

# **AMERICAN BAPTIST HOME MISSION SOCIETIES**

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

**DECEMBER 31, 2023 AND 2022**

# 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**

### **Opinion**

We have audited the accompanying combined financial statements of the American Baptist Home Mission Societies (the “Societies”), which comprise the combined statement of financial position as of December 31, 2023 and 2022, 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.

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, 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Societies and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Societies ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

**To the Board of American Baptist Home Mission Societies  
Valley Forge, Pennsylvania  
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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Societies internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Societies ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the 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 4, 2024**

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## COMBINED STATEMENTS OF FINANCIAL POSITION

December 31, 2023 And 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,321,404	\$ 4,735,864
Assets held for others, current	1,323,043	1,323,043
Receivables, net (Publishing)	77,801	122,810
Receivables due from Baptist related organizations, net – current	1,311,085	562,527
Mortgage loans receivable, net – current	38,633	49,120
Inventory (Publishing)	432,103	559,217
Prepaid expenses and other assets	<u>297,900</u>	<u>97,742</u>
<b>Total Current Assets</b>	8,801,969	7,450,323
<b>NONCURRENT ASSETS</b>		
Receivables due from Baptist related organizations, net – noncurrent	613,981	990,776
Mortgage loans receivable, net – noncurrent	674,817	1,313,055
Investments	176,675,947	161,126,023
Assets restricted for annuity obligations	878,622	799,648
Assets held for others, noncurrent	64,185,141	56,550,346
Property and equipment, net	<u>13,029,152</u>	<u>13,276,452</u>
<b>Total Assets</b>	<u>\$ 264,859,629</u>	<u>\$ 241,506,623</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 858,444	\$ 741,438
Accrued expenses	496,594	449,410
Allowance for sales returns (Publishing)	177,069	190,176
Funds held for others, current	<u>1,323,043</u>	<u>1,323,043</u>
<b>Total Current Liabilities</b>	2,855,150	2,704,067
<b>NONCURRENT LIABILITIES</b>		
Actuarial liability for annuity obligations	33,534	35,028
Funds held for others, noncurrent	<u>64,185,141</u>	<u>56,550,346</u>
	<u>67,073,825</u>	<u>59,289,441</u>
<b>NET ASSETS</b>		
Without donor restrictions	42,882,979	40,891,442
With donor restrictions	<u>154,902,825</u>	<u>141,325,740</u>
<b>Total Net Assets</b>	<u>197,785,804</u>	<u>182,217,182</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 264,859,629</u>	<u>\$ 241,506,623</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, 2023 (With Comparative 2022 Totals)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
<b>Revenues and Gains</b>				
Contributions:				
United Mission	\$ 8,723	\$ -	\$ 8,723	\$ 9,922
America for Christ Offering	594,060	-	594,060	630,217
One Great Hour of Sharing	-	492,893	492,893	726,914
Other contributions	206,277	282,014	488,291	318,129
Other investment income	646,012	319,495	965,507	158,138
Mortgage interest income	55,365	-	55,365	66,438
Endowment income designated for current operations	1,272,179	7,420,490	8,692,669	11,402,502
Legacies, terminated trusts and trust fund income	1,787,613	100,100	1,887,713	501,632
Publishing sales, net of cost of goods sold of \$462,901 and \$366,459, respectively	267,487	-	267,487	404,564
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>8,186,091</u>	<u>(8,186,091)</u>	<u>-</u>	<u>-</u>
<b>Total Revenues and Gains</b>	<u>13,023,807</u>	<u>428,901</u>	<u>13,452,708</u>	<u>14,218,456</u>
<b>Expenses</b>				
<b>Program Expenses</b>				
Mission Services	8,979,833	-	8,979,833	9,075,696
Publishing Ministry	<u>1,319,878</u>	<u>-</u>	<u>1,319,878</u>	<u>1,286,801</u>
<b>Total Program Expenses</b>	10,299,711	-	10,299,711	10,362,497
<b>Supporting Services</b>				
Management and general	2,382,911	-	2,382,911	2,244,322
Fundraising	<u>642,936</u>	<u>-</u>	<u>642,936</u>	<u>664,839</u>
<b>Total Supporting Services</b>	<u>3,025,847</u>	<u>-</u>	<u>3,025,847</u>	<u>2,909,161</u>
<b>Total Expenses</b>	<u>13,325,558</u>	<u>-</u>	<u>13,325,558</u>	<u>13,271,658</u>
<b>Income from operations</b>	<u>(301,751)</u>	<u>428,901</u>	<u>127,150</u>	<u>946,798</u>
<b>Other Changes</b>				
Investment return in excess (deficit) of amount designated for current operations	2,248,220	13,146,690	15,394,910	(55,706,335)
Change in beneficial interest in annuities	45,068	-	45,068	(79,932)
Actuarial change on annuity obligations	<u>-</u>	<u>1,494</u>	<u>1,494</u>	<u>(4,581)</u>
<b>Total Other Changes</b>	<u>2,293,288</u>	<u>13,148,184</u>	<u>15,441,472</u>	<u>(55,790,848)</u>
<b>Change in Net Assets</b>	1,991,537	13,577,085	15,568,622	(54,844,050)
<b>Net Assets at beginning of year</b>	<u>40,891,442</u>	<u>141,325,740</u>	<u>182,217,182</u>	<u>237,061,232</u>
<b>Net Assets at end of year</b>	<u>\$ 42,882,979</u>	<u>\$ 154,902,825</u>	<u>\$ 197,785,804</u>	<u>\$ 182,217,182</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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>
<b>Revenues and Gains</b>			
Contributions:			
United Mission	\$ 9,922	\$ -	\$ 9,922
America for Christ Offering	630,217	-	630,217
One Great Hour of Sharing	-	726,914	726,914
Other contributions	118,603	199,526	318,129
Other investment income	191,811	(33,673)	158,138
Mortgage interest income	66,438	-	66,438
Endowment income designated for current operations	4,678,644	6,723,858	11,402,502
Legacies, terminated trusts and trust fund income	501,262	370	501,632
Publishing sales, net of cost of goods sold of \$366,459 and \$470,229, respectively	404,564	-	404,564
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>7,795,515</u>	<u>(7,795,515)</u>	<u>-</u>
<b>Total Revenues and Gains</b>	<u>14,396,976</u>	<u>(178,520)</u>	<u>14,218,456</u>
<b>Expenses</b>			
<b>Program Expenses</b>			
Mission Services	9,075,696	-	9,075,696
Publishing Ministry	<u>1,286,801</u>	<u>-</u>	<u>1,286,801</u>
<b>Total Program Expenses</b>	10,362,497	-	10,362,497
<b>Supporting Services</b>			
Management and general	2,244,322	-	2,244,322
Fundraising	<u>664,839</u>	<u>-</u>	<u>664,839</u>
<b>Total Supporting Expenses</b>	<u>2,909,161</u>	<u>-</u>	<u>2,909,161</u>
<b>Total Expenses</b>	<u>13,271,658</u>	<u>-</u>	<u>13,271,658</u>
<b>Income from operations</b>	<u>1,125,318</u>	<u>(178,520)</u>	<u>946,798</u>
<b>Other Changes</b>			
Investment return in excess (deficit) of amount designated for current operations	(11,505,865)	(44,200,470)	(55,706,335)
Change in beneficial interest in annuities	(79,932)	-	(79,932)
Actuarial change on annuity obligations	<u>-</u>	<u>(4,581)</u>	<u>(4,581)</u>
<b>Total Other Changes</b>	<u>(11,585,797)</u>	<u>(44,205,051)</u>	<u>(55,790,848)</u>
<b>Change in Net Assets</b>	(10,460,479)	(44,383,571)	(54,844,050)
<b>Net Assets at beginning of year</b>	<u>51,351,921</u>	<u>185,709,311</u>	<u>237,061,232</u>
<b>Net Assets at end of year</b>	<u>\$ 40,891,442</u>	<u>\$ 141,325,740</u>	<u>\$ 182,217,182</u>

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

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## COMBINED STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2023 (With Comparative 2022 Totals)

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL EXPENSES	
	Mission Services	Publishing Ministry	Total Program Services	Management And General	Fundraising	Total Supporting Services	2023	2022
Personnel	\$ 3,990,659	\$ 763,497	\$ 4,754,156	\$ 1,193,381	\$ 337,484	\$ 1,530,865	\$ 6,285,021	\$ 6,159,573
Ministry Support & Partner Grants	1,694,760	-	1,694,760	91,429	2,850	94,279	1,789,039	1,981,260
Professional Services & Fees	633,312	164,786	798,098	91,662	147,477	239,139	1,037,237	888,542
Travel	413,783	29,903	443,686	190,464	13,464	203,928	647,614	593,190
Occupancy	283,467	36,218	319,685	48,267	16,269	64,536	384,221	391,305
Depreciation and Amortization	610,778	42,429	653,207	104,357	18,000	122,357	775,564	737,973
Education Scholarships, Grants, and Support	809,763	-	809,763	-	-	-	809,763	782,435
Fulfillment Services & Postage	12,625	108,958	121,583	13,031	5,195	18,226	139,809	163,266
Technology and Phone Service	144,214	662	144,876	343,149	2,047	345,196	490,072	445,730
Conference, Events and Meetings	192,613	4,700	197,313	70,173	8,609	78,782	276,095	507,241
Insurance	132,214	37,826	170,040	162,970	8,208	171,178	341,218	313,136
Promotion and Advertising	52,358	17,819	70,177	35,992	82,631	118,623	188,800	198,931
Other	9,287	113,080	122,367	38,036	702	38,738	161,105	109,076
Total Expenses	<u>\$ 8,979,833</u>	<u>\$ 1,319,878</u>	<u>\$ 10,299,711</u>	<u>\$ 2,382,911</u>	<u>\$ 642,936</u>	<u>\$ 3,025,847</u>	<u>\$ 13,325,558</u>	<u>\$ 13,271,658</u>



# AMERICAN BAPTIST HOME MISSION SOCIETIES

## COMBINED STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2022

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTAL EXPENSES
	Mission Services	Publishing Ministry	Total Program Services	Management And General	Fundraising	Total Supporting Services	2022
Personnel	\$ 3,831,548	\$ 815,831	\$ 4,647,379	\$ 1,194,708	\$ 317,486	\$ 1,512,194	\$ 6,159,573
Ministry Support & Partner Grants	1,877,484	-	1,877,484	101,624	2,152	103,776	1,981,260
Professional Services & Fees	545,567	147,695	693,262	18,336	176,944	195,280	888,542
Travel	350,811	19,107	369,918	198,942	24,330	223,272	593,190
Occupancy	247,541	34,215	281,756	94,842	14,707	109,549	391,305
Depreciation and Amortization	598,335	42,875	641,210	81,346	15,417	96,763	737,973
Education Scholarships, Grants, and Support	782,435	-	782,435	-	-	-	782,435
Fulfillment Services & Postage	14,673	119,819	134,492	23,392	5,382	28,774	163,266
Technology and Phone Service	208,897	890	209,787	233,292	2,651	235,943	445,730
Conference, Events and Meetings	454,154	2,000	456,154	47,461	3,626	51,087	507,241
Insurance	118,992	32,723	151,715	152,027	9,394	161,421	313,136
Promotion and Advertising	37,447	20,843	58,290	48,548	92,093	140,641	198,931
Other	<u>7,812</u>	<u>50,803</u>	<u>58,615</u>	<u>49,804</u>	<u>657</u>	<u>50,461</u>	<u>109,076</u>
Total Expenses	<u>\$ 9,075,696</u>	<u>\$ 1,286,801</u>	<u>\$ 10,362,497</u>	<u>\$ 2,244,322</u>	<u>\$ 664,839</u>	<u>\$ 2,909,161</u>	<u>\$ 13,271,658</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, 2023 And 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 15,568,622	\$ (54,844,050)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	775,564	737,973
Change in value of annuity obligations	(1,494)	4,581
Net realized and unrealized (gains) losses on investments	(22,792,270)	45,676,111
Contributions restricted for long-term investment	(100,100)	(370)
Reserve for loan losses	-	(29,080)
(Increase) decrease in Receivables (Publishing)	45,009	24,808
(Increase) decrease in Receivables from Baptist related organizations	(371,763)	(450,838)
(Increase) decrease in Prepaid expenses and other assets	(200,158)	15,554
(Increase) decrease in Inventory (Publishing)	127,114	(5,213)
Increase (decrease) in Accounts payable	117,006	230,388
Increase (decrease) in Accrued expenses	47,184	(168,547)
Increase (decrease) in Allowance for sales returns	<u>(13,107)</u>	<u>(95,711)</u>
<b>Net cash used in operating activities</b>	<u>(6,798,393)</u>	<u>(8,904,394)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Mortgage loans issued	(30,000)	(85,000)
Collections on mortgage loans	678,725	148,880
Purchases of property and equipment	(528,264)	(268,396)
Purchases of investments	(54,930,387)	(77,802,860)
Proceeds from sale of investments	<u>62,093,759</u>	<u>88,311,972</u>
<b>Net cash provided by investing activities</b>	<u>7,283,833</u>	<u>10,304,596</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for endowment	<u>100,100</u>	<u>370</u>
<b>Net cash provided by financing activities</b>	<u>100,100</u>	<u>370</u>
<b>Net increase in cash and cash equivalents</b>	585,540	1,400,572
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>4,735,864</u>	<u>3,335,292</u>
End of year	<u>\$ 5,321,404</u>	<u>\$ 4,735,864</u>

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2023 And 2022

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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, 2023 And 2022

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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, 2023 And 2022

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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 2023 and 2022 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, 2023 And 2022

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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.

### ***RECLASSIFICATION***

Certain reclassifications were made to the 2022 financial statements to conform to the 2023 financial statement presentation.

### ***NEW ACCOUNTING PRONOUNCEMENTS ADOPTED***

In 2016, the FASB issued ASU 2016-13, Current Expected Credit Loss. The ASU requires the earlier recognition of credit losses on trade receivables and other financial instruments based on an expected loss model. The standard also requires expanded credit quality disclosures, including credit quality indicators disaggregated by vintage, as applicable. This ASU was adopted by ABHMS for the year ended December 31, 2023 and did not have a material effect on the statement of financial position or results of operations.

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

Assets whose use is limited at December 31, 2023 and 2022 are designated as follows:

	<u>2023</u>	<u>2022</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>63,629,185</u>	<u>56,110,348</u>
	64,952,228	57,433,391
Assets held under trust agreements	<u>555,956</u>	<u>439,998</u>
	65,508,184	57,873,389
Less: current portion	<u>(1,323,043)</u>	<u>(1,323,043)</u>
Noncurrent portion	<u>\$64,185,141</u>	<u>\$56,550,346</u>

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

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2023 And 2022

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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 and written by the American Baptist Foundation and are recorded as receivables.

As of December 31, 2023 and 2022, the receivables from these organizations include:

	<u>2023</u>	<u>2022</u>
American Baptist Extension Corporation	\$ 423,510	\$ 330,721
American Baptist Foundation	402,144	385,671
American Baptist Churches USA	91,042	56,914
Bacone College	797,000	600,000
Other	<u>211,370</u>	<u>179,997</u>
	1,925,066	1,553,303
Less: current portion	<u>(1,311,085)</u>	<u>(562,527)</u>
Noncurrent portion	<u>\$ 613,981</u>	<u>\$ 990,776</u>

### (5) MORTGAGE LOANS RECEIVABLE

The Societies mortgage loan portfolio was made up of 21 and 23 loans as of December 31, 2023 and 2022, respectively. The average interest rate on these loans as of December 31, 2023 and 2022 was 3.11% and 3.45%, 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 one of these mortgages are administered by ABEC (*See Note 4*).

Scheduled maturities of mortgage loans receivable are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 38,633
2025	40,204
2026	41,838
2027	43,539
2028	45,309
Thereafter	<u>902,333</u>
Subtotal	1,111,856
Less: reserve for uncollectible	<u>(398,406)</u>
Total	<u>\$ 713,450</u>

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2023 And 2022

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### (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.

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 three fixed income managers.

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

ABEC investments held by ABHMS are non-negotiable notes that mature between March 2024 and April 2028 with interest rates ranging from 1.85% to 2.85%. 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.



# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2023 And 2022

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### ***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.

### ***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***

- Private Equity - Loans are committed to the Criterion Institute, Boston Impact Initiative, Chicago Trends and Ignite Capital. Private Equity investments are in Transformation Capital Fund II, Transformation Capital Fund III, Digital Alpha Fund II, Eightfold Opportunity Feeder Fund IV, Sustain VC: Impact Fund II, Resilient Ventures Fund I L.P., Climate Investment Solutions Fund - Morgan Stanley, The 22 Fund, Raven Capital Fund, and At One Ventures. These funds 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.
- Real Estate - The Societies are a Limited Partner investor in 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.

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2023 And 2022

Unfunded commitments at December 31, 2023 are as follows:

Patron Capital IV Fund	\$ 333,707
Patron Capital V Fund	260,185
At One Ventures	2,125,000
The 22 Fund	30,000
Raven Capital Fund II	164,948
Transformation Capital Fund II	172,003
Transformation Capital Fund III	1,992,975
Digital Alpha Fund II	663,836
Eightfold Opportunity Feeder Fund IV	256,468
Sustain VC: Impact Fund II	53,125
Resilient Ventures Fund I L.P.	21,849
Climate Impact Solutions Fund – Morgan Stanley	<u>57,930</u>
	<u>\$6,132,026</u>

### 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, 2023 and 2022, are as follows:

<u>2023</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investment Type</b>				
Equities	\$ 146,894,116	\$ 146,894,116	\$ -	\$ -
Fixed Income	35,274,764	1,994,231	31,478,059	1,802,474
Other	555,424	-	554,324	1,100
Cash Equivalents	<u>11,716,706</u>	<u>11,716,706</u>	<u>-</u>	<u>-</u>
	194,441,010	<u>\$ 160,605,053</u>	<u>\$ 32,032,383</u>	<u>\$ 1,803,574</u>
Investments reported at NAV				
Alternative Investments	35,721,880			
Comingled Funds	<u>12,899,863</u>			
	<u>\$ 243,062,753</u>			

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2023 And 2022

<u>2022</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investment Type</b>				
Equities	\$ 123,884,518	\$ 123,884,518	\$ -	\$ -
Fixed Income	33,911,899	1,975,445	30,025,228	1,911,226
Other	579,494	-	500,663	78,831
Cash Equivalents	<u>12,841,701</u>	<u>12,841,701</u>	<u>-</u>	<u>-</u>
	171,217,612	<u>\$ 138,701,664</u>	<u>\$ 30,525,891</u>	<u>\$ 1,990,057</u>
Investments reported at NAV				
Alternative Investments	36,690,961			
Comingled Funds	<u>11,890,487</u>			
	<u>\$ 219,799,060</u>			

The investments are classified on the statements of financial position at December 31, 2023 and 2022 as follows:

	<u>2023</u>	<u>2022</u>
Investments	\$ 176,675,947	\$ 161,126,023
Assets Held for Others		
Current	1,323,043	1,323,043
Noncurrent	64,185,141	56,550,346
Assets Restricted for Annuity Obligations	<u>878,622</u>	<u>799,648</u>
	<u>\$ 243,062,753</u>	<u>\$ 219,799,060</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>	
Ending Balance 12/31/22	\$ 1,502,474	\$ 409,139	\$ 78,444	\$ 1,990,057
Investments made during year	-	-	-	-
Withdrawals made during year	-	(109,139)	(77,344)	(186,483)
Unrealized/Realized Gain	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Balance 12/31/23	<u>\$ 1,502,474</u>	<u>\$ 300,000</u>	<u>\$ 1,100</u>	<u>\$ 1,803,574</u>

	<u>Fixed Income</u>			<u>Total</u>
	<u>ABEC Notes</u>	<u>Private Loans</u>	<u>Other</u>	
Ending Balance 12/31/21	\$ 1,501,466	\$ 400,000	\$ 78,444	\$ 1,979,910
Investments made during year	1,008	-	-	1,008
Withdrawals made during year	-	-	-	-
Unrealized/Realized Gain	<u>-</u>	<u>9,139</u>	<u>-</u>	<u>9,139</u>
Ending Balance 12/31/22	<u>\$ 1,502,474</u>	<u>\$ 409,139</u>	<u>\$ 78,444</u>	<u>\$ 1,990,057</u>

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2023 And 2022

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### (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.

Owl Creek Socially Responsible Investment Fund Ltd., New York, New York is a respective individual hedge fund, and has a socially responsible mandates focused on faith based, ethical principles. The firm has a strong team and long-term investment performance track record. The fund objective is long term capital appreciation with moderate volatility and lower correlation to global equity and fixed income markets. To this end, the fund makes allocations to individual equity and fixed income strategies respectively that may involve derivatives and short selling.

#### **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.

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2023 And 2022

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*Money Market Fund Risk* – An investment in money market funds is exposed to the risk that a fund will not always 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.

### (8) PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Computer equipment	\$ 3,391,818	\$ 3,286,869
Furniture and fixtures	1,092,033	1,092,033
Schools, Missions, Christian Centers and other properties	15,004,174	14,753,655
Construction in progress	205,748	32,952
Land	<u>1,949,602</u>	<u>1,949,602</u>
	21,643,375	21,115,111
Less accumulated depreciation	<u>(8,614,223)</u>	<u>(7,838,659)</u>
Property and equipment, net of depreciation	<u>\$ 13,029,152</u>	<u>\$ 13,276,452</u>

Depreciation expense of property and equipment was \$775,564 and \$737,973 in 2023 and 2022, respectively.

### (9) 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 \$33,534 and \$35,028 at December 31, 2023 and 2022, respectively.

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2023 And 2022

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### (10) NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Board-designated endowment funds	\$ 25,028,368	\$ 22,780,148
Property and equipment, net	<u>13,029,152</u>	<u>13,276,452</u>
Total designated net assets	<u>\$ 38,057,520</u>	<u>\$ 36,056,600</u>

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

	<u>2023</u>	<u>2022</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	\$ 8,594,347	\$ 8,264,052
Accumulated endowment income	107,509,755	94,363,065
<b>Perpetual in nature:</b>		
Donor restricted endowments required to be maintained in perpetuity	<u>38,798,723</u>	<u>38,698,623</u>
Total net assets with donor restrictions	<u>\$ 154,902,825</u>	<u>\$ 141,325,740</u>

During the years ended December 31, 2023 and 2022, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes for program or time as follows:

	<u>2023</u>	<u>2022</u>
Accumulated endowment income	\$7,420,490	\$6,723,858
One Great Hour of Sharing	453,088	518,900
In Support of Excellence program	113,000	142,476
Other operating programs	<u>199,513</u>	<u>410,281</u>
	<u>\$8,186,091</u>	<u>\$7,795,515</u>

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2023 And 2022

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### (11) 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, 2023 And 2022

### 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. The total endowment distribution made available for operations was \$8,692,669 and 11,402,502 for the years ended 2023 and 2022, respectively. Included in the distribution for 2022 was an additional \$3,000,000 for capital expenditures.

### 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, 2023 and 2022.

### ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 146,308,478	\$ 146,308,478
Board-designated endowment funds	<u>25,028,368</u>	<u>-</u>	<u>25,028,368</u>
Total	<u>\$ 25,028,368</u>	<u>\$ 146,308,478</u>	<u>\$ 171,336,846</u>

### CHANGES IN ENDOWMENT NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 22,780,148	\$ 133,061,688	\$ 155,841,836
Contributions	<u>-</u>	<u>100,100</u>	<u>100,100</u>
Investment return:			
Investment income	206,936	1,208,980	1,415,916
Net appreciation (realized and unrealized)	<u>3,313,463</u>	<u>19,358,200</u>	<u>22,671,663</u>
Total	<u>3,520,399</u>	<u>20,567,180</u>	<u>24,087,579</u>
Appropriation of endowment assets for expenditure	<u>(1,272,179)</u>	<u>(7,420,490)</u>	<u>(8,692,669)</u>
Endowment net assets, end of year	<u>\$ 25,028,368</u>	<u>\$ 146,308,478</u>	<u>\$ 171,336,846</u>

### ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND AS OF DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 133,061,688	\$ 133,061,688
Board-designated endowment funds	<u>22,780,148</u>	<u>-</u>	<u>22,780,148</u>
Total	<u>\$ 22,780,148</u>	<u>\$ 133,061,688</u>	<u>\$ 155,841,836</u>



# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2023 And 2022

### CHANGES IN ENDOWMENT NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 34,286,013	\$ 177,222,045	\$ 211,508,058
Contributions	-	40,113	40,113
Investment return:			
Investment income	148,488	815,095	963,583
Net depreciation (realized and unrealized)	(6,975,709)	(38,291,707)	(45,267,416)
Total	(6,827,221)	(37,476,612)	(44,303,833)
Appropriation of endowment assets for expenditure	(4,678,644)	(6,723,858)	(11,402,502)
Endowment net assets, end of year	\$ 22,780,148	\$ 133,061,688	\$ 155,841,836

\* 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.

### (12) 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 approximately \$823,000 and \$786,000 for the years ended December 31, 2023 and 2022, respectively.

### (13) COMMITMENTS AND CONTINGENCIES

The Societies leases office space to tenants under noncancelable leases expiring through 2030. The following is a schedule of approximate future minimum rentals to be received under the lease agreements:

2024	\$ 276,350
2025	340,000
2026	347,800
2027	355,600
2028	363,000
Thereafter	<u>655,400</u>
	<u>\$ 2,338,150</u>

#### Letter of Credit

The Societies had a \$410,222 letter of credit issued for the Department of Education on behalf Bacone College. Prior to the letter of credit expiring on December 31, 2023 the Department of Education charged approximately \$197,000 against the letter of credit. The Societies has recorded this amount as a receivable from Bacone College (See Note 4).

# AMERICAN BAPTIST HOME MISSION SOCIETIES

## NOTES TO COMBINED FINANCIAL STATEMENTS – (Continued)

December 31, 2023 And 2022

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### Other

The Societies are from time to time involved in litigation arising in the ordinary course of business. At December 31, 2023 and 2022, there was no outstanding litigation or potential losses outstanding, therefore, no accrual has been recorded.

### (14) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects the Societies' financial assets as of December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,321,404	\$ 4,735,864
Investments	176,675,947	161,126,023
Receivables – current	<u>1,427,519</u>	<u>734,457</u>
Total financial assets	183,424,870	166,596,344
Less:		
Board-designated quasi and true endowment funds	(171,336,846)	(155,841,836)
Net assets with donor restrictions not expected to be spent within one year	<u>(5,336,278)</u>	<u>(7,641,439)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 6,751,746</u>	<u>\$ 3,113,069</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 \$8.6 million which will be available within the next 12 months. Although the Society does not intend to spend from its quasi-endowment of approximately \$22.8 million other than amounts generated from the annual spending rate, amounts from its quasi-endowment could be made available, if necessary, with Board approval.

### (15) SUBSEQUENT EVENTS

The Societies evaluated its December 31, 2023 combined financial statements for subsequent events through June 4, 2024, 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, 2023 And 2022

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	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Investment in the Common Investment Fund	\$ 3,822,118	\$ 3,822,118
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>\$ 3,833,319</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	1,612,862
With donor restrictions	<u>2,220,457</u>	<u>2,220,457</u>
<b>Total Net Assets</b>	<u>3,833,319</u>	<u>3,833,319</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 3,833,319</u>	<u>\$ 3,833,319</u>

# WOMAN'S AMERICAN BAPTIST HOME MISSION SOCIETY

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

For The Years Ended December 31, 2023 And 2022

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	<u>2023</u>	<u>2022</u>
<b>REVENUES</b>		
Investment income	\$ 916,865	\$ 877,714
Trust fund income	<u>4,500</u>	<u>5,300</u>
Total Revenues	<u>921,365</u>	<u>883,014</u>
<b>EXPENSES</b>		
Disbursements to The American Baptist Home Mission Society	<u>921,365</u>	<u>883,014</u>
Change in net assets	-	-
Net Assets at beginning of year	<u>3,833,319</u>	<u>3,833,319</u>
Net Assets at end of year	<u>\$3,833,319</u>	<u>\$3,833,319</u>

# COMMON INVESTMENT FUND

## SCHEDULES OF FINANCIAL POSITION

December 31, 2023 And 2022

	2023		
	<u>Societies</u>	<u>Funds of Others</u>	<u>Total</u>
<b>ASSETS</b>			
Cash, cash equivalents and investments at fair value	<u>\$ 171,641,041</u>	<u>\$ 63,733,243</u>	<u>\$ 235,374,284</u>
Total Assets	<u>171,641,041</u>	<u>63,733,243</u>	<u>235,374,284</u>
<b>LIABILITIES</b>			
Accounts payable	<u>304,195</u>	<u>104,058</u>	<u>408,253</u>
Total Liabilities	<u>304,195</u>	<u>104,058</u>	<u>408,253</u>
Assets less liabilities	<u>\$ 171,336,846</u>	<u>\$ 63,629,185</u>	<u>\$ 234,966,031</u>
<b>NET ASSETS</b>			
Participating funds	\$ 54,335,648	\$ 47,272,168	\$ 101,607,816
Undistributed net realized gains	96,926,695	7,130,626	104,057,321
Accumulated market value over cost	<u>20,074,503</u>	<u>9,226,391</u>	<u>29,300,894</u>
Total net assets	<u>\$ 171,336,846</u>	<u>\$ 63,629,185</u>	<u>\$ 234,966,031</u>
	2022		
	<u>Societies</u>	<u>Funds of Others</u>	<u>Total</u>
<b>ASSETS</b>			
Cash, cash equivalents and investments at fair value	<u>\$ 156,382,009</u>	<u>\$ 56,205,977</u>	<u>\$ 212,587,986</u>
Total Assets	<u>156,382,009</u>	<u>56,205,977</u>	<u>212,587,986</u>
<b>LIABILITIES</b>			
Accounts payable	<u>540,173</u>	<u>95,629</u>	<u>635,802</u>
Total Liabilities	<u>540,173</u>	<u>95,629</u>	<u>635,802</u>
Assets less liabilities	<u>\$ 155,841,836</u>	<u>\$ 56,110,348</u>	<u>\$ 211,952,184</u>
<b>NET ASSETS</b>			
Participating funds	\$ 54,235,550	\$ 45,152,221	\$ 99,387,771
Undistributed net realized gains	99,544,121	8,230,760	107,774,881
Accumulated market value over cost	<u>2,062,165</u>	<u>2,727,367</u>	<u>4,789,532</u>
Total net assets	<u>\$ 155,841,836</u>	<u>\$ 56,110,348</u>	<u>\$ 211,952,184</u>

\* Based on market values, the unit value was \$423.288 and \$385.227 at December 31, 2023 and 2022, respectively.

# COMMON INVESTMENT FUND

## SCHEDULES OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Years Ended December 31, 2023 And 2022

	<u>2023</u>		
	<u>Societies</u>	<u>Funds of Others</u>	<u>Total</u>
<b>REVENUES AND GAINS</b>			
Contributions	\$ 100,100	\$ 4,056,610	\$ 4,156,710
Investment income	3,024,847	1,096,477	4,121,324
Net realized gains on sale of investments	4,659,325	1,690,790	6,350,115
Net unrealized gains	<u>18,012,338</u>	<u>6,499,024</u>	<u>24,511,362</u>
Total revenues and gains	<u>25,796,610</u>	<u>13,342,901</u>	<u>39,139,511</u>
<b>EXPENSES, PAYMENTS AND LOSSES</b>			
Withdrawals	-	1,936,702	1,936,702
Operating expenses	1,608,931	582,960	2,191,891
Distribution to participants	8,692,669	3,140,869	11,833,538
Gains paid to participants	<u>-</u>	<u>163,533</u>	<u>163,533</u>
Total expenses, payments and losses	<u>10,301,600</u>	<u>5,824,064</u>	<u>16,125,664</u>
Change in net assets	15,495,010	7,518,837	23,013,847
Net assets at beginning of year	<u>155,841,836</u>	<u>56,110,348</u>	<u>211,952,184</u>
Net assets at end of year	<u>\$ 171,336,846</u>	<u>\$ 63,629,185</u>	<u>\$ 234,966,031</u>
	<u>2022</u>		
	<u>Societies</u>	<u>Funds of Others</u>	<u>Total</u>
<b>REVENUES AND GAINS</b>			
Contributions	\$ 40,113	\$ 3,007,869	\$ 3,047,982
Investment income	2,587,108	909,516	3,496,624
Net realized gains on sale of investments	426,171	145,615	571,786
Net unrealized losses	<u>(45,693,587)</u>	<u>(15,872,509)</u>	<u>(61,566,096)</u>
Total revenues and gains	<u>(42,640,195)</u>	<u>(11,809,509)</u>	<u>(54,449,704)</u>
<b>EXPENSES, PAYMENTS AND LOSSES</b>			
Withdrawals	3,000,000	2,321,355	5,321,355
Operating expenses	1,623,525	569,091	2,192,616
Distribution to participants	8,402,502	2,941,439	11,343,941
Gains paid to participants	<u>-</u>	<u>274,338</u>	<u>274,338</u>
Total expenses, payments and losses	<u>13,026,027</u>	<u>6,106,223</u>	<u>19,132,250</u>
Change in net assets	(55,666,222)	(17,915,732)	(73,581,954)
Net assets at beginning of year	<u>211,508,058</u>	<u>74,026,080</u>	<u>285,534,138</u>
Net assets at end of year	<u>\$ 155,841,836</u>	<u>\$ 56,110,348</u>	<u>\$ 211,952,184</u>

\* Income distribution is based on an annual payment rate of \$21.476 per unit in 2023 and \$20.559 per unit in 2022.