

AMERICAN BAPTIST HOME MISSION SOCIETIES

INDEPENDENT AUDITORS' REPORT

and

COMBINED FINANCIAL STATEMENTS

For the years ended
December 31, 2009 and 2008



CONTENTS

	<u>Pages</u>
Independent Auditors' Report	1
Financial Statements:	
Combined Statements of Financial Position	2
Combined Statements of Activities and Changes in Net Assets	3-4
Combined Statements of Cash Flows	5
Notes to Financial Statements	6-24
Supplemental Information:	
Woman's American Baptist Home Mission Society:	
Schedule of Financial Position	25
Schedule of Activities and Change in Net Assets	25
Common Investment Fund:	
Schedule of Financial Position	26
Schedule of Activities and Change in Net Assets	27

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined statements of financial position of American Baptist Home Mission Societies (the "Societies") as of December 31, 2009 and 2008, and the related combined statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Societies' management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Societies as of December 31, 2009 and 2008, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information in the report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



July 1, 2010
Philadelphia, PA

American Baptist Home Mission Societies
The Combined Statements of Financial Position
December 31, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ 12,175,866	\$ 13,557,643
Assets whose use is limited	1,676,991	1,781,686
Receivables, net (Publishing)	162,804	239,131
Receivables due from Baptist related organizations, net	556,427	1,028,170
Mortgage loans receivable	244,923	242,472
Interest receivable	603,533	713,622
Inventory (Publishing)	799,811	822,285
Prepaid expenses and other assets	131,464	189,200
	<hr/>	<hr/>
Total current assets	16,351,819	18,574,209
Noncurrent assets:		
Receivables due from Baptist related organizations, net	650,346	645,412
Mortgage loans receivable, net	5,923,789	6,717,697
Investments	121,305,993	106,006,054
Investment in limited partnership	7,061,631	-
Assets restricted for annuity obligations	612,531	586,216
Assets whose use is limited	77,636,882	65,566,032
Property and equipment, net	651,369	735,605
	<hr/>	<hr/>
Total assets	<u>\$ 230,194,360</u>	<u>\$ 198,831,225</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 205,319	\$ 269,858
Equity note payable	56,421	-
Accrued expenses	423,538	756,966
Allowance for sales returns (Publishing)	387,488	363,533
Funds of others	1,676,991	1,781,686
	<hr/>	<hr/>
Total current liabilities	2,749,757	3,172,043
Noncurrent liabilities:		
Actuarial liability for annuity obligations	158,196	167,992
Equity note payable	3,403,774	-
Funds of others	77,636,882	65,566,032
	<hr/>	<hr/>
Total liabilities	83,948,609	68,906,067
Net assets:		
Unrestricted	36,843,598	26,002,156
Temporarily restricted	70,735,875	65,256,724
Permanently restricted	38,666,278	38,666,278
	<hr/>	<hr/>
Total net assets	146,245,751	129,925,158
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 230,194,360</u>	<u>\$ 198,831,225</u>

The accompanying notes are an integral part of the combined financial statements.

American Baptist Home Mission Societies
The Combined Statement of Activities and Changes in Net Assets
For the year ended December 31, 2009 (with comparative 2008 totals)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
REVENUES AND GAINS					
Contributions:					
United Mission Basics	\$ 370,775	\$ -	\$ -	\$ 370,775	\$ 453,915
United Mission Designated	31,201	-	-	31,201	43,682
America for Christ Offering	1,120,031	-	-	1,120,031	1,102,965
One Great Hour of Sharing	-	204,732	-	204,732	756,327
Shared support services	323,576	-	-	323,576	323,576
Specific purposes	-	209,617	-	209,617	229,677
Other contributions	88,737	-	-	88,737	123,651
Other investment income	2,445,151	777,782	-	3,222,933	4,160,134
Mortgage interest income	295,112	-	-	295,112	573,634
Net unrealized gains	21,026,409	6,377,380	-	27,403,789	-
Legacies, terminated trusts and trust fund income	176,319	50,915	-	227,234	311,879
Publishing net sales	2,109,599	-	-	2,109,599	2,291,680
Less: Publishing cost of goods sold	(1,026,694)	-	-	(1,026,694)	(1,140,593)
Gross profit	1,082,905	-	-	1,082,905	1,151,087
Net assets released from restrictions:					
Satisfaction of program restrictions	926,900	(926,900)	-	-	-
Total revenues and gains	27,887,116	6,693,526	-	34,580,642	9,230,527
EXPENSES AND LOSSES					
Ministry Services	5,889,593	-	-	5,889,593	7,161,283
Program Services	5,475,629	-	-	5,475,629	5,255,676
Publishing Ministry	1,641,174	-	-	1,641,174	1,907,551
Total expenses	13,006,396	-	-	13,006,396	14,324,510
Net unrealized losses	-	-	-	-	36,830,258
Net realized losses on sale of investments	4,099,542	1,224,171	-	5,323,713	5,153,451
Change in annuity valuation - FASB 136	(60,264)	-	-	(60,264)	357,119
Actuarial change on annuity obligations	-	(9,796)	-	(9,796)	(75,109)
Total expenses and losses	17,045,674	1,214,375	-	18,260,049	56,590,229
Changes in net assets	10,841,442	5,479,151	-	16,320,593	(47,359,702)
Net assets at beginning of year	26,002,156	65,256,724	38,666,278	129,925,158	177,284,860
Net assets at end of year	\$ 36,843,598	\$ 70,735,875	\$ 38,666,278	\$ 146,245,751	\$ 129,925,158

The accompanying notes are an integral part of the combined financial statements.

American Baptist Home Mission Societies
The Combined Statement of Activities and Changes in Net Assets
For the year ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008</u>
REVENUES AND GAINS				
Contributions:				
United Mission Basics	\$ 453,915	\$ -	\$ -	\$ 453,915
United Mission Designated	43,682	-	-	43,682
America for Christ Offering	1,102,965	-	-	1,102,965
One Great Hour of Sharing	-	756,327	-	756,327
Shared support services	323,576	-	-	323,576
Specific purposes	-	229,677	-	229,677
Other contributions	123,651	-	-	123,651
Other investment income	3,234,453	925,681	-	4,160,134
Mortgage interest income	573,634	-	-	573,634
Realized gains on sale of investments	-	-	-	-
Legacies, terminated trusts and trust fund income	309,579	-	2,300	311,879
Publishing net sales	2,291,680	-	-	2,291,680
Less: Publishing cost of goods sold	(1,140,593)	-	-	(1,140,593)
Gross profit	1,151,087	-	-	1,151,087
Net assets released from restrictions:				
Satisfaction of program restrictions	1,665,112	(1,665,112)	-	-
Total revenues and gains	8,981,654	246,573	2,300	9,230,527
EXPENSES				
Ministry Services	7,161,283	-	-	7,161,283
Program Services	5,255,676	-	-	5,255,676
Publishing Ministry	1,907,551	-	-	1,907,551
Total expenses	14,324,510	-	-	14,324,510
Net unrealized losses	28,462,755	8,367,503	-	36,830,258
Net realized losses on sale of investments	3,982,634	1,170,817	-	5,153,451
Change in annuity valuation - FASB 136	357,119	-	-	357,119
Actuarial change on annuity obligations	-	(75,109)	-	(75,109)
Total expenses and losses	47,127,018	9,463,211	-	56,590,229
Changes in net assets	(38,145,364)	(9,216,638)	2,300	(47,359,702)
Net assets at beginning of year	64,147,520	74,473,362	38,663,978	177,284,860
Net assets at end of year	\$ 26,002,156	\$ 65,256,724	\$ 38,666,278	\$ 129,925,158

The accompanying notes are an integral part of the combined financial statements.

American Baptist Home Mission Societies
The Combined Statements of Cash Flows
For the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Total change in net assets	\$ 16,320,593	\$ (47,359,702)
Adjustments to reconcile total change in net assets to net cash used in operating activities:		
Depreciation	117,250	138,968
Change in value of annuity obligations	(9,796)	(75,109)
Net unrealized (gains) losses on investments	(27,403,789)	36,830,258
Reserve for loan losses	255,400	-
Loans written off	(289,869)	-
Realized losses on investments	5,323,713	5,153,451
(Increase) decrease in:		
Receivables (Publishing)	76,327	7,083
Receivables from Baptist related organizations	466,809	2,330,577
Prepaid expenses and other assets	57,736	(135,334)
Inventory (Publishing)	22,474	51,873
Interest receivable	110,089	(97,379)
Increase (decrease) in:		
Accounts payable	(64,539)	61,115
Accrued expenses	(333,428)	270,604
Allowance for sales returns	23,955	(916)
Net cash used in operating activities	(5,327,075)	(2,824,511)
Cash flows from investing activities		
Mortgage loans issued	(53,966)	(304,470)
Collections on mortgage loans	879,892	937,795
Purchases of property and equipment	(33,014)	(157,707)
Purchases of investments	(30,955,907)	(75,654,077)
Investment in limited partnership	(3,500,000)	-
Purchases of investments restricted for endowments	-	(2,300)
Proceeds from sale of investments	37,648,098	75,655,006
Net cash provided by investing activities	3,985,103	474,247
Cash flows from financing activities		
Payments made on equity note	(39,805)	-
Proceeds from contributions restricted for investments of endowments	-	2,300
Net cash (used in)/provided by financing activities	(39,805)	2,300
Net decrease in cash and cash equivalents	(1,381,777)	(2,347,964)
Cash and cash equivalents, beginning of year	13,557,643	15,905,607
Cash and cash equivalents, end of year	\$ 12,175,866	\$ 13,557,643
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 186,323	\$ 24,454
Non-cash financing activity: Equity note issued by ABCUSA	\$ 3,500,000	\$ -

The accompanying notes are an integral part of the combined financial statements.

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

1. General

The American Baptist Home Mission Society (“ABHMS”) and Woman’s American Baptist Home Mission Society (“WABHMS”) (collectively, “the Societies”) are managed by the Board of National Ministries of the American Baptist Churches in the U.S.A. (“ABC”). ABHMS was established for the purpose of promoting the preaching of the gospel; the establishing, maintaining, or aiding Baptist churches or missions; the acquisition of sites in contemplation of the erection of houses of worship and other buildings; and establishing, maintaining, assisting in the establishing or maintaining of schools and other institutions of learning in connection with its missionary work in North America. WABHMS was established to proclaim and witness to the Christian Faith in the United States and elsewhere in North America through the establishment, maintenance and assistance of churches, missions, and institutions of care or learning; to promote spiritual life and worship; and to minister to persons of special need in all ways its Board of Directors may deem appropriate. That work is carried on today through ministries of witness, renewal and justice. The accompanying combined financial statements include the activities of the Societies. All intercompany transactions have been eliminated.

Significant publishing activities are carried out by Judson Press, which serves as a trademark and imprint for the preparation for publication, printing and promoting the use of lesson texts, books, and other resource materials in support of the program of Christian education in the home, the local parish, and the community. The activities associated with Judson Press are reflected in the Combined Statements of Financial Position and Statement of Activities and Changes in Net Assets as (Publishing Ministry).

2. Summary of Significant Accounting Policies

Income Taxes:

The Societies have been granted an exemption from federal income tax under the provisions of section 501 (c)(3) of the Internal Revenue Code.

Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value. Gains and losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. Dividend and interest income are recognized when earned as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law.

Investments consist principally of certificates of deposit, U.S. Government and fixed income securities, corporate obligations, marketable equity securities, and alternative securities. Alternative investments may include asset managers, partnerships or other similar vehicles investing in domestic and international securities (either buying long or selling short), venture capital investments, private equity, high yield, distressed securities, mezzanine debt, loans, real estate and timber. U.S. Government obligations, mutual funds, fixed income securities, corporate obligations and marketable equity securities are stated at fair market value based on quoted market prices. Certificates of deposit and money market accounts are stated at cost which approximates fair value. Donated investments are recorded as contributions at fair value at the date of receipt.

Investment transactions (purchases and sales) are recorded on the trade dates. Gains and losses on sales are computed on the specific cost method and the LIFO method for the Common Investment Fund (“CIF”) of ABHMS. Interest and dividend income is recorded on the accrual basis of accounting. The CIF makes distributions to participating funds at a rate determined annually by the Board of Directors. The annual payout rate for 2009 and 2008 was at 5 percent, respectively.

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents:

Cash and cash equivalents include highly liquid investments with original maturities of three months or less at the time of purchase and are stated at cost, which approximates fair value. Liquid assets held in the CIF have been classified as cash and cash equivalents.

Annuity Obligation:

The actuarial liability for annuity payments is computed as required by New York State insurance law under the 1990 CM Standard IRS Annuity Tables, assuming a 6% reserve. The life expectancy of annuitants determines the actuarial obligations. Dependent on whether the pool of annuitants differs from these life expectancy assumptions, an actuarial loss or gain on annuity obligations can result.

Assets Whose Use is Limited:

Assets whose use is limited include amounts held by the Societies for the administration and management of assets as revocable or irrevocable charitable remainder trusts. They also include amounts held for The American Baptist Service Corporation (“ABSCO”), the New Church Planting Vision Community and New Christians and New Churches in a New Century Campaign for which the Societies act as custodian. American Baptist churches and related American Baptist agencies can invest in the CIF. These funds are held in a fiduciary capacity and reflected as a liability (Funds of others) in the combined statement of financial position.

Temporarily Restricted Net Assets:

Temporarily restricted net assets are those whose use by the Societies has been limited by donors to a specific term or purpose.

Permanently Restricted Net Assets:

Permanently restricted net assets are donor restricted endowments required to be maintained in perpetuity. The income is either unrestricted or temporarily restricted based on donors’ intentions or law.

Inventory:

Inventories, consisting principally of printed materials and merchandise, are stated at cost less an estimated reserve for obsolescence, but not in excess of net realized value. The first-in, first-out cost method is used for inventory tracking and valuation.

Property, Equipment and Depreciation:

The Societies review their long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate their carrying amount may not be recoverable. There was no impairment in 2009 or 2008.

Property and equipment are recorded at cost or, if donated, at fair value at the date of receipt. Depreciation is computed on a straight-line basis and is charged to expense over the estimated useful lives of the assets. When assets are disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss on disposition is included in the statement of activities.

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

2. Summary of Significant Accounting Policies, continued

Contributions and Donations:

The Societies report gifts of cash and other assets as restricted contributions 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.

Judson Press:

Judson Press serves as a trademark and imprint for carrying out part of the mission of ABHMS. Specifically:

“Judson Press seeks to be a financially viable ministry that provides high quality resources designed to encourage, educate and equip disciples of Jesus Christ as they strive to be like him and the church as a whole as it seeks to fulfill Christ’s mission in the world.”

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 estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk:

ABHMS has significant investments in stocks, bonds, and mutual funds and is therefore subject to concentrations of credit risk. Investments are made by investment managers engaged by ABHMS and the investments are monitored for ABHMS by an investment committee. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes its investment policies are prudent for the long-term welfare of ABHMS and its beneficiaries.

In addition, certain financial instruments potentially subject ABHMS to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents and mortgage loans receivable. ABHMS places its cash and cash equivalents with high credit quality financial institutions. Concentrations of credit risk with respect to loans receivable are generally diversified due to the large number of borrowers comprising the ABHMS customer base and their dispersal across geographical regions.

New Accounting Standards:

FASB Codification

In June 2009, the Financial Accounting Standards Board (“FASB”) issued the last FASB Statement referenced in form: FASB Statement No. 168, *The FASB Accounting Standards Codification (“ASC”) and the Hierarchy of Generally Accepted Accounting Principles*. ASC was a major restructuring of accounting and reporting standards designed to simplify user access to all authoritative U.S. generally accepted accounting principles (“GAAP”) by providing the authoritative literature in a topically organized structure. This standard establishes ASC as the source of authoritative U.S. accounting and reporting standards for nongovernmental entities and is effective for the Societies’ financial statements as of December 31, 2009. Accordingly, FASB Statement references herewith have been updated to the appropriate ASC reference.

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

2. Summary of Significant Accounting Policies, continued

New Accounting Standards, continued:

Endowment Funds

Effective January 1, 2008, the Societies adopted FASB ASC 958 *Not-for-Profit Entities* (“Topic 958”). This standard requires an organization to disclose information about the net asset classification, net asset composition, changes in net asset composition, spending policies and related investment policies of its donor-restricted and board-designated endowment funds. See Note 14 for more details.

Accounting for Uncertainty in Income Taxes

Effective January 1, 2009, the Societies adopted the provisions of FASB ASC 740 *Accounting for Uncertainty in Income Taxes* (“Topic 740” – formerly FASB Interpretation No. 48). Under Topic 740, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained upon examination by a taxing authority. The implementation of Topic 740 had no impact on the Societies’ financial statements. The Societies do not believe there are any material uncertain tax positions taken, and accordingly, have not recognized any liability for unrecognized tax benefits under Topic 740. No interest or penalties were accrued as of December 31, 2009, as a result of the adoption of Topic 740. For the year ended December 31, 2009, there was no interest or penalties recorded or included in the financial statements.

Derivative Instruments and Hedging Activities

Effective January 1, 2009, the Societies adopted FASB ASC 815 *Disclosures about Derivative Instruments and Hedging Activities* (“Topic 815” – formerly FASB Statement No. 161). Topic 815 improves financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures of the fair values of derivative instruments and their gains and losses in a tabular format, as applicable. It also provides more information about an entity’s liquidity by requiring disclosure of derivative features that are credit risk-related. In addition, it requires cross-referencing within footnotes to enable financial statement users to locate important information about derivative instruments. See Note 13 for more details.

Subsequent Events

In May 2009, FASB issued ASC 855, *Subsequent Events* (“Topic 855”) regarding the reporting of subsequent events to incorporate the accounting and disclosure requirements for subsequent events into GAAP. This guidance introduces new terminology, defines a date through which management must evaluate subsequent events, and lists the circumstances under which an entity must recognize and disclose events or transactions occurring after the balance sheet date. The Societies adopted Topic 855 as of December 31, 2009 (see Note 15).

Fair Value Measurements and Disclosures

In January 2010, the FASB issued Accounting Standards Update (“ASU”) No. 2010-06 *Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements*. This ASU requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in Topic 820. The FASB’s objective is to improve these disclosures and, thus, increase the transparency in financial reporting. ASU No. 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Societies do not expect the implementation of ASU No. 2010-06 to have a material impact on its financial statements.

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

3. Assets Whose Use is Limited

Assets whose use is limited at December 31, 2009 and 2008 are designated as follows:

	<u>2009</u>	<u>2008</u>
Custodial Funds:		
Assets held for The American Baptist Service Corporation	\$ 1,125,225	\$ 1,107,082
Assets held for New Christians and New Churches in a New Century Campaign	-	1,827 *
Assets held for others	6,721	19,290
Assets held for Hurricane Katrina	394,409	446,229
Assets held for others through the Common Investment Fund	77,030,837	65,079,279
	<u>78,557,192</u>	<u>66,653,707</u>
Assets held under trust agreements	756,681	694,011
	<u>79,313,873</u>	<u>67,347,718</u>
Less current portion	(1,676,991)	(1,781,686)
Noncurrent portion	<u>\$ 77,636,882</u>	<u>\$ 65,566,032</u>

* Amounts reclassified to conform to current year presentation.

4. Property and Equipment

Property and equipment at December 31, 2009 and 2008 consists of the following:

	<u>2009</u>	<u>2008</u>
Computer equipment	\$ 605,166	\$ 579,465
Furniture and fixtures	470,662	463,349
Schools, Missions, Christian Centers and other properties	2,807,908	2,807,908
Land	292,068	292,068
	<u>4,175,804</u>	<u>4,142,790</u>
Less accumulated depreciation	(3,524,435)	(3,407,185)
Property and equipment, net of depreciation	<u>\$ 651,369</u>	<u>\$ 735,605</u>

Depreciation expense of property and equipment was \$117,250 and \$138,968 in 2009 and 2008, respectively.

5. Receivables Due from Baptist Related Organizations

ABHMS has loaned funds to other related organizations to be used for the redemption of debts and payment of operating expenses. In addition, as described in note 6, ABHMS's mortgage loans are administered by the American Baptist Extension Corporation ("ABEC"). Amounts due from ABEC for loans collected in excess of the amounts due to ABEC for loan disbursements are recorded as receivables.

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

5. Receivables Due from Baptist Related Organizations, continued

The collectability of these loans is dependent upon (1) the ability of these organizations to liquidate their assets for amounts at least equal to their liabilities and (2) the portion of these organizations' losses that are borne by other Baptist related organizations.

Gift annuities are administered by the American Baptist Foundation and are recorded as receivables.

As of December 31, 2009 and 2008, the receivables from these organizations include:

	<u>2009</u>	<u>2008</u>
American Baptist Extension Corporation	\$ 289,500	\$ 494,259
American Baptist Service Corporation	1,932,885	1,932,885
American Baptist Foundation	284,672	263,501
American Baptist Churches USA	197,787	455,661
American Baptist Historical Society	100,686	125,904
Other	212,955	213,084
	<u>3,018,485</u>	<u>\$ 3,485,294</u>
Less: Allowance for doubtful receivables	(1,811,712)	(1,811,712)
	1,206,773	1,673,582
Less current portion	(556,427)	(1,028,170)
Noncurrent portion	<u>\$ 650,346</u>	<u>\$ 645,412</u>

6. Mortgage Loans Receivable

The Societies mortgage loan portfolio was made up of 106 and 116 loans as of December 31, 2009 and 2008, respectively. The average rate on these loans as of December 31, 2009 and 2008 was 6.55% and 6.42%, respectively. Interest income on these mortgage loans is recorded on the accrual basis of accounting. These loans are geographically dispersed throughout the United States and are administered by The American Baptist Extension Corporation, an affiliate organization.

Scheduled maturities of mortgage loans receivable are as follows:

Year ending December 31,	
2010	\$ 244,923
2011	260,916
2012	277,953
2013	296,104
2014	315,441
2015 and thereafter	5,538,435
Subtotal	<u>6,933,772</u>
Less reserve	(765,060)
Total	<u>\$ 6,168,712</u>

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

7. Annuity and Life Income Funds

The Insurance Law of the State of New York requires the segregation of annuity fund assets separate and distinct from all other funds of the Societies. Such assets are not available for payment of debts of the Societies other than for annuity benefits. The insurance law also requires prescribed minimum reserves for annuity contracts equal to the greater of the actuarial reserve, or \$100,000. The last annual report was filed in 2005 when the Societies' annuity fund assets fell below the reporting threshold of \$500,000. The Actuarial Liability for annuity obligations was \$158,196 and \$167,992 at December 31, 2009 and 2008, respectively.

8. Retirement Plan

The Societies employees participate in the American Baptist Churches Retirement Plan (a defined contribution plan). All staff are covered and vested under the plan immediately upon employment. Pension expense was \$721,648 and \$703,839 for the years 2009 and 2008, respectively.

9. Temporarily and Permanently Restricted Net Assets

Temporarily and permanently restricted net assets consisted of the following at December 31, 2009 and 2008:

<u>Temporarily Restricted Net Assets</u>	<u>2009</u>	<u>2008</u>
Unexpended income and principal for capital expenditures, mortgage loans, student financial aid, endowment of schools, education purposes, operating programs and annuity life income funds of the Societies	<u>\$ 70,735,875</u>	<u>\$ 65,256,724</u>
 <u>Permanently Restricted Net Assets</u>		
Donor restricted endowments required to be maintained in perpetuity	<u>\$ 38,666,278</u>	<u>\$ 38,666,278</u>

10. Investment in Limited Partnership and Equity Note Payable

The Societies acquired a 35% ownership interest in 588 Associates, LP, a Pennsylvania limited partnership which was formed to purchase the Mission Center property located in 588-590 North Gulph Road, Upper Merion Township, Montgomery County, Pennsylvania. In March of 2009, 588 Associates, LP acquired the ABC Mission Center from American Baptist Churches USA ("ABCUSA") for the purchase price of twenty million dollars (\$20,000,000). At that time, the Societies entered into a 25-year equity financing agreement with ABCUSA for \$3,500,000 to finance one half of its share of the acquisition. Under the terms of this agreement, the equity note is payable to ABCUSA in monthly installments of \$24,737, including interest at 7% per annum, and due on March 1, 2034.

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

10. Investment in Limited Partnership and Equity Note Payable, continued

The Societies also acquired a 35% ownership interest in 588 Associates, LLC, a Pennsylvania limited liability company set up to hold the Mission Center property and function as the general partner for 588 Associates, LP. An Officer of the Societies is also an Officer of 588 Associates, LP. The Societies record these investments in accordance with the equity method of accounting.

The equity note payable matures as follows:

Year ending December 31,	
2010	\$ 56,421
2011	60,500
2012	64,873
2013	69,563
2014	74,592
2015 and thereafter	3,134,246
Total	<u>\$ 3,460,195</u>

Summarized financial information for 588 Associates, LP for the ten-month period from March 1, 2009 (date of inception) through December 31, 2009 is as follows:

Balance Sheet (Accrual Basis)	
Total Assets	<u>\$ 20,349,971</u>
Total Liabilities	173,881
Partnership Capital	<u>20,176,090</u> *
Total Liabilities and Partnership Capital	<u>\$ 20,349,971</u>

*The Societies' 35% interest of \$7,061,631 as of December 31, 2009 is recorded as "Investment in limited partnership" in the statement of financial position. Its share of the partnership loss was \$80,914 for the period then ended, which is included in "net realized losses on sale of investments" in the statement of activities.

11. Commitments and Contingencies

In March 2009, the Societies terminated its rental lease agreement with ABCUSA and entered into an operating lease agreement with 588 Associates, LP, for office space. The Societies paid \$311,931 and \$591,833 in rental expense for the years ended December 31, 2009 and 2008, respectively.

The Societies are from time to time involved in litigation arising in the ordinary course of business. At December 31, 2009 and 2008, there was no outstanding litigation or potential losses outstanding, therefore, no accrual has been recorded.

12. Fair Value Measurements

Effective January 1, 2008, the Societies adopted FASB ASC 820-10 Fair Value Measurements and Disclosures (Topic 820). This Statement defines fair value, establishes a framework for fair value and expands the disclosures about fair value measurements.

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

12. Fair Value Measurements, continued

Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participant's use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable.

Topic 820 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Societies classify fair value balances based on the fair value hierarchy defined by Topic 820 as follows:

- 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 – Quoted prices for similar assets or liabilities valued using industry standard models and based on prices, other than quoted prices within Level 1, that are either directly or indirectly observable as of the measurement date. The industry standard models consider observable assumptions including time value, volatility factors, benchmark yields, reported trades, issuer spreads, broker/dealer quotes, bids, offers, and industry and economic 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.

Equities

For its investments with asset managers that hold public common and preferred stocks, the Societies have position-level transparency into individual holdings. These investments are priced by the Societies' custodians BNY Mellon and Brown Brothers Harriman & Co. using observable market data and are classified as Level 1.

Fixed Income

The Societies also have investments with two fixed income managers.

PIMCO Total Return Fund III is a commingled bond fund. Investments consist mainly of corporate and municipal bonds, U.S. Treasury obligations, mortgage and asset backed securities, and foreign currency – denominated issues. These are classified as Level 1.

The Colchester Global Bond Fund includes, among others, the domestic sovereign debt of the higher quality smaller countries such as Australia, Hungary, Mexico, New Zealand, Norway, Poland and Czech Republic. The securities held by the fund have been categorized as Level 2. While each of the securities held by the fund is valued on the basis of quoted prices in active markets at the balance sheet date the emerging practice

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

12. Fair Value Measurements, continued

in the United States is to include all instruments that are traded on an over-the-counter basis (such as the fixed income instruments held by the fund) within level 2 regardless of the pricing source and methodology used.

ABEC investments held by ABHMS are non-negotiable notes that mature between March 2010 and March 2014 with interest rates ranging from 4.13% to 4.88%. ABEC is a New York not-for-profit corporation that exists to promote and support church extension and to assist churches and other related entities with acquisition, construction, and renovation of property for the spreading and sharing of the Gospel of Jesus Christ. Because fair value is based on internally developed models or methodologies using unobservable inputs these have been classified as Level 3.

Hedge Fund

The fund consists of the Mellon First Principle Fund, Ltd. and is managed by EACM Advisors LLC. This investment, a fund of funds, does not have access to the individual positions of each underlying manager. The fair value of these investments is determined by the administrator in consultation with each investment manager. These assets are classified as Level 3 because the Societies do not have position-level transparency into the underlying managers.

Forestland REIT

The Societies are Limited Partners in Heartwood Forestland REIT. Heartwood Forestland engages in acquiring a diversified portfolio of commercial forestlands to provide current income from the management and operations of such forestlands and to realize capital appreciation of the forestlands. Valuations are made by the General Partner during the first three years after acquisition (our initial acquisition date is September 30, 2007). An independent appraiser will establish value at the end of every three year cycle. These assets are classified as Level 3 because the Societies do not have either quoted prices or readily observable market comparable prices as of the valuation date.

Other Investments

This category consists of investments placed with the American Baptist Foundation that the Societies received from the dissolution of Educational Ministries Pooled Income and Annuity Fund. The assets of the Pooled Income fund are invested in the Wellington Admiral Fund and the Annuity Fund is invested in the Dodge & Cox Balanced Fund. Both of these are classified as Level 2.

Also included in this category are investments in community development loan funds that are held as part of the Societies' Mission Directed Funds. These investments serve as an expression of ABHMS' concern for the economic development and empowerment of low-income and minority communities. The hope is to provide such financial institutions with resources to further the economic growth of the communities in which they serve while at the same time earning a reasonable rate of return. Because fair value is based on internally developed models or methodologies using unobservable inputs these have been classified as Level 3.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Societies believe its valuation methods are consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

12. Fair Value Measurements, continued

The accompanying schedules represent total market value as of December 31, 2009 and 2008 of investments (including assets restricted for annuity obligations) for the Societies and for Assets Whose use is Limited/Funds of Others, respectively.

Total market value of investments (including assets restricted for annuity obligations) for the Societies:

(These investments are reported on the combined statements of financial position at fair value. The related realized and unrealized gains and losses are reflected in the combined statements of activities.)

Assets Measured at Fair Value on a Recurring Basis - December 31, 2009:

Description	Fair Value Measurements at Reporting Date Using:			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 80,462,476	\$ 80,462,476	\$ -	\$ -
Fixed Income	32,531,137	21,013,713	7,417,424	4,100,000
Hedge Fund	4,890,193	-	-	4,890,193
Forestland REIT	3,044,551	-	-	3,044,551
Other	990,167	-	521,394	468,773
Total	\$121,918,524	\$101,476,189	\$ 7,938,818	\$ 12,503,517

Assets Measured at Fair Value on a Recurring Basis - December 31, 2008:

Equities	\$ 60,197,658	\$ 60,197,658	\$ -	\$ -
Fixed Income	38,955,544	26,893,012	6,922,532	5,140,000
Hedge Fund	4,389,760	-	-	4,389,760
Forestland REIT	2,090,296	-	-	2,090,296
Other	959,012	-	498,148	460,864
Total	\$106,592,270	\$ 87,090,670	\$ 7,420,680	\$ 12,080,920

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

12. Fair Value Measurements, continued

Total market value of investments (including assets restricted for annuity obligations) for the Societies, continued:

Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Forestland REIT	Hedge Fund Investment	Fixed Income (ABEC Note)	Other (Mission Directed Funds)	Total
Beginning Balance 12/31/08	\$ 2,090,296	\$ 4,389,760	\$ 5,140,000	\$ 460,864	\$ 12,080,920
Investments made during year	742,750	-	-	-	742,750
Withdrawals made during year	-	-	(1,040,000)	-	(1,040,000)
Realized & Unrealized Gains	211,505	500,433	-	7,909	719,847
Transfers in/out of Level 3	-	-	-	-	-
Ending Balance 12/31/09	<u>\$ 3,044,551</u>	<u>\$ 4,890,193</u>	<u>\$ 4,100,000</u>	<u>\$ 468,773</u>	<u>\$ 12,503,517</u>

The amount of total gains(losses)
for the period included in changes
in net assets attributed to the
change in unrealized gains(losses)
relating to assets held as of:

December 31, 2009	\$ 211,505	\$ 500,433	\$ -	\$ 7,909	\$ 719,847
December 31, 2008	<u>\$ (10,871)</u>	<u>\$ (661,355)</u>	<u>\$ -</u>	<u>\$ 1,211</u>	<u>\$ (671,015)</u>

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

12. Fair Value Measurements, continued

Total market value of investments for Assets Whose use is Limited / Funds of Others:

(These investments are reported on the combined statements of financial position at fair value. The related realized and unrealized gains and losses are reflected in the combined statements of financial position but do not flow through the statements of activities as these funds are held in a fiduciary capacity.)

Assets Measured at Fair Value on a Recurring Basis - December 31, 2009

Description	Fair Value Measurements at Reporting Date Using:			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and Cash Equivalents	\$ 1,675,164	\$ 1,675,164	\$ -	\$ -
Equities	54,067,121	54,067,121	-	-
Fixed Income	18,238,211	13,252,348	4,985,863	-
Hedge Fund	3,286,967	-	-	3,286,967
Forestland REIT	2,046,410	-	-	2,046,410
Total	\$ 79,313,873	\$ 68,994,633	\$ 4,985,863	\$ 5,333,377

Assets Measured at Fair Value on a Recurring Basis - December 31, 2008

Cash and Cash Equivalents	\$ 1,781,686	\$ 1,781,686	\$ -	\$ -
Equities	36,955,267	36,955,267	-	-
Fixed Income	24,186,626	19,696,156	4,490,470	-
Hedge Fund	2,997,027	-	-	2,997,027
Forestland REIT	1,427,112	-	-	1,427,112
Total	\$ 67,347,718	\$ 58,433,109	\$ 4,490,470	\$ 4,424,139

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

12. Fair Value Measurements, continued

Total market value of investments for Assets Whose use is Limited / Funds of Others, continued:

Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Forestland	Hedge Fund	Total
	REIT	Investment	
Beginning Balance 12/31/08	\$ 1,427,112	\$ 2,997,027	\$ 4,424,139
Investments made during year	507,250	-	507,250
Withdrawals made during year	-	-	-
Realized & Unrealized Gains	112,048	289,940	401,988
Transfers in/out of Level 3	-	-	-
Ending Balance 12/31/09	<u>\$ 2,046,410</u>	<u>\$ 3,286,967</u>	<u>\$ 5,333,377</u>

The amount of total gains(losses) for the period included in changes in Funds of Others attributed to the change in unrealized gains(losses) relating to Assets Whose use is Limited as of:

December 31, 2009	\$ 112,048	\$ 289,940	\$ 401,988
December 31, 2008	<u>\$ (7,340)</u>	<u>\$ (461,127)</u>	<u>\$ (468,467)</u>

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

13. Derivative Instruments and Hedging Activities

In accordance with Topic 815, the Societies disclose the following information. The Societies' use derivative instruments for the purpose of adjusting the degree of risk in the Societies' portfolio. The fair value of these investments is determined by each manager using either an in-house valuation team or a third-party administrative service. The financial statements of the investees are audited annually by independent auditors. The Societies record its derivative activities at fair value, based on third-party valuations. These amounts are included in total investments and assets whose use is limited in the statements of financial position. Gains and losses from derivative financial instruments are included in net realized and unrealized gains and losses from investments in the statement of activities and assets whose use is limited.

EACM Mellon First Principle Fund is a multi-strategy fund of hedge funds with a social responsibility mandate focused on certain faith-based, ethical principles. EACM, the fund manager is located in Norwalk, Connecticut and has a staff of 41 people, 11 of whom are investment professionals. Founded in 1976, the manager is a wholly-owned subsidiary of The Bank of New York Mellon Corporation. The fund's investment objective is long-term capital appreciation with moderate volatility and moderate correlation to global equity and fixed income markets. To this end, the fund makes allocations to multiple hedge fund strategy groups, which may include relative value, event-driven, equity hedge fund, global asset allocators and short sellers. As of December 31, 2009, the fund had \$259.6 Million dollars in assets under management.

Financial Instruments with Off-Balance Sheet Risk

The Societies' investment activities expose it to the various types of risk which are associated with the financial instruments and markets in which it invests. The following is not intended to be a comprehensive summary of all risks, but rather to highlight primary underlying risk exposure categories.

Market risk – Market risk represents the potential loss that can be caused by a change in the fair value of the Societies' financial instruments. The Societies' exposure to market risk is determined by a number of factors, including market volatility. The Societies' exposure to market risk is monitored by the Finance Committee with support from its investment consultants at Colonial Consulting.

Credit risk – All deposits and securities owned by the Societies are held by its custodian or by custodians engaged by certain investment managers. The Societies are subject to credit risk should broker-dealers be unable to repay amounts owed, or if the custodians are unable to fulfill their obligations to the Societies. It is the policy of the Societies to transact its investment activity with high credit quality financial institutions and broker-dealers the Societies consider to be well established. While both the U.S. Bankruptcy Code and the Federal Deposit Investment Corporations seek to protect customer assets in the event of a failure, insolvency or liquidation of a bank, there is no certainty that, in the event of a failure of a bank that has custody of the Societies' assets that the Societies would not incur losses.

Currency risk – Although the majority of the Societies' investments are denominated in U.S. Dollars, the Societies may invest in assets denominated in currencies other than its reporting currency, the United States Dollar. Consequently, the Societies may be exposed to risks that the exchange rate of the U.S. dollar relative to other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Societies' assets and liabilities which are denominated in currencies other than the U.S. dollar.

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

13. Derivative Instruments and Hedging Activities, continued

Interest rate risk – Debt obligations are subject to interest rate risk. Interest rate risk is the risk that the Societies may incur losses due to adverse changes in interest rates. Fluctuations in interest rates have a direct impact on the market value of debt obligations. The Societies’ exposure is determined by a number of factors including term to maturity for investments.

Liquidity risk – Liquidity risk represents the possibility that the Societies may not be able to rapidly adjust the size of its positions in times of high volatility and financial stress at a reasonable price.

Money market fund risk – An investment in money market funds is exposed to the risk that a fund will not be able to maintain a net asset value per share of \$1.00 at all times. The investments in money market funds are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. In addition, money market funds are exposed to market risk, credit risk, interest rate risk, and liquidity risk.

Off balance sheet risk – Off balance risk exists when the maximum potential loss on a particular investment is greater than the value of such investment as reflected in the Fund’s statement of assets and liabilities.

14. Endowment

The Societies’ endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. In accordance with Topic 958, the following information is disclosed:

Interpretation of Relevant Law:

ABHMS is incorporated in the states of New York and Massachusetts. WABHMS is incorporated in the state of Illinois. In New York and Massachusetts endowment funds of not-for-profit corporations are currently governed by the Uniform Management of Institutional Funds Act (“UMIFA”), enacted in each state in 1978 and 1975, respectively. Effective June 30, 2009, Illinois enacted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), which governs endowment funds for not-for-profit corporations.

The Societies have 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, the Societies classify 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 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 Societies. The Societies consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

14. Endowment, continued

Interpretation of Relevant Law, continued:

- (1) The duration and preservation of the fund
- (2) The purposes of the Societies and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Societies
- (7) The investment policies of the Societies.

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 the Societies to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2009 and 2008.

Return Objectives and Risk Parameters

The Societies' endowment funds are invested in its CIF. According to policy approved by the Board of Directors, CIF assets 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.

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, the Societies rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Societies target 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 and How the Investment Objectives Relate to Spending Policy:

The Societies have a policy of appropriating for distribution each year 5 percent of its endowment fund's average fair value over the prior 20 quarters ending on June 30 proceeding the fiscal year in which the distribution is planned. This policy is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

14. Endowment, continued

Endowment Net Asset Composition by Type of Fund as of December 31, 2009:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 2,133,572	\$ 59,163,099	\$ 38,666,278	\$ 99,962,949
Board-designated endowment funds	<u>10,418,290</u>	<u>-</u>	<u>-</u>	<u>10,418,290</u>
Total	<u>\$ 12,551,862</u>	<u>\$ 59,163,099</u>	<u>\$ 38,666,278</u>	<u>\$ 110,381,239</u>

*Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2009:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 12,269,421	\$ 44,571,129	\$ 38,666,278	\$ 95,506,828
Investment return:				
Investment income	216,417	2,249,224	-	2,465,641
Net appreciation (realized and unrealized)	<u>1,769,056</u>	<u>18,385,857</u>	<u>-</u>	<u>20,154,913</u>
Total investment return	1,985,473	20,635,081	-	22,620,554
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	<u>(1,703,032)</u>	<u>(6,043,111)</u>	<u>-</u>	<u>(7,746,143)</u>
Endowment net assets, end of year	<u>\$ 12,551,862</u>	<u>\$ 59,163,099</u>	<u>\$ 38,666,278</u>	<u>\$ 110,381,239</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2008:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 1,797,922	\$ 44,571,129	\$ 38,666,278	\$ 85,035,329
Board-designated endowment funds	<u>10,471,499</u>	<u>-</u>	<u>-</u>	<u>10,471,499</u>
Total	<u>\$ 12,269,421</u>	<u>\$ 44,571,129</u>	<u>\$ 38,666,278</u>	<u>\$ 95,506,828</u>

AMERICAN BAPTIST HOME MISSION SOCIETIES
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2009 and 2008

14. Endowment, continued

*Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2008:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 22,171,895	\$ 86,455,352	\$ 38,663,978	\$ 147,291,225
Investment return:				
Investment income	619,274	2,765,272	-	3,384,546
Net depreciation (realized and unrealized)	<u>(8,171,400)</u>	<u>(36,488,100)</u>	-	<u>(44,659,500)</u>
Total investment return	(7,552,126)	(33,722,828)	-	(41,274,954)
Contributions	10,206	209,058	2,300	221,564
Appropriation of endowment assets for expenditure	<u>(2,360,554)</u>	<u>(8,370,453)</u>	-	<u>(10,731,007)</u>
Endowment net assets, end of year	<u>\$ 12,269,421</u>	<u>\$ 44,571,129</u>	<u>\$ 38,666,278</u>	<u>\$ 95,506,828</u>

**The Societies' endowment funds are invested in its Common Investment Fund ("CIF"), which is a unitized fund. The net asset values for each individual fund are tracked separately based on (a) the original value of gifts donated, (b) accumulated net investment returns, and (c) distributions for expenditure. These amounts are reflected in the statement of activities through investment activity and net realized and unrealized gains and losses.*

15. Subsequent Events

The Societies evaluated its December 31, 2009 financial statements for subsequent events through July 1, 2010, the date the combined financial statements were available to be issued. The Societies is not aware of any subsequent events that would require recognition or disclosure in the accompanying combined financial statements.

SUPPLEMENTAL INFORMATION

Woman's American Baptist Home Mission Society

Supplemental Schedule of Financial Position

December 31, 2009

Assets

Investment in the Common Investment Fund	\$ 5,562,185
Property and equipment, net of accumulated depreciation	<u>11,201</u>
Total assets	<u><u>\$ 5,573,386</u></u>

Liabilities

Payable to the American Baptist Home Mission Society	\$ <u>6,784</u>
Total liabilities	6,784

Net Assets

Net Assets:	
Unrestricted	\$ 3,366,684
Permanently restricted	<u>2,199,918</u>
Total net assets	<u>5,566,602</u>
Total liabilities and net assets	<u><u>\$ 5,573,386</u></u>

Supplemental Schedule of Activities and Change in Net Assets

For the year ended December 31, 2009

Revenues

Investment income	\$ 772,161
Contributions	-
Trust fund income	<u>1,870</u>
Total revenues	<u>774,031</u>

Expenses

Contribution to Baptist related organization:	
Disbursements to The American Baptist Home Mission Society	<u>551,337</u>
Total expenses	<u>551,337</u>

Increase in net assets 222,694

Net assets at beginning of year 5,343,908

Net assets at end of year \$ 5,566,602

Common Investment Fund
Supplemental Schedule of Financial Position
December 31, 2009

ASSETS	<u>Societies</u>	<u>Funds of Others</u>	<u>Total</u>
Cash, cash equivalents and investments at fair value	\$ 119,098,326	\$ 81,305,350	\$ 200,403,676
Total assets	<u>119,098,326</u>	<u>81,305,350</u>	<u>200,403,676</u>
LIABILITIES			
Accounts payable	<u>6,258,385</u>	<u>4,274,513</u>	<u>10,532,898</u>
Total liabilities	<u>6,258,385</u>	<u>4,274,513</u>	<u>10,532,898</u>
Assets less liabilities	<u>\$ 112,839,941</u>	<u>\$ 77,030,837</u>	<u>\$ 189,870,778</u>
NET ASSETS			
Participating funds	\$ 48,102,211	\$ 79,652,245	\$ 127,754,456
Undistributed net realized gains	71,981,713	4,370,467	76,352,180
Accumulated market value over cost	9,437,007	(1,613,154)	7,823,853
Accumulated net premium on withdrawals	<u>(16,680,990)</u>	<u>(5,378,721)</u>	<u>(22,059,711)</u>
Total net assets	<u>\$ 112,839,941</u>	<u>\$ 77,030,837</u>	<u>\$ 189,870,778</u>

Based on market values, the unit value was \$284.837 at December 31, 2009 and \$240.027 at December 31, 2008.

Common Investment Fund
Supplemental Schedule of Activities and Change in Net Assets
For the year ended December 31, 2009

REVENUES	<u>Societies</u>	<u>Funds of Others</u>	<u>Total</u>
Contributions	\$ 1,420,426	\$ 8,309,713	\$ 9,730,139
Investment income	2,631,447	1,782,314	4,413,761
	<hr/>		
Total revenues	4,051,873	10,092,027	14,143,900
	<hr/>		
EXPENSES, PAYMENTS AND LOSSES			
Expenses and Payments:			
Withdrawals	1,996,098	7,996,066	9,992,164
Operating expenses	745,842	506,850	1,252,692
Distribution to participants	6,150,532	4,165,339	10,315,871
Gains paid to participants	991,375	613,131	1,604,506
	<hr/>		
Total expenses and payments	9,883,847	13,281,386	23,165,233
Realized losses on sale of investments	5,040,391	3,403,828	8,444,219
Net unrealized gain	(27,198,964)	(18,544,745)	(45,743,709)
	<hr/>		
Total expenses, payments and losses	(12,274,726)	(1,859,531)	(14,134,257)
Changes in net assets	16,326,599	11,951,558	28,278,157
Net assets at beginning of year	96,513,342	65,079,279	161,592,621
	<hr/>		
Net assets at end of year	\$ 112,839,941	\$ 77,030,837	\$ 189,870,778
	<hr/> <hr/>		

NOTE: Income distribution is based on an annual payment rate of \$15.372 per unit in 2009 and \$14.280 in 2008.