

# 2010 ANNUAL REPORT



Whatever you do, do all to the glory of God. (1 Corinthians 10:31)

25<sup>th</sup> Anniversary Edition

American Baptist  
**FOUNDATION**  
[www.abcofgiving.org](http://www.abcofgiving.org)



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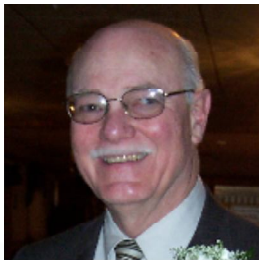
## OUR Silver Anniversary



**Dr. John Jacobs**  
**Founding President**

For 25 years, the American Baptist Foundation has faithfully supported and strengthened the Christian witness fulfilled by the Foundation's partners in ministry and mission. Many of you have joined with us to remember American Baptist efforts in your charitable estate plans. We want to acknowledge this by saying, "Thank you!"

Today, the Foundation manages more than \$92 million in assets and administers over 930 annuities, trusts, and endowment and custodial funds. Last year alone, the Foundation was responsible for distributing more than \$2 million in gifts and provided payments to more than 1,000 donors and other designated individuals.



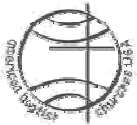
**Rev. William A. Carlsen**  
**Interim Director**

Your stewardship sets the example for our whole family of American Baptists to consider the impact estate planning can have on the future. The brief stories highlighted in this report are one way to express our gratitude. It is a privilege to serve you through the work of a dedicated American Baptist Foundation staff and supportive Board.

# OUR Mission

Since 1985, the mission of the American Baptist Foundation is to support and strengthen the Christian witness fulfilled by the Foundation's partners in ministry and mission.

Our Partners include:



**American Baptist Regions**



**American Baptist Home Mission Societies**



**International Ministries**

The Foundation encourages individuals to support the endeavors of these partners through what is known as “planned giving” — establishing wills and other charitable estate plans.

**American Baptist Regions** are composed of congregations that share a common cause to serve Christ, often within a common geography. Regions consist of churches in urban centers, states, or a combination of states as well as Puerto Rico. Regions provide the vital link between a local American Baptist congregation and its wider faith family, American Baptist Churches USA. Regional ministries include: conferences and workshops, camping programs, guidance in the resolution of conflict, ministerial leadership searches, church planting, and other projects.

**American Baptist Home Mission Societies (ABHMS)** ministers as the caring heart, serving hands, going feet and prophetic voice of Jesus Christ throughout the United States and Puerto Rico. Thanks to its hundreds of missionaries serving here at home, ABHMS touches and changes lives through pastoral counselors and chaplains, church planters, neighborhood action programs and American Baptist-affiliated colleges and universities. Through missional church programs, Judson Press books and the development of discipleship and evangelism resources, American Baptist Home Mission Societies empowers churches to bring God's word and God's love to their neighborhoods and communities.

**International Ministries** seeks to glorify God in all the earth by crossing cultural boundaries to make disciples of Jesus Christ. Beginning with Burma in 1814, this outreach now extends to more than 70 countries worldwide. Mission efforts by missionaries and national partners include: carrying out evangelism, training church leaders and starting new churches, confronting slavery, promoting health, encouraging economic development, providing education, and seeking peace and offering refuge. International Ministries enables local churches to participate in global outreach through missionary support, missionary partnership networks, global prayer networks as well as short and long-term mission service.



Tucked away in the china cabinet, wrapped in a burgundy flannel cloth, rests a lovely silver tray and bowl. These legacy gifts found their way into our home at the time of my mother-in-law's passing. She had received them on her "silver" wedding anniversary as was customary in her day and were inherited by my husband. Admittedly, we do not pull them out, polish them up, and use them with any frequency. They might make an annual appearance during the holiday season, but the remainder of the year they remain safe in the protective covering of flannel. But, they are there serving as a reminder of a celebration of life and relationship.

Step into the office of the American Baptist Foundation and you will be hard pressed to uncover any silver serving pieces. But, you will find a staff full of enthusiastic commitment and joyfully dedicated to the Foundation's ministry at its silver anniversary. Ever since our President Emeritus, John Jacobs, journeyed from the west coast to Valley Forge, the American Baptist Foundation has been hard at work investing the funds you have entrusted to us. Over the years numerous men and women have established deep friendships with many in our American Baptist family as they sat around the table discussing dreams and visions for our missionaries with International Ministries, for compassion and justice ministries through the American Baptist Home Mission Societies, for their local American Baptist region, and for their churches. The staff of the Foundation has assisted these dear faithful Baptists to build trusts, annuities, and bequests that would leave a legacy to support the purposes of God's Kingdom on earth.

As we celebrate 25 years of growing ministry, I give God thanks for John Jacobs, for those who have served on the Foundation staff, for the many participants in the Board of Directors whose wisdom has guided the Foundation, and for the member bodies that make our ministry meaningful—International Ministries, American Baptist Home Mission Society, and the Multi-Region Cooperation. Unlike the silver that sits unused in our china cabinet, the investments made through the Foundation are having lasting benefits throughout the American Baptist family. These ministries will continue long into the future, thanks to the vision and work of our caring and helpful staff. Happy 25th Anniversary! We rejoice and give thanks to God.

Serving with staff to ensure your gifts touch lives,  
The Reverend Judith Fackenthal  
Board Chair  
American Baptist Foundation



### A Pastor's Boy and a NYC Girl—The Palmer Grant Program



Most American Baptists come from humble beginnings. Mr. Gordon Palmer, Jr. was the son of a pastor in California, and Mrs. Virginia Palmer grew up in what she describes as "a very poor family" in Queens. They met on the ski slopes of the Pocono Mountains in Pennsylvania when they were in their late 20's. Gordon's father had become the president of Eastern Baptist Theological Seminary (recently renamed Palmer Seminary in honor of this longest-serving president).

Gordon Jr. was a graduate of the University of Pennsylvania (Penn) in Philadelphia, in electrical engineering. He joined three other Penn graduates to form Technitrol, an electronic components company. Ginny graduated from Queens College on a full academic scholarship. She received her master's degree at Columbia University through a Queens College teaching fellowship. In their early married years, Ginny taught in the field of speech pathology and helped develop the speech and hearing clinic at Temple University, Philadelphia.

Because Technitrol was so successful, the Palmers decided to establish the Palmer Family Trust Endowment. Both were taught throughout their formative years to be generous and care for other people. As Ginny explains, "The motto of Queens College was, 'We learn that we may serve.' We have been fortunate and are very grateful to God for the opportunity to do what we have done."

This is an exciting time and the American Baptist Foundation is so grateful to Gordon and Virginia Palmer for their vision and desire to leave a legacy that will impact lives and ministries for generations to come. During 2011, \$1 million will be awarded and our contributing members—American Baptist Home Mission Societies (ABHMS), American Baptist Regions (MRC) and International Ministries (IM)—will partner with us in this meaningful endeavor.

Please visit our website at [www.abcofgiving.org/gifts-at-work/Featured-Ministries](http://www.abcofgiving.org/gifts-at-work/Featured-Ministries) for more information on the Palmer Grants, including grant cycle themes, deadlines and how to apply.

## An American Baptist Region Leads the Way for Justice

The Cleveland Baptist Association (CBA), composed of 36 affiliated congregations, has responded with sensitivity to Jesus' words in Matthew 25:26c—"I was in prison and you came to me." The CBA has gone beyond a prison visitation ministry by developing *The Cleveland Family Freedom Kit for Prisoner Aftercare*, in cooperation with the American Baptist Home Mission Societies (ABHMS).

The CBA is the first American Baptist Region to adapt the ABHMS kit to its geographical and ministry context. Cleveland is the second poorest city in the United States and is home to many former prisoners. Nearly 4,000 men and women located in the area have served prison sentences. In their attempt to return to their communities and resume their lives, they understandably need help.

### CLEVELAND BAPTIST ASSOCIATION



The kit provides congregations with the guidelines for becoming "Stations of Hope." As a result, these churches become activists for former prisoners who are seeking to reenter society.

This is a transformational opportunity for God's people to offer care, accountability, and healing. Participating churches are the catalysts for producing healing communities as they become a prophetic voice for the voiceless and advocates for "the least of these" (Matthew 25:40).

The dire situation for many returning citizens is described by the Cuyahoga County Office of Reentry in its July 2009 issue of *Reentry Advocate*: "Some men and women exit prison with little more than the clothes on their backs, a bus ticket, and \$75 which, anyone knows, doesn't last for very long. While some individuals coming home might have a support network in place, a relative or friend who can provide shelter, the need for other basics—such as clothing, toiletries, and food—can be critical until the returnee finds employment or other means of support."

The Rev. Dr. Leonard Thompson, CBA's Executive Minister, comments: "We are indebted to volunteers from CBA churches and staff persons from community organizations that are integrally involved in this important ministry. The activities produced by using the *Family Freedom Kit* can result in a turning point in the lives of men and women who have paid their debt to society and need to hear the words of Jesus, 'Follow me.'"

Your estate plans can help fulfill Christ's call for us to be witnesses in Jerusalem, Judea, Samaria, and the ends of the earth (Acts 1:8). Your "Judea" is the American Baptist region, which like the Cleveland Baptist Association, is responding to needs that touch the heart of God.

**ABHMS-supported ESL program: One student inspired its founding, another keeps it going**

Were it not for the determination of one student—Eric Francois from Haiti—rain or heavy wind might mean cancelling English as a Second Language (ESL) classes at Eglise Evangelique De L’Union Chretienne in Brockton, Massachusetts.



*ESL class at Eglise Evangelique De L’Union Chretienne in Brockton, Mass.*

Because the church’s students walk to class, inclement weather means they’re absent. That is, except for Francois, who walks to class, no matter what. During the winter, “even though nobody else was showing up, he came consistently every time,” says Vena Ulysse, wife of the church’s pastor, Rev. Fred Ulysse. “We’d have a little lesson and send him home. He’d say, ‘Please keep going. Please don’t cancel class. I want to learn and want to move on.’”

Francois recruited two of his Haitian friends to class. All three 20-somethings were working students in Haiti when the earthquake hit, causing them to come to the United States, according to Vena. The church began offering a formal ESL program—featuring beginner, intermediate, and advanced classes—on Monday and Wednesday evenings in fall 2010. The program is supported by American Baptist Home Mission Societies.

Beginner class is for individuals with low literacy skills, while intermediate class is for those who were educated in Haiti but speak no English, explains Vena. “They can read and write but need to transfer their native language into English,” she says. Advanced class is tailored to students who understand a bit of English but aren’t as far along as they’d like to be. Many of them, Vena notes, have been in the United States for three or four years but could not afford classes.

Motivated by then-student Dorenencourt (“Dodo”) Poteau, who attended their church after coming to the United States from Haiti in January 2010, the Ulysses began offering small, informal ESL tutoring in summer 2010. Although Poteau has since relocated and resumed studies in another town, Eglise Evangelique De L’Union Chretienne expanded its offerings and watched the number of students increase. Thirty-two students are currently divided among the three ESL levels.

Vena is impressed by Francois’ eagerness to learn. He’s reading in English, and, within two months of starting class, she says, he progressed from speaking no English to saying simple phrases. “I have never seen such a desire to immerse into the new culture and to learn the language,” she marvels. In fact, Francois is nothing less than inspirational. “Because of him, we have to move forward—we have to keep going,” Vena says. “He is an encouragement for his teacher. She’s always talking about how he wants to learn.”

Your planned gifts naming the American Baptist Home Mission Societies can strengthen important ministries like these.



## IM Volunteers Dramatically Reverse North American Trend

A survey of North American Protestant mission agencies shows a dramatic decrease of 17.8% in the number of people serving as short-term workers. The five-year study (2005 vs. 2010), which was published in the new edition of *Mission Handbook*, was conducted among 966 United States and Canadian mission agencies. American Baptist volunteers serving in post-earthquake Haiti, however, represented a significant exception to that decrease.

True to International Ministries' (IM's) mission practice, men and women from American Baptist congregations volunteered one or more weeks of ministry in ways that combined hands-on help with sharing the good news of Christ to hurting earthquake victims. These short-term workers brought medical care, food relief, temporary shelter, and assistance in rebuilding schools, homes, and lives. In short, they were witnesses to the love and power of Jesus Christ, as they responded to the January 12, 2010, 7.0 quake that devastated the poorest nation in the Western Hemisphere.

One medical volunteer's report summarizes what each short-term worker felt: "Over the week, we treated more than a thousand patients in three settings. We came to realize that, along with our little baggies of 30 pills each came a reaching hand, a smile, and the reality that someone cared. The dignity, grace, and faith of our patients have taught us much about facing adversity and the strength of the human spirit, lessons that will stay with us for the rest of our lives."



*IM missionary nurse Kristy Engel, who serves in the Dominican Republic, helped organize the medical response of more than 160 volunteers that ministered to Haitian earthquake victims.*

The short-term workers added capacity to the ongoing work of American Baptist long-term missionaries in Haiti. Medical workers Nancy and Steve James provided first-responder emergency medical care for those injured by collapsing buildings. Then weeks later their medical intervention helped save the lives of many that were struck down with cholera. Missionaries Nzunga Mabudiga and Kihomi Ngwemi provided sustaining help of spiritual care along with assistance for education among women and children. Missionary Deliris Carrion Rosa, a physical therapist, was reassigned from El Salvador to Haiti. Additional American Baptist missionaries serving in other countries went to Haiti, assisting with medical care and economic development. It has been a remarkable effort. One that is expected to continue in the years ahead.

As you prayerfully consider your estate plans, remember to include support for International Ministries. Your gifts can ensure the existence of a solid framework that promotes the ability to respond immediately to critical needs around the world.

2010 was a year of celebrating milestones for the American Baptist Foundation. Assets under management grew to a record \$93 million at year's end, a substantial 12% increase over 2009. Numbers do not tell an entire story, but do represent proud achievement during our 25 years of dedication to ministry.

#### **Charitable Gift Annuities and Trusts**

Charitable gift annuities and trusts provide income and generous taxable benefits while offering an avenue for future support of American Baptist ministries and mission.

The annuity fund investments include high quality, fixed income instruments and equity mutual funds. In keeping with the Foundation's fiduciary responsibility, monies are managed in accordance with all applicable federal and state regulations. At the end of the year, the Foundation managed 547 charitable gift annuity agreements with \$6.32 million in assets. The portfolio returned 14.5 percent. Trust agreements for the same period numbered 122 with \$24.4 million in assets. Each trust is managed individually with varying income and objective guidelines; however the consolidated annual return for all trusts was 15.3 percent.

#### **Endowment Funds**

The Foundation's Endowment Fund program offers American Baptist organizations an opportunity to invest in accordance with the socially responsible guidelines set forth by American Baptist Churches USA. Social screens facilitate exclude investments in alcohol, tobacco, firearms and gambling.

Endowment Fund assets grew to \$61 million from over \$51 million in 2009 – an increase of almost twenty percent. This growth is primarily due to an increase in permanent endowment assets received during the year. The number of unrestricted custodial accounts did decline mostly due to challenging financial demands.

There are three portfolios within the Foundation's endowment fund program; Blended, Stock and Fixed portfolios. For 2010, the Blended portfolio returned 11.47% compared to its composite benchmark of 10.28%, the Stock portfolio returned 14.35 percent compared to the S&P 500 at 12.78% (price return), and the Fixed portfolio returned 6.34% compared to the Barclays U.S. Aggregate index at 6.54%.



Rev. Perkin Simpson, MBA  
Vice President, Finance

#### **Summary**

Overall, the American Baptist Foundation remains consistent in its investment philosophy, putting an emphasis on minimizing risk, enhancing returns and maintaining the investment strategies suitable for the needs of our donors, churches and American Baptist partners with which we work. We look back and celebrate 25 years while focusing our efforts on the future.

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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

We have audited the accompanying statement of financial position of American Baptist Foundation (the "Foundation") as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, 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.

The supplemental schedule on page 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Tail, Weller & Baker LLP*

**Tail, Weller & Baker, LLP  
Certified Public Accountants  
Philadelphia, Pennsylvania  
June 6, 2011**

statement of Financial Position

December 31, 2010 and 2009

ASSETS	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 394,532	\$ 435,409
Assets segregated for gift annuity obligations	814,221	588,664
Assets whose use is limited	369,179	625,800
Interest and other receivables	<u>30,869</u>	<u>225,415</u>
<b>Total current assets</b>	<u>1,608,801</u>	<u>1,875,288</u>
<b>NONCURRENT ASSETS</b>		
Investments	25,781,431	16,345,279
Assets segregated for gift annuity obligations	5,505,969	5,628,396
Assets whose use is limited	60,228,161	59,621,240
Equipment, net of accumulated depreciation of \$163,317 and \$161,368 for 2010 and 2009, respectively	<u>-</u>	<u>2,749</u>
<b>Total assets</b>	<u>\$93,124,362</u>	<u>\$83,472,952</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and other current liabilities	\$ 331,778	\$ 253,135
Actuarial reserve for gift annuity payments	<u>617,598</u>	<u>691,759</u>
<b>Total current liabilities</b>	<u>949,376</u>	<u>944,894</u>
<b>NONCURRENT LIABILITIES</b>		
Actuarial reserve for gift annuity payments	3,468,048	3,607,386
Beneficiaries' interest in charitable gift annuities	652,372	677,891
Funds of others - includes trust and endowment funds	<u>60,597,340</u>	<u>60,247,040</u>
<b>Total noncurrent liabilities</b>	<u>64,717,760</u>	<u>64,532,317</u>
<b>NET ASSETS</b>		
Unrestricted	3,249,890	2,286,647
Temporarily restricted	3,245,068	2,323,855
Permanently restricted	<u>20,962,268</u>	<u>13,385,239</u>
<b>Total net assets</b>	<u>27,457,226</u>	<u>17,995,741</u>
<b>Total liabilities and net assets</b>	<u>\$93,124,362</u>	<u>\$83,472,952</u>

statement of activities and changes in **Net Assets**

**Year ended December 31, 2010 with summarized information for 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2010</u>	<u>2009</u>
<b>Revenue, gains, and other support:</b>					
Contributions	\$ 89,176	\$ 85,235	\$ 7,577,029	\$ 7,751,440	\$ 9,056,942
Operating subsidy from Baptist related organizations	986,770	-	-	986,770	1,287,815
Income from investments	124,107	1,102,092	-	1,226,199	590,354
Net realized and unrealized gains on investments carried at fair value	1,173,760	108,704	-	1,282,464	1,192,837
Interest income	928	-	-	928	1,070
Management fees	406,836	-	-	406,836	282,767
Miscellaneous income	5,513	-	-	5,513	2,139
Service income	104,637	-	-	104,637	77,437
Change in value of split-interest agreements	<u>(219,323)</u>	<u>-</u>	<u>-</u>	<u>(291,323)</u>	<u>(156,140)</u>
<b>Subtotal</b>	<b>2,600,404</b>	<b>1,296,031</b>	<b>7,577,029</b>	<b>11,473,464</b>	<b>12,335,221</b>
Net assets released from restrictions	<u>374,818</u>	<u>(374,818)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenue, gains, and other support</b>	<b><u>2,975,222</u></b>	<b><u>921,213</u></b>	<b><u>7,577,029</u></b>	<b><u>11,473,464</u></b>	<b><u>12,335,221</u></b>
<b>Expenses</b>					
Administrative	1,200,658	-	-	1,200,658	1,348,235
Promotional fees	13,420	-	-	13,420	34,018
Distribution payments	447,901	-	-	447,901	565,670
Distribution to Affiliates	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>350,000</u>	<u>1,000,000</u>
<b>Total Expenses</b>	<b><u>2,011,979</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,011,979</u></b>	<b><u>2,947,923</u></b>
<b>Changes in net assets</b>	<b>963,243</b>	<b>921,213</b>	<b>7,577,029</b>	<b>9,461,485</b>	<b>9,387,298</b>
<b>Net assets</b>					
Beginning of year	<u>2,286,647</u>	<u>2,323,855</u>	<u>13,385,239</u>	<u>17,995,741</u>	<u>8,608,443</u>
<b>End of year</b>	<b><u>\$ 3,249,890</u></b>	<b><u>\$ 3,245,068</u></b>	<b><u>\$ 20,962,268</u></b>	<b><u>\$ 27,457,226</u></b>	<b><u>\$ 17,995,741</u></b>

statement of activities and changes in **Net Assets**

**For the year ended December 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>
<b>Revenue, gains, and other support:</b>				
Contributions	\$ 550,938	\$ -	\$ 8,506,004	\$ 9,056,942
Operating subsidy from Baptist related organizations	1,287,815	-	-	1,287,815
Income from investments	70,897	519,457	-	590,354
Net realized and unrealized gains on investments carried at fair value	1,009,858	182,979	-	1,192,837
Interest income	1,070	-	-	1,070
Management fees	282,767	-	-	282,767
Miscellaneous income	2,139	-	-	2,139
Service income	77,437	-	-	77,437
Change in value of split-interest agreements	<u>(156,140)</u>	<u>-</u>	<u>-</u>	<u>(156,140)</u>
<b>Subtotal</b>	3,126,781	702,436	8,506,004	12,335,221
Net assets released from restrictions	<u>499,293</u>	<u>(499,293)</u>	<u>-</u>	<u>-</u>
<b>Total revenue, gains, and other support</b>	<u>3,626,074</u>	<u>203,143</u>	<u>8,506,004</u>	<u>12,335,221</u>
<b>Expenses</b>				
Administrative	1,348,235	-	-	1,348,235
Promotional fees	34,018	-	-	34,018
Distribution payments	565,670	-	-	565,670
Distribution to Affiliates	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
<b>Total Expenses</b>	<u>2,947,923</u>	<u>-</u>	<u>-</u>	<u>2,947,923</u>
<b>Changes in net assets</b>	678,151	203,143	8,506,004	9,387,298
<b>Net assets</b>				
Beginning of year	<u>1,608,496</u>	<u>2,120,712</u>	<u>4,879,235</u>	<u>8,608,443</u>
<b>End of year</b>	<u>\$2,286,647</u>	<u>\$2,323,855</u>	<u>\$13,385,239</u>	<u>\$17,995,741</u>

# statement of Cash Flows

**Years ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Total change in net assets	\$ 9,461,485	\$ 9,387,298
Adjustments to reconcile total change in net assets to net cash used by operating activities:		
Depreciation	2,749	14,765
Interest and dividends received for long-term investments	(1,102,092)	(519,457)
Net realized and unrealized gain on long-term investments	(1,089,516)	(860,531)
Change in value of split-interest agreements	54,924	(203,149)
Proceeds from contributions restricted for endowment	(7,662,264)	(8,506,004)
Changes in operating assets and liabilities		
Decrease (increase) in interest and other receivables	194,546	(158,955)
Increase (decrease) in assets restricted for gift annuity obligations	(158,054)	533,857
Increase in assets whose use is limited	(350,300)	(5,080,595)
Increase (decrease) in accounts payable and other current liabilities	78,643	(133,356)
Decrease in actuarial reserve for gift annuity payments	(213,499)	(179,354)
(Decrease) increase in beneficiaries' interest in charitable gift annuities	(25,519)	241,095
Increase in funds of others	<u>350,300</u>	<u>5,080,595</u>
<b>Total adjustments</b>	<u>(9,920,082)</u>	<u>(9,768,507)</u>
<b>Net cash used for operating activities</b>	<u>(458,597)</u>	<u>(383,791)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	-	(1,073)
Proceeds from sale of investments	16,374,785	2,251,218
Purchases of investments	<u>(24,273,520)</u>	<u>(10,394,602)</u>
<b>Net cash used for investing activities</b>	<u>(7,898,735)</u>	<u>(8,144,457)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for:		
Investments of endowments	7,662,264	8,506,004
Other financing activities:		
Distribution payments for endowment funds	(447,901)	(366,275)
Interest and dividends restricted for long-term investments	<u>1,102,092</u>	<u>519,457</u>
<b>Net cash provided by financing activities</b>	<u>8,316,455</u>	<u>8,659,186</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(40,877)	130,938
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>435,409</u>	<u>304,471</u>
End of year	<u>\$ 394,532</u>	<u>\$ 435,409</u>

# American Baptist Foundation

## (1) BACKGROUND

The mission of the American Baptist Foundation (the "Foundation") is to encourage support of the American Baptist ministry and its mission, primarily that 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:

- Education and training 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.

The Foundation has reviewed their tax positions and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **BASIS OF ACCOUNTING**

The accompanying 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 on investments of the permanently restricted net assets and has not elected to use realized/unrealized gains under the Pennsylvania Uniform Principal and Income Act ("Act 141"). The Foundation may elect Act 141 in future years. As such, all realized and unrealized gains/losses are recorded in the temporarily restricted net assets. When these accumulated gains/losses result in an accumulated loss, the losses are then charged to unrestricted net assets. As of December 31, 2010 and 2009, \$20,197 and \$893,162 of accumulated unrealized losses on permanently restricted net assets has been charged to unrestricted net assets.

### **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, 2010 and 2009, and the reported amounts of revenues and expenses for the years then ended. Actual results may differ from those estimates.

Subsequent events after the statement of financial position date through the date that the financial statements were available for issuance, June 6, 2011, have been evaluated in the preparation of the financial statements.

### **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 or 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.

### **ASSETS SEGREGATED FOR GIFT ANNUITY OBLIGATIONS**

Assets segregated for gift annuity obligations include assets received by the Foundation for administration and management of irrevocable charitable gift annuities, which the Foundation issues.

### **ACTUARIAL RESERVE FOR GIFT ANNUITY PAYMENTS**

Charitable gift annuity agreements are issued in exchange for a payment that constitutes part charitable contribution and part purchase of an annuity, providing for payments to the stated annuitant(s) during their lifetime(s). These agreements represent a general obligation of the Foundation.

The method of calculating the gift annuity valuation reserve as reported in the financial statements was based on the IRS 1990 CM actuarial tables utilizing rates varying from 2.0% to 6.0% as an assumption for years ended December 31, 2010 and 2009.

### **CHANGE IN VALUE OF SPLIT-INTEREST AGREEMENTS**

The life expectancy of annuitants and the interest rate assumption determine the actuarial obligations. 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.

### **FUNDS OF OTHERS**

Funds of others represent amounts due to the organizations under charitable remainder trusts irrevocable trust agreements and custodian funds administered by the Foundation for American Baptist-related organizations, individuals, agencies and institutions.

### **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.

### **RECLASSIFICATION**

Certain account balances in the 2009 financial statements have been classified to conform to the 2010 presentation.



### (3) ASSETS WHOSE USE IS LIMITED

Assets whose use is limited are designated as follows:

	<u>2010</u>	<u>2009</u>
Custodian funds	\$ 36,590,854	\$ 36,462,654
Assets held under trust agreements	<u>24,006,486</u>	<u>23,784,386</u>
Subtotal	60,597,340	60,247,040
Less: Current portion	<u>(369,179)</u>	<u>(625,800)</u>
Noncurrent portion	<u>\$ 60,228,161</u>	<u>\$ 59,621,240</u>

### (4) INVESTMENTS

Investments consist of the following:

	<u>2010</u>	<u>2009</u>
Mutual Funds		
Bond Funds	\$ 4,928,630	\$ 2,666,919
Bonds	3,580,507	2,350,572
Equities	17,081,294	11,007,034
Insurance – net single premium	<u>191,000</u>	<u>320,754</u>
Total	<u>\$ 25,781,431</u>	<u>\$ 16,345,279</u>

Assets segregated for actuarial reserves:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 803,102	\$ 519,895
U.S. Government and fixed income	173,165	255,952
Mutual Funds		
Stock Funds	115,475	5,692
Balanced Funds	5,218,028	5,367,990
Other	<u>10,420</u>	<u>67,531</u>
Subtotal	6,320,190	6,217,060
Less: Current portion	<u>(814,221)</u>	<u>(588,664)</u>
Noncurrent portion	<u>\$ 5,505,969</u>	<u>\$ 5,628,396</u>

Assets whose use is limited consist of:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 453,617	\$ 1,115,350
Notes Receivable	406,441	345,463
Equity Securities	24,901,873	25,496,527
Mutual Funds		
Bond Funds	11,203,673	10,342,220
Stock Funds	10,969,738	10,109,224
Balanced Funds	684,360	732,874
International Funds	960,824	1,016,332
U.S. Gov., Corp. and Muni Bonds	9,382,392	8,645,975
Insurance – net single premium	1,193,750	2,004,716
Real Estate Investment Trust	164,138	161,693
Real Estate	265,000	265,000
Other	<u>11,534</u>	<u>11,666</u>
Total	<u>\$ 60,597,340</u>	<u>\$ 60,247,040</u>

Notes receivable with rates ranging from 4.63% to 5.38% consist of investment notes issued by American Baptist Extension Corporation, an affiliate, totaling \$406,441 and \$345,463 as of December 31, 2010 and 2009, respectively.

Investments are related to the endowment fund established so that the Foundation may act as the planned giving organization for the American Baptist Churches USA. The purpose of the endowment is to hold and manage funds in perpetuity or for the long-term and to pay income to various American Baptist churches and organizations. The Fund is part of a pool of professionally managed investment funds which are monitored by the Foundation's Finance Committee. The donor may select from one or more of three different portfolios for investment; Blended Portfolio, Fixed Income Portfolio and Stock Portfolio. 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.

### (5) 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 for identical assets or liabilities that the company has the ability to access.
- 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 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available; representing the company's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

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.

#### 2010 Fair Value of Financial Instruments

##### Assets Segregated For Gift Annuity Obligations

	<u>2010</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 803,102	\$ 803,102	\$ -	\$ -	-
U.S. Gov't and Fixed Income	173,165	-	173,165	-	-
Mutual Funds					
Stock	115,475	115,475	-	-	-
Balanced	5,218,028	5,218,028	-	-	-
Other	<u>10,420</u>	<u>-</u>	<u>10,420</u>	<u>-</u>	<u>-</u>
	<u>\$6,320,190</u>	<u>\$ 6,136,605</u>	<u>\$ 183,585</u>	<u>\$ -</u>	<u>\$ -</u>

##### Assets Whose Use Is Limited

Cash and cash equivalents	\$ 453,617	\$ 453,617	\$ -	\$ -	-
Notes Receivable	406,441	-	-	-	406,441
Equity Securities	24,901,873	24,901,873	-	-	-
Mutual Funds					
Bond	11,203,673	11,203,673	-	-	-
Stock	10,969,738	10,969,738	-	-	-
Balanced	684,360	684,360	-	-	-
International	960,824	960,824	-	-	-
U.S. Gov't, Corp. and Muni Bonds	9,382,392	-	9,382,392	-	-
Insurance—net single premium	1,193,750	-	-	-	1,193,750
Real Estate Investment Trust	164,138	164,138	-	-	-
Real Estate	265,000	-	-	-	265,000
Other	<u>11,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,534</u>
	<u>\$60,597,340</u>	<u>\$49,338,223</u>	<u>\$9,382,392</u>	<u>\$ 1,876,725</u>	<u>\$ -</u>

##### Investments

Mutual Funds					
Bond Funds	\$ 4,928,630	\$ 4,928,630	\$ -	\$ -	-
Bonds	3,580,507	-	3,580,507	-	-
Equities	17,081,294	17,081,294	-	-	-
Insurance—net single premium	<u>191,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,000</u>
	<u>\$25,781,431</u>	<u>\$22,009,924</u>	<u>\$3,580,507</u>	<u>\$ -</u>	<u>\$ 191,000</u>

# American Baptist Foundation

## 2009 Fair Value of Financial Instruments

### Assets Segregated For Gift Annuity Obligations

	2009	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 519,895	\$ 519,895	\$ -	\$ -	-
U.S. Gov't and Fixed Income	255,952	-	255,952	-	-
Mutual Funds					
Stock	5,692	5,692	-	-	-
Balanced	5,367,990	5,367,990	-	-	-
Other	67,531	-	67,531	-	-
	<u>\$ 6,217,060</u>	<u>\$ 5,893,577</u>	<u>\$ 323,483</u>	<u>\$ -</u>	<u>\$ -</u>

### Assets Whose Use Is Limited

Cash and cash equivalents	\$ 1,115,350	\$ 1,115,350	\$ -	\$ -	-
Notes Receivable	345,463	-	-	-	345,463
Equity Securities	25,496,527	25,496,527	-	-	-
Mutual Funds					
Bond	10,342,220	10,342,220	-	-	-
Stock	10,109,224	10,109,224	-	-	-
Balanced	732,874	732,874	-	-	-
International	1,016,332	1,016,332	-	-	-
U.S. Gov't and Fixed Income	8,645,975	-	8,645,975	-	-
Insurance—net single premium	2,004,716	-	-	-	2,004,716
Real Estate Investment Trust	161,693	161,693	-	-	-
Real Estate	265,000	-	-	-	265,000
Other	11,666	3,323	-	-	8,343
	<u>\$ 60,247,040</u>	<u>\$ 48,977,543</u>	<u>\$ 8,645,975</u>	<u>\$ 2,623,522</u>	<u>\$ -</u>

### Investments

Mutual Funds					
Bond Funds	\$ 2,666,919	\$ 2,666,919	\$ -	\$ -	-
Bonds	2,350,572	-	2,350,572	-	-
Equities	11,007,034	11,007,034	-	-	-
Insurance—net single premium	320,754	-	-	-	320,754
	<u>\$ 16,345,279</u>	<u>\$ 13,673,953</u>	<u>\$ 2,350,572</u>	<u>\$ 320,754</u>	<u>\$ -</u>

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2010 or 2009.

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

	2010	2009
Balance, beginning of year	\$ 2,944,276	\$ 2,833,729
Purchases (sales) net	19,921	106,821
Realized and unrealized gains (losses), net	(896,472)	3,726
Balance, end of year	<u>\$ 2,067,725</u>	<u>\$ 2,944,276</u>

## (6) EQUIPMENT

Equipment as of December 31, 2010 and 2009 consists of the following:

	2010	2009
Office equipment	\$ 164,117	\$ 164,117
Less: accumulated depreciation	<u>(164,117)</u>	<u>(161,368)</u>
Office equipment, net	<u>\$ -</u>	<u>\$ 2,749</u>

Depreciation expense at December 31, 2010 and 2009 was \$2,749 and \$14,765, respectively.

## (7) BENEFICIARIES' INTEREST IN CHARITABLE GIFT ANNUITIES

Changes in the Foundation's irrevocable charitable gift annuities held on behalf of others for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Investment return:		
Interest income earned on investments	\$ 87,742	\$ 77,183
Realized gain on sale of investments	870	(193,265)
Unrealized gain on investments	271,028	797,813
Management and Trustee fees	(25,502)	(30,576)
Other expense	<u>(1,009)</u>	<u>(145)</u>
Total investment return	333,129	651,010

Other changes in beneficiaries' interest in charitable gift annuities:

Payments made to annuitants	(437,387)	(480,575)
Payments made to beneficiaries upon annuitants' deaths	(237,160)	(159,757)
Increase in net actuarial value of gift annuity agreements	<u>315,899</u>	<u>230,417</u>
Net change in beneficiaries' interest in charitable gift annuities	(25,519)	241,095
Beneficiaries' interest in charitable gift annuities, beginning of year	<u>677,891</u>	<u>436,796</u>
Beneficiaries' interest in charitable gift annuities, end of year	<u>\$ 652,372</u>	<u>\$ 677,891</u>

## (8) FUNDS OF OTHERS

	Balance December 31, 2009	New Agreements	Investment Income	Net Realized & Unrealized Gains/(Losses)	Redemption & Distribution Payments	Balance December 31, 2010
Irrevocable Trusts*	\$ 20,767,901	\$ 572,765	\$ 521,909	\$ 1,440,527	\$ (2,053,485)	\$ 21,249,617
Revocable Trusts	2,375,776	245,830	61,250	141,810	(460,547)	2,364,119
Custodial Funds						
ABHMS	640,708	-	19,850	33,697	(301,505)	392,750
Ottawa University	561,848	25	7,330	60,929	(107,870)	522,262
Endowment, CGAs and donor advisory funds	<u>35,900,807</u>	<u>2,077,099</u>	<u>2,015,750</u>	<u>1,555,387</u>	<u>(5,480,451)</u>	<u>36,068,592</u>
	<u>\$ 60,247,040</u>	<u>\$ 2,895,719</u>	<u>\$ 2,626,089</u>	<u>\$ 3,232,350</u>	<u>\$ (8,403,858)</u>	<u>\$ 60,597,340</u>

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

**(9) NET ASSETS**

Temporarily restricted net assets are available for the following purposes at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Term endowment	\$ 2,364,885	\$ 2,179,314
Cumulative endowment earnings – interest and dividends	<u>880,183</u>	<u>144,541</u>
	<u>\$ 3,245,068</u>	<u>\$ 2,323,855</u>

Permanently restricted net assets at December 31, 2010 and 2009, respectively, are available for the following:

	<u>2010</u>	<u>2009</u>
Income unrestricted – income beneficiary distributions and operations	<u>\$20,962,268</u>	<u>\$13,385,239</u>

Endowment and donor advised net asset composition by type of fund as of June 30, 2010 and 2009:

	<u>2010</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (20,197)	\$ 3,245,068	\$ 20,962,268	\$ 24,187,139
Funds functioning as endowment funds	3,097	-	-	3,097
Donor advised funds	<u>1,449,816</u>	<u>-</u>	<u>-</u>	<u>1,449,816</u>
	<u>\$ 1,432,716</u>	<u>\$ 3,245,068</u>	<u>\$ 20,962,268</u>	<u>\$ 25,640,052</u>
	<u>2009</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ (893,166)	\$ 2,323,855	\$ 13,385,239	\$ 14,815,928
Funds functioning as endowment funds	2,987	-	-	2,987
Donor advised funds	<u>1,386,344</u>	<u>-</u>	<u>-</u>	<u>1,386,344</u>
	<u>\$ 496,165</u>	<u>\$ 2,323,855</u>	<u>\$ 13,385,239</u>	<u>\$ 16,205,259</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. Dividend and interest on such gifts is classified as temporarily restricted until it is expended in accordance with state law and/or the donor restriction. Cumulative realized and unrealized gains are recorded in temporarily restricted net assets until elected to be used. Cumulative realized and unrealized losses are reflected in unrestricted net assets (*See Note 1*). The unrestricted endowment is reflected net of cumulative realized and unrealized losses of \$20,197 and \$893,166 for the years ended December 31, 2010 and 2009. 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.

Changes in endowment and donor advised net assets for the years ended December 31, 2010 and 2009:

	<u>2010</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 496,165	\$ 2,323,855	\$ 13,385,239	\$ 16,205,259
Dividends and interest	78,733	868,167	-	946,900
Net realized and unrealized gains	896,082	108,704	-	1,004,786
Contributions and other	35,030	85,235	7,577,029	7,697,294
Amounts appropriated for expenditures	<u>(73,294)</u>	<u>(140,893)</u>	<u>-</u>	<u>(214,187)</u>
	<u>\$ 1,432,716</u>	<u>\$ 3,245,068</u>	<u>\$ 20,962,268</u>	<u>\$ 25,640,052</u>
	<u>2009</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ (38,605)	\$ 1,987,695	\$ 4,879,235	\$ 6,828,325
Dividends and interest	25,588	519,457	-	545,045
Net realized and unrealized gains	682,320	182,979	-	865,299
Contributions and other	26,257	-	8,506,004	8,532,261
Transfers	(120,000)	-	-	(120,000)
Amounts appropriated for expenditures	<u>(79,395)</u>	<u>(366,276)</u>	<u>-</u>	<u>(445,671)</u>
	<u>\$ 496,165</u>	<u>\$ 2,323,855</u>	<u>\$ 13,385,239</u>	<u>\$ 16,205,259</u>

# American Baptist Foundation

## (9) NET ASSETS (continued)

During the years ended December 31, 2010 and 2009, net assets were released from donor restrictions by satisfying the following restricted purposes:

	<u>2010</u>	<u>2009</u>
Income beneficiary distributions	\$ 374,818	\$ 366,276
Other	-	<u>133,017</u>
	<u>\$ 374,818</u>	<u>\$ 499,293</u>

## (10) CREDIT RISK AND OTHER CONCENTRATIONS

The Foundation is required by Accounting Standards Codification ("ASC") 825, "Financial Instruments", formally known as Statement of Financial Accounting Standards No. 107, to disclose significant concentrations of credit risk regardless of the degree of such risk. As of December 31, 2010 and 2009, the Foundation maintained bank deposits that exceeded the limit of insurability under the Federal Deposit Insurance Corporation.

The Foundation has significant investments in insurance, 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.

As discussed in Note 11, approximately 50% and 49% (excluding annuity reserve contributions of \$300,000 and \$350,000 contribution in 2010 and 2009, respectively, net realized and unrealized gain/(loss) on investments from non-operating activities and change in value of split-interest agreements) of the Foundation's unrestricted revenues, gains, and other support were provided by the operating subsidy agreement for the years ended December 31, 2010 and 2009, respectively.

## (11) OPERATING SUBSIDY

Under an operating agreement, all the expenses of the Foundation in excess of revenues are reimbursed by related members of the Foundation according to an agreed-upon formula. The related members include the American Baptist Foreign Mission Society, the American Baptist Home Mission Society, and the American Baptist Multi-Region Corporation. The amount subsidized by the related members was \$986,770 and \$937,815 for 2010 and 2009, respectively. In 2010, \$300,000 of the operating subsidy was to be maintained as part of a reserve to meet annuity fund reserve requirements. In 2009, due to the decline in the value of investments supporting the charitable gift annuity obligations, the Foundation received an additional contribution of \$350,000 to maintain adequate Annuity Fund reserves.

## (12) 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 \$74,476 and \$104,869 in 2010 and 2009, respectively.

## SUPPLEMENTAL SCHEDULE OF ADMINISTRATIVE REVENUES AND EXPENSES

	<u>2010</u>			<u>2009</u>
	<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	\$ 686,770	\$ -	\$ 686,770	\$ 937,815
Service income	-	104,637	104,637	77,437
Management fees	-	406,836	406,836	282,767
Income from investments	-	2,491	2,491	528
Grant Awards	-	50,000	50,000	-
Miscellaneous income	-	<u>5,513</u>	<u>5,513</u>	<u>2,139</u>
<b>Total revenues, gains and other support</b>	<u>686,770</u>	<u>569,477</u>	<u>1,256,247</u>	<u>1,300,686</u>
<b>Administrative and promotional expenses:</b>				
Salaries and fringe benefits	478,883	377,383	856,266	923,033
Staff support	66,863	17,784	84,648	159,006
Promotional support	13,350	-	13,350	49,060
Office and computer support	64,576	52,835	117,411	140,024
Contracted services within American Baptist Churches	15,976	32,098	48,073	46,927
Contracted services-external	-	47,473	47,473	34,000
Insurance	-	18,123	18,123	16,607
Board of Directors	-	9,863	9,863	13,749
Miscellaneous expenses	-	<u>18,871</u>	<u>18,871</u>	<u>(153)</u>
<b>Total expenses</b>	<u>639,648</u>	<u>574,430</u>	<u>1,214,078</u>	<u>1,382,253</u>
Increase (decrease) in unrestricted net assets	<u>47,122</u>	<u>(4,953)</u>	<u>42,169</u>	<u>(81,567)</u>
<b>Total administrative and promotional expenses</b>	<u>\$ 686,770</u>	<u>\$ 569,477</u>	<u>\$ 1,256,247</u>	<u>\$ 1,300,686</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.

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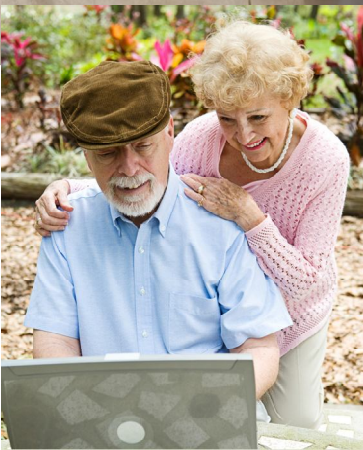
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