAPTIST HOME MISSION SOCIETY

## SCHEDULES OF FINANCIAL POSITION

December 31, 2020 And 2019

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	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Investment in the Common Investment Fund	\$ 3,822,118	\$ 3,802,907
Receivable from the American Baptist Home Mission Society	-	347,056
Property and equipment, net of accumulated depreciation	<u>11,201</u>	<u>11,201</u>
<b>Total Assets</b>	<u>\$ 3,833,319</u>	<u>\$ 4,161,164</u>
<b>LIABILITIES</b>		
Payable to the American Baptist Home Mission Society	<u>\$ -</u>	<u>\$ -</u>
<b>NET ASSETS</b>		
Without donor restrictions	1,612,862	1,940,707
With donor restrictions	<u>2,220,457</u>	<u>2,220,457</u>
<b>Total Net Assets</b>	<u>3,833,319</u>	<u>4,161,164</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,833,319</u>	<u>\$ 4,161,164</u>

# WOMAN'S AMERICAN BAPTIST HOME MISSION SOCIETY

## *SCHEDULES OF ACTIVITIES AND CHANGES IN NET ASSETS*

For The Years Ended December 31, 2020 And 2019

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	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>		
Investment income	\$ 818,542	\$ 822,778
Gain on sale of investment	-	277,904
Trust fund income	<u>4,000</u>	<u>4,000</u>
Total Revenues	<u>822,542</u>	<u>1,104,682</u>
<b>EXPENSES</b>		
Disbursements to The American Baptist Home Mission Society	<u>1,150,387</u>	<u>1,072,266</u>
Change in net assets	(327,845)	32,416
Net Assets at beginning of year	<u>4,161,164</u>	<u>4,128,748</u>
Net Assets at end of year	<u>\$ 3,833,319</u>	<u>\$ 4,161,164</u>

# COMMON INVESTMENT FUND

## SCHEDULES OF FINANCIAL POSITION

December 31, 2020 And 2019

	2020		
	<u>Societies</u>	<u>Funds of Others</u>	<u>Total</u>
<b>ASSETS</b>			
Cash, cash equivalents and investments at fair value	\$ 190,801,038	\$ 64,748,436	\$ 255,549,474
Total Assets	<u>190,801,038</u>	<u>64,748,436</u>	<u>255,549,474</u>
<b>LIABILITIES</b>			
Accounts payable	<u>284,306</u>	<u>92,508</u>	<u>376,814</u>
Total Liabilities	<u>284,306</u>	<u>92,508</u>	<u>376,814</u>
Assets less liabilities	<u>\$ 190,516,732</u>	<u>\$ 64,655,928</u>	<u>\$ 255,172,660</u>
<b>NET ASSETS</b>			
Participating funds	\$ 54,079,766	\$ 40,560,876	\$ 94,640,642
Undistributed net realized gains	88,238,057	11,853,301	100,091,358
Accumulated market value over cost	<u>48,198,909</u>	<u>12,241,751</u>	<u>60,440,660</u>
Total net assets	<u>\$ 190,516,732</u>	<u>\$ 64,655,928</u>	<u>\$ 255,172,660</u>
	2019		
	<u>Societies</u>	<u>Funds of Others</u>	<u>Total</u>
<b>ASSETS</b>			
Cash, cash equivalents and investments at fair value	\$ 174,764,923	\$ 56,277,721	\$ 231,042,644
Total Assets	<u>174,764,923</u>	<u>56,277,721</u>	<u>231,042,644</u>
<b>LIABILITIES</b>			
Accounts payable	<u>294,789</u>	<u>87,481</u>	<u>382,270</u>
Total Liabilities	<u>294,789</u>	<u>87,481</u>	<u>382,270</u>
Assets less liabilities	<u>\$ 174,470,134</u>	<u>\$ 56,190,240</u>	<u>\$ 230,660,374</u>
<b>NET ASSETS</b>			
Participating funds	\$ 54,070,252	\$ 37,337,361	\$ 91,407,613
Undistributed net realized gains	81,321,404	9,806,451	91,127,855
Accumulated market value over cost	<u>39,078,478</u>	<u>9,046,428</u>	<u>48,124,906</u>
Total net assets	<u>\$ 174,470,134</u>	<u>\$ 56,190,240</u>	<u>\$ 230,660,374</u>

\* Based on market values, the unit value was \$470.666 and \$430.350 at December 31, 2020 and 2019, respectively.

