

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2022 AND 2021

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**To the Board of General Ministries
American Baptist Churches in the USA
Valley Forge, Pennsylvania**

Opinion

We have audited the accompanying financial statements of American Baptist Churches in the U.S.A. (ABCUSA), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABCUSA as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ABCUSA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ABCUSA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

**To the Board of General Ministries
American Baptist Churches in the USA
Valley Forge, Pennsylvania**

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ABCUSA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ABCUSA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
June 2, 2023**

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 And 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,987,581	\$ 3,310,970
Accounts receivable from Baptist-related organizations, net of allowance for doubtful accounts	1,528,187	1,775,917
Prepaid expenses and other current assets	212,672	141,080
Note receivable, current portion	<u>-</u>	<u>1,414</u>
Total Current Assets	4,728,440	5,229,381
NONCURRENT ASSETS		
Investments, at fair value	27,469,914	35,760,396
Land, buildings and equipment, net	3,166,114	3,255,204
Lease acquisition costs, net	<u>9,509</u>	<u>26,417</u>
Total Assets	<u>\$35,373,977</u>	<u>\$44,271,398</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 132,915	\$ 165,872
Funds of others – Mission Support	1,248,352	1,326,447
Funds held for others	1,214,748	1,372,214
Refundable advance	-	744,802
Deferred lease revenue, current portion	<u>96,476</u>	<u>96,476</u>
Total Current Liabilities	2,692,491	3,705,811
NONCURRENT LIABILITIES		
Deferred lease revenue, non-current portion	<u>1,012,843</u>	<u>1,109,319</u>
Total Liabilities	<u>3,705,334</u>	<u>4,815,130</u>
NET ASSETS		
Without donor restrictions		
Board designated	21,968,299	28,567,363
Board undesignated	<u>4,414,234</u>	<u>4,302,583</u>
Total without donor restrictions	26,382,533	32,869,946
With donor restrictions	<u>5,286,110</u>	<u>6,586,322</u>
Total Net Assets	<u>31,668,643</u>	<u>39,456,268</u>
Total Liabilities and Net Assets	<u>\$35,373,977</u>	<u>\$44,271,398</u>

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended December 31, 2022

(With Comparative Totals For The Year Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Operating revenues, gains and other support:				
American Baptist mission support				
Amounts received on behalf of others	\$26,729,239			
Amounts remitted to others	<u>\$24,920,710</u>			
Amounts retained by ABCUSA	\$ 1,808,529	\$ -	\$ 1,808,529	\$ 1,941,456
Donations and other revenue	1,181,953	6,315	1,188,268	1,359,423
Endowment return designated for current operations	1,148,758	225,657	1,374,415	1,167,146
Other investment income designated for current operations	144,896	-	144,896	47,752
Other investment income	3,790	-	3,790	134
Net assets released from restrictions - operating:				
Satisfaction of program restrictions	<u>245,657</u>	<u>(245,657)</u>	<u>-</u>	<u>-</u>
Total operating revenues, gains and other support	<u>4,533,583</u>	<u>(13,685)</u>	<u>4,519,898</u>	<u>4,515,911</u>
Expenses				
Mission Center building operations	44,362	-	44,362	48,093
Treasurer's office	765,216	-	765,216	716,298
Mission resource development	465,587	-	465,587	489,329
Biennial	-	-	-	302,984
General Secretary and Associate General Secretary	421,800	-	421,800	431,294
Information technology	178,384	-	178,384	238,114
Building management	168,327	-	168,327	167,993
Development Office	3,236	-	3,236	6,109
Representative process	240,220	-	240,220	210,106
Regional operations	104,565	-	104,565	35,188
Distribution to others	127,168	-	127,168	160,329
General and administrative	202,327	-	202,327	266,212
Human resource development	78,678	-	78,678	48,472
Office of travel and conference planning	197,586	-	197,586	176,609
Transition Ministries	667,485	-	667,485	528,992
Denominational emphasis	40,897	-	40,897	965
ABC information	723,534	-	723,534	492,580
Orientation to American Baptist Life	3,000	-	3,000	8,547
Women in Ministry	247,349	-	247,349	147,789
Cooperative Christianity	<u>81,918</u>	<u>-</u>	<u>81,918</u>	<u>73,690</u>
Total expenses	<u>4,761,639</u>	<u>-</u>	<u>4,761,639</u>	<u>4,549,693</u>
Deficiency of revenue and support over expenses	<u>(228,056)</u>	<u>(13,685)</u>	<u>(241,741)</u>	<u>(33,782)</u>
Other changes				
PPP SBA Grant revenue	744,802	-	744,802	619,959
Investment return in (deficit) excess of amounts designated for current operations	(6,599,065)	(1,199,841)	(7,798,906)	2,019,248
Other investment (loss) income	(501,570)	(86,686)	(588,256)	21,847
Lease revenue	<u>96,476</u>	<u>-</u>	<u>96,476</u>	<u>96,476</u>
Total other changes	<u>(6,259,357)</u>	<u>(1,286,527)</u>	<u>(7,545,884)</u>	<u>2,757,530</u>
Changes in net assets	<u>(6,487,413)</u>	<u>(1,300,212)</u>	<u>(7,787,625)</u>	<u>2,723,748</u>
Net Assets				
Beginning of year	<u>32,869,946</u>	<u>6,586,322</u>	<u>39,456,268</u>	<u>36,732,520</u>
End of year	<u>\$26,382,533</u>	<u>\$5,286,110</u>	<u>\$31,668,643</u>	<u>\$39,456,268</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Operating revenues, gains and other support:			
American Baptist mission support			
Amounts received on behalf of others	\$26,300,457		
Amounts remitted to others	<u>\$24,359,001</u>		
Amounts retained by ABCUSA	\$ 1,941,456	\$ -	\$ 1,941,456
Donations and other revenue	1,356,095	3,328	1,359,423
Endowment return designated for current operations	910,280	256,866	1,167,146
Other investment income designated for current operations	47,752	-	47,752
Other investment income	134	-	134
Net assets released from restrictions - operating:			
Satisfaction of program restrictions	<u>256,866</u>	<u>(256,866)</u>	<u>-</u>
Total operating revenues, gains and other support	<u>4,512,583</u>	<u>3,328</u>	<u>4,515,911</u>
Expenses			
Mission Center building operations	48,093	-	48,093
Treasurer's office	716,298	-	716,298
Mission resource development	489,329	-	489,329
Biennial	302,984	-	302,984
General Secretary and Associate General Secretary	431,294	-	431,294
Information technology	238,114	-	238,114
Building management	167,993	-	167,993
Development Office	6,109	-	6,109
Representative process	210,106	-	210,106
Regional operations	35,188	-	35,188
Distribution to others	160,329	-	160,329
General and administrative	266,212	-	266,212
Human resource development	48,472	-	48,472
Office of travel and conference planning	176,609	-	176,609
Transition Ministries	528,992	-	528,992
Denominational emphasis	965	-	965
ABC information	492,580	-	492,580
Orientation to American Baptist Life	8,547	-	8,547
Women in Ministry	147,789	-	147,789
Cooperative Christianity	<u>73,690</u>	<u>-</u>	<u>73,690</u>
Total expenses	<u>4,549,693</u>	<u>-</u>	<u>4,549,693</u>
Excess (deficiency) of revenue and support over expenses	<u>(37,110)</u>	<u>3,328</u>	<u>(33,782)</u>
Other changes			
PPP SBA Grant revenue	619,959	-	619,959
Investment return in excess of amounts designated for current operations	1,755,611	263,637	2,019,248
Other investment (loss) income	(12,884)	34,731	21,847
Lease revenue	<u>96,476</u>	<u>-</u>	<u>96,476</u>
Total other changes	<u>2,459,162</u>	<u>298,368</u>	<u>2,757,530</u>
Changes in net assets	<u>2,422,052</u>	<u>301,696</u>	<u>2,723,748</u>
Net Assets			
Beginning of year	<u>30,447,894</u>	<u>6,284,626</u>	<u>36,732,520</u>
End of year	<u>\$32,869,946</u>	<u>\$6,586,322</u>	<u>\$39,456,268</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

STATEMENT OF CASH FLOWS

For The Years Ended December 31, 2022 And 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	\$(7,787,625)	\$ 2,723,748
Adjustments to reconcile total change in net assets to net cash (used) in/provided by operating activities:		
Depreciation	113,494	129,916
Amortization of lease acquisition costs	16,908	16,908
Net realized and unrealized loss (gain) on investments	8,351,600	(1,864,912)
Amortization of lease income	(96,476)	(96,476)
Forgiveness of PPP SBA Loan	(744,802)	(619,959)
Cash received from refundable advance	-	744,802
Decrease (increase) in operating assets:		
Accounts receivable from Baptist related organizations	247,730	(182,047)
Prepaid expenses and other assets	(71,592)	10,148
Increase (decrease) in operating liabilities:		
Accounts payable/accrued expenses	(32,957)	50,286
Funds of others and funds held for others-mission support	<u>(235,561)</u>	<u>679,954</u>
Net cash (used for) provided by operating activities	<u>(239,281)</u>	<u>1,592,368</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(24,404)	(6,537)
Purchase of investments, net of sales	(61,118)	(4,108,754)
Collections of notes receivable	<u>1,414</u>	<u>3,723,530</u>
Net cash used for investing activities	<u>(84,108)</u>	<u>(391,761)</u>
Net (decrease) increase in cash and cash equivalents	(323,389)	1,200,607
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>3,310,970</u>	<u>2,110,363</u>
End of year	<u>\$ 2,987,581</u>	<u>\$ 3,310,970</u>

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 And 2021

(1) BACKGROUND

The American Baptist Churches in the U.S.A. ("**ABCUSA**"), as a manifestation of the church universal, bears witness to God's intention to bring redemption and wholeness to all creation. American Baptist believe that God's intention can be sought and followed in local congregations and other gatherings of Christians and in associational, regional, national and world bodies as they receive from one another mutual counsel and correction. Since Jesus Christ is the head of the church, each body of Christians, seeking to order its life in accordance with the Scriptures under the guidance of the Holy Spirit, has a proper responsibility under God for maintaining its life of worship, witness, and ministry.

The Internal Revenue Service ("**IRS**") has determined ABCUSA to be an "association of churches" and, therefore, exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The IRS has further determined that contributions made to the ABCUSA are deductible by the donors to the extent allowed by law. Management 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 ABCUSA have been prepared using the accrual basis of accounting.

NET ASSETS

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

Net Assets without donor restrictions – include the revenues and expenses associated with the principal mission of ABCUSA and are segregated as follows:

Board Undesignated: These may be used by management for any purpose without restriction.

Board Designated: Includes reserves such as the Functioning as Endowment, Proceeds from the Sale of the Mission Center, ABCUSA Operating Reserve and other designated balances. Although intended for specific use, these are not binding on ABCUSA.

Net Assets with donor restrictions – include gifts for which restrictions have not been met. Net assets with donor restrictions are limited by donors for a specific purpose or specified period. Also includes gifts and contributions which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

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.

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2022 And 2021

ACCOUNTS RECEIVABLE FROM BAPTIST RELATED ORGANIZATIONS

Accounts receivable consist of amounts due from Baptist related organizations and local churches for mission fund support and reimbursable costs, net of allowance for doubtful accounts. Allowance for doubtful accounts is determined by review of the aged accounts receivable listing for balances that are specifically identifiable as a credit risk or uncollectible.

INVESTMENTS

Investments are stated at fair value. Donated securities are recorded at fair value on the date of receipt. Investments primarily consist of funds invested in investment pools that are managed by the American Baptist Foundation (***“ABF”***) (an affiliate), and American Baptist Home Missions Societies (***“ABHMS”***) (an affiliate).

Investment income is recorded on the accrual basis of accounting and investment transactions are recorded on trade date. Investment income including realized and unrealized gains and losses on investments are recognized as income in the Statement of Activity.

PROPERTY, LAND, EQUIPMENT AND DEPRECIATION

Property, land, and equipment are recorded at cost. Depreciation is provided 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 in the Statement of Activity in the period of disposition. Repair and maintenance costs are expensed when incurred, while improvements that extend the life of the assets are capitalized.

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

FUNDS OF OTHERS-MISSION SUPPORT

Mission Support consists of funds administered by ABCUSA but intended for affiliated organizations in accordance with the approved budget covenant. These payments are recorded as a liability, funds of others-Mission Support, when received.

FUNDS HELD FOR OTHERS

ABCUSA collects and distributes other (non-Mission Support) funds for the benefit of others. ABCUSA holds these funds in a fiduciary capacity and its sole responsibility regarding these funds is in the capacity of acting as an agent. These funds represent contributions for other institutions and are recorded as a liability, funds held for others, when received.

DEFERRED LEASE REVENUE

Deferred lease revenue represents rental income received for a land lease and is amortized using the straight-line method over the term of the leases.

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2022 And 2021

CONTRIBUTIONS

ABCUSA 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, net assets with donor-imposed restrictions are reclassified to net assets without donor-imposed restrictions and reported in the statement of activities as net assets released from restrictions. If the donor stipulations are met in the same reporting period, the contributions are reported as support without donor-imposed restrictions. ABCUSA recognizes contributions when cash, securities or other assets; or an unconditional promise to give; is received. Conditional promises to give – that is, with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

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, 2022 and 2021, and the reported amounts of revenues and expenses for the years then ended. Actual results may differ from those estimates.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in footnote 11. Accordingly, certain costs have been allocated among programs and supporting services.

RECLASSIFICATIONS

Certain reclassifications were made to the 2021 financial statements to conform to the 2022 presentation.

(3) INVESTMENTS

ABCUSA carries its investments at fair value. ABCUSA 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.

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2022 And 2021

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.

The fair values of the investment securities and the associated fair value measurements as of December 31, 2022 and 2021 are as follows:

<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment Type				
Mutual Funds – Fixed Income	<u>\$269,935</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 269,935
Investments reported at net asset value:				
Blended and Fixed Income Portfolios of the American Baptist Foundation				10,463,540
Common Investment Fund of the American Baptist Home Mission Society				<u>16,736,439</u>
Total Investments				<u>\$27,469,914</u>

<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment Type				
Mutual Funds – Fixed Income	<u>\$266,295</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 266,295
Investments reported at net asset value:				
Blended and Fixed Income Portfolios of the American Baptist Foundation				13,212,205
Common Investment Fund of the American Baptist Home Mission Society				<u>22,281,896</u>
Total Investments				<u>\$35,760,396</u>

The Blended and Fixed Income Portfolios of the ABF and the Common Investment Fund of the ABHMS represent investment pools managed by ABF and ABHMS, respectively. Each investment has a calculated net asset value and distributions may be taken at any time.

The Blended Portfolio of the ABF has a target allocation of 60% stock and 40% bonds, however, the target allocation may vary by plus or minus in each category.

The Common Investment Fund of the ABHMS has a long-term optimal allocation target of 66% stocks, 23% bonds and 11% alternatives, however, the allocation may vary by plus or minus in each category.

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2022 And 2021

The following schedule summarizes the investment return on other investments and its classification in the statement of activities for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Endowment investment income		
(Losses) gains on investments	\$(7,773,892)	\$ 1,992,517
Investment income, net	<u>1,349,401</u>	<u>1,193,877</u>
Total endowment investment (loss) income	<u>\$(6,424,491)</u>	<u>\$ 3,186,394</u>
Other investment income – operating		
Investment income, net	<u>\$ 3,790</u>	<u>\$ 134</u>
Total other investment income – operating	<u>\$ 3,790</u>	<u>\$ 134</u>
Other investment income – non-operating		
Losses on investments	\$ (578,115)	\$ (127,605)
Investment income, net	<u>134,755</u>	<u>197,204</u>
Total other investment (loss) income – non-operating	<u>\$ (443,360)</u>	<u>\$ 69,599</u>

(4) LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment as of December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 604,916	\$ 604,916
Buildings	2,835,740	2,835,740
Computer software and equipment	554,215	529,811
Leasehold improvements	37,962	37,962
Office equipment	<u>480,532</u>	<u>480,532</u>
Subtotal	4,513,365	4,488,961
Accumulated depreciation	<u>(1,347,251)</u>	<u>(1,233,757)</u>
Total property, land and equipment, net	<u>\$ 3,166,114</u>	<u>\$ 3,255,204</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$113,494 and \$129,916, respectively.

(5) PAYCHECK PROTECTION PROGRAM

On April 20, 2020, ABCUSA received a \$744,802 loan under the Small Business Administration's ("SBA") Payment Protection Program (the "PPP Loan"). ABCUSA paid out \$124,843 to related parties to assist with their payroll expenses. ABCUSA had recorded \$619,959 as a Refundable advance on the Statement of Financial Position at December 31, 2020. ABCUSA considered this to be a conditional contribution as it expected to meet the criteria for loan forgiveness upon incurring eligible expenditures and when its application for forgiveness is accepted by the SBA. ABCUSA considered the incurrence of eligible expenses and the acceptance of its application for forgiveness to be barriers in the PPP Loan agreement and as such, recognized contribution income when these conditions are substantially met. If such conditions are not met, ABCUSA was required to repay the PPP Loan in two years from the date of the agreement at a 1% annual interest rate. The loan was forgiven on June 16, 2021, and the amount of \$619,959 has been included in the Statement of Activities and Changes in Net Assets as PPP SBA grant revenue in the year ending December 31, 2021. In addition, the \$124,843 paid out to related parties was also forgiven.

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2022 And 2021

On February 19, 2021, ABCUSA received a \$744,802 loan under the Small Business Administration's ("SBA") second round of the federal Payment Protection Program (the "PPP Loan II"). ABCUSA has recorded \$744,802 as a Refundable advance on the Statement of Financial Position at December 31, 2021. ABCUSA considers this to be a conditional contribution as it expects to meet the criteria for loan forgiveness upon incurring eligible expenditures and when its application for forgiveness is accepted by the SBA. ABCUSA considers the incurrence of eligible expenses and the acceptance of its application for forgiveness to be barriers in the PPP Loan II agreement and as such, will recognize contribution income when these conditions are substantially met. If such conditions are not met, ABCUSA was required to repay the PPP Loan II in five years from the date of the agreement at a 1% annual interest rate. The loan was forgiven on February 22, 2022 and the amount of \$744,802 has been included in the Statement of Activities and Changes in Net Assets as PPP SBA grant revenue in the year ending December 31, 2022.

(6) NOTES RECEIVABLE

ABCUSA and other affiliates entered into a loan agreement with American Baptist Historical Society ("**ABHS**"), an affiliate, to assist in the relocation of ABHS to another geographical location. The loan agreement with ABCUSA, ABFMS, ABHMS, and MMBB (collectively, the "lessors") totaled \$464,970. ABCUSA contributed 15% of the principal totaling \$69,750.

Commencing October 1, 2009 and thereafter interest accrued at 5%, the note was paid-off in 2022. As of December 31, 2021, ABCUSA's share of the principal balance due was \$1,414.

(7) LEASE OF AMERICAN BAPTIST FREEDOM CENTER

In July 1984, ABCUSA entered into an agreement to lease 24 acres of land adjacent to the former Mission Center to a third party. The initial lease term is for 50 years with renewal options for an additional 49 years at the lessee's discretion. In 1990, the lease was amended to provide the lessee with additional development considerations on the property. The lease has been classified as an operating lease.

Rent received for the initial lease term approximated \$4,690,000. This amount was deferred and is amortized using the straight-line method over 50 years. Amortization of deferred lease revenue for each of the years ended December 31, 2022 and 2021 was \$96,476. Deferred lease revenue was \$1,109,319 and \$1,205,795 at December 31, 2022 and 2021, respectively.

Costs incurred in negotiating and consummating the lease transactions described above totaled \$624,496. These costs were deferred and are amortized using the straight-line method over various periods of up to 50 years. Amortization on these deferred lease acquisition costs for each of the years ended December 31, 2022 and 2021 was \$16,908. Accumulated amortization was \$614,987 and \$598,079 as of December 31, 2022 and 2021, respectively. These lease acquisition costs were \$9,509 and \$26,417 at December 31, 2022 and 2021, respectively.

In connection with the 2009 sale of the Mission Center Property to ABFMS, ABHMS and MMBB, ABCUSA agreed to share the proceeds, if any, from this leasehold when it matures in 2035 in the following proportions: ABFMS – 3.33%, ABHMS – 23.34%, and MMBB – 16.66%. ABCUSA retains 56.67%.

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2022 And 2021

(8) RETIREMENT PLAN

Substantially all of ABCUSA full-time employees are covered by the American Baptist Churches Retirement Plan (the “*Plan*”), a multi-employer defined contribution plan in accordance with Section 403(b) of the Internal Revenue Code. ABCUSA contributes 13 percent of each participant’s annual compensation. Plan expenses for the years ended December 31, 2022 and 2021 were \$274,519 and \$265,215, respectively.

Exempt employees are eligible to participate in the Plan immediately upon enrollment. Non-exempt employees are eligible to participate in the Plan upon completion of three years of service. Upon completion of ten years of service for non-exempt employees, a lump sum contribution will be made that is equivalent to contributions that would have been made during the participant’s first three years of services. All participants are fully vested in the Plan upon enrollment.

(9) AMOUNTS RECEIVED ON BEHALF OF AND REMITTED TO OTHERS

Amounts received on behalf of and remitted to others through the American Baptist Mission Support (“*ABMS*”) during the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Amounts received through ABMS:		
ABC Offerings and Other Objectives	\$20,670,807	\$19,839,194
United Mission	5,950,008	6,343,239
Other campaigns	17,096	9,738
Gifts to other agencies	<u>91,328</u>	<u>108,286</u>
Total amounts received through ABMS	<u>26,729,239</u>	<u>26,300,457</u>
Amounts received on behalf of others were distributed as follows:		
National Related Boards	14,715,639	15,747,942
Regions, States, and Baptist Related Activities	5,928,662	5,449,326
Other organizations	4,215,376	3,098,301
Mission Initiative Fund Disbursements	<u>61,033</u>	<u>63,432</u>
Total amounts distributed to others	<u>24,920,710</u>	<u>24,359,001</u>
Amounts retained by American Baptist Churches in the U.S.A. in accordance with budget covenant provisions	<u>\$ 1,808,529</u>	<u>\$ 1,941,456</u>

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2022 And 2021

(10) NET ASSETS

Net assets designated by the Board consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
ABCUSA Operating Reserve	\$ 1,066,802	\$ 1,066,802
Funds functioning as endowment	<u>20,901,497</u>	<u>27,500,561</u>
Total designated by the Board	<u>\$21,968,299</u>	<u>\$28,567,363</u>

Net assets with donor-imposed restrictions are available for the following purposes at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Funds functioning as endowment:		
Roblee Fund	\$1,188,077	\$1,534,237
Other Funds	959,703	1,327,925
Other	78,710	72,395
Asian Ministries	415,434	522,120
Accumulated deficit on endowment funds	<u>(568,990)</u>	<u>(83,531)</u>
Total restricted by purpose	<u>2,072,934</u>	<u>3,373,146</u>
Perpetual in nature:		
Women in Ministry	2,323,285	2,323,285
Operational Support	<u>889,891</u>	<u>889,891</u>
Total perpetual in nature	<u>3,213,176</u>	<u>3,213,176</u>
Total restricted net assets	<u>\$5,286,110</u>	<u>\$6,586,322</u>

Net assets subject to donor-imposed restrictions released from restriction for the years ended December 31, 2022 and 2021 comprised the following:

	<u>2022</u>	<u>2021</u>
Operating		
Operational Support	\$127,169	\$160,329
Asian Ministries	20,000	-
Women in Ministry	<u>98,488</u>	<u>96,537</u>
	<u>\$245,657</u>	<u>\$256,866</u>

Endowment net asset composition by type of fund as of December 31, 2022 and 2021:

	<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds perpetual in nature-			
Original gift amount	\$ -	\$3,213,176	\$ 3,213,176
Donor restricted – other funds	-	1,578,790	1,578,790
Funds functioning as endowment	<u>20,901,497</u>	<u>-</u>	<u>20,901,497</u>
Total funds	<u>\$20,901,497</u>	<u>\$4,791,966</u>	<u>\$25,693,463</u>

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2022 And 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds perpetual in nature-			
Original gift amount	\$ -	\$ 3,213,176	\$ 3,213,176
Donor restricted – other funds	-	2,778,631	2,778,631
Funds functioning as endowment	<u>27,500,561</u>	<u>-</u>	<u>27,500,561</u>
Total funds	<u>\$27,500,561</u>	<u>\$ 5,991,807</u>	<u>\$33,492,368</u>

Change in endowment net assets for the years ended December 31, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2021	\$27,500,561	\$ 5,991,807	\$33,492,368
Investment return:			
Investment income, net	1,103,973	245,429	1,349,402
Net realized/unrealized losses	<u>(6,554,279)</u>	<u>(1,219,613)</u>	<u>(7,773,892)</u>
Total investment return	(5,450,306)	(974,184)	(6,424,490)
Appropriation of assets for expenditure:			
In accordance with the spending policy	<u>(1,148,758)</u>	<u>(225,657)</u>	<u>(1,374,415)</u>
Endowment net assets, December 31, 2022	<u>\$20,901,497</u>	<u>\$ 4,791,966</u>	<u>\$25,693,463</u>

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2020	\$21,816,786	\$ 5,728,170	\$27,544,956
Investment return:			
Investment income, net	951,980	233,157	1,185,137
Net realized/unrealized gains	<u>1,713,911</u>	<u>287,346</u>	<u>2,001,257</u>
Total investment return	2,665,891	520,503	3,186,394
Transfer of funds	3,928,164	-	3,928,164
Appropriation of assets for expenditure:			
In accordance with the spending policy	<u>(910,280)</u>	<u>(256,866)</u>	<u>(1,167,146)</u>
Endowment net assets, December 31, 2021	<u>\$27,500,561</u>	<u>\$ 5,991,807</u>	<u>\$33,492,368</u>

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2022 And 2021

RETURN OBJECTIVES AND RISK PARAMETERS

ABCUSA's endowment funds are invested in various investments, primarily with ABF and ABHMS (*See Note 3*). According to policy approved by the Board, funds are invested in a manner to preserve the real purchasing power of the assets after all withdrawals and fees by earning a total rate of return over full market cycles of 3 to 5 years which will support the spending policy stated below. Additionally, the total rate of return (net of fees) is expected to equal or exceed a passive investment in commonly quoted market indices (benchmarks) based on a long-term optimal asset allocation.

To satisfy its long-term rate-of-return objectives, ABCUSA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). ABCUSA targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

SPENDING POLICY

ABCUSA sets the draw from the endowment funds by approval of the BGM Finance Committee annually. The percentage draw for operations and disbursements to related partners ranged from 4% to 5% for all restricted and funds functioning as endowment. Effective January 1, 2004, ABCUSA was assigned American Baptist Women in Ministry ("**ABWIM**") as a department within the Office of the General Secretary by the General Board, and thus, investments held in an endowment fund were transferred to ABCUSA to support the operations of the new department. ABWIM's percentage draw was 5% for 2022 and 2021. The maximum percentage allowable under terms of ABCUSA's Covenant Agreement with the Ministers & Missionaries Benefit Board ("**MMBB**") is 8%.

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or state standards require ABCUSA to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. At December 31, 2022 and 2021, funds with an original gift value of \$2,323,285 and \$2,323,285 were "underwater" by \$568,990 and \$83,531, respectively. ABCUSA has a policy that permits spending from underwater endowment funds.

INTERPRETATION OF RELEVANT LAW

The Board of ABCUSA has interpreted the applicable state standards and guidelines for the prudent management of an endowment fund as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, ABCUSA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund (i.e. the accumulated realized and unrealized gains/losses) that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization.

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2022 And 2021

(11) FUNCTIONAL CLASSIFICATION OF EXPENSES

ABCUSA is required to present expenses on a functional basis if natural classifications are presented in the Statement of Activities. The functional allocation of expenses is based primarily on the amount of direct cost spent on the program or activity as follows for the years ended December 31, 2022 and 2021:

<u>2022</u>	<u>Total Expenses</u>	<u>Program Expenses</u>	<u>Management General</u>	<u>Fundraising Activities</u>
Salaries and wages	\$ 1,834,669	\$ 1,124,065	\$ 606,829	\$ 103,775
Employee benefits	553,712	299,614	216,390	37,708
Payroll taxes	100,221	53,014	42,411	4,796
Fees for services	218,355	168,586	45,216	4,553
Office expenses	98,043	42,052	49,152	6,839
Information Technology	317,385	287,419	24,842	5,124
Occupancy	11,643	-	11,643	-
Travel	187,180	160,378	17,029	9,773
Conferences, conventions and meetings	13,687	8,212	-	5,475
Depreciation and amortization	130,402	3,099	126,811	492
Insurance	45,991	1,716	44,275	-
Program expenses	1,066,072	938,828	127,244	-
Other expenses	<u>184,279</u>	<u>59,494</u>	<u>113,848</u>	<u>10,937</u>
Total expenses	<u>\$ 4,761,639</u>	<u>\$ 3,146,477</u>	<u>\$ 1,425,690</u>	<u>\$ 189,472</u>

<u>2021</u>	<u>Total Expenses</u>	<u>Program Expenses</u>	<u>Management General</u>	<u>Fundraising Activities</u>
Salaries and wages	\$ 1,877,775	\$ 1,120,298	\$ 645,807	\$ 111,670
Employee benefits	509,038	281,619	180,350	47,069
Payroll taxes	104,169	51,609	47,444	5,116
Fees for services	483,049	424,229	49,947	8,873
Advertising and promotion	13,792	13,792	-	-
Office expenses	104,737	43,883	55,977	4,877
Information Technology	116,856	116,442	414	-
Occupancy	15,234	-	15,234	-
Travel	87,117	68,690	12,788	5,639
Conferences, conventions and meetings	86,586	84,455	-	2,131
Depreciation and amortization	133,580	14,437	114,282	4,861
Insurance	26,068	2,906	23,162	-
Program expenses	765,712	553,155	210,389	2,168
Other expenses	<u>225,980</u>	<u>50,133</u>	<u>168,095</u>	<u>7,752</u>
Total expenses	<u>\$ 4,549,693</u>	<u>\$ 2,825,648</u>	<u>\$ 1,523,889</u>	<u>\$ 200,156</u>

(12) CREDIT RISK AND OTHER CONCENTRATIONS

ABCUSA 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, 2022 and 2021, ABCUSA maintained bank deposits that exceeded the limit of insurability under the Federal Deposit Insurance Corporation. This risk is managed by ABCUSA in continuing to monitor the financial institutions in which it maintains relationships.

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2022 And 2021

(13) CONTINGENCIES

ABCUSA is involved in litigation from time to time arising in the ordinary course of business. Currently, ABC is involved in nine separate abuse cases originating against local cooperating churches of the American Baptist Churches in the USA, with ABCUSA as an additional defendant. These cases are covered by insurance, and ABCUSA is vigorously defending against these lawsuits.

(14) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects ABCUSA's financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions.

Financial Assets	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,987,581	\$ 3,310,970
Investments	27,469,914	35,760,396
Notes receivable, current portion	-	1,414
Accounts receivable	<u>1,528,187</u>	<u>1,775,917</u>
Total financial assets	31,985,682	40,848,697
Less:		
Board-designated quasi and true endowment funds	(25,693,463)	(33,492,368)
Board-designated ABCUSA operating reserve	(1,066,802)	(1,066,802)
Net assets with donor restrictions not expected to be spent within one year	<u>(494,144)</u>	<u>(594,515)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,731,273</u>	<u>\$ 5,695,012</u>

ABCUSA strives to maintain liquid financial assets to be available as its general expenditures, liabilities and other obligations become due. Financial assets in excess of daily cash requirements are invested in money market funds and certificates of deposit. As part of ABCUSA's liquidity management, it has a practice to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. ABCUSA has donor-restricted endowment and investments used similar to quasi-endowment. Although ABCUSA does not intend to spend from its quasi-endowment of approximately \$20.9 million, with the exception of budgeted draws, amounts from its quasi-endowment could be made available, if necessary, with Board approval.

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 2, 2023, the date which the financial statements were available to be issued. There were no material subsequent events required to be disclosed.