

# **DRAFT**

## **AMERICAN BAPTIST CHURCHES IN THE U.S.A.**

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

**DECEMBER 31, 2023 AND 2022**

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## 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, 2023 and 2022, 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, 2023 and 2022, 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.

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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 \_\_, 2024

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## AMERICAN BAPTIST CHURCHES IN THE U.S.A.

### *STATEMENTS OF FINANCIAL POSITION*

December 31, 2023 And 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,831,804	\$ 2,987,581
Accounts receivable from Baptist-related organizations, net of allowance for doubtful accounts	1,628,698	1,528,187
Prepaid expenses and other current assets	<u>33,311</u>	<u>212,672</u>
<b>Total Current Assets</b>	4,493,813	4,728,440
<b>NONCURRENT ASSETS</b>		
Investments, at fair value	30,136,213	27,469,914
Land, buildings and equipment, net	3,114,500	3,166,114
Lease acquisition costs, net	<u>-</u>	<u>9,509</u>
<b>Total Assets</b>	<u>\$37,744,526</u>	<u>\$35,373,977</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 84,913	\$ 132,915
Funds of others – Mission Support	1,339,753	1,248,352
Funds held for others	1,361,558	1,214,748
Deferred lease revenue, current portion	<u>96,476</u>	<u>96,476</u>
<b>Total Current Liabilities</b>	2,882,700	2,692,491
<b>NONCURRENT LIABILITIES</b>		
Deferred lease revenue, non-current portion	<u>916,367</u>	<u>1,012,843</u>
<b>Total Liabilities</b>	<u>3,799,067</u>	<u>3,705,334</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Board designated	24,016,321	21,968,299
Board undesignated	<u>4,151,288</u>	<u>4,414,234</u>
<b>Total without donor restrictions</b>	28,167,609	26,382,533
With donor restrictions	<u>5,777,850</u>	<u>5,286,110</u>
<b>Total Net Assets</b>	<u>33,945,459</u>	<u>31,668,643</u>
<b>Total Liabilities and Net Assets</b>	<u>\$37,744,526</u>	<u>\$35,373,977</u>

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## AMERICAN BAPTIST CHURCHES IN THE U.S.A.

### *STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS*

For The Year Ended December 31, 2023

(With Comparative Totals For The Year Ended December 31, 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
<b>Operating revenues, gains and other support:</b>				
American Baptist mission support				
Amounts received on behalf of others	\$24,916,913			
Amounts remitted to others	<u>\$23,164,941</u>			
Amounts retained by ABCUSA	\$ 1,751,972	\$ -	\$ 1,751,972	\$ 1,808,529
Donations and other revenue	2,294,634	64,310	2,358,944	1,188,267
Endowment return designated for current operations	1,107,728	257,328	1,365,056	1,374,415
Other investment income designated for current operations	95,076	-	95,076	95,955
Other investment income	11,042	-	11,042	3,790
Net assets released from restrictions - operating:				
Satisfaction of program restrictions	<u>282,328</u>	<u>(282,328)</u>	<u>-</u>	<u>-</u>
<b>Total operating revenues, gains and other support</b>	<u>5,542,780</u>	<u>39,310</u>	<u>5,582,090</u>	<u>4,470,956</u>
<b>Expenses</b>				
Treasurer's office	819,780	-	819,780	765,216
Mission resource development	538,481	-	538,481	465,587
Biennial	1,016,791	-	1,016,791	-
General Secretary and Associate General Secretary	440,243	-	440,243	421,800
Information technology	172,656	-	172,656	178,384
Building management	201,263	-	201,263	195,781
Development Office	-	-	-	3,236
Representative process	463,225	-	463,225	240,220
Regional operations	161,815	-	161,815	104,564
Distribution to others	112,422	-	112,422	127,169
General and administrative	311,581	-	311,581	219,235
Human resource development	41,150	-	41,150	78,678
Office of travel and conference planning	153,798	-	153,798	197,586
Transition Ministries	695,186	-	695,186	667,485
Denominational emphasis	59,190	-	59,190	40,897
ABC information	528,805	-	528,805	723,534
Orientation to American Baptist Life	75,126	-	75,126	3,000
Women in Ministry	140,984	-	140,984	247,349
Cooperative Christianity	<u>84,649</u>	<u>-</u>	<u>84,649</u>	<u>81,918</u>
<b>Total expenses</b>	<u>6,017,145</u>	<u>-</u>	<u>6,017,145</u>	<u>4,761,639</u>
<b>(Deficiency) excess of revenue and support over expenses</b>	<u>(474,365)</u>	<u>39,310</u>	<u>(435,055)</u>	<u>(290,683)</u>
<b>Other changes</b>				
PPP SBA Grant revenue	-	-	-	744,802
Investment return in excess (deficit) of amounts designated for current operations	2,048,022	388,295	2,436,317	(7,798,905)
Other investment income (loss)	114,943	64,135	179,078	(539,315)
Lease revenue	<u>96,476</u>	<u>-</u>	<u>96,476</u>	<u>96,476</u>
<b>Total other changes</b>	<u>2,259,441</u>	<u>452,430</u>	<u>2,711,871</u>	<u>(7,496,942)</u>
<b>Changes in net assets</b>	1,785,076	491,740	2,276,816	(7,787,625)
<b>Net Assets</b>				
Beginning of year	<u>26,382,533</u>	<u>5,286,110</u>	<u>31,668,643</u>	<u>39,456,268</u>
End of year	<u>\$28,167,609</u>	<u>\$ 5,777,850</u>	<u>\$33,945,459</u>	<u>\$31,668,643</u>

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

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## AMERICAN BAPTIST CHURCHES IN THE U.S.A.

### *STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS*

**For The Year Ended December 31, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2022 Total</b>
<b>Operating revenues, gains and other support:</b>			
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
Donations and other revenue	1,181,952	6,315	1,188,267
Endowment return designated for current operations	1,148,758	225,657	1,374,415
Other investment income designated for current operations	95,955	-	95,955
Other investment income	3,790	-	3,790
Net assets released from restrictions - operating:			
Satisfaction of program restrictions	<u>245,657</u>	<u>(245,657)</u>	<u>-</u>
<b>Total operating revenues, gains and other support</b>	<u>4,484,641</u>	<u>(13,685)</u>	<u>4,470,956</u>
<b>Expenses</b>			
Treasurer's office	765,216	-	765,216
Mission resource development	465,587	-	465,587
Biennial	-	-	-
General Secretary and Associate General Secretary	421,800	-	421,800
Information technology	178,384	-	178,384
Building management	195,781	-	195,781
Development Office	3,236	-	3,236
Representative process	240,220	-	240,220
Regional operations	104,564	-	104,564
Distribution to others	127,169	-	127,169
General and administrative	219,235	-	219,235
Human resource development	78,678	-	78,678
Office of travel and conference planning	197,586	-	197,586
Transition Ministries	667,485	-	667,485
Denominational emphasis	40,897	-	40,897
ABC information	723,534	-	723,534
Orientation to American Baptist Life	3,000	-	3,000
Women in Ministry	247,349	-	247,349
Cooperative Christianity	<u>81,918</u>	<u>-</u>	<u>81,918</u>
<b>Total expenses</b>	<u>4,761,639</u>	<u>-</u>	<u>4,761,639</u>
<b>Deficiency of revenue and support     over expenses</b>	<u>(276,998)</u>	<u>(13,685)</u>	<u>(290,683)</u>
<b>Other changes</b>			
PPP SBA Grant revenue	744,802	-	744,802
Investment return in deficit of amounts designated for current operations	(6,599,064)	(1,199,841)	(7,798,905)
Other investment loss	(452,629)	(86,686)	(539,315)
Lease revenue	<u>96,476</u>	<u>-</u>	<u>96,476</u>
<b>Total other changes</b>	<u>(6,210,415)</u>	<u>(1,286,527)</u>	<u>(7,496,942)</u>
<b>Changes in net assets</b>	<u>(6,487,413)</u>	<u>(1,300,212)</u>	<u>(7,787,625)</u>
<b>Net Assets</b>			
Beginning of year	<u>32,869,946</u>	<u>6,586,322</u>	<u>39,456,268</u>
End of year	<u>\$26,382,533</u>	<u>\$ 5,286,110</u>	<u>\$31,668,643</u>

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

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## AMERICAN BAPTIST CHURCHES IN THE U.S.A.

### *STATEMENT OF CASH FLOWS*

**For The Years Ended December 31, 2023 And 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Total change in net assets	\$ 2,276,816	\$(7,787,625)
Adjustments to reconcile total change in net assets to net cash (used) in/provided by operating activities:		
Depreciation	117,224	113,494
Amortization of lease acquisition costs	9,509	16,908
Net realized and unrealized (gain) loss on investments	(2,559,514)	8,351,600
Amortization of lease income	(96,476)	(96,476)
Forgiveness of PPP SBA Loan	-	(744,802)
Decrease (increase) in operating assets:		
Accounts receivable from Baptist related organizations	(100,511)	247,730
Prepaid expenses and other assets	179,361	(71,592)
Increase (decrease) in operating liabilities:		
Accounts payable/accrued expenses	(48,002)	(32,957)
Funds of others and funds held for others-mission support	<u>238,211</u>	<u>(235,561)</u>
<b>Net cash provided by (used for) operating activities</b>	<u>16,618</u>	<u>(239,281)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of equipment	(65,610)	(24,404)
Purchase of investments, net of sales	(106,785)	(61,118)
Collections of notes receivable	<u>-</u>	<u>1,414</u>
<b>Net cash used for investing activities</b>	<u>(172,395)</u>	<u>(84,108)</u>
<b>Net decrease in cash and cash equivalents</b>	(155,777)	(323,389)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>2,987,581</u>	<u>3,310,970</u>
End of year	<u>\$ 2,831,804</u>	<u>\$ 2,987,581</u>



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## AMERICAN BAPTIST CHURCHES IN THE U.S.A.

### NOTES TO FINANCIAL STATEMENTS

December 31, 2023 And 2022

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#### (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.

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## AMERICAN BAPTIST CHURCHES IN THE U.S.A.

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

December 31, 2023 And 2022

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#### ***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.

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## AMERICAN BAPTIST CHURCHES IN THE U.S.A.

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

December 31, 2023 And 2022

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#### ***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, 2023 and 2022, 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 10. Accordingly, certain costs have been allocated among programs and supporting services.

#### ***RECLASSIFICATIONS***

Certain reclassifications were made to the 2022 financial statements to conform to the 2023 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.

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## AMERICAN BAPTIST CHURCHES IN THE U.S.A.

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

December 31, 2023 And 2022

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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, 2023 and 2022 are as follows:

<u>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Investment Type</b>				
Mutual Funds – Fixed Income	<u>\$282,561</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 282,561
Investments reported at net asset value:				
Blended and Fixed Income Portfolios of the American Baptist Foundation				11,427,400
Common Investment Fund of the American Baptist Home Mission Society				<u>18,426,252</u>
Total Investments				<u>\$30,136,213</u>

<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Investment Type</b>				
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>

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.

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## AMERICAN BAPTIST CHURCHES IN THE U.S.A.

### NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2023 And 2022

The following schedule summarizes the investment return on other investments and its classification in the statement of activities for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Endowment investment income		
Gains (losses) on investments	\$ 2,421,268	\$(7,773,892)
Investment income, net	<u>1,380,105</u>	<u>1,349,402</u>
Total endowment investment (loss) income	<u>\$ 3,801,373</u>	<u>\$(6,424,490)</u>
Other investment income – operating		
Investment income, net	<u>\$ 11,042</u>	<u>\$ 3,790</u>
Total other investment income – operating	<u>\$ 11,042</u>	<u>\$ 3,790</u>
Other investment income – operating / non-operating		
Gains (losses) on investments	\$ 139,948	\$ (578,115)
Investment income, net	<u>134,206</u>	<u>134,755</u>
Total other investment (loss) income – non-operating	<u>\$ 274,154</u>	<u>\$ (443,360)</u>

#### (4) LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment as of December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 604,916	\$ 604,916
Buildings	2,853,140	2,835,740
Computer software and equipment	602,044	554,215
Leasehold improvements	37,962	37,962
Office equipment	<u>480,532</u>	<u>480,532</u>
Subtotal	4,578,594	4,513,365
Accumulated depreciation	<u>(1,464,094)</u>	<u>(1,347,251)</u>
Total property, land and equipment, net	<u>\$ 3,114,500</u>	<u>\$ 3,166,114</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$117,224 and \$113,494, respectively.

#### (5) PAYCHECK PROTECTION PROGRAM

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 had recorded \$744,802 as a Refundable advance on the Statement of Financial Position at December 31, 2021. 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 II agreement and as such, recognized contribution income when these conditions were substantially met. If such conditions were not met, ABCUSA would have been 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.

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## AMERICAN BAPTIST CHURCHES IN THE U.S.A.

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

December 31, 2023 And 2022

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#### **(6) 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, 2023 and 2022 was \$96,476. Deferred lease revenue was \$1,012,843 and \$1,109,319 at December 31, 2023 and 2022, 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, 2023 and 2022 was \$9,509 and \$16,908, respectively. Accumulated amortization was \$624,496 and \$614,987 as of December 31, 2023 and 2022, respectively. These lease acquisition costs were \$9,509 at December 31, 2022.

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%.

#### **(7) 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, 2023 and 2022 were \$283,333 and \$274,519, 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.

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## AMERICAN BAPTIST CHURCHES IN THE U.S.A.

### NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2023 And 2022

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#### (8) 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, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Amounts received through ABMS:		
ABC Offerings and Other Objectives	\$18,747,236	\$20,670,807
United Mission	5,653,669	5,950,008
Other campaigns	429,150	17,096
Gifts to other agencies	<u>86,858</u>	<u>91,328</u>
Total amounts received through ABMS	<u>24,916,913</u>	<u>26,729,239</u>
Amounts received on behalf of others were distributed as follows:		
National Related Boards	15,080,197	14,715,639
Regions, States, and Baptist Related Activities	5,572,011	5,928,662
Other organizations	2,454,338	4,215,376
Mission Initiative Fund Disbursements	<u>58,395</u>	<u>61,033</u>
Total amounts distributed to others	<u>23,164,941</u>	<u>24,920,710</u>
Amounts retained by American Baptist Churches in the U.S.A. in accordance with budget covenant provisions	<u>\$ 1,751,972</u>	<u>\$ 1,808,529</u>

#### (9) NET ASSETS

Net assets designated by the Board consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
ABCUSA Operating Reserve	\$ 1,066,802	\$ 1,066,802
Funds functioning as endowment	<u>22,949,519</u>	<u>20,901,497</u>
Total designated by the Board	<u>\$24,016,321</u>	<u>\$21,968,299</u>

Net assets with donor-imposed restrictions are available for the following purposes at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Funds functioning as endowment:		
Roblee Fund	\$1,280,319	\$1,188,077
Other Funds	1,098,303	959,703
Other	143,020	78,710
Asian Ministries	454,569	415,434
Accumulated deficit on endowment funds	<u>(411,537)</u>	<u>(568,990)</u>
Total restricted by purpose	<u>2,564,674</u>	<u>2,072,934</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>\$5,777,850</u>	<u>\$5,286,110</u>

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## AMERICAN BAPTIST CHURCHES IN THE U.S.A.

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

December 31, 2023 And 2022

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Net assets subject to donor-imposed restrictions released from restriction for the years ended December 31, 2023 and 2022 comprised the following:

	<u>2023</u>	<u>2022</u>
Operating		
Operational Support	\$ 156,170	\$ 127,169
Asian Ministries	25,000	20,000
Women in Ministry	<u>101,158</u>	<u>98,488</u>
	<u>\$ 282,328</u>	<u>\$ 245,657</u>

Endowment net asset composition by type of fund as of December 31, 2023 and 2022:

	<u>2023</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	-	1,967,085	1,967,085
Funds functioning as endowment	<u>22,949,519</u>	<u>-</u>	<u>22,949,519</u>
Total funds	<u>\$ 22,949,519</u>	<u>\$ 5,180,261</u>	<u>\$ 28,129,780</u>

	<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>



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## AMERICAN BAPTIST CHURCHES IN THE U.S.A.

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

December 31, 2023 And 2022

Change in endowment net assets for the years ended December 31, 2023 and 2022:

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, December 31, 2022	\$20,901,497	\$ 4,791,966	\$25,693,463
Investment return:			
Investment income, net	1,139,100	241,005	1,380,105
Net realized/unrealized gains	<u>2,016,650</u>	<u>404,618</u>	<u>2,421,268</u>
Total investment return	3,155,750	645,623	3,801,373
Appropriation of assets for expenditure:			
In accordance with the spending policy	<u>(1,107,728)</u>	<u>(257,328)</u>	<u>(1,365,056)</u>
Endowment net assets, December 31, 2023	<u>\$22,949,519</u>	<u>\$ 5,180,261</u>	<u>\$28,129,780</u>

  

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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>

### ***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.

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## AMERICAN BAPTIST CHURCHES IN THE U.S.A.

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

December 31, 2023 And 2022

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#### ***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 2023 and 2022. 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, 2023 and 2022, funds with an original gift value of \$2,323,285 and \$2,323,285 were “underwater” by \$411,537 and \$568,990, 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.

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## AMERICAN BAPTIST CHURCHES IN THE U.S.A.

### NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2023 And 2022

#### (10) 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, 2023 and 2022:

<u>2023</u>	<u>Total Expenses</u>	<u>Program Expenses</u>	<u>Management General</u>	<u>Fundraising Activities</u>
Salaries and wages	\$ 1,854,077	\$ 1,132,703	\$ 604,091	\$ 117,283
Employee benefits	538,963	288,181	216,293	34,489
Payroll taxes	96,826	49,880	41,664	5,282
Fees for services	217,201	157,513	53,372	6,316
Office expenses	130,479	77,982	44,183	8,314
Information Technology	269,834	248,025	17,877	3,932
Occupancy	16,640	-	16,640	-
Travel	257,804	215,565	21,851	20,388
Conferences, conventions and meetings	870,819	862,739	-	8,080
Depreciation and amortization	117,224	5,166	111,441	617
Insurance	48,168	3,411	44,509	248
Program expenses	1,267,347	1,096,535	162,670	8,142
Other expenses	<u>331,763</u>	<u>151,848</u>	<u>177,614</u>	<u>2,301</u>
Total expenses	<u>\$6,017,145</u>	<u>\$4,289,548</u>	<u>\$1,512,205</u>	<u>\$215,392</u>

<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>

#### (11) 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, 2023 and 2022, 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.

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## AMERICAN BAPTIST CHURCHES IN THE U.S.A.

### NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2023 And 2022

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#### (12) 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.

#### (13) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects ABCUSA's financial assets as of December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,831,804	\$ 2,987,581
Investments	30,136,213	27,469,914
Accounts receivable	<u>1,628,698</u>	<u>1,528,187</u>
Total financial assets	34,596,715	31,985,682
Less:		
Board-designated quasi and true endowment funds	(28,129,780)	(25,693,463)
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>(597,589)</u>	<u>(494,144)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,802,544</u>	<u>\$ 4,731,273</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 \$23 million, with the exception of budgeted draws, amounts from its quasi-endowment could be made available, if necessary, with Board approval.

#### (14) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June \_\_, 2024, the date which the financial statements were available to be issued. There were no material subsequent events required to be disclosed.