

AMERICAN BAPTIST FOUNDATION

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

DECEMBER 31, 2011 AND 2010

AMERICAN BAPTIST FOUNDATION

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TAIT, WELLER & BAKER LLP

Certified Public Accountants

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, 2011 and 2010, 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, 2011 and 2010, 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.

Our audit was conducted for the purpose of forming the above opinion on the basic financial statements as of and for the years ended December 31, 2011 and 2010, taken as a whole. The accompanying supplemental information for supplemental schedule of administrative revenues and expenses, on page 17, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
June 11, 2012**

AMERICAN BAPTIST FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 441,564	\$ 394,532
Assets segregated for gift annuity obligations	997,175	814,221
Assets whose use is limited	139,136	369,179
Interest and other receivables	<u>51,039</u>	<u>30,869</u>
Total current assets	<u>1,628,914</u>	<u>1,608,801</u>
NONCURRENT ASSETS		
Investments	29,135,194	25,781,431
Assets segregated for gift annuity obligations	4,949,569	5,505,969
Assets whose use is limited	<u>59,029,576</u>	<u>60,228,161</u>
Total assets	<u>\$94,743,253</u>	<u>\$93,124,362</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and other current liabilities	\$ 168,898	\$ 331,778
Actuarial reserve for gift annuity payments	<u>580,992</u>	<u>617,598</u>
Total current liabilities	<u>749,890</u>	<u>949,376</u>
NONCURRENT LIABILITIES		
Actuarial reserve for gift annuity payments	3,293,511	3,468,048
Beneficiaries' interest in charitable gift annuities	460,640	652,372
Funds of others – includes trust and endowment funds	<u>57,882,521</u>	<u>60,597,340</u>
Total noncurrent liabilities	<u>61,636,672</u>	<u>64,717,760</u>
NET ASSETS		
Unrestricted	2,722,323	3,270,086
Temporarily restricted	79,557	469,372
Permanently restricted	<u>29,554,811</u>	<u>23,717,768</u>
Total net assets	<u>32,356,691</u>	<u>27,457,226</u>
Total liabilities and net assets	<u>\$94,743,253</u>	<u>\$93,124,362</u>

AMERICAN BAPTIST FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2011 with summarized information for 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2011</u>	<u>2010</u>
Revenue, gains, and other support:					
Contributions	\$ 133,152	\$ 51,555	\$ 5,837,043	\$ 6,021,750	\$ 7,751,440
Operating subsidy from Baptist related organizations	434,661	-	-	434,661	986,770
Income from investments	619,255	1,039,590	-	1,658,845	1,226,199
Net realized and unrealized gain/(loss) on investments carried at fair value	(1,161,558)	(421,145)	-	(1,582,703)	1,282,464
Interest income	1,258	-	-	1,258	928
Management fees	459,036	-	-	459,036	406,836
Miscellaneous income	46,094	-	-	46,094	5,513
Service income	117,624	-	-	117,624	104,637
Change in value of split-interest agreements	<u>(207,129)</u>	<u>-</u>	<u>-</u>	<u>(207,129)</u>	<u>(291,323)</u>
Subtotal	442,393	670,000	5,837,043	6,949,436	11,473,464
Net assets released from restrictions	<u>1,059,815</u>	<u>(1,059,815)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue, gains, and other support	<u>1,502,208</u>	<u>(389,815)</u>	<u>5,837,043</u>	<u>6,949,436</u>	<u>11,473,464</u>
Expenses					
Administrative	704,486	-	-	704,486	1,200,658
Promotional fees	18,129	-	-	18,129	13,420
Distribution payments	1,327,356	-	-	1,327,356	447,901
Distribution to Affiliates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,000</u>
Total Expenses	<u>2,049,971</u>	<u>-</u>	<u>-</u>	<u>2,049,971</u>	<u>2,011,979</u>
Changes in net assets	(547,763)	(389,815)	5,837,043	4,899,465	9,461,485
Net assets					
Beginning of year	<u>3,270,086</u>	<u>469,372</u>	<u>23,717,768</u>	<u>27,457,226</u>	<u>17,995,741</u>
End of year	<u>\$ 2,722,323</u>	<u>\$ 79,557</u>	<u>\$ 29,554,811</u>	<u>\$ 32,356,691</u>	<u>\$ 27,457,226</u>

AMERICAN BAPTIST FOUNDATION

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

For the year ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>
Revenue, gains, and other support:				
Contributions	\$ 89,176	\$ 85,235	\$ 7,577,029	\$ 7,751,440
Operating subsidy from Baptist related organizations	986,770	-	-	986,770
Income from investments	467,246	758,953	-	1,226,199
Net realized and unrealized gains on investments carried at fair value	1,282,462	2	-	1,282,464
Interest income	928	-	-	928
Management fees	406,836	-	-	406,836
Miscellaneous income	5,513	-	-	5,513
Service income	104,637	-	-	104,637
Change in value of split-interest agreements	<u>(291,323)</u>	<u>-</u>	<u>-</u>	<u>(291,323)</u>
Subtotal	3,052,245	844,190	7,577,029	11,473,464
Net assets released from restrictions	<u>374,818</u>	<u>(374,818)</u>	<u>-</u>	<u>-</u>
Total revenue, gains, and other support	<u>3,427,063</u>	<u>469,372</u>	<u>7,577,029</u>	<u>11,473,464</u>
Expenses				
Administrative	1,200,658	-	-	1,200,658
Promotional fees	13,420	-	-	13,420
Distribution payments	447,901	-	-	447,901
Distribution to Affiliates	<u>350,000</u>	<u>-</u>	<u>-</u>	<u>350,000</u>
Total Expenses	<u>2,011,979</u>	<u>-</u>	<u>-</u>	<u>2,011,979</u>
Changes in net assets	1,415,084	469,372	7,577,029	9,461,485
Net assets				
Beginning of year	<u>1,855,002</u>	<u>-</u>	<u>16,140,739</u>	<u>17,995,741</u>
End of year	<u>\$ 3,270,086</u>	<u>\$ 469,372</u>	<u>\$ 23,717,768</u>	<u>\$ 27,457,226</u>

AMERICAN BAPTIST FOUNDATION

STATEMENT OF CASH FLOWS

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	\$ 4,899,465	\$ 9,461,485
Adjustments to reconcile total change in net assets to net cash used by operating activities:		
Depreciation	-	2,749
Interest and dividends received for long-term investments	(1,039,590)	(758,953)
Net realized and unrealized (gain)/loss on long-term investments	1,582,703	(1,282,464)
Change in value of split-interest agreements	207,129	291,323
Proceeds from contributions restricted for endowment	(5,315,793)	(7,662,264)
Changes in operating assets and liabilities		
Decrease (increase) in interest and other receivables	(20,170)	194,546
Increase (decrease) in assets restricted for gift annuity obligations	166,317	(394,453)
(Decrease) increase in assets whose use is limited	1,428,628	(350,300)
(Decrease) increase in accounts payable and other current liabilities	(162,880)	78,643
Decrease in actuarial reserve for gift annuity payments	(211,143)	(213,499)
(Decrease) increase in beneficiaries' interest in charitable gift annuities	(191,732)	(25,519)
(Decrease) increase in funds of others	<u>(2,714,819)</u>	<u>350,300</u>
Total adjustments	<u>(6,271,350)</u>	<u>(9,769,891)</u>
Net cash used for operating activities	<u>(1,371,885)</u>	<u>(306,406)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	3,970,927	16,374,785
Purchases of investments	<u>(7,580,037)</u>	<u>(24,080,572)</u>
Net cash used for investing activities	<u>(3,609,110)</u>	<u>(7,705,787)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for:		
Investments of endowments	5,315,793	7,662,264
Other financing activities:		
Distribution payments for endowment funds	(1,327,356)	(447,901)
Interest and dividends restricted for long-term investments	<u>1,039,590</u>	<u>758,953</u>
Net cash provided by financing activities	<u>5,028,027</u>	<u>7,973,316</u>
Net increase (decrease) in cash and cash equivalents	47,032	(40,877)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>394,532</u>	<u>435,409</u>
End of year	<u>\$ 441,564</u>	<u>\$ 394,532</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

(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:

- Seminars 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.

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

The Foundation uses only interest and dividends to the extent of expenses incurred on investments of the permanently restricted net assets. The Foundation includes all excess dividends and interest and realized/unrealized gains/losses (**collectively, “net investment income”**) on investments of permanently restricted net assets in temporarily restricted net assets. When net investment income results in a cumulative loss, the loss is then charged to unrestricted net assets. As of December 31, 2011 and 2010, \$621,797 and \$20,197, respectively, of accumulated net investment loss 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, 2011 and 2010, and the reported amounts of revenues and expenses for the years then ended. Actual results may differ from those estimates.

SUBSEQUENT EVENTS

Subsequent events after the statement of financial position date through the date that the financial statements were available for issuance, June 11, 2012, 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.

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

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 1.6% to 6.0% as an assumption for years ended December 31, 2011 and 2010.

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 2010 financial statements have been classified to conform to the 2011 presentation.

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

(3) ASSETS WHOSE USE IS LIMITED

Assets whose use is limited are designated as follows:

	<u>2011</u>	<u>2010</u>
Custodian funds	\$ 33,384,231	\$ 36,535,971
Restricted Cash	17,999	54,883
Assets held under trust agreements	<u>25,766,482</u>	<u>24,006,486</u>
Subtotal	59,168,712	60,597,340
Less: Current portion	<u>(139,136)</u>	<u>(369,179)</u>
Noncurrent portion	<u>\$ 59,029,576</u>	<u>\$ 60,228,161</u>

(4) INVESTMENTS

Investments consist of the following:

	<u>2011</u>	<u>2010</u>
Cash and Cash Equivalents	\$ 2,126,532	\$ -
Mutual Funds		
Bond	3,422,154	4,928,630
Stock	17,952	
Bonds	6,830,836	3,580,507
Equities	16,592,027	17,081,294
Real Estate Investment Funds	44,093	-
Insurance – net single premium	<u>101,600</u>	<u>191,000</u>
Total	<u>\$ 29,135,194</u>	<u>\$ 25,781,431</u>

Assets segregated for actuarial reserves:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 966,400	\$ 803,102
U.S. Government and fixed income securities	191,839	173,165
Mutual Funds		
Stock	53,040	115,475
Balanced	4,705,405	5,218,028
Other	<u>30,060</u>	<u>10,420</u>
Subtotal	5,946,744	6,320,190
Less: Current portion	<u>(997,175)</u>	<u>(814,221)</u>
Noncurrent portion	<u>\$ 4,949,569</u>	<u>\$ 5,505,969</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

Assets whose use is limited consist of the following:

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 2,634,045	\$ 453,617
Notes Receivable	415,956	406,441
Equity Securities	20,329,017	24,901,873
Mutual Funds		
Bond	7,916,748	11,203,673
Stock	11,302,629	10,969,738
Balanced	649,307	684,360
International	869,439	960,824
U.S. Government, Corporate and Municipal Bonds	14,214,764	9,382,392
Insurance – net single premium	635,000	1,193,750
Real Estate Investment Trust	190,200	164,138
Real Estate	-	265,000
Other	<u>11,607</u>	<u>11,534</u>
Total	<u>\$ 59,168,712</u>	<u>\$ 60,597,340</u>

Notes receivable with rates ranging from 1.90% to 5.38% consist of investment notes issued by American Baptist Extension Corporation, an affiliate, totaling \$415,956 and \$406,441 as of December 31, 2011 and 2010, 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.

As of December 31, 2011, assets whose use is limited includes \$1,268,190 of the Foundation's remainder interest in charitable remainder unitrusts.

(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, including securities actively-traded on a securities exchange.

Level 2 – Observable inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

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.

	<u>2011</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 Segregated For Gift Annuity Obligations</u>					
Cash and cash equivalents	\$ 966,400	\$ 966,400	\$ 966,400	\$ -	\$ -
U.S. Government and Fixed Income Securities	191,839	-	-	191,839	-
Mutual Funds					
Stock	53,040	53,040	53,040	-	-
Balanced	4,705,405	4,705,405	4,705,405	-	-
Other	30,060	-	-	30,060	-
	<u>\$ 5,946,744</u>	<u>\$ 5,724,845</u>	<u>\$ 5,724,845</u>	<u>\$ 221,899</u>	<u>\$ -</u>
<u>Assets Whose Use Is Limited</u>					
Cash and cash equivalents	\$ 2,634,045	\$ 2,634,045	\$ 2,634,045	\$ -	\$ -
Notes Receivable	415,956	-	-	-	415,956
Equity Securities	20,329,017	20,329,017	20,329,017	-	-
Mutual Funds					
Bond	7,916,748	7,916,748	7,916,748	-	-
Stock	11,302,629	11,302,629	11,302,629	-	-
Balanced	649,307	649,307	649,307	-	-
International	869,439	869,439	869,439	-	-
U.S. Government and Fixed Income	14,214,764	-	-	14,214,764	-
Insurance – net single premium	635,000	-	-	-	635,000
Real Estate Investment Trust	190,200	190,200	190,200	-	-
Other	11,607	-	-	-	11,607
	<u>\$ 59,168,712</u>	<u>\$ 43,891,385</u>	<u>\$ 43,891,385</u>	<u>\$ 14,214,764</u>	<u>\$ 1,062,563</u>
<u>Investments</u>					
Cash and cash equivalents	\$ 2,126,532	\$ 2,126,532	\$ 2,126,532	\$ -	\$ -
Mutual Funds					
Bond	3,422,154	3,422,154	3,422,154	-	-
Stock	17,952	17,952	17,952	-	-
U.S. Government and Fixed Income	6,830,836	-	-	6,830,836	-
Equities	16,592,027	16,592,027	16,592,027	-	-
Insurance – net single premium	101,600	-	-	-	101,600
Real Estate Investment Trust	44,093	44,093	44,093	-	-
	<u>\$ 29,135,194</u>	<u>\$ 22,202,758</u>	<u>\$ 22,202,758</u>	<u>\$ 6,830,836</u>	<u>\$ 101,600</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

<u>2010</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 Segregated For Gift Annuity Obligations</u>				
Cash and cash equivalents	\$ 803,102	\$ 803,102	\$ -	\$ -
U.S. Government and Fixed Income Securities	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>\$ 6,320,190</u>	<u>\$ 6,136,605</u>	<u>\$ 183,585</u>	<u>\$ -</u>
<u>Assets Whose Use Is Limited</u>				
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. Government, Corporate and Municipal 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>11,534</u>
	<u>\$ 60,597,340</u>	<u>\$ 49,338,223</u>	<u>\$ 9,382,392</u>	<u>\$ 1,876,725</u>
<u>Investments</u>				
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>191,000</u>
	<u>\$ 25,781,431</u>	<u>\$ 22,009,924</u>	<u>\$ 3,580,507</u>	<u>\$ 191,000</u>

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2011 or 2010.

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

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 2,067,725	\$ 2,944,276
Purchases (sales) net	(834,400)	19,921
Realized and unrealized gains (losses), net	<u>(69,162)</u>	<u>(896,472)</u>
Balance, end of year	<u>\$ 1,164,163</u>	<u>\$ 2,067,725</u>

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

(6) BENEFICIARIES' INTEREST IN CHARITABLE GIFT ANNUITIES

Changes in the Foundation's charitable gift annuities held on behalf of others for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Investment return:		
Interest income earned on investments	\$ 87,745	\$ 87,742
Realized gain on sale of investments	(1,053)	870
Unrealized gain on investments	31,570	271,028
Management and Trustee fees	(25,264)	(25,502)
Other expense	<u>(665)</u>	<u>(1,009)</u>
Total investment return	92,333	333,129
Other changes in beneficiaries' interest in charitable gift annuities:		
Payments made to annuitants	(385,637)	(437,387)
Payments made to beneficiaries upon annuitants' deaths	(73,094)	(237,160)
Increase in net actuarial value of gift annuity obligation	<u>174,666</u>	<u>315,899</u>
Net change in beneficiaries' interest in charitable gift annuities	(191,732)	(25,519)
Beneficiaries' interest in charitable gift annuities, beginning of year	<u>652,372</u>	<u>677,891</u>
Beneficiaries' interest in charitable gift annuities, end of year	<u>\$ 460,640</u>	<u>\$ 652,372</u>

(7) FUNDS OF OTHERS

	<u>Balance December 31, 2010</u>	<u>New Agreements</u>	<u>Investment Income</u>	<u>Net Realized & Unrealized Gains/(Losses)</u>	<u>Redemption & Distribution Payments</u>	<u>Balance December 31, 2011</u>
Irrevocable Trusts*	\$ 21,249,617	\$ 3,015,753	\$ 561,177	\$ (1,071,497)	\$ (2,150,130)	\$ 21,604,920
Revocable Trusts	2,364,119	323,310	71,190	(29,329)	(174,730)	2,554,560
Custodial Funds						
Board of National Ministries	392,750	546,957	11,564	3,720	(616,181)	338,810
Ottawa University	522,262	10,000	9,368	3,494	(168,460)	376,664
Endowment, charitable gift annuities and donor advisory funds	<u>36,068,592</u>	<u>2,469,406</u>	<u>2,011,716</u>	<u>(1,478,386)</u>	<u>(6,063,761)</u>	<u>33,007,567</u>
	<u>\$ 60,597,340</u>	<u>\$ 6,365,426</u>	<u>\$ 2,665,015</u>	<u>\$ (2,571,998)</u>	<u>\$ (9,173,262)</u>	<u>\$ 57,882,521</u>

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

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

(8) NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Term endowment	\$ 79,557	\$ 57,889
Cumulative endowment earnings	<u>-</u>	<u>411,483</u>
Total temporarily restricted net assets	<u>\$ 79,557</u>	<u>\$ 469,372</u>

Permanently restricted net assets at December 31, 2011 and 2010, respectively, are available for the following:

	<u>2011</u>	<u>2010</u>
Income unrestricted – income beneficiary distributions and operations	<u>\$29,554,811</u>	<u>\$23,717,768</u>

Endowment and donor advised net asset composition by type of fund as of December 31, 2011 and 2010:

	<u>2011</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor restricted endowment funds	\$ (621,797)	\$ 79,557	\$ 29,554,811
Funds functioning as endowment funds	3,119	-	-
Donor advised funds	<u>1,224,284</u>	<u>-</u>	<u>-</u>
	<u>\$ 605,606</u>	<u>\$ 79,557</u>	<u>\$ 29,554,811</u>
			<u>\$ 30,239,974</u>

	<u>2010</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor restricted endowment funds	\$ -	\$ 469,372	\$ 23,717,768
Funds functioning as endowment funds	3,097	-	-
Donor advised funds	<u>1,449,818</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,452,915</u>	<u>\$ 469,372</u>	<u>\$ 23,717,768</u>
			<u>\$ 25,640,055</u>

The Foundation classifies the original value of gifts received with donor stipulations that require them to be held in perpetuity as permanently restricted net assets. Cumulative net investment income which includes dividend and interest and realized and unrealized gains/losses on such gifts is classified as temporarily restricted until it is expended in accordance with state law and/or the donor restriction. Cumulative net investment losses are reflected in unrestricted net assets (**See Note 1**). The unrestricted endowment is reflected net of cumulative net investment losses of \$621,797 and \$20,197 for the years ended December 31, 2011 and 2010. The Foundation's board may also designate certain unrestricted gifts to function as endowment funds; such gifts are classified within unrestricted net assets as funds functioning as endowment funds.

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

Changes in endowment and donor advised net assets for the years ended December 31, 2011 and 2010:

	2011			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 1,452,915	\$ 469,372	\$23,717,768	\$ 25,640,055
Dividends and interest	446,923	5,427	-	452,350
Net realized and unrealized gains	(1,059,202)	(421,145)	-	(1,480,347)
Contributions and other	32,512	51,555	5,837,043	5,921,110
Amounts appropriated for expenditures	<u>(267,542)</u>	<u>(25,652)</u>	<u>-</u>	<u>(293,194)</u>
	<u>\$ 605,606</u>	<u>\$ 79,557</u>	<u>\$29,554,811</u>	<u>\$ 30,239,974</u>

	2010			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ 64,521	\$ -	\$ 16,140,739	\$ 16,205,260
Dividends and interest	371,668	416,062	-	787,730
Net realized and unrealized gains	1,090,020	2	-	1,090,022
Contributions and other	-	85,235	7,577,029	7,662,264
Amounts appropriated for expenditures	<u>(73,294)</u>	<u>(31,927)</u>	<u>-</u>	<u>(105,221)</u>
	<u>\$ 1,452,915</u>	<u>\$ 469,372</u>	<u>\$ 23,717,768</u>	<u>\$ 25,640,055</u>

During the years ended December 31, 2011 and 2010, net assets were released from donor restrictions by satisfying the following restricted purposes:

	<u>2011</u>	<u>2010</u>
Income beneficiary distributions	\$ 1,059,815	\$ 374,818
Other	<u>-</u>	<u>-</u>
	<u>\$ 1,059,815</u>	<u>\$ 374,818</u>

(9) 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, 2011 and 2010, 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 10, approximately 24% and 39% (excluding annuity reserve contributions of \$300,000 in 2010, 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, 2011 and 2010, respectively.

AMERICAN BAPTIST FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

(10) 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 Societies, and the American Baptist Multi-Region Corporation. The amount subsidized by the related members was \$434,661 and \$986,770 for 2011 and 2010, respectively. In 2010, \$300,000 of the operating subsidy was to be maintained as part of a reserve to meet annuity fund reserve requirements.

(11) 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 \$47,070 and \$74,476 in 2011 and 2010, respectively.

(12) RESTATEMENT

In 2011, the Foundation made a reclassification among its net assets to more accurately reflect a permanently restricted endowment that was originally classified as a temporarily restricted term endowment. In conjunction with that reclassification, cumulative net investment loss included within temporarily restricted net assets was reclassified to unrestricted.

The cumulative effect of restating the 2010 beginning net asset balances was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, December 31, 2009 as previously reported	\$ 2,286,647	\$ 2,323,855	\$ 13,385,239	\$ 17,995,741
Reclassification of net assets balances	<u>(431,645)</u>	<u>(2,323,855)</u>	<u>2,755,500</u>	<u>-</u>
Net assets, December 31, 2009, as restated	<u>\$ 1,855,002</u>	<u>\$ -</u>	<u>\$ 16,140,739</u>	<u>\$ 17,995,741</u>

The effect of this restatement on the 2010 financial statements was to increase permanently restricted net assets by \$2,755,500, decrease temporarily restricted net assets and unrestricted net assets \$2,323,855 and \$431,645, respectively.

SUPPLEMENTAL INFORMATION

AMERICAN BAPTIST FOUNDATION

SUPPLEMENTAL SCHEDULE OF ADMINISTRATIVE REVENUES AND EXPENSES

For the years ended December 31, 2011 and 2010

	2011			2010
	<u>Marketing</u>	<u>Administration</u>	<u>Total</u>	<u>Total</u>
Revenues, gains and other support:				
Operating subsidy from Baptist related organizations	\$ 434,661	\$ -	\$ 434,661	\$ 686,770
Service income	-	117,624	117,624	104,637
Management fees	-	459,036	459,036	406,836
Income from investments, net of unrealized loss	-	(2,069)	(2,069)	2,491
Grant Awards	-	3,942	3,942	50,000
Miscellaneous income	-	46,094	46,094	5,513
Total revenues, gains and other support	<u>434,661</u>	<u>624,627</u>	<u>1,059,288</u>	<u>1,256,247</u>
Administrative and promotional expenses:				
Salaries and fringe benefits	101,331	303,993	405,324	856,266
Staff support	28,261	34,554	62,815	84,648
Promotional support	43,488	-	43,488	13,350
Office and computer support	26,153	78,457	104,610	117,411
Contracted services within American Baptist Churches	-	24,077	24,077	48,073
Contracted services-external	-	42,589	42,589	47,473
Insurance	-	25,609	25,609	18,123
Board of Directors	-	11,107	11,107	9,863
Miscellaneous expenses	-	2,996	2,996	18,871
Total expenses	199,233	523,382	722,615	1,214,078
Increase (decrease) in unrestricted net assets	<u>235,428</u>	<u>101,245</u>	<u>336,673</u>	<u>42,169</u>
Total administrative and promotional expenses	<u>\$ 434,661</u>	<u>\$ 624,627</u>	<u>\$ 1,059,288</u>	<u>\$ 1,256,247</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.