

# **AMERICAN BAPTIST FOUNDATION**

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

**DECEMBER 31, 2017 AND 2016**

# AMERICAN BAPTIST FOUNDATION

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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

We have audited the accompanying statements of American Baptist Foundation (the "Foundation") which comprise the statement of financial position as of December 31, 2017 and 2016, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplemental schedule of administrative revenues and expenses, on page 16, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Tait, Weller & Baker LLP*

Philadelphia, Pennsylvania  
November 27, 2018

# AMERICAN BAPTIST FOUNDATION

## STATEMENTS OF FINANCIAL POSITION

December 31, 2017 And 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 750,716	\$ 767,289
Prepaid expenses	225,691	—
Interest and other receivables	<u>366,753</u>	<u>244,438</u>
<b>Total current assets</b>	1,343,160	1,011,727
<b>NONCURRENT ASSETS</b>		
Investments	48,521,078	43,667,227
Assets segregated for gift annuity obligations	8,303,414	8,081,639
Assets whose use is limited	94,836,746	82,739,039
Equipment, net of accumulated depreciation of \$16,360 and \$13,502 for 2017 and 2016, respectively	<u>3,440</u>	<u>3,804</u>
<b>Total assets</b>	<u>\$ 153,007,838</u>	<u>\$ 135,503,436</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and other current liabilities	\$ 625,394	\$ 271,653
Actuarial reserve for gift annuity payments	<u>565,702</u>	<u>604,907</u>
<b>Total current liabilities</b>	<u>1,191,096</u>	<u>876,560</u>
<b>NONCURRENT LIABILITIES</b>		
Actuarial reserve for charitable gift annuity payments	4,133,120	4,354,645
Funds of others – includes trust and endowment funds	<u>92,555,055</u>	<u>81,097,836</u>
<b>Total noncurrent liabilities</b>	<u>96,688,175</u>	<u>85,452,481</u>
<b>NET ASSETS</b>		
Unrestricted	5,665,973	4,825,917
Temporarily restricted	7,489,977	2,857,538
Permanently restricted	<u>41,972,617</u>	<u>41,490,940</u>
<b>Total net assets</b>	<u>55,128,567</u>	<u>49,174,395</u>
<b>Total liabilities and net assets</b>	<u>\$ 153,007,838</u>	<u>\$ 135,503,436</u>

# AMERICAN BAPTIST FOUNDATION

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2017 With Summarized Information For 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	
				<u>2017</u>	<u>2016</u>
<b>Revenue, gains, and other support:</b>					
Contributions					
Undesignated	\$ 706,633	\$ —	\$ —	\$ 706,633	\$ 1,493,046
Other	263,258	—	71,012	334,270	732,412
Operating subsidy from Baptist related organizations	322,119	—	—	322,119	326,053
Income from investments	480,198	2,004,200	—	2,484,398	2,332,437
Net realized and unrealized gain on investments carried at fair value	801,008	4,239,375	—	5,040,383	771,327
Interest income	770	—	—	770	1,438
Management fees	880,892	—	—	880,892	763,049
Miscellaneous income	28,480	—	—	28,480	101
Service income	118,375	—	—	118,375	144,100
Change in value of split-interest agreements	<u>(553,010)</u>	<u>—</u>	<u>410,665</u>	<u>(142,345)</u>	<u>(440,904)</u>
<b>Subtotal</b>	<u>3,048,723</u>	<u>6,243,575</u>	<u>481,677</u>	<u>9,773,975</u>	<u>6,123,059</u>
Net assets released from restrictions	<u>1,611,136</u>	<u>(1,611,136)</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total revenue, gains, and     other support</b>	<u>4,659,859</u>	<u>4,632,439</u>	<u>481,677</u>	<u>9,773,975</u>	<u>6,123,059</u>
<b>Expenses</b>					
Administrative	1,444,248	—	—	1,444,248	1,360,241
Promotional fees	23,243	—	—	23,243	44,762
Distributions to members					
Undesignated income	706,633	—	—	706,633	1,493,046
Distributions to partners	<u>1,645,679</u>	<u>—</u>	<u>—</u>	<u>1,645,679</u>	<u>1,753,574</u>
<b>Total Expenses</b>	<u>3,819,803</u>	<u>—</u>	<u>—</u>	<u>3,819,803</u>	<u>4,651,623</u>
<b>Changes in net assets</b>	840,056	4,632,439	481,677	5,954,172	1,471,436
<b>Net assets</b>					
Beginning of year	<u>4,825,917</u>	<u>2,857,538</u>	<u>41,490,940</u>	<u>49,174,395</u>	<u>47,702,959</u>
End of year	<u>\$ 5,665,973</u>	<u>\$ 7,489,977</u>	<u>\$ 41,972,617</u>	<u>\$ 55,128,567</u>	<u>\$ 49,174,395</u>

# AMERICAN BAPTIST FOUNDATION

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

For The Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>
<b>Revenue, gains, and other support:</b>				
Contributions				
Undesignated	\$ 1,493,046	\$ –	\$ –	\$ 1,493,046
Other	582,605	–	149,807	732,412
Operating subsidy from Baptist related organizations	326,053	–	–	326,053
Income from investments	388,384	1,944,053	–	2,332,437
Net realized and unrealized gain on investments carried at fair value	403,950	367,377	–	771,327
Interest income	1,438	–	–	1,438
Management fees	763,049	–	–	763,049
Miscellaneous income	101	–	–	101
Service income	144,100	–	–	144,100
Change in value of split-interest agreements	<u>(556,036)</u>	<u>–</u>	<u>115,132</u>	<u>(440,904)</u>
<b>Subtotal</b>	<b>3,546,690</b>	<b>2,311,430</b>	<b>264,939</b>	<b>6,123,059</b>
Net assets released from restrictions	<u>1,658,101</u>	<u>(1,658,101)</u>	<u>–</u>	<u>–</u>
<b>Total revenue, gains, and     other support</b>	<b><u>5,204,791</u></b>	<b><u>653,329</u></b>	<b><u>264,939</u></b>	<b><u>6,123,059</u></b>
<b>Expenses</b>				
Administrative	1,360,241	–	–	1,360,241
Promotional fees	44,762	–	–	44,762
Distributions to members				
Undesignated income	1,493,046	–	–	1,493,046
Distributions to partners	<u>1,753,574</u>	<u>–</u>	<u>–</u>	<u>1,753,574</u>
<b>Total Expenses</b>	<b><u>4,651,623</u></b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>4,651,623</u></b>
<b>Changes in net assets</b>	<b>553,168</b>	<b>653,329</b>	<b>264,939</b>	<b>1,471,436</b>
<b>Net assets</b>				
Beginning of year	<u>4,272,749</u>	<u>2,204,209</u>	<u>41,226,001</u>	<u>47,702,959</u>
End of year	<u>\$ 4,825,917</u>	<u>\$ 2,857,538</u>	<u>\$ 41,490,940</u>	<u>\$ 49,174,395</u>

# AMERICAN BAPTIST FOUNDATION

## STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 And 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Total change in net assets	\$ 5,954,172	\$ 1,471,436
Adjustments to reconcile total change in net assets to net cash used by operating activities:		
Depreciation	2,858	3,102
Interest and dividends received from gift annuity contracts	(399,433)	(274,699)
Net realized and unrealized gain on long-term investments	(5,040,383)	(771,327)
Change in value of split-interest agreements	142,345	440,904
Contributions restricted for endowment	(71,012)	(149,807)
Contributions restricted for charitable gift annuity	(10,299)	(58,496)
Changes in operating assets and liabilities		
Increase in interest and other receivables	(122,315)	(59,448)
Decrease in assets segregated for gift annuity obligations	69,615	63,399
Increase in prepaid expenses	(225,691)	-
Increase in assets whose use is limited	(12,097,707)	(7,598,955)
Increase (decrease) in accounts payable and other current liabilities	19,404	(243,487)
Increase in funds of others	<u>11,457,219</u>	<u>7,429,681</u>
<b>Total adjustments</b>	<u>(6,275,399)</u>	<u>(1,219,133)</u>
<b>Net cash (used for) provided by operating activities</b>	<u>(321,227)</u>	<u>252,303</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(2,494)	(2,310)
Proceeds from (purchases of) investments, net	<u>520,869</u>	<u>(198,884)</u>
<b>Net cash provided by (used for) investing activities</b>	<u>518,375</u>	<u>(201,194)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for:		
Endowments	71,012	149,807
Charitable gift annuity contracts	26,300	144,520
Other financing activities:		
Distribution payments for gift annuity contracts	(710,466)	(696,039)
Interest and dividends received from gift annuity contracts	<u>399,433</u>	<u>274,699</u>
<b>Net cash used for financing activities</b>	<u>(213,721)</u>	<u>(127,013)</u>
<b>Decrease in cash and cash equivalents</b>	(16,573)	(75,904)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>767,289</u>	<u>843,193</u>
End of year	<u>\$ 750,716</u>	<u>\$ 767,289</u>

# AMERICAN BAPTIST FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 And 2016

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### (1) BACKGROUND

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

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

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

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

Management has reviewed the tax positions for each of the open tax years (2014 – 2016) or expected to be taken in the Foundation’s 2017 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***BASIS OF ACCOUNTING***

The accompanying financial statements of the Foundation have been prepared using the accrual basis of accounting.

#### ***NET ASSETS***

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

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

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

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

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



# AMERICAN BAPTIST FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

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### ***CASH AND CASH EQUIVALENTS***

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

### ***USE OF ESTIMATES***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities as of December 31, 2017 and 2016, and the reported amounts of revenues and expenses for the years then ended. Actual results may differ from those estimates.

### ***INVESTMENTS***

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

### ***ASSETS WHOSE USE IS LIMITED***

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

### ***EQUIPMENT AND DEPRECIATION***

Equipment is recorded at cost or, if donated, at fair value at the date of receipt. Depreciation of equipment is computed on a straight-line basis and is charged to expense over the estimated useful lives of the assets. Gains and losses on the disposition of assets are recognized as revenues and expenses in the Statement of Activities. Repair and maintenance costs are expensed when incurred, while betterments that extend the life of the assets are capitalized.

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

### ***CHARITABLE GIFT ANNUITIES***

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

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

# AMERICAN BAPTIST FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

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### **FUNDS OF OTHERS**

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

### **CONTRIBUTIONS**

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

### **RECLASSIFICATIONS**

Certain reclassifications to the 2016 financial statements were made to conform to the 2017 presentation.

## **(3) INVESTMENTS**

Investments consist of the following:

	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 1,342,583	\$ 1,244,198
Mutual Funds		
Bond	2,575,303	2,616,694
Stock	119,680	492,586
International	2,263	32,181
Bonds	12,061,284	12,079,869
Equities	32,303,469	27,086,282
Notes Receivable	<u>116,496</u>	<u>115,417</u>
Total	<u>\$ 48,521,078</u>	<u>\$ 43,667,227</u>

Investments consist principally of the Foundation's Permanently Restricted Net Assets ("Endowment Funds") and Donor-Advised Unrestricted Net Assets and are invested in the Foundation's Blended Portfolio, one of the Foundation's three different portfolios (Blended, Fixed Income and Stock portfolios). The target allocation of the Blended Portfolio is an allocation of 60% stock and 40% bonds. The target allocation may vary by plus or minus 15% in each category. Investments noted above include the applicable ownership percentage of the Blended portfolio.

Assets segregated for actuarial reserves (charitable gift annuities):

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 318,703	\$ 370,053
U.S. Government and fixed income securities	174,558	189,834
Mutual Funds		
Stock	113,839	94,559
Balanced	7,599,625	7,331,736
Other	<u>96,689</u>	<u>95,457</u>
Total	<u>\$ 8,303,414</u>	<u>\$ 8,081,639</u>

# AMERICAN BAPTIST FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

### December 31, 2017 And 2016

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As of December 31, 2017, and 2016, assets segregated for charitable gift annuities includes \$1,875,730 and \$1,703,375, respectively, of the Foundation's remainder interest in charitable gift annuities.

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

The 2017 reserve was calculated as follows:

Actuarial present value liability – General	\$ 4,698,822
26.5% additional reserves	<u>1,245,188</u>
Total Required Reserve	<u>\$ 5,944,010</u>

Assets whose use is limited consist of the following:

	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 2,367,724	\$ 2,447,684
Notes Receivable	400,979	398,527
Equity Securities	39,698,095	31,884,915
Mutual Funds		
Bond	5,606,705	4,488,015
Stock	17,851,540	16,580,593
Balanced	722,448	625,038
International	2,620,083	1,066,830
U.S. Government, Corporate and Municipal Bonds	25,334,172	24,929,057
Real Estate Investment Trust	–	83,380
Real Estate	<u>235,000</u>	<u>235,000</u>
Total	<u>\$ 94,836,746</u>	<u>\$ 82,739,039</u>

Assets whose use is limited are designated as follows:

	<u>2017</u>	<u>2016</u>
Custodian Funds	\$ 68,053,492	\$ 58,235,016
Assets held under trust agreements	<u>26,783,254</u>	<u>24,504,023</u>
Total	<u>\$ 94,836,746</u>	<u>\$ 82,739,039</u>

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

As of December 31, 2017, and 2016, assets whose use is limited includes \$1,746,250 and \$1,507,939, respectively of the Foundation's remainder interest in charitable remainder unitrusts.

Notes receivable with rates ranging from .80% to 2.20% consist of investment notes issued by American Baptist Extension Corporation, an affiliate, totaling \$517,475 and \$513,944 as of December 31, 2017 and 2016, respectively.

At December 31, 2017 and 2016, investments in the Blended, Fixed Income, and Stock portfolios were \$101,948,867 and \$87,993,524; \$6,786,386 and \$6,802,236; and \$1,455,442 and \$1,184,041, respectively.

# AMERICAN BAPTIST FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

### (4) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Foundation utilizes various methods to measure the fair value of most of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets at the measurement date for identical assets and/or liabilities. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes contracts traded on active exchange markets valued using unadjusted prices quoted directly from the exchange.

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

Level 3 – Assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost benefit constraints.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For example, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities are reflected as Level 2.

	2017	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
<b><u>Investments</u></b>					
Cash and Cash Equivalents		\$ 1,342,583	\$ 1,342,583	\$ –	\$ –
Mutual Funds					
Bond		2,575,303	2,575,303	–	–
Stock		119,680	119,680	–	–
International		2,263	2,263	–	–
U.S. Government and Fixed Income		12,061,284	1,513,695	10,547,589	–
Equities		32,303,469	32,303,469	–	–
Notes Receivable		116,496	–	–	116,496
		<u>\$ 48,521,078</u>	<u>\$ 37,856,993</u>	<u>\$ 10,547,589</u>	<u>\$ 116,496</u>
<b><u>Assets Segregated For Gift Annuity Obligations</u></b>					
Cash and Cash Equivalents		\$ 318,703	\$ 318,703	\$ –	\$ –
U.S. Government and Fixed Income Securities		174,558	–	174,558	–
Mutual Funds					
Stock		113,839	113,839	–	–
Balanced		7,599,625	7,599,625	–	–
Other		96,689	–	96,689	–
		<u>\$ 8,303,414</u>	<u>\$ 8,032,167</u>	<u>\$ 271,247</u>	<u>\$ –</u>

# AMERICAN BAPTIST FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2016 And 2015

<u>2017</u>	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
<b><u>Assets Whose Use Is Limited</u></b>				
Cash and Cash Equivalents	\$ 2,367,724	\$ 2,367,724	\$ –	\$ –
Notes Receivable	400,979		–	400,979
Equity Securities	39,698,095	39,698,095	–	–
Mutual Funds				
Bond	5,606,705	5,606,705	–	–
Stock	17,851,540	17,851,540	–	–
Balanced	722,448	722,448	–	–
International	2,620,083	2,620,083	–	–
U.S. Government and Fixed Income	25,334,172	3,744,110	21,590,062	–
Real Estate	<u>235,000</u>	<u>–</u>	<u>–</u>	<u>235,000</u>
	<u>\$ 94,836,746</u>	<u>\$ 72,610,705</u>	<u>\$ 21,590,062</u>	<u>\$ 635,979</u>
<u>2016</u>	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
<b><u>Investments</u></b>				
Cash and Cash Equivalents	\$ 1,244,198	\$ 1,244,198	\$ –	\$ –
Mutual Funds				
Bond	2,616,694	2,616,694	–	–
Stock	492,586	492,586	–	–
International	32,181	32,181	–	–
U.S. Government and Fixed Income	12,079,869	1,636,164	10,443,705	–
Equities	27,086,282	27,086,282	–	–
Notes Receivable	<u>115,417</u>	<u>–</u>	<u>–</u>	<u>115,417</u>
	<u>\$ 43,667,227</u>	<u>\$ 33,108,105</u>	<u>\$ 10,443,705</u>	<u>\$ 115,417</u>
<b><u>Assets Segregated For Gift Annuity Obligations</u></b>				
Cash and Cash Equivalents	\$ 370,053	\$ 370,053	\$ –	\$ –
U.S. Government and Fixed Income Securities	189,834	–	189,834	–
Mutual Funds				
Stock	94,559	94,559	–	–
Balanced	7,331,736	7,331,736	–	–
Other	<u>95,457</u>	<u>–</u>	<u>95,457</u>	<u>–</u>
	<u>\$ 8,081,639</u>	<u>\$ 7,796,348</u>	<u>\$ 285,291</u>	<u>\$ –</u>

# AMERICAN BAPTIST FOUNDATION

## NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2017 And 2016

2016	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
<b>Assets Whose Use Is Limited</b>				
Cash and Cash Equivalents	\$ 2,447,684	\$ 2,447,684	\$ –	\$ –
Notes Receivable	398,527	–	–	398,527
Equity Securities	31,884,915	31,884,915	–	–
Mutual Funds				
Bond	4,488,015	4,488,015	–	–
Stock	16,580,593	16,580,593	–	–
Balanced	625,038	625,038	–	–
International	1,066,830	1,066,830	–	–
U.S. Government and Fixed Income	24,929,057	3,560,954	21,368,103	–
Real Estate Investment Trust	83,380	83,380	–	–
Real Estate	<u>235,000</u>	<u>–</u>	<u>–</u>	<u>235,000</u>
	<u>\$ 82,739,039</u>	<u>\$ 60,737,409</u>	<u>\$ 21,368,103</u>	<u>\$ 633,527</u>

There were no transfers between Level 1 and Level 2 during the years ended December 31, 2017 or 2016.

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

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 748,944	\$ 744,706
Contributions – real estate	–	–
Sales	–	–
Realized and unrealized gains (losses), net	<u>3,531</u>	<u>4,238</u>
Balance, end of year	<u>\$ 752,475</u>	<u>\$ 748,944</u>

### (5) FUNDS OF OTHERS

	<u>Balance December 31, 2016</u>	<u>New Agreements</u>	<u>Investment Income</u>	<u>Net Realized &amp; Unrealized Gains/(Losses)</u>	<u>Redemption/ Distributions And Other Payments</u>	<u>Balance December 31, 2017</u>
Irrevocable Trusts*	\$ 21,048,039	\$ 553,964	\$ 1,490,879	\$ 1,621,906	\$(2,009,648)	\$ 22,705,140
Revocable Trusts	1,566,607	6,000	49,966	77,100	(70,505)	1,629,168
Custodial Funds						
Board of National Ministries	269,920	-	21,925	52,620	(8,708)	335,757
Ottawa University	210,938	-	-	45,599	(38,376)	218,161
Endowment	<u>58,002,332</u>	<u>3,776,328</u>	<u>3,284,144</u>	<u>5,840,376</u>	<u>(3,236,351)</u>	<u>67,666,829</u>
	<u>\$ 81,097,836</u>	<u>\$ 4,336,292</u>	<u>\$ 4,846,914</u>	<u>\$ 7,637,601</u>	<u>\$ (5,363,588)</u>	<u>\$ 92,555,055</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, 2017 And 2016

### (6) NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Term endowment	\$ 271,964	\$ 251,892
Cumulative endowment earnings	<u>7,218,013</u>	<u>2,605,646</u>
Total temporarily restricted net assets	<u>\$ 7,489,977</u>	<u>\$ 2,857,538</u>

During the years ended December 31, 2017 and 2016, net assets were released from donor restrictions by satisfying the following restricted purposes:

	<u>2017</u>	<u>2016</u>
Income beneficiary distributions	<u>\$ 1,611,136</u>	<u>\$ 1,658,101</u>

Permanently restricted net assets are available for the following:

	<u>2017</u>	<u>2016</u>
Income unrestricted – income beneficiary distributions and operations (includes \$1,746,250 in 2017 and \$1,507,939 in 2016 of the estimated residual interest in trusts and \$1,875,729 in 2017 and \$1,703,375 in 2016 of the estimated residual interest in charitable gift annuities)	<u>\$41,972,617</u>	<u>\$41,490,940</u>

Endowment and donor advised net asset composition by type of fund as of December 31, 2017 and 2016:

	<u>2017</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor restricted endowment/other funds	\$ –	\$7,489,977	\$41,972,617	\$ 49,462,594
Funds functioning as endowment funds	4,012	–	–	4,012
Donor advised funds	<u>1,482,700</u>	<u>–</u>	<u>–</u>	<u>1,482,700</u>
	<u>\$ 1,486,712</u>	<u>\$7,489,977</u>	<u>\$41,972,617</u>	<u>\$ 50,949,306</u>

  

	<u>2016</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor restricted endowment/other funds	\$ –	\$2,857,538	\$41,490,940	\$ 44,348,478
Funds functioning as endowment funds	4,012	–	–	4,012
Donor advised funds	<u>1,291,605</u>	<u>–</u>	<u>–</u>	<u>1,291,605</u>
	<u>\$ 1,295,617</u>	<u>\$2,857,538</u>	<u>\$41,490,940</u>	<u>\$ 45,644,095</u>

The Foundation classifies the original value of gifts received with donor stipulations that require them to be held in perpetuity as permanently restricted net assets. Cumulative net investment income which includes dividend and interest and realized and unrealized gains/losses on such gifts is classified as temporarily restricted until it is expended in accordance with state law and/or the donor restriction. There were no cumulative net investments losses as of December 31, 2017 and 2016. 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, 2017 And 2016

Changes in endowment and donor advised net assets for the years ended December 31, 2017 and 2016:

	2017			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Net assets, beginning of year	\$1,295,617	\$ 2,857,538	\$41,490,940	\$45,644,095
Investment income	211,738	6,243,575	–	6,455,313
Contributions and other	13,900	–	71,012	84,912
Change in split interest agreements	–	–	410,665	410,665
Amounts appropriated for expenditures	<u>(34,543)</u>	<u>(1,611,136)</u>	<u>–</u>	<u>(1,645,679)</u>
	<u>\$1,486,712</u>	<u>\$ 7,489,977</u>	<u>\$41,972,617</u>	<u>\$50,949,306</u>

  

	2016			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Net assets, beginning of year	\$1,286,195	\$ 2,204,209	\$41,226,001	\$44,716,405
Investment income	74,691	2,311,430	–	2,386,121
Contributions and other	30,204	–	149,807	180,011
Change in split interest agreements	–	–	115,132	115,132
Amounts appropriated for expenditures	<u>(95,473)</u>	<u>(1,658,101)</u>	<u>–</u>	<u>(1,753,574)</u>
	<u>\$1,295,617</u>	<u>\$ 2,857,538</u>	<u>\$41,490,940</u>	<u>\$45,644,095</u>

### (7) CREDIT RISK AND OTHER CONCENTRATIONS

The Foundation is required by Accounting Standards Codification (“ASC”) 825, “Financial Instruments” to disclose significant concentrations of credit risk regardless of the degree of such risk. As of December 31, 2017, and 2016, the Foundation maintained bank deposits that exceeded the limit of insurability under the Federal Deposit Insurance Corporation. This risk is managed by the Foundation in continuing to monitor the financial institutions in which it maintains relationships.

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

### (8) OPERATING SUBSIDY

Under an operating agreement, related members of the Foundation contribute to the operations, based upon predetermined amounts. The related members include the American Baptist Foreign Mission Society, the American Baptist Home Mission Societies, and the American Baptist Multi-Region Corporation. The amount subsidized by the related members was \$322,119 and \$326,053 for 2017 and 2016, respectively.

### (9) PENSION

Substantially all of the Foundation’s employees are covered by the American Baptist Churches’ Retirement Plan. The Foundation’s pension expense related to contributions to this defined contribution plan was \$107,030 and \$101,812 in 2017 and 2016, respectively.



# AMERICAN BAPTIST FOUNDATION

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

**December 31, 2017 And 2016**

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

Management has evaluated subsequent events through November 27, 2018, the date which the financial statements were available to be issued. There were no material subsequent events required to be disclosed.

## **SUPPLEMENTAL INFORMATION**

# AMERICAN BAPTIST FOUNDATION

## SUPPLEMENTAL SCHEDULE OF ADMINISTRATIVE REVENUES AND EXPENSES

December 31, 2017 And 2016

	2017			2016
	Marketing	Administration	Total	Total
<b>Revenues, gains and other support:</b>				
Operating subsidy from Baptist related organizations	\$ 322,119	\$ -	\$ 322,119	\$ 326,053
Contributions	203,358	-	203,358	441,375
Service income	-	118,375	118,375	144,100
Management fees	-	880,892	880,892	763,049
Income from investments, net of unrealized loss	-	234,390	234,390	50,935
Grant Awards	-	30,000	30,000	25,000
Miscellaneous income	-	28,480	28,480	101
<b>Total revenues, gains and other support</b>	<u>525,477</u>	<u>1,292,137</u>	<u>1,817,614</u>	<u>1,750,613</u>
<b>Administrative and promotional expenses:</b>				
Salaries and fringe benefits	183,949	735,798	919,747	874,937
Staff support	69,080	134,095	203,175	106,034
Promotional support	39,942	-	39,942	60,341
Office and computer support	-	179,876	179,876	197,062
Contracted services within American Baptist Churches	-	32,470	32,470	33,183
Contracted services-external	-	49,413	49,413	39,325
Insurance	-	19,719	19,719	19,686
Board of Directors	-	22,389	22,389	24,026
Miscellaneous expenses	-	760	760	50,408
<b>Total expenses</b>	<u>292,971</u>	<u>1,174,520</u>	<u>1,467,491</u>	<u>1,405,002</u>
Increase in unrestricted net assets	<u>232,506</u>	<u>117,617</u>	<u>350,123</u>	<u>345,611</u>
<b>Total</b>	<u>\$ 525,477</u>	<u>\$ 1,292,137</u>	<u>\$ 1,817,614</u>	<u>\$ 1,750,613</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.