

# **AMERICAN BAPTIST FOUNDATION**

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

**DECEMBER 31, 2015 AND 2014**

# AMERICAN BAPTIST FOUNDATION

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## 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, 2015 and 2014, 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, 2015 and 2014, 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.

### *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 16, 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  
December 16, 2016

# AMERICAN BAPTIST FOUNDATION

## STATEMENT OF FINANCIAL POSITION

December 31, 2015 And 2014

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	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 843,193	\$ 989,203
Interest and other receivables	<u>184,990</u>	<u>34,688</u>
<b>Total current assets</b>	1,028,183	1,023,891
<b>NONCURRENT ASSETS</b>		
Investments	42,697,016	44,553,115
Assets segregated for gift annuity obligations	8,272,739	8,839,320
Assets whose use is limited	75,140,084	80,826,057
Equipment, net of accumulated depreciation of \$10,400 and \$3,078 for 2015 and 2014, respectively	<u>4,596</u>	<u>12,268</u>
<b>Total assets</b>	<u>\$ 127,142,618</u>	<u>\$ 135,254,651</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and other current liabilities	\$ 643,398	\$ 704,846
Actuarial reserve for gift annuity payments	<u>613,711</u>	<u>648,692</u>
<b>Total current liabilities</b>	<u>1,257,109</u>	<u>1,353,538</u>
<b>NONCURRENT LIABILITIES</b>		
Actuarial reserve for charitable gift annuity payments	4,500,642	4,697,736
Beneficiaries' interest in charitable gift annuities	13,753	116,616
Funds of others – includes trust and endowment funds	<u>73,668,155</u>	<u>78,573,219</u>
<b>Total noncurrent liabilities</b>	<u>78,182,550</u>	<u>83,387,571</u>
<b>NET ASSETS</b>		
Unrestricted	4,272,749	4,305,596
Temporarily restricted	2,204,209	4,957,288
Permanently restricted	<u>41,226,001</u>	<u>41,250,658</u>
<b>Total net assets</b>	<u>47,702,959</u>	<u>50,513,542</u>
<b>Total liabilities and net assets</b>	<u>\$ 127,142,618</u>	<u>\$ 135,254,651</u>

# AMERICAN BAPTIST FOUNDATION

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2015 With Summarized Information For 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2015</u>	<u>2014</u>
<b>Revenue, gains, and other support:</b>					
Contributions					
Undesignated	\$ 1,397,891	\$ -	\$ -	\$ 1,397,891	\$ 752,513
Other	307,115	-	773,078	1,080,193	1,136,924
Operating subsidy from Baptist related organizations	324,776	-	-	324,776	330,546
Income from investments	486,415	1,885,907	-	2,372,322	2,291,400
Net realized and unrealized gain/(loss) on investments carried at fair value	(533,419)	(2,868,494)	-	(3,401,913)	518,770
Interest income	1,815	-	-	1,815	1,529
Management fees	676,671	-	-	676,671	614,762
Miscellaneous income	10,159	-	-	10,159	25,540
Service income	118,000	-	-	118,000	117,000
Change in value of split-interest agreements	<u>(147,151)</u>	<u>(119,041)</u>	<u>(797,735)</u>	<u>(1,063,927)</u>	<u>132,536</u>
<b>Subtotal</b>	<u>2,642,272</u>	<u>(1,101,628)</u>	<u>(24,657)</u>	<u>1,515,987</u>	<u>5,921,520</u>
Net assets released from restrictions	<u>1,651,451</u>	<u>(1,651,451)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenue, gains, and     other support</b>	<u>4,293,723</u>	<u>(2,753,079)</u>	<u>(24,657)</u>	<u>1,515,987</u>	<u>5,921,520</u>
<b>Expenses</b>					
Administrative	1,155,998	-	-	1,155,998	987,920
Promotional fees	33,162	-	-	33,162	32,210
Distributions to members					
Undesignated income	1,397,891	-	-	1,397,891	752,513
Distributions to partners	<u>1,739,519</u>	<u>-</u>	<u>-</u>	<u>1,739,519</u>	<u>1,782,468</u>
<b>Total Expenses</b>	<u>4,326,570</u>	<u>-</u>	<u>-</u>	<u>4,326,570</u>	<u>3,555,111</u>
<b>Changes in net assets</b>	<u>(32,847)</u>	<u>(2,753,079)</u>	<u>(24,657)</u>	<u>(2,810,583)</u>	<u>2,366,409</u>
<b>Net assets</b>					
Beginning of year	<u>4,305,596</u>	<u>4,957,288</u>	<u>41,250,658</u>	<u>50,513,542</u>	<u>48,147,133</u>
End of year	<u>\$ 4,272,749</u>	<u>\$ 2,204,209</u>	<u>\$ 41,226,001</u>	<u>\$ 47,702,959</u>	<u>\$ 50,513,542</u>

# AMERICAN BAPTIST FOUNDATION

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

For The Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>
<b>Revenue, gains, and other support:</b>				
Contributions				
Undesignated	\$ 752,513	\$ -	\$ -	\$ 752,513
Other	309,266	-	827,658	1,136,924
Operating subsidy from Baptist related organizations	330,546	-	-	330,546
Income from investments	495,603	1,795,797	-	2,291,400
Net realized and unrealized gain/(loss) on investments carried at fair value	449,814	68,956	-	518,770
Interest income	1,529	-	-	1,529
Management fees	614,762	-	-	614,762
Miscellaneous income	25,540	-	-	25,540
Service income	117,000	-	-	117,000
Change in value of split-interest agreements	<u>(516,426)</u>	<u>(5,556)</u>	<u>654,518</u>	<u>132,536</u>
<b>Subtotal</b>	2,580,147	1,859,197	1,482,176	5,921,520
Net assets released from restrictions	<u>1,693,427</u>	<u>(1,693,427)</u>	<u>-</u>	<u>-</u>
<b>Total revenue, gains, and other support</b>	<u>4,273,754</u>	<u>165,770</u>	<u>1,482,176</u>	<u>5,921,520</u>
<b>Expenses</b>				
Administrative	987,920	-	-	987,920
Promotional fees	32,210	-	-	32,210
Distributions to members				
Undesignated income	752,513	-	-	752,513
Other	-	-	-	-
Distributions to partners	<u>1,782,468</u>	<u>-</u>	<u>-</u>	<u>1,782,468</u>
<b>Total Expenses</b>	<u>3,555,111</u>	<u>-</u>	<u>-</u>	<u>3,555,111</u>
<b>Changes in net assets</b>	718,463	165,770	1,482,176	2,366,409
<b>Net assets</b>				
Beginning of year	<u>3,587,133</u>	<u>4,791,518</u>	<u>39,768,482</u>	<u>48,147,133</u>
End of year	<u>\$ 4,305,596</u>	<u>\$ 4,957,288</u>	<u>\$ 41,250,658</u>	<u>\$ 50,513,542</u>

# AMERICAN BAPTIST FOUNDATION

## STATEMENT OF CASH FLOWS

Years Ended December 31, 2015 And 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Total change in net assets	\$ (2,810,583)	\$ 2,366,409
Adjustments to reconcile total change in net assets to net cash used by operating activities:		
Depreciation	4,298	884
Interest and dividends received from gift annuity contracts	(392,270)	(474,092)
Net realized and unrealized (gain) loss on long-term investments	3,401,913	(518,770)
Loss on disposal of equipment	4,890	-
Change in value of split-interest agreements	1,063,927	(132,536)
Contributions restricted for endowment	(773,078)	(827,658)
Contributions restricted for charitable gift annuity	(41,428)	(203,141)
Changes in operating assets and liabilities		
Increase (decrease) in interest and other receivables	(150,302)	80,627
Increase in assets segregated for gift annuity obligations	(135,236)	(338,847)
Increase in assets whose use is limited	5,685,973	(9,877,970)
Increase (decrease) in accounts payable and other current liabilities	(61,448)	25,731
Increase in funds of others	<u>(4,905,064)</u>	<u>9,891,459</u>
<b>Total adjustments</b>	<u>3,702,175</u>	<u>(2,374,313)</u>
<b>Net cash provided by (used for) operating activities</b>	<u>891,592</u>	<u>(7,904)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(1,516)	(3,383)
Proceeds from sale of investments	40,896,514	42,503,523
Purchases of investments	<u>(42,442,328)</u>	<u>(43,229,840)</u>
<b>Net cash used for investing activities</b>	<u>(1,547,330)</u>	<u>(729,700)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for:		
Endowments	773,078	827,658
Charitable gift annuity contracts	80,772	482,644
Other financing activities:		
Distribution payments for gift annuity contracts	(736,392)	(812,645)
Interest and dividends received from gift annuity contracts	<u>392,270</u>	<u>474,092</u>
<b>Net cash provided by financing activities</b>	<u>509,728</u>	<u>971,749</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(146,010)	234,145
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>989,203</u>	<u>755,058</u>
<b>End of year</b>	<u>\$ 843,193</u>	<u>\$ 989,203</u>

# AMERICAN BAPTIST FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2015 And 2014

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### (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 the 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 (2012 – 2014) or expected to be taken in the Foundation’s 2015 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 three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows:

***Unrestricted Net Assets*** – include the revenues and expenses associated with the principal mission of the Foundation.

***Temporarily Restricted Net Assets*** – include gifts for which restrictions have not been met. Temporarily restricted net assets are limited by donors for a specific purpose or specified period including term endowment funds.

***Permanently Restricted Net Assets*** – include the Foundation’s permanent endowment funds.

The Foundation uses only interest and dividends to the extent of expenses incurred on investments of the permanently restricted net assets. The Foundation includes all excess dividends and interest and realized/unrealized gains/losses (**collectively, “net investment income”**) on investments of permanently restricted net assets in temporarily restricted net assets. When net investment income results in a cumulative loss, the loss is then charged to unrestricted net assets.



# AMERICAN BAPTIST FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2015 And 2014

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### **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, 2015 and 2014, 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, 2015 And 2014

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### **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.

### **RECLASSIFICATIONS**

Certain reclassifications to the 2014 financial statements were made to conform to the 2015 presentation.

## **(3) INVESTMENTS**

Investments consist of the following:

	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents	\$ 1,488,551	\$ 1,938,148
Mutual Funds		
Bond	2,593,737	1,844,624
Stock	347,888	862,113
International	68,810	118,841
Bonds	12,450,113	13,113,193
Equities	25,644,972	26,602,294
Notes Receivable	<u>102,945</u>	<u>73,902</u>
Total	<u>\$ 42,697,016</u>	<u>\$ 44,553,115</u>

Investments consist principally of the Foundation's Permanently Restricted Net Assets ("Endowment Funds") and Donor-Advised Unrestricted Net Assets 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>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 187,851	\$ 359,925
U.S. Government and fixed income securities	211,994	94,039
Mutual Funds		
Stock	87,311	88,426
Balanced	7,581,992	8,176,185
Other	<u>203,591</u>	<u>120,745</u>
Total	<u>\$ 8,272,739</u>	<u>\$ 8,839,320</u>

# AMERICAN BAPTIST FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2015 And 2014

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As of December 31, 2015 and 2014, assets segregated for charitable gift annuities includes \$1,623,313 and \$1,726,385, 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 2015 reserve was calculated as follows:

Actuarial present value liability – General	\$ 5,114,353
26.5% additional reserves	<u>1,355,303</u>
Total Required Reserve	<u>\$ 6,469,656</u>

Assets whose use is limited consist of the following:

	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents	\$ 1,999,334	\$ 2,909,293
Notes Receivable	406,761	432,137
Equity Securities	26,200,757	31,503,932
Mutual Funds		
Bond	3,080,346	3,417,253
Stock	10,968,553	13,712,120
Balanced	1,531,417	702,494
International	2,249,576	2,363,204
U.S. Government, Corporate and Municipal Bonds	28,389,036	25,287,388
Real Estate Investment Trust	79,304	257,618
Real Estate	235,000	235,000
Other	<u>-</u>	<u>5,618</u>
Total	<u>\$ 75,140,084</u>	<u>\$ 80,826,057</u>

Assets whose use is limited are designated as follows:

	<u>2015</u>	<u>2014</u>
Custodian Funds	\$ 50,908,810	\$ 52,451,652
Assets held under trust agreements	<u>24,231,274</u>	<u>28,374,405</u>
Total	<u>\$ 75,140,084</u>	<u>\$ 80,826,057</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, 2015 and 2014, assets whose use is limited includes \$1,472,869 and \$2,252,838, respectively of the Foundation's remainder interest in charitable remainder unitrusts.

Notes receivable with rates ranging from .85% to 2.77% consist of investment notes issued by American Baptist Extension Corporation, an affiliate, totaling \$509,706 and \$506,039 as of December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014, investments in the Blended, Fixed Income, and Stock portfolios were \$79,624,467 and \$80,270,487; \$7,068,690 and \$6,614,364; and \$1,181,626 and \$2,344,630, respectively.

# AMERICAN BAPTIST FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2015 And 2014

### (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.

2015	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
<b><u>Investments</u></b>				
Cash and Cash Equivalents	\$ 1,488,551	\$ 1,488,551	\$ -	\$ -
Mutual Funds				
Bond	2,593,737	2,593,737	-	-
Stock	347,888	347,888	-	-
International	68,810	68,810	-	-
U.S. Government and Fixed Income	12,450,113	1,405,104	11,045,009	-
Equities	25,644,972	25,644,972	-	-
Notes Receivable	102,945	-	-	102,945
	<u>\$ 42,697,016</u>	<u>\$ 31,549,062</u>	<u>\$ 11,045,009</u>	<u>\$ 102,945</u>
<b><u>Assets Segregated For Gift Annuity Obligations</u></b>				
Cash and Cash Equivalents	\$ 187,851	\$ 187,851	\$ -	\$ -
U.S. Government and Fixed Income Securities	211,994	-	211,994	-
Mutual Funds				
Stock	87,311	87,311	-	-
Balanced	7,581,992	7,581,992	-	-
Other	203,591	-	203,591	-
	<u>\$ 8,272,739</u>	<u>\$ 7,857,154</u>	<u>\$ 415,585</u>	<u>\$ -</u>

# AMERICAN BAPTIST FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2015 And 2014

<u>2015</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>
<b><u>Assets Whose Use Is Limited</u></b>				
Cash and Cash Equivalents	\$ 1,999,334	\$ 1,999,334	\$ -	\$ -
Notes Receivable	406,761	-	-	406,761
Equity Securities	26,200,757	26,200,757	-	-
Mutual Funds				
Bond	3,080,346	3,080,346	-	-
Stock	10,968,553	10,968,553	-	-
Balanced	1,531,417	1,531,417	-	-
International	2,249,576	2,249,576	-	-
U.S. Government and Fixed Income	28,389,036	3,217,058	25,171,978	-
Real Estate Investment Trust	79,304	79,304	-	-
Real Estate	<u>235,000</u>	<u>-</u>	<u>-</u>	<u>235,000</u>
	<u>\$ 75,140,084</u>	<u>\$ 49,326,345</u>	<u>\$ 25,171,978</u>	<u>\$ 641,761</u>

<u>2014</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>
<b><u>Investments</u></b>				
Cash and Cash Equivalents	\$ 1,938,148	\$ 1,938,148	\$ -	\$ -
Mutual Funds				
Bond	1,844,624	1,844,624	-	-
Stock	862,113	862,113	-	-
International	118,841	118,841	-	-
U.S. Government and Fixed Income	13,113,193	1,964,597	11,148,596	-
Equities	26,602,294	26,602,294	-	-
Notes Receivable	<u>73,902</u>	<u>-</u>	<u>-</u>	<u>73,902</u>
	<u>\$ 44,553,115</u>	<u>\$ 33,330,617</u>	<u>\$ 11,148,596</u>	<u>\$ 73,902</u>

### **Assets Segregated For Gift Annuity Obligations**

Cash and Cash Equivalents	\$ 359,925	\$ 359,925	\$ -	\$ -
U.S. Government and Fixed Income Securities	94,039	-	94,039	-
Mutual Funds				
Stock	88,426	88,426	-	-
Balanced	8,176,185	8,176,185	-	-
Other	<u>120,745</u>	<u>-</u>	<u>120,745</u>	<u>-</u>
	<u>\$ 8,839,320</u>	<u>\$ 8,624,536</u>	<u>\$ 214,784</u>	<u>\$ -</u>

# AMERICAN BAPTIST FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2015 And 2014

<u>2014</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>
<b><u>Assets Whose Use Is Limited</u></b>				
Cash and Cash Equivalents	\$ 2,909,293	\$ 2,909,293	\$ -	\$ -
Notes Receivable	432,137	-	-	432,137
Equity Securities	31,503,932	31,503,932	-	-
Mutual Funds				
Bond	3,417,253	3,417,253	-	-
Stock	13,712,120	13,712,120	-	-
Balanced	702,494	702,494	-	-
International	2,363,204	2,363,204	-	-
U.S. Government and Fixed Income	25,287,388	3,065,805	22,221,583	-
Real Estate Investment Trust	257,618	257,618	-	-
Real Estate	235,000	-	-	235,000
Other	5,618	-	-	5,618
	<u>\$ 80,826,057</u>	<u>\$ 57,931,719</u>	<u>\$ 22,221,583</u>	<u>\$ 672,755</u>

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2015 or 2014.

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

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 746,657	\$ 514,156
Contributions – real estate	-	235,000
Sales	(5,618)	-
Realized and unrealized gains (losses), net	<u>3,667</u>	<u>(2,499)</u>
Balance, end of year	<u>\$ 744,706</u>	<u>\$ 746,657</u>

### (5) FUNDS OF OTHERS

	<u>Balance December 31, 2014</u>	<u>New Agreements</u>	<u>Investment Income</u>	<u>Net Realized &amp; Unrealized Gains/(Losses)</u>	<u>Redemption/ Distributions And Other Payments</u>	<u>Balance December 31, 2015</u>
Irrevocable Trusts*	\$ 22,387,553	\$ 998,415	\$ 419,732	\$ (569,661)	\$ (2,687,787)	\$ 20,548,252
Revocable Trusts	3,404,979	703,611	49,002	(215,491)	(2,263,173)	1,678,928
Custodial Funds						
Board of National Ministries	329,035	55	6,478	(16,756)	(19,889)	298,923
Ottawa University	316,410	-	-	(6,574)	(76,594)	233,242
Endowment	<u>52,135,242</u>	<u>2,971,486</u>	<u>2,321,199</u>	<u>(3,147,861)</u>	<u>(3,371,256)</u>	<u>50,908,810</u>
	<u>\$ 78,573,219</u>	<u>\$ 4,673,567</u>	<u>\$ 2,796,411</u>	<u>\$(3,956,343)</u>	<u>\$(8,418,699)</u>	<u>\$ 73,668,155</u>

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

# AMERICAN BAPTIST FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2015 And 2014

### (6) NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Term endowment	\$ 258,016	\$ 285,017
Residual interest in charitable trust	-	119,041
Cumulative endowment earnings	<u>1,946,193</u>	<u>4,553,230</u>
Total temporarily restricted net assets	<u>\$ 2,204,209</u>	<u>\$ 4,957,288</u>

During the years ended December 31, 2015 and 2014, net assets were released from donor restrictions by satisfying the following restricted purposes:

	<u>2015</u>	<u>2014</u>
Income beneficiary distributions	<u>\$ 1,651,451</u>	<u>\$ 1,693,427</u>

Permanently restricted net assets at December 31, 2015 and 2014, respectively, are available for the following:

	<u>2015</u>	<u>2014</u>
Income unrestricted – income beneficiary distributions and operations (includes \$1,472,869 in 2015 and \$2,252,838 in 2014 of the estimated residual interest in trusts and \$1,623,313 in 2015 and \$1,726,385 in 2014 of the estimated residual interest in charitable gift annuities)	<u>\$41,226,001</u>	<u>\$41,250,658</u>

Endowment and donor advised net asset composition by type of fund as of December 31, 2015 and 2014:

	<u>2015</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor restricted endowment/other funds	\$ -	\$2,204,209	\$41,226,001	\$ 43,430,210
Funds functioning as endowment funds	4,012	-	-	4,012
Donor advised funds	<u>1,282,183</u>	<u>-</u>	<u>-</u>	<u>1,282,183</u>
	<u>\$ 1,286,195</u>	<u>\$2,204,209</u>	<u>\$41,226,001</u>	<u>\$ 44,716,405</u>

  

	<u>2014</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor restricted endowment/other funds	\$ -	\$4,957,288	\$41,250,658	\$ 46,207,946
Funds functioning as endowment funds	4,082	-	-	4,082
Donor advised funds	<u>1,369,050</u>	<u>-</u>	<u>-</u>	<u>1,369,050</u>
	<u>\$ 1,373,132</u>	<u>\$4,957,288</u>	<u>\$41,250,658</u>	<u>\$ 47,581,078</u>

The Foundation classifies the original value of gifts received with donor stipulations that require them to be held in perpetuity as permanently restricted net assets. Cumulative net investment income which includes dividend and interest and realized and unrealized gains/losses on such gifts is classified as temporarily restricted 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, 2015 and 2014. The Foundation's board may also designate certain unrestricted gifts to function as endowment funds; such gifts are classified within unrestricted net assets as funds functioning as endowment funds.

# AMERICAN BAPTIST FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2015 And 2014

Changes in endowment and donor advised net assets for the years ended December 31, 2015 and 2014:

	2015			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Net assets, beginning of year	\$1,373,132	\$ 4,957,288	\$41,250,658	\$47,581,078
Investment income	(27,983)	(982,587)	-	(1,010,570)
Contributions and other	29,113	-	773,078	802,191
Change in split interest agreements	-	(119,041)	(797,735)	(916,776)
Amounts appropriated for expenditures	<u>(88,067)</u>	<u>(1,651,451)</u>	<u>-</u>	<u>(1,739,518)</u>
	<u>\$1,286,195</u>	<u>\$ 2,204,209</u>	<u>\$41,226,001</u>	<u>\$44,716,405</u>

  

	2014			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Net assets, beginning of year	\$1,414,382	\$ 4,791,518	\$39,768,482	\$45,974,382
Investment income	53,331	1,864,753	-	1,918,084
Contributions and other	36,611	-	827,658	864,269
Change in split interest agreements	-	(5,556)	654,518	648,962
Amounts appropriated for expenditures	<u>(131,192)</u>	<u>(1,693,427)</u>	<u>-</u>	<u>(1,824,619)</u>
	<u>\$1,373,132</u>	<u>\$ 4,957,288</u>	<u>\$41,250,658</u>	<u>\$47,581,078</u>

### (7) 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, 2015 and 2014, 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.

### (8) 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 \$324,776 and \$330,546 for 2015 and 2014, respectively.

### (9) 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 \$79,593 and \$62,505 in 2015 and 2014, respectively.



# AMERICAN BAPTIST FOUNDATION

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

**December 31, 2015 And 2014**

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### **(10) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 16, 2016, 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, 2015 And 2014

	2015			2014
	<u>Marketing</u>	<u>Administration</u>	<u>Total</u>	<u>Total</u>
<b>Revenues, gains and other support:</b>				
Operating subsidy from Baptist related organizations	\$ 324,776	\$ -	\$ 324,776	\$ 330,546
Contributions	209,849	-	209,849	51,314
Service income	-	118,000	118,000	117,000
Management fees	-	676,671	676,671	614,762
Income from investments, net of unrealized loss	-	39,598	39,598	236,589
Grant Awards	-	26,724	26,724	18,200
Miscellaneous income	-	10,159	10,159	25,540
<b>Total revenues, gains and other support</b>	<u>534,625</u>	<u>871,152</u>	<u>1,405,777</u>	<u>1,393,951</u>
<b>Administrative and promotional expenses:</b>				
Salaries and fringe benefits	137,318	549,274	686,592	551,372
Staff support	45,263	87,863	133,126	163,137
Promotional support	57,405	-	57,405	55,088
Office and computer support	-	154,700	154,700	145,326
Contracted services within American Baptist Churches	-	33,919	33,919	24,054
Contracted services-external	-	53,613	53,613	34,750
Insurance	-	22,493	22,493	17,682
Board of Directors	-	27,057	27,057	19,621
Miscellaneous expenses	-	20,255	20,255	9,098
<b>Total expenses</b>	<u>239,986</u>	<u>949,174</u>	<u>1,189,160</u>	<u>1,020,128</u>
Increase in unrestricted net assets	<u>294,639</u>	<u>(78,022)</u>	<u>216,617</u>	<u>373,823</u>
<b>Total</b>	<u>\$ 534,625</u>	<u>\$ 871,152</u>	<u>\$ 1,405,777</u>	<u>\$ 1,393,951</u>

The above schedule includes amounts reported in the unrestricted 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 unrestricted column of the Statement of Activities and Changes in Net Assets.