

AMERICAN BAPTIST FOUNDATION

*FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

DECEMBER 31, 2020 AND 2019

AMERICAN BAPTIST FOUNDATION

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1-2
FINANCIAL STATEMENTS	
<i>Statements of Financial Position,</i> December 31, 2020 and 2019	3
<i>Statements of Activities and Changes in Net Assets,</i> Year ended December 31, 2020 with summarized information for 2019	4
<i>Statement of Activities and Changes in Net Assets,</i> Year ended December 31, 2019	5
<i>Statements of Cash Flows,</i> Years ended December 31, 2020 and 2010	6
<i>Notes to Financial Statements</i>	7-20
SUPPLEMENTAL INFORMATION	
<i>Supplemental Schedule of Administrative Revenue and Expenses,</i> Year ended December 31, 2020 with summarized information for 2019	21

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**To the Board of Directors
American Baptist Foundation
Valley Forge, Pennsylvania**

We have audited the accompanying statements of American Baptist Foundation (the “Foundation”) which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statements of activities, changes in net assets, 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 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
American Baptist Foundation
Valley Forge, Pennsylvania

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplemental schedule of administrative revenues and expenses, on page 21, is presented for purposes of additional analysis and is not a required part of the basic 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
July 26, 2021

AMERICAN BAPTIST FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 And 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 223,820	\$ 222,282
Prepaid expenses	19,919	4,188
Interest and other receivables	<u>35,835</u>	<u>47,552</u>
Total current assets	279,574	274,022
NONCURRENT ASSETS		
Investments	53,639,924	49,288,288
Assets segregated for gift annuity obligations	8,630,559	8,324,914
Assets whose use is limited	102,784,245	98,446,686
Property and equipment, net of accumulated depreciation of \$53,741 and \$14,031 for 2020 and 2019, respectively	<u>700,774</u>	<u>708,772</u>
Total assets	<u>\$166,035,076</u>	<u>\$157,042,682</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 48,449	\$ 305,159
Actuarial reserve for gift annuity payments	<u>524,274</u>	<u>547,020</u>
Total current liabilities	<u>572,723</u>	<u>852,179</u>
NONCURRENT LIABILITIES		
Actuarial reserve for charitable gift annuity payments	3,667,535	3,859,319
Funds of others – includes trust and endowment funds	<u>100,586,774</u>	<u>96,449,164</u>
Total noncurrent liabilities	<u>104,254,309</u>	<u>100,160,662</u>
NET ASSETS		
Without donor restrictions	5,175,398	4,828,272
With donor restrictions	<u>56,032,646</u>	<u>51,053,748</u>
Total net assets	<u>61,208,044</u>	<u>55,882,020</u>
Total liabilities and net assets	<u>\$166,035,076</u>	<u>\$157,042,682</u>

AMERICAN BAPTIST FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2020 With Summarized Information For 2019

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
Operating revenue, gains, and other support:				
Contributions				
Undesignated	\$ 559,546	\$ —	\$ 559,546	\$ 112,769
Other	135,273	1,014,354	1,149,627	999,656
PPP SBA grant revenue	179,200	—	179,200	—
Operating subsidy from Baptist related organizations	310,991	—	310,991	316,564
Income from investments	475,927	2,137,493	2,613,420	2,594,387
Net realized and unrealized gain on investments carried at fair value	558,124	3,458,332	4,016,456	6,649,446
Management fees	883,911	—	883,911	881,064
Service income	117,850	—	117,850	119,550
Change in value of split-interest agreements	(599,276)	433,333	(165,943)	(27,786)
Subtotal	<u>2,621,546</u>	<u>7,043,512</u>	<u>9,665,058</u>	<u>11,645,650</u>
Net assets released from restrictions	<u>2,064,614</u>	<u>(2,064,614)</u>	<u>—</u>	<u>—</u>
Total operating revenue, gains, and other support	<u>4,686,160</u>	<u>4,978,898</u>	<u>9,665,058</u>	<u>11,645,650</u>
Expenses				
Program services:				
Distributions to members				
Undesignated income	866,322	—	866,322	420,214
Donor Advised Distributions	102,285	—	102,285	105,616
Distributions from endowment to partner agencies	1,703,701	—	1,703,701	1,497,775
Operating expenses	<u>481,097</u>	<u>—</u>	<u>481,097</u>	<u>499,201</u>
Total program services	<u>3,153,405</u>	<u>—</u>	<u>3,153,405</u>	<u>2,522,806</u>
Supporting services:				
Management and general	975,389	—	975,389	1,104,758
Development	<u>210,240</u>	<u>—</u>	<u>210,240</u>	<u>268,450</u>
Total supporting services	<u>1,185,629</u>	<u>—</u>	<u>1,185,629</u>	<u>1,373,208</u>
Total Expenses	<u>4,339,034</u>	<u>—</u>	<u>4,339,034</u>	<u>3,896,014</u>
Change in net assets	347,126	4,978,898	5,326,024	7,749,636
Net assets				
Beginning of year	<u>4,828,272</u>	<u>51,053,748</u>	<u>55,882,020</u>	<u>48,132,384</u>
End of year	<u>\$ 5,175,398</u>	<u>\$56,032,646</u>	<u>\$61,208,044</u>	<u>\$55,882,020</u>

AMERICAN BAPTIST FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS – (Continued)

For The Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
Operating revenue, gains, and other support:			
Contributions			
Undesignated	\$ 112,769	\$ –	\$ 112,769
Other	167,577	832,079	999,656
Operating subsidy from Baptist related organizations	316,564	–	316,564
Income from investments	473,974	2,120,413	2,594,387
Net realized and unrealized gain on investments carried at fair value	1,111,320	5,538,126	6,649,446
Management fees	881,064	–	881,064
Service income	119,550	–	119,550
Change in value of split-interest agreements	<u>(822,869)</u>	<u>795,083</u>	<u>(27,786)</u>
Subtotal	2,359,949	9,285,701	11,645,650
Net assets released from restrictions	<u>1,859,475</u>	<u>(1,859,475)</u>	<u>–</u>
Total operating revenue, gains, and other support	<u>4,219,424</u>	<u>7,426,226</u>	<u>11,645,650</u>
Expenses			
Program services:			
Distributions to members			
Undesignated income	420,214	–	420,214
Donor Advised Distributions	105,616	–	105,616
Distributions from endowment to partner agencies	1,497,775	–	1,497,775
Operating expenses	<u>499,201</u>	<u>–</u>	<u>499,201</u>
Total program services	<u>2,522,806</u>	<u>–</u>	<u>2,522,806</u>
Supporting services:			
Management and general	1,104,758	–	1,104,758
Development	<u>268,450</u>	<u>–</u>	<u>268,450</u>
Total supporting services	<u>1,373,208</u>	<u>–</u>	<u>1,373,208</u>
Total Expenses	<u>3,896,014</u>	<u>–</u>	<u>3,896,014</u>
Change in net assets	323,410	7,426,226	7,749,636
Net assets			
Beginning of year	<u>4,504,862</u>	<u>43,627,522</u>	<u>48,132,384</u>
End of year	<u>\$4,828,272</u>	<u>\$51,053,748</u>	<u>\$55,882,020</u>

AMERICAN BAPTIST FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 And 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	\$ 5,326,024	\$ 7,749,636
Adjustments to reconcile total change in net assets to net cash used by operating activities:		
Depreciation	40,079	11,397
Interest and dividends received from gift annuity contracts	(436,289)	(422,064)
Net realized and unrealized gain on long-term investments	(4,016,456)	(6,649,446)
Change in value of split-interest agreements	165,944	27,786
Contributions restricted for endowment	(1,014,354)	(832,080)
Contributions restricted for charitable gift annuity	(16,122)	(36,922)
Changes in operating assets and liabilities		
Decrease (increase) in interest and other receivables	11,717	(42,127)
Increase in prepaid expenses	(15,731)	(4,188)
Increase in assets segregated for gift annuity obligations	(127,511)	(388,921)
Increase in assets whose use is limited	(4,337,559)	(13,152,181)
Decrease (increase) in accounts payable and other current liabilities	(256,710)	196,155
Increase in funds of others	<u>4,137,610</u>	<u>12,758,856</u>
Total adjustments	<u>(5,865,382)</u>	<u>(8,483,735)</u>
Net cash used for operating activities	<u>(539,358)</u>	<u>(734,099)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(33,720)	(199,709)
Proceeds from sale of property and equipment	1,639	-
Proceeds from (purchases of) investments, net	<u>(335,180)</u>	<u>188,046</u>
Net cash used for investing activities	<u>(367,261)</u>	<u>(11,663)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for:		
Endowments	1,014,354	832,080
Charitable gift annuity contracts	26,200	68,500
Other financing activities:		
Distribution payments for gift annuity contracts	(568,686)	(566,998)
Interest and dividends received from gift annuity contracts	<u>436,289</u>	<u>422,064</u>
Net cash provided by financing activities	<u>908,157</u>	<u>755,646</u>
Increase in cash and cash equivalents	1,538	9,884
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>222,282</u>	<u>212,398</u>
End of year	<u>\$ 223,820</u>	<u>\$ 222,282</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 And 2019

(1) BACKGROUND

The mission of the American Baptist Foundation (the “*Foundation*”) is to encourage support of the American Baptist ministry and its mission, primarily done by the members of the Foundation through Charitable Estate Planning services for individuals and churches. Its mission also involves managing and providing investment services to American Baptist related organizations. The Foundation is a center through which planned gifts may be made in support of the American Baptist churches and related organizations around the world.

This cooperative effort, sponsored by its three American Baptist member organizations, demonstrates increased efficiency and strength by blending talent and resources within our family of faith. Serving throughout the United States, the Foundation representatives provide customized services including:

- Customize planned giving and endowment programs for ministries
- Educate on wills and estate planning
- Confidential counseling on personal estate plans
- Resources encouraging good stewardship through wills, endowments, and planned gifts
- Life income agreements to meet both individual income needs and mission support goals – these agreements include Pooled Income Fund, Charitable Remainder Trusts, Charitable Gift Annuities, and Revocable Trusts

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management has reviewed the tax positions for each of the open tax years (2017 – 2019) or expected to be taken in the Foundation’s 2020 tax return 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 financial statements of the Foundation have been prepared using the accrual basis of accounting.

NET ASSETS

For accounting and reporting purposes, the Foundation classifies its resources into two net asset categories according to externally (donor) imposed restrictions. A description of the two net asset categories follows:

Net Assets without donor-imposed restrictions – include the revenues and expenses associated with the principal mission of the Foundation which have not been restricted by donor-imposed restrictions.

Net Assets with donor-imposed restrictions – include gifts for which restrictions have not been met. Net assets with restrictions are limited by donors for a specific purpose or specified period including term endowment funds. Also included in this category are the Foundation’s permanent endowment funds.

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of amounts held in highly liquid securities with maturities of less than three months at the time of purchase and are stated at cost, which approximates fair value. Cash and cash equivalents that are segregated for gift annuity obligations or restricted by donors of trust agreements are included in “assets segregated for gift annuity obligations” and “assets whose use is limited,” respectively, in the Statement of Financial Position.

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 certain estimates and assumptions that affect the reported amounts of assets and liabilities as of December 31, 2020 and 2019, and the reported amounts of revenues and expenses for the years then ended. Actual results may differ from those estimates.

INVESTMENTS

Investments, which include marketable securities, U.S. Government and fixed income securities, mutual funds, and other assets held for investment purposes are reported at fair value based upon quoted market prices or other valuation methodologies. Gains or losses on investments are recognized as revenues or expenses in the Statement of Activities. Accordingly, gains and losses are recorded in the net asset category where the investment income is recognized.

ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include assets received by the Foundation for the administration and management of revocable and irrevocable charitable remainder trusts and amounts received for various American Baptist related organizations and individuals for which the Foundation acts as custodian.

EQUIPMENT AND DEPRECIATION

Equipment is recorded at cost or, if donated, at fair value at the date of receipt. Depreciation of equipment 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 as revenues and expenses in the Statement of Activities. Repair and maintenance costs are expensed when incurred, while betterments that extend the life of the assets are capitalized.

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

CHARITABLE GIFT ANNUITIES

Charitable gift annuity agreements are issued in exchange for a payment that constitutes part charitable contribution and part purchase of an annuity that provides for payments to the stated annuitant(s) during their lifetime(s). The contribution portion is recorded in the appropriate net asset category based on the donors' agreements. These agreements represent a general obligation of the Foundation.

The life expectancy of annuitants and the interest rate assumptions determine the actuarial obligations. Charitable gift annuity liabilities are computed using standard life expectancy and annuity tables at a 6.0% discount rate. Changes in the factors result in changes in the actuarial reserve for gift annuity payments. Changes related to agreements in which the remainderman is other than the Foundation, are recorded as an increase or decrease in the beneficiaries' interest in charitable gift annuities in the Statement of Financial Position. Changes related to agreements for which the Foundation is the remainderman are recorded within the change in value of split-interest agreements in the Statement of Activities.

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

FUNDS OF OTHERS

Funds of others represent amounts due to the organizations under revocable and irrevocable charitable remainder trusts and custodian funds administered by the Foundation for American Baptist-related organizations, individuals, agencies and institutions. For the irrevocable charitable remainder trusts, the funds of others amounts include both the obligation liability to the income beneficiaries and the residual payment due to others. For residual payments due to the Foundation, the net amounts represent the balance remaining net of the calculation of the liability for the income beneficiary's payments over their estimated life expectancy. The liability is based upon a 6% rate of return of the assets discounted at 6% over the income beneficiary's life expectancy.

CONTRIBUTIONS

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts-in-kind are recorded at fair value on the date of receipt.

PRIOR YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2019 from which the summarized financial information was derived.

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In 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 standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. The Foundation plans to adopt the new ASU at the required implementation date.

RECLASSIFICATIONS

Certain reclassifications were made to the 2019 financial statements to conform to the 2020 presentation.

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

(3) INVESTMENTS

Investments consist of the following:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 723,936	\$ 1,285,558
Mutual Funds		
Bond	4,298,715	4,537,320
Stock	402,026	501,256
International	25,179	21,026
Bonds	10,796,488	13,465,023
Equities	37,218,280	29,304,408
Notes Receivable	<u>175,300</u>	<u>173,697</u>
Total	<u>\$53,639,924</u>	<u>\$49,288,288</u>

Investments consist principally of the Foundation's Donor-restricted "True" Endowments ("Endowment Funds") and Donor-Advised Net Assets without donor-imposed restriction and are invested in the Foundation's Blended Portfolio, one of the Foundation's three different portfolios (Blended, Fixed Income and Stock portfolios). The target allocation of the Blended Portfolio is an allocation of 60% stock and 40% bonds. The target allocation may vary by plus or minus 15% in each category. Investments noted above include the applicable ownership percentage of the Blended portfolio.

Assets segregated for actuarial reserves (charitable gift annuities):

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 280,792	\$ 257,491
U.S. Government and fixed income securities	129,125	148,196
Mutual Funds		
Stock	160,370	133,885
Balanced	8,036,422	7,761,444
Other	<u>23,850</u>	<u>22,898</u>
Total	<u>\$8,630,559</u>	<u>\$8,323,914</u>

As of December 31, 2020 and 2019, assets segregated for charitable gift annuities includes \$2,409,322 and \$2,154,125, respectively, of the Foundation's remainder interest in charitable gift annuities.

Certain states require investments to be segregated (reserves) for planned giving charitable gift annuity contracts. The general reserve follows the State of New York guidelines, which is the actuarial present value liability, plus 26.5%.

The 2020 reserve was calculated as follows:

Actuarial present value liability – General	\$4,191,809
26.5% additional reserves	<u>1,110,829</u>
Total Required Reserve	<u>\$5,302,638</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

Assets whose use is limited consist of the following:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 2,142,472	\$ 3,086,647
Notes Receivable	352,640	350,412
Equity Securities	51,977,335	43,169,771
Mutual Funds		
Bond	7,032,886	6,907,282
Stock	11,898,622	12,688,243
Balanced	459,602	450,856
International	3,102,306	1,529,314
U.S. Government, Corporate and Municipal Bonds	<u>25,818,382</u>	<u>30,264,161</u>
Total	<u>\$102,784,245</u>	<u>\$98,446,686</u>

Assets whose use is limited are designated as follows:

	<u>2020</u>	<u>2019</u>
Custodian Funds	\$ 77,597,912	\$73,253,750
Assets held under trust agreements	<u>25,186,333</u>	<u>25,192,936</u>
Total	<u>\$102,784,245</u>	<u>\$98,446,686</u>

Holders of the Custodian Funds (see Note 5) may select one or more of the three different portfolios of the Foundation for investment. Investments noted above include the applicable ownership percentage of the underlying investments of the Blended, Fixed Income, and Stock portfolios.

As of December 31, 2020 and 2019, assets whose use is limited includes \$2,175,657 and \$1,997,522, respectively of the Foundation's remainder interest in charitable remainder unitrusts.

Notes receivable with rates ranging from .80% to 2.20% consist of investment notes issued by American Baptist Extension Corporation, an affiliate, totaling \$527,940 and \$524,109 as of December 31, 2020 and 2019, respectively.

At December 31, 2020 and 2019, investments in the Blended, Fixed Income, and Stock portfolios were \$119,285,431 and \$110,689,313; \$7,230,870 and \$6,229,284; and \$1,741,082 and \$1,649,724, respectively.

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

(4) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Foundation utilizes 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.

2020	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Investments				
Cash and Cash Equivalents	\$ 723,936	\$ 723,936	\$ –	\$ –
Mutual Funds				
Bond	4,298,715	4,298,715	–	–
Stock	402,026	402,026	–	–
International	25,179	25,179	–	–
U.S. Government and Fixed Income	10,796,488	2,269,422	8,527,066	–
Equities	37,218,280	37,218,280	–	–
Notes Receivable	175,300	–	–	175,300
	<u>\$53,639,924</u>	<u>\$44,937,558</u>	<u>\$ 8,527,066</u>	<u>\$175,300</u>
Assets Segregated For Gift Annuity Obligations				
Cash and Cash Equivalents	\$ 280,792	\$ 280,792	\$ –	\$ –
U.S. Government and Fixed Income Securities	129,125	–	129,125	–
Mutual Funds				
Stock	160,370	160,370	–	–
Balanced	8,036,422	8,036,422	–	–
Other	23,850	–	23,850	–
	<u>\$ 8,630,559</u>	<u>\$ 8,477,584</u>	<u>\$ 152,975</u>	<u>\$ –</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

<u>2020</u>	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
<u>Assets Whose Use Is Limited</u>				
Cash and Cash Equivalents	\$ 2,142,472	\$ 2,142,472	\$ –	\$ –
Notes Receivable	352,640	–	–	352,640
Equity Securities	51,977,335	51,977,335	–	–
Mutual Funds				
Bond	7,032,886	7,032,886	–	–
Stock	11,898,622	11,898,622	–	–
Balanced	459,602	459,602	–	–
International	3,102,306	3,102,306	–	–
U.S. Government and Fixed Income	<u>25,818,382</u>	<u>4,695,983</u>	<u>21,122,399</u>	<u>–</u>
	<u>\$102,784,245</u>	<u>\$ 81,309,206</u>	<u>\$21,122,399</u>	<u>\$ 352,640</u>

<u>2019</u>	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
<u>Investments</u>				
Cash and Cash Equivalents	\$ 1,285,558	\$ 1,285,558	\$ –	\$ –
Mutual Funds				
Bond	4,537,320	4,537,320	–	–
Stock	501,256	501,256	–	–
International	21,026	21,026	–	–
U.S. Government and Fixed Income	13,465,023	1,161,496	12,303,527	–
Equities	29,304,408	29,304,408	–	–
Notes Receivable	<u>173,697</u>	<u>–</u>	<u>–</u>	<u>173,697</u>
	<u>\$49,288,288</u>	<u>\$ 36,811,064</u>	<u>\$12,303,527</u>	<u>\$ 173,697</u>

Assets Segregated For Gift Annuity Obligations

Cash and Cash Equivalents	\$ 257,491	\$ 257,491	\$ –	\$ –
U.S. Government and Fixed Income Securities	148,196	–	148,196	–
Mutual Funds				
Stock	133,885	133,885	–	–
Balanced	7,761,444	7,761,444	–	–
Other	<u>22,898</u>	<u>–</u>	<u>22,898</u>	<u>–</u>
	<u>\$ 8,323,914</u>	<u>\$ 8,152,820</u>	<u>\$ 171,094</u>	<u>\$ –</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

<u>2019</u>	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
<u>Assets Whose Use Is Limited</u>				
Cash and Cash Equivalents	\$ 3,086,647	\$ 3,086,647	\$ –	\$ –
Notes Receivable	350,412	–	–	350,412
Equity Securities	43,169,771	43,169,771	–	–
Mutual Funds				
Bond	6,907,282	6,907,282	–	–
Stock	12,688,243	12,688,243	–	–
Balanced	450,856	450,856	–	–
International	1,529,314	1,529,314	–	–
U.S. Government and Fixed Income	<u>30,264,161</u>	<u>2,721,467</u>	<u>27,542,694</u>	<u>–</u>
	<u>\$98,446,686</u>	<u>\$70,553,580</u>	<u>\$27,542,694</u>	<u>\$350,412</u>

The changes in investments measured at fair value for which the Foundation used Level 3 inputs to determine fair value are as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 524,109	\$ 755,365
Sales	-	(235,000)
Interest, net	<u>3,831</u>	<u>3,744</u>
Balance, end of year	<u>\$ 527,940</u>	<u>\$ 524,109</u>

(5) PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 32,413	\$ 20,032
Building and improvements	717,879	702,771
Construction-in-progress	<u>4,223</u>	<u>-</u>
	754,515	722,803
Less accumulated depreciation	<u>(53,741)</u>	<u>(14,031)</u>
	<u>\$ 700,774</u>	<u>\$ 708,772</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

(6) FUNDS OF OTHERS

	Balance December 31, 2019	New Agreements	Investment Income	Net Realized & Unrealized Gains/(Losses)	Redemption/ Distributions And Other Payments	Balance December 31, 2020
Irrevocable Trusts*	\$ 21,636,622	\$ 863,986	\$ 906,793	\$ 1,398,195	\$(3,292,075)	\$ 21,513,521
Revocable Trusts	1,304,329	1,000	33,687	(102,788)	(25,859)	1,210,369
Board of National Ministries	254,463	-	5,942	18,697	(14,130)	264,972
Custodial Funds						
Ottawa University	200,634	-	3,932	(1,385)	(21,815)	181,366
Endowment	<u>73,053,116</u>	<u>1,053,927</u>	<u>3,228,284</u>	<u>5,040,739</u>	<u>(4,959,520)</u>	<u>77,416,546</u>
	<u>\$96,449,164</u>	<u>\$1,918,913</u>	<u>\$4,178,638</u>	<u>\$ 6,353,458</u>	<u>\$(8,313,399)</u>	<u>\$100,586,774</u>

* *These amounts include both the obligation payable to the income beneficiaries and the residual payments due to other organizations.*

(7) NET ASSETS

Net assets with donor-imposed restrictions are available at December 31 as follows:

	<u>2020</u>	<u>2019</u>
Endowment funds:		
<u>Subject to the passage of time:</u>		
Term Endowments	\$ 263,109	\$ 250,241
Accumulated earnings on endowment	<u>10,521,024</u>	<u>7,002,680</u>
	<u>10,784,133</u>	<u>7,252,921</u>
<u>Perpetual in Nature:</u>		
Endowment funds including \$2,175,657 in 2020 and \$1,997,522 in 2019 of the estimated residual interest in trusts and \$2,409,322 in 2020 and \$2,154,125 in 2019 of the estimated residual interest in charitable gift annuities	<u>45,248,513</u>	<u>43,800,827</u>
Total donor restricted net assets	<u>\$ 56,032,646</u>	<u>\$ 51,053,748</u>

During the years ended December 31, 2020 and 2019, net assets were released from donor restrictions by satisfying the following restricted purposes:

<u>2020</u>	<u>2019</u>
<u>\$2,064,614</u>	<u>\$1,859,475</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

Endowment and donor advised net asset composition by type of fund as of December 31, 2020 and 2019:

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted “true” endowment:			
Historical gift value	\$ –	\$45,248,513	\$45,248,513
Appreciation	–	10,521,024	10,521,024
Term endowments	–	263,109	263,109
Funds functioning as endowment funds	4,012	–	4,012
Donor advised funds	<u>1,267,832</u>	<u>–</u>	<u>1,267,832</u>
	<u>\$ 1,271,844</u>	<u>\$56,032,646</u>	<u>\$ 57,304,490</u>

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted “true” endowment:			
Historical gift value	\$ –	\$43,800,827	\$43,800,827
Appreciation	–	7,002,680	7,002,680
Term endowments	–	250,241	250,241
Funds functioning as endowment funds	4,012	–	4,012
Donor advised funds	<u>1,216,309</u>	<u>–</u>	<u>1,216,309</u>
	<u>\$ 1,220,321</u>	<u>\$51,053,748</u>	<u>\$ 52,274,069</u>

The Foundation classifies the original value of gifts received with donor stipulations that require them to be held in perpetuity as net assets with donor restrictions. Cumulative net investment income which includes dividend and interest and realized and unrealized gains/losses on such gifts is classified as net assets with donor-imposed restrictions until it is expended in accordance with state law and/or the donor restriction. There were no cumulative net investments losses as of December 31, 2020 and 2019. The Foundation’s board may also designate certain gifts without donor restrictions to function as endowment funds; such gifts are classified within net assets without donor restrictions as funds functioning as endowment funds.

Changes in endowment and donor advised net assets for the years ended December 31, 2020 and 2019:

	2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ 1,220,321	\$51,053,748	\$52,274,069
Investment gains	142,508	5,595,825	5,738,333
Contributions and other	11,300	1,014,354	1,025,654
Change in split interest agreements	–	433,333	433,333
Amounts appropriated for expenditures	<u>(102,285)</u>	<u>(2,064,614)</u>	<u>(2,166,899)</u>
	<u>\$ 1,271,844</u>	<u>\$56,032,646</u>	<u>\$ 57,304,490</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$ 1,109,360	\$43,627,522	\$44,736,882
Investment gains	205,277	7,658,538	7,863,815
Contributions and other	11,300	832,080	843,380
Change in split interest agreements	–	795,083	795,083
Amounts appropriated for expenditures	<u>(105,616)</u>	<u>(1,859,475)</u>	<u>(1,965,091)</u>
	<u>\$ 1,220,321</u>	<u>\$51,053,748</u>	<u>\$ 52,274,069</u>

(8) CREDIT RISK AND OTHER CONCENTRATIONS

The Foundation is required by Accounting Standards Codification (“ASC”) 825, “*Financial Instruments*” to disclose significant concentrations of credit risk regardless of the degree of such risk. As of December 31, 2020, and 2019, the Foundation maintained bank deposits that exceeded the limit of insurability under the Federal Deposit Insurance Corporation. This risk is managed by the Foundation in continuing to monitor the financial institutions in which it maintains relationships.

The Foundation has significant investments in notes receivable, stocks, bonds, and mutual funds and is therefore subject to normal risks inherent with investing activity. Investments made by investment managers engaged by the Foundation are monitored by the Foundation. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that investment policy is prudent for the long-term welfare of the Foundation and its beneficiaries.

(9) OPERATING SUBSIDY

Under an operating agreement, related members of the Foundation contribute to the operations, based upon predetermined amounts. The related members include the American Baptist Foreign Mission Society, the American Baptist Home Mission Societies, and the American Baptist Multi-Region Corporation. The amount subsidized by the related members was \$310,991 and \$316,564 for 2020 and 2019, respectively.

(10) PENSION

Substantially all of the Foundation’s employees are covered by the American Baptist Churches’ Retirement Plan. The Foundation’s pension expense related to contributions to this defined contribution plan was \$135,823 and \$113,525 in 2020 and 2019, respectively.

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

(11) FUNCTIONAL CLASSIFICATION OF EXPENSES

With the adoption of ASU 2016-14, a functional classification of expenses is required. The functional allocation of expenses is based primarily on the amount of direct cost spent on the program or time spent on an activity, office space and related costs are allocated based upon time spent on an activity as follows for the year ended December 31, 2020 and 2019:

<u>2020</u>	<u>Total Expenses</u>	<u>Program Expenses</u>	<u>Management And General</u>	<u>Development</u>
Donor Advised Distributions	\$ 102,285	\$ 102,285	\$ -	\$ -
Undesignated Income Distributions				
to members	866,322	866,322	-	-
Distributions from endowments	1,703,701	1,703,701	-	-
Salaries and benefits	1,093,042	365,053	612,817	115,172
Travel	30,960	15,480	-	15,480
Promotional support	60,398	30,199	-	30,199
Occupancy	71,196	23,778	39,916	7,502
Computer services	158,881	39,720	79,441	39,720
Contracted services	20,562	6,867	11,528	2,167
Professional services	167,963	-	167,963	-
Board of directors	27	-	27	-
Miscellaneous expenses	<u>63,697</u>	<u>-</u>	<u>63,697</u>	<u>-</u>
Total expenses	<u>\$4,339,034</u>	<u>\$3,153,405</u>	<u>\$ 975,389</u>	<u>\$ 210,240</u>

<u>2019</u>	<u>Total Expenses</u>	<u>Program Expenses</u>	<u>Management And General</u>	<u>Development</u>
Donor Advised Distributions	\$ 105,616	\$ 105,616	\$ -	\$ -
Undesignated Income Distributions				
to members	420,214	420,214	-	-
Distributions from endowments	1,497,775	1,497,775	-	-
Salaries and benefits	973,735	324,590	531,216	117,929
Travel	109,854	54,927	-	54,927
Promotional support	65,060	32,530	-	32,530
Occupancy	93,268	31,090	50,882	11,296
Computer services	138,463	34,616	69,231	34,616
Contracted services	20,243	6,748	11,043	2,452
Professional services	137,032	14,700	107,632	14,700
Board of directors	34,325	-	34,325	-
Settlement	280,000	-	280,000	-
Miscellaneous expenses	<u>20,429</u>	<u>-</u>	<u>20,429</u>	<u>-</u>
Total expenses	<u>\$3,896,014</u>	<u>\$2,522,806</u>	<u>\$1,104,758</u>	<u>\$ 268,450</u>

On May 22nd, 2020, the Foundation reached an agreement with a church for which the Foundation holds a custodial endowment fund to settle fraudulent payments made from the account. The Foundation accrued for the settlement of this claim in the amount of \$280,000 at December 31, 2019, and is reported under management and general expenses in the statement of activities and changes in net assets. The payment was made in May 2020.

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

(12) COVID-19 AND PAYCHECK PROTECTION PROGRAM

In December 2019, a novel strain of the coronavirus (“COVID-19”) was reported in China. The World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern”. This outbreak has affected virtually every industry and has created volatility in the stock markets throughout the world. Many federal and state governments have implemented numerous restrictions, mandated various closures and quarantine requirements in connection with the COVID-19 outbreak. The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak and the impact on the Foundation’s funders, donors, employees and investments, all of which are uncertain and cannot be predicted.

In April 2020, the Foundation received \$179,200 in funds from the federal Paycheck Protection Program (PPP). The PPP loan is designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Small Business Administration (SBA) will forgive loans if all employees are kept on the payroll for a specific period of time and the money is used for certain allowable costs. Any amounts not forgiven at the end of the program period convert into a loan with 1% interest, payable over 24 months. The AICPA released guidance on recording options and the Foundation has decided to record these funds under the government grant model (FASB ASC 958-605). The cash received under the PPP is recorded as a liability until the conditions are substantially met. When the Foundation has substantially met the conditions of the program and qualifying expenses are incurred, the cancellation of the liability is recorded as revenue. The Foundation has met all conditions of the program and the loan was forgiven on June 14, 2021, and as such, the loan has been recognized in the Statement of Activities and Changes in Net Assets as PPP SBA grant revenue.

(13) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

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

Financial Assets	2020	2019
Cash and cash equivalents	\$ 223,820	\$ 222,282
Interest and other receivables	35,835	47,552
Investments	53,639,924	49,288,288
Assets segregated for gift annuity obligations	8,630,559	8,324,914
Assets whose use is limited	<u>102,784,245</u>	<u>98,446,686</u>
Total financial assets	165,314,383	156,329,722
Less:		
Endowment funds’ assets	56,032,646	51,053,748
Donor advised funds	1,267,832	1,216,309
Assets segregated for gift annuity obligations, net of amounts included in endowment fund’s assets	2,068,859	1,804,116
Funds of others	<u>100,586,774</u>	<u>96,449,164</u>
Financial assets available to meet general expenditures within one year	<u>\$ 5,358,272</u>	<u>\$ 5,806,385</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2020 And 2019

The Foundation strives to maintain liquid financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets in excess of daily cash requirements are invested in cash and cash equivalents. As part of the Foundation's liquidity management, it has a practice to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 26, 2021, the date which the financial statements were available to be issued. There were no material subsequent events required to be disclosed.

SUPPLEMENTAL INFORMATION

AMERICAN BAPTIST FOUNDATION

SUPPLEMENTAL SCHEDULE OF ADMINISTRATIVE REVENUES AND EXPENSES

December 31, 2020 And 2019

	2020			2019
	Marketing	Administration	Total	Total
Revenues, gains and other support:				
Operating subsidy from Baptist related organizations	\$ 310,991	\$ —	\$ 310,991	\$ 316,564
Contributions	136,988	—	136,988	134,575
PPP SBA grant revenue	—	179,200	179,200	—
Service income	—	117,850	117,850	119,550
Management fees	—	883,911	883,911	881,064
Income (loss) from investments, net of unrealized loss	—	91,367	91,367	104,510
Grant Awards	—	25,000	25,000	39,035
Total revenues, gains and other support	<u>447,979</u>	<u>1,297,328</u>	<u>1,745,307</u>	<u>1,595,298</u>
Administrative and promotional expenses:				
Salaries and fringe benefits	115,172	977,870	1,093,042	973,735
Travel	15,480	15,480	30,960	109,854
Promotional support	60,398	—	60,398	65,060
Occupancy	—	71,196	71,196	93,268
Computer services	—	158,881	158,881	138,463
Contracted services	—	20,562	20,562	20,243
Professional services	—	167,963	167,963	137,032
Board of Directors	—	27	27	34,325
Miscellaneous expenses	—	63,697	63,697	20,429
Total expenses	<u>191,050</u>	<u>1,475,676</u>	<u>1,666,726</u>	<u>1,592,409</u>
Increase (decrease) in net assets without donor restrictions	<u>256,929</u>	<u>(178,348)</u>	<u>78,581</u>	<u>2,889</u>
Total	<u>\$ 447,979</u>	<u>\$ 1,297,328</u>	<u>\$ 1,745,307</u>	<u>\$ 1,595,298</u>

The above schedule includes amounts reported in the without donor restrictions column of the Statement of Activities and Changes in Net Assets that represent the Foundation's operational revenues and expenses. These amounts exclude all activities related to endowment, trust and annuity gifts that are also reported in the without donor restrictions column of the Statement of Activities and Changes in Net Assets.