

AMERICAN BAPTIST FOUNDATION

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

DECEMBER 31, 2021 AND 2020

AMERICAN BAPTIST FOUNDATION

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Opinion

We have audited the accompanying financial statements of American Baptist Foundation (the “Foundation which comprise the statements of financial position as of December 31, 2021 and 2020, and the related 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 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation’s 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 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 Directors
American Baptist Foundation
Valley Forge, Pennsylvania**

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 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 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 Foundation's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Foundation's 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedule of administrative revenue and expenses. 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
August 9, 2022**

AMERICAN BAPTIST FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 And 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 710,323	\$ 223,820
Prepaid expenses	5,242	19,919
Bequest Receivable	10,039,993	-
Interest and other receivables	<u>30,506</u>	<u>35,835</u>
Total current assets	10,786,064	279,574
NONCURRENT ASSETS		
Investments	66,645,449	53,639,924
Assets segregated for gift annuity obligations	9,319,319	8,630,559
Assets whose use is limited	105,563,499	102,784,245
Property and equipment, net	<u>691,528</u>	<u>700,774</u>
Total assets	<u>\$193,005,859</u>	<u>\$166,035,076</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 117,254	\$ 48,449
Actuarial reserve for gift annuity payments	<u>512,739</u>	<u>524,274</u>
Total current liabilities	<u>629,993</u>	<u>572,723</u>
NONCURRENT LIABILITIES		
Actuarial reserve for charitable gift annuity payments	3,612,119	3,667,535
Funds of others – includes trust and endowment funds	<u>103,332,747</u>	<u>100,586,774</u>
Total noncurrent liabilities	<u>106,944,866</u>	<u>104,254,309</u>
NET ASSETS		
Without donor restrictions	5,949,667	5,175,398
With donor restrictions	<u>79,481,333</u>	<u>56,032,646</u>
Total net assets	<u>85,431,000</u>	<u>61,208,044</u>
Total liabilities and net assets	<u>\$193,005,859</u>	<u>\$166,035,076</u>

AMERICAN BAPTIST FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2021 With Summarized Information For 2020

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Operating revenue, gains, and other support:				
Contributions				
Undesignated	\$ 397,206	\$ —	\$ 397,206	\$ 559,546
Other	270,989	19,530,135	19,801,124	1,327,762
PPP SBA grant revenue	—	—	—	179,200
Operating subsidy from Baptist related organizations	311,815	—	311,815	310,991
Income from investments	726,381	2,296,647	3,023,028	2,613,420
Net realized and unrealized gain on investments carried at fair value	284,240	3,563,047	3,847,287	4,016,456
Management fees	1,033,777	—	1,033,777	883,911
Service income	121,600	—	121,600	117,850
Change in value of split-interest agreements	(218,696)	(186,555)	(405,251)	(344,078)
Subtotal	<u>2,927,312</u>	<u>25,203,274</u>	<u>28,130,586</u>	<u>9,665,058</u>
Net assets released from restrictions	<u>1,754,587</u>	<u>(1,754,587)</u>	<u>—</u>	<u>—</u>
Total operating revenue, gains, and other support	<u>4,681,899</u>	<u>23,448,687</u>	<u>28,130,586</u>	<u>9,665,058</u>
Expenses				
Program services:				
Distributions to members				
Undesignated income	705,771	—	705,771	866,322
Donor Advised Distributions	305,448	—	305,448	102,285
Distributions from endowment to partner agencies	1,391,480	—	1,391,480	1,703,701
Operating expenses	<u>465,607</u>	<u>—</u>	<u>465,607</u>	<u>481,097</u>
Total program services	<u>2,868,306</u>	<u>—</u>	<u>2,868,306</u>	<u>3,153,405</u>
Supporting services:				
Management and general	794,629	—	794,629	975,389
Development	<u>244,695</u>	<u>—</u>	<u>244,695</u>	<u>210,240</u>
Total supporting services	<u>1,039,324</u>	<u>—</u>	<u>1,039,324</u>	<u>1,185,629</u>
Total Expenses	<u>3,907,630</u>	<u>—</u>	<u>3,907,630</u>	<u>4,339,034</u>
Change in net assets	774,269	23,448,687	24,222,956	5,326,024
Net assets				
Beginning of year	<u>5,175,398</u>	<u>56,032,646</u>	<u>61,208,044</u>	<u>55,882,020</u>
End of year	<u>\$5,949,667</u>	<u>\$79,481,333</u>	<u>\$85,431,000</u>	<u>\$61,208,044</u>

AMERICAN BAPTIST FOUNDATION

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

For The Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>
Operating revenue, gains, and other support:			
Contributions			
Undesignated	\$ 559,546	\$ –	\$ 559,546
Other	313,407	1,014,355	1,327,762
PPP SBA grant revenue	179,200	–	179,200
Operating subsidy from Baptist related organizations	310,991	–	310,991
Income from investments	475,927	2,137,493	2,613,420
Net realized and unrealized gain on investments carried at fair value	18,985	3,997,471	4,016,456
Management fees	883,911	–	883,911
Service income	117,850	–	117,850
Change in value of split-interest agreements	<u>(238,271)</u>	<u>(105,807)</u>	<u>(344,078)</u>
Subtotal	2,621,546	7,043,512	9,665,058
Net assets released from restrictions	<u>2,064,614</u>	<u>(2,064,614)</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>
Expenses			
Program services:			
Distributions to members			
Undesignated income	866,322	–	866,322
Donor Advised Distributions	102,285	–	102,285
Distributions from endowment to partner agencies	1,703,701	–	1,703,701
Operating expenses	<u>481,097</u>	<u>–</u>	<u>481,097</u>
Total program services	<u>3,153,405</u>	<u>–</u>	<u>3,153,405</u>
Supporting services:			
Management and general	975,389	–	975,389
Development	<u>210,240</u>	<u>–</u>	<u>210,240</u>
Total supporting services	<u>1,185,629</u>	<u>–</u>	<u>1,185,629</u>
Total Expenses	<u>4,339,034</u>	<u>–</u>	<u>4,339,034</u>
Change in net assets	347,126	4,978,898	5,326,024
Net assets			
Beginning of year	<u>4,828,272</u>	<u>51,053,748</u>	<u>55,882,020</u>
End of year	<u>\$5,175,398</u>	<u>\$56,032,646</u>	<u>\$ 61,208,044</u>

AMERICAN BAPTIST FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2021 And 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	\$24,222,956	\$ 5,326,024
Adjustments to reconcile total change in net assets to net cash used by operating activities:		
Depreciation	45,096	40,079
Interest and dividends received from gift annuity contracts	(676,950)	(436,289)
Net realized and unrealized gain on long-term investments	(3,847,287)	(4,016,456)
Change in value of split-interest agreements	405,251	344,078
Contributions restricted for endowment, net of receivables	(9,490,142)	(1,014,354)
Contributions restricted for charitable gift annuity	(123,881)	(16,122)
Changes in operating assets and liabilities		
Decrease in interest and other receivables	5,329	11,717
Increase in bequest receivable	(10,039,993)	-
Decrease (increase) in prepaid expenses	14,677	(15,731)
Increase in assets segregated for gift annuity obligations	(688,760)	(127,510)
Increase in assets whose use is limited	(2,779,254)	(4,337,559)
Decrease (increase) in accounts payable and other current liabilities	68,805	(256,710)
Increase in funds of others	<u>2,745,973</u>	<u>3,959,475</u>
Total adjustments	<u>(24,361,136)</u>	<u>(5,865,382)</u>
Net cash used for operating activities	<u>(138,180)</u>	<u>(539,358)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(35,850)	(33,720)
Proceeds from sale of property and equipment	-	1,639
Proceeds from (purchases of) investments, net	<u>(9,158,238)</u>	<u>(335,180)</u>
Net cash used for investing activities	<u>(9,194,088)</u>	<u>(367,261)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for:		
Endowments	9,490,142	1,014,354
Charitable gift annuity contracts	305,066	26,200
Other financing activities:		
Distribution payments for gift annuity contracts	(653,387)	(568,686)
Interest and dividends received from gift annuity contracts	<u>676,950</u>	<u>436,289</u>
Net cash provided by financing activities	<u>9,818,771</u>	<u>908,157</u>
Increase in cash and cash equivalents	486,503	1,538
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>223,820</u>	<u>222,282</u>
End of year	<u>\$ 710,323</u>	<u>\$ 223,820</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 And 2020

(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 (2018 – 2020) or expected to be taken in the Foundation’s 2021 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, 2021 And 2020

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, 2021 and 2020, 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, 2021 And 2020

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, 2020 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 2020 financial statements to conform to the 2021 presentation.

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

(3) INVESTMENTS

Investments consist of the following:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 646,225	\$ 723,936
Mutual Funds		
Bond	8,191,932	4,298,715
Stock	431,813	402,026
International	88,435	25,179
Bonds	14,757,404	10,796,488
Equities	42,288,390	37,218,280
Notes Receivable	<u>241,250</u>	<u>175,300</u>
Total	<u>\$66,645,449</u>	<u>\$53,639,924</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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 313,156	\$ 280,792
U.S. Government and fixed income securities	107,413	129,125
Equities	176,610	–
Mutual Funds		
Stock	192,745	160,370
Balanced	8,518,152	8,036,422
Other	<u>11,243</u>	<u>23,850</u>
Total	<u>\$9,319,319</u>	<u>\$8,630,559</u>

As of December 31, 2021 and 2020, assets segregated for charitable gift annuities includes \$2,681,326 and \$2,409,322, 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 2021 reserve was calculated as follows:

Actuarial present value liability – General	\$4,124,858
26.5% additional reserves	<u>1,093,087</u>
Total Required Reserve	<u>\$5,217,945</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

Assets whose use is limited consist of the following:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 1,372,909	\$ 2,142,472
Notes Receivable	290,319	352,640
Equity Securities	52,787,432	51,977,335
Mutual Funds		
Bond	11,000,067	7,032,886
Stock	9,305,816	11,898,622
Balanced	387,872	459,602
International	3,607,827	3,102,306
U.S. Government, Corporate and Municipal Bonds	<u>26,811,257</u>	<u>25,818,382</u>
Total	<u>\$105,563,499</u>	<u>\$102,784,245</u>

Assets whose use is limited are designated as follows:

	<u>2021</u>	<u>2020</u>
Custodian Funds	\$ 83,163,110	\$ 77,597,912
Assets held under trust agreements	<u>22,400,389</u>	<u>25,186,333</u>
Total	<u>\$105,563,499</u>	<u>\$102,784,245</u>

Holders of the Custodian Funds (see Note 6) 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, 2021 and 2020, assets whose use is limited includes \$2,214,402 and \$2,175,657, respectively of the Foundation's remainder interest in charitable remainder unitrusts.

Notes receivable with rates ranging from .50% to 2.0% consist of investment notes issued by American Baptist Extension Corporation, an affiliate, totaling \$531,569 and \$527,940 as of December 31, 2021 and 2020, respectively.

At December 31, 2021 and 2020, investments in the Blended, Fixed Income, and Stock portfolios were \$140,324,885 and \$119,285,431; \$4,880,937 and \$7,230,870; and \$2,020,354 and \$1,741,082, respectively.

(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.

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

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.

2021	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
<u>Investments</u>				
Cash and Cash Equivalents	\$ 646,225	\$ 646,225	\$ –	\$ –
Mutual Funds				
Bond	8,191,932	8,191,932	–	–
Stock	431,813	431,813	–	–
International	88,435	88,435	–	–
U.S. Government and Fixed Income	14,757,404	2,618,248	12,139,156	–
Equities	42,288,390	42,288,390	–	–
Notes Receivable	<u>241,250</u>	<u>–</u>	<u>–</u>	<u>241,250</u>
	<u>\$66,645,449</u>	<u>\$54,265,043</u>	<u>\$12,139,156</u>	<u>\$241,250</u>
<u>Assets Segregated For Gift Annuity Obligations</u>				
Cash and Cash Equivalents	\$ 313,156	\$ 313,156	\$ –	\$ –
U.S. Government and Fixed Income Securities	107,413	–	107,413	–
Equities	176,610	176,610	–	–
Mutual Funds				
Stock	192,745	192,745	–	–
Balanced	8,518,152	8,518,152	–	–
Other	<u>11,243</u>	<u>–</u>	<u>11,243</u>	<u>–</u>
	<u>\$ 9,319,319</u>	<u>\$ 9,200,663</u>	<u>\$ 118,656</u>	<u>\$ –</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

<u>2021</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	\$ 1,372,909	\$ 1,372,909	\$ –	\$ –
Notes Receivable	290,319	–	–	290,319
Equity Securities	52,787,432	52,787,432	–	–
Mutual Funds				
Bond	11,000,067	11,000,067	–	–
Stock	9,305,816	9,305,816	–	–
Balanced	387,872	387,872	–	–
International	3,607,827	3,607,827	–	–
U.S. Government and Fixed Income	<u>26,811,257</u>	<u>4,363,375</u>	<u>22,447,882</u>	<u>–</u>
	<u>\$105,563,499</u>	<u>\$82,825,298</u>	<u>\$22,447,882</u>	<u>\$290,319</u>

<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>Investments</u>				
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	<u>175,300</u>	<u>–</u>	<u>–</u>	<u>175,300</u>
	<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	<u>23,850</u>	<u>–</u>	<u>23,850</u>	<u>–</u>
	<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, 2021 And 2020

<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>

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

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 527,940	\$ 524,109
Interest, net	<u>3,629</u>	<u>3,831</u>
Balance, end of year	<u>\$ 531,569</u>	<u>\$ 527,940</u>

(5) PROPERTY AND EQUIPMENT

Property and equipment at December 31 consisted of the following:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 37,704	\$ 32,413
Building and improvements	751,866	717,879
Construction-in-progress	<u>795</u>	<u>4,223</u>
	790,365	754,515
Less accumulated depreciation	<u>(98,837)</u>	<u>(53,741)</u>
	<u>\$ 691,528</u>	<u>\$ 700,774</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

(6) FUNDS OF OTHERS

	Balance December 31, 2020	New Agreements	Investment Income	Net Realized & Unrealized Gains	Redemption/ Distributions And Other Payments	Balance December 31, 2021
Irrevocable Trusts *	\$ 21,513,521	\$ -	\$1,484,469	\$ 1,619,496	\$(5,676,469)	\$ 18,941,017
Revocable Trusts	1,210,369	1,000	33,749	88,678	(293,924)	1,039,872
Board of National Ministries	264,972	-	4,588	23,176	(103,988)	188,748
Custodial Funds						
Ottawa University	181,366	-	11,210	13,553	(12,885)	193,244
Endowment	<u>77,416,546</u>	<u>4,346,890</u>	<u>3,476,090</u>	<u>3,122,046</u>	<u>(5,391,706)</u>	<u>82,969,866</u>
	<u>\$100,586,774</u>	<u>\$4,347,890</u>	<u>\$5,010,106</u>	<u>\$4,866,949</u>	<u>\$(11,478,972)</u>	<u>\$103,332,747</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>2021</u>	<u>2020</u>
Endowment funds:		
<u>Subject to the passage of time:</u>		
Term Endowments	\$ 271,738	\$ 263,109
Accumulated earnings on endowment	<u>14,120,198</u>	<u>10,521,024</u>
	<u>14,391,936</u>	<u>10,784,133</u>
<u>Perpetual in Nature:</u>		
Endowment funds including \$2,214,402 in 2021 and \$2,175,657 in 2020 of the estimated residual interest in trusts and \$2,681,326 in 2021 and \$2,409,322 in 2020 of the estimated residual interest in charitable gift annuities	<u>65,089,397</u>	<u>45,248,513</u>
Total donor restricted net assets	<u>\$ 79,481,333</u>	<u>\$ 56,032,646</u>

During the years ended December 31, 2021 and 2020, net assets were released from donor restrictions by satisfying the following restricted purposes:

<u>2021</u>	<u>2020</u>
<u>\$1,754,587</u>	<u>\$2,064,614</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

Endowment and donor advised net asset composition by type of fund as of December 31, 2021 and 2020:

	<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted “true” endowment:			
Historical gift value	\$ –	\$65,089,397	\$65,089,397
Appreciation	–	14,120,198	14,120,198
Term endowments	–	271,738	271,738
Donor advised funds	<u>1,089,243</u>	<u>–</u>	<u>1,089,243</u>
	<u>\$1,089,243</u>	<u>\$79,481,333</u>	<u>\$80,570,576</u>
	<u>2020</u>		
	<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>

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, 2021 and 2020. 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, 2021 and 2020:

	<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net assets, beginning of year	\$1,271,844	\$56,032,646	\$57,304,490
Investment gains	115,659	5,859,694	5,975,353
Contributions and other	11,200	19,530,135	19,541,335
Change in split interest agreements	–	(186,555)	(186,555)
Amounts appropriated for expenditures	<u>(309,460)</u>	<u>(1,754,587)</u>	<u>(2,064,047)</u>
	<u>\$1,089,243</u>	<u>\$79,481,333</u>	<u>\$80,570,576</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

	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	6,134,964	6,277,472
Contributions and other	11,300	1,014,355	1,025,655
Change in split interest agreements	-	(105,807)	(105,807)
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>

(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, 2021, and 2020, 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 \$311,815 and \$310,991 for 2021 and 2020, 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 \$110,318 and \$124,033 in 2021 and 2020, respectively.

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

(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, 2021 and 2020:

<u>2021</u>	<u>Total Expenses</u>	<u>Program Expenses</u>	<u>Management And General</u>	<u>Development</u>
Donor Advised Distributions	\$ 305,448	\$ 305,448	\$ -	\$ -
Undesignated Income Distributions				
to members	705,771	705,771	-	-
Distributions from endowments	1,391,480	1,391,480	-	-
Salaries and benefits	1,006,522	360,616	489,551	156,355
Travel	12,418	6,209	-	6,209
Promotional support	59,234	29,617	-	29,617
Occupancy	76,829	27,526	37,368	11,935
Computer services	159,068	39,767	79,534	39,767
Contracted services	5,226	1,872	2,542	812
Professional services	163,040	-	163,040	-
Board of directors	2,314	-	2,314	-
Miscellaneous expenses	<u>20,280</u>	<u>-</u>	<u>20,280</u>	<u>-</u>
Total expenses	<u>\$ 3,907,630</u>	<u>\$ 2,868,306</u>	<u>\$ 794,629</u>	<u>\$ 244,695</u>

<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>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

(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 had substantially met the conditions of the program and qualifying expenses were incurred, the cancellation of the liability was recorded as revenue. The Foundation had met all conditions of the program and the loan was forgiven on June 14, 2021, and as such, the loan had been recognized in the Statement of Activities and Changes in Net Assets as PPP SBA grant revenue in 2020.

(13) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects the Foundation’s financial assets as of December 31, 2021 and 2020, 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	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 710,323	\$ 223,820
Interest and other receivables	30,506	35,835
Bequest receivable	10,039,993	-
Investments	66,645,449	53,639,924
Assets segregated for gift annuity obligations	9,319,319	8,630,559
Assets whose use is limited	<u>105,563,499</u>	<u>102,784,245</u>
Total financial assets	192,309,089	165,314,383
Less:		
Endowment funds’ assets	79,481,333	56,032,646
Donor advised funds	1,089,243	1,267,832
Assets segregated for gift annuity obligations, net of amounts included in endowment fund’s assets	6,637,993	6,221,237
Funds of others	<u>103,332,747</u>	<u>100,586,774</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,767,773</u>	<u>\$ 1,205,894</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2021 And 2020

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 August 9, 2022, 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, 2021 And 2020

	2021			2020
	Marketing	Administration	Total	Total
Revenues, gains and other support:				
Operating subsidy from Baptist related organizations	\$ 311,815	\$ —	\$ 311,815	\$ 310,991
Contributions	126,706	—	126,706	136,988
PPP SBA grant revenue	—	—	—	179,200
Service income	—	121,600	121,600	117,850
Management fees	—	1,033,777	1,033,777	883,911
Income (loss) from investments, net of unrealized loss	—	105,661	105,661	91,367
Grant Awards	—	25,000	25,000	25,000
Total revenues, gains and other support	<u>438,521</u>	<u>1,286,038</u>	<u>1,724,559</u>	<u>1,745,307</u>
Administrative and promotional expenses:				
Salaries and fringe benefits	156,355	850,167	1,006,522	1,093,042
Travel	6,209	6,209	12,418	30,960
Promotional support	59,234	—	59,234	60,398
Occupancy	—	76,829	76,829	71,196
Computer services	—	159,068	159,068	158,881
Contracted services	—	5,226	5,226	20,562
Professional services	—	163,039	163,039	167,963
Board of Directors	—	2,314	2,314	27
Miscellaneous expenses	—	72,689	72,689	63,697
Total expenses	<u>221,798</u>	<u>1,335,541</u>	<u>1,557,339</u>	<u>1,666,726</u>
Increase (decrease) in net assets without donor restrictions	<u>216,723</u>	<u>(49,503)</u>	<u>167,220</u>	<u>78,581</u>
Total	<u>\$438,521</u>	<u>\$1,286,038</u>	<u>\$1,724,559</u>	<u>\$1,745,307</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.