



National Ministries Annual Report 2006



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Statement of the Treasurer



The combined Annual Financial Report of The American Baptist Home Mission Society and Woman's American Baptist Home Mission Society for the year ending December 31, 2006 is presented in the following pages. Included in the report is the unqualified opinion letter of our independent auditors, Milligan and Company, L.L.C. Also included are financial statements of the Societies, presented in accordance with generally accepted accounting standards, notes to the financial statements and supplemental schedules regarding our Common Investment Fund.

Net assets of the Societies at year end 2006 totaled \$169,678,452, mostly representing investments in the Common Investment Fund. This compares to \$158,573,009 at year end 2005. The increase in net assets reflects realized and unrealized gains due to investment activity in the Common Investment Fund. The increase of \$11,105,443 is mainly the result of net realized and unrealized gains and losses in investing activity.

The operating budget benefited from the generosity of American Baptists who contributed 9.9 percent of our annual operating income through United Mission and 10.0 percent through the America for Christ Offering, totaling \$2,204,467. At year end, annual income of \$11,069,387 against operating expenses of \$10,998,331 resulted in an excess of \$71,056. The NEW LIFE 2010 operating expenses of \$177,252 in 2006 reflected the seventh year of funding; during the seven-year period \$4,877,000 was provided from endowment funds, rather than the normal operating budget.

The Common Investment Fund's eleven investment managers all had a positive year with the exception of one large cap manager who was hired part-way through 2006. The total return for the year (net of fees) was 14.4 percent. Net assets in the Fund amounted to \$177,424,743 on December 31, 2006 (including the funds of other American Baptist churches and institutions invested in the Fund), compared to \$160,513,802 on the same date in 2005.

The value of each unit invested in the Fund was \$333.34 on December 31, 2006, compared to \$304.09 in 2005, resulting in an increase of \$29.25 or 9.6 percent. The increase in the unit value is mainly due to the investment performance of 14.4 percent minus the payout rate of 5 percent of the unit value over 20 quarters.

National Ministries' prophetic commitment to confront systems that debase personhood, deny justice and destroy creation is reflected not only in our programming, but also in the way in which we exercise stewardship of funds entrusted to us. The Common Investment Fund is an actively-managed fund that engages in the full range of socially-responsible investing activities, including the filing of shareholder resolutions on matters of importance to the Societies. In 2006, resolutions and other shareholder activities addressed concerns about stewardship of the environment, access to pharmaceutical drugs for the uninsured and underinsured, equal employment opportunities and other issues of economic justice.

The Fund has been in existence since 1962 to manage the assets of the Home Mission Societies, supporting the work of mission while simultaneously doing mission through shareholder advocacy. In 1975, it was expanded to allow American Baptist churches and related institutions to participate.

We are also the beneficiaries of American Baptists from previous generations, whose faithful planned giving has supported ministries for future generations. In 2006, National Ministries received \$811,208 through bequests. Planned giving efforts by the American Baptist Foundation in 2006 produced a total of \$1,273,799 directed to National Ministries to support future ministries.

In the pages of this report, you will find not only reports on the financial stewardship of The American Baptist Home Mission Society and Woman's American Baptist Home Mission Society—you'll also find reports about the faithful ministries of American Baptist home missionaries across the United States and Puerto Rico. Your generous support is critical as we seek to be faithful to a tradition of home mission and education.

This report is my last as Treasurer of National Ministries, since I will be retiring in July of 2007. It has been a privilege to serve briefly in the 175-year-long tradition of The American Baptist Home Mission Societies. I leave this work confident that American Baptists will continue to engage in bold and powerful home mission efforts that will transform leadership and transform lives, continuing a rich heritage for many generations to come. May it be so.

Respectfully submitted,

Margaret Ann Cowden

The Rev. Margaret Ann Cowden, Ph.D.
Chief Financial Officer and Treasurer

American Baptist churches and related institutions are invited to participate in National Ministries Common Investment Fund. For more information, call the Treasurer's office at 800-ABC-3USA, ext. 2385.

Report of Independent Auditors



To the Board of Directors
Board of National Ministries
American Baptist Churches 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, 2006 and 2005, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Societies as of December 31, 2006 and 2005, 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.

Milligan & Company LLC

April 17, 2007

American Baptist Home Mission Societies
THE COMBINED STATEMENTS OF FINANCIAL POSITION
 December 31, 2006 and 2005

	2006	2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,985,737	\$ 12,842,148
Assets whose use is limited	2,455,012	3,287,055
Receivables, net (Publishing)	252,949	289,313
Receivables due from Baptist-related organizations, net	2,646,161	634,083
Mortgage loans receivable	421,670	578,677
Interest receivable	559,069	492,131
Inventory (Publishing)	635,440	641,591
Prepaid expenses and other assets	59,480	32,676
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Total current assets	21,015,518	18,797,674
Noncurrent assets:		
Receivables due from Baptist-related organizations, net	1,070,247	1,128,218
Mortgage loans receivable, net	8,082,195	8,671,013
Investments	143,553,393	134,231,634
Assets restricted for annuity obligations	590,869	591,485
Assets whose use is limited	35,413,272	30,106,119
Property and equipment, net	781,112	779,841
	<hr/>	<hr/>
Total assets	<u>\$210,506,606</u>	<u>\$194,305,984</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 1,769,813	\$ 1,034,363
Accrued expenses	547,275	519,003
Allowance for sales returns (Publishing)	369,224	484,398
Funds of others	2,455,012	3,287,055
	<hr/>	<hr/>
Total current liabilities	5,141,324	5,324,819
Noncurrent liabilities:		
Actuarial liability for annuity obligations	273,558	302,037
Funds of others	35,413,272	30,106,119
	<hr/>	<hr/>
Total liabilities	40,828,154	35,732,975
Net assets:		
Unrestricted	59,548,786	51,420,416
Temporarily restricted	71,650,068	68,672,995
Permanently restricted	38,479,598	38,479,598
	<hr/>	<hr/>
Total net assets	169,678,452	158,573,009
Total liabilities and net assets	<u>\$210,506,606</u>	<u>\$194,305,984</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, 2006 (with comparative 2005 totals)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2006 Total	2005 Total
REVENUES AND GAINS					
Contributions:					
United Mission Basics	\$ 740,355	\$ -	\$ -	\$ 740,355	\$ 920,319
United Mission Designated	32,043	-	-	32,043	38,837
America for Christ Offering	1,108,493	-	-	1,108,493	1,250,152
One Great Hour of Sharing	-	1,411,273	-	1,411,273	3,771,344
Shared Support Services	323,576	-	-	323,576	323,576
Specific Purposes	-	282,779	-	282,779	296,120
Other Contributions	145,534	-	-	145,534	254,443
Other investment income	3,405,879	771,832	-	4,177,711	3,098,974
Mortgage interest income	533,267	-	-	533,267	622,185
Realized gains on sale of investments	8,107,705	2,300,874	-	10,408,579	12,338,955
Net unrealized (losses) gains	4,284,196	1,329,000	-	5,613,196	(5,433,900)
Legacies, terminated trusts and trust fund income	811,208	-	-	811,208	98,734
Publishing Net Sales	2,731,034	-	-	2,731,034	2,756,075
Less: Publishing Cost of Goods Sold	1,106,604	-	-	1,106,604	1,102,069
Gross Profit	1,624,430	-	-	1,624,430	1,654,006
Net assets released from restrictions:					
Satisfaction of program restrictions	3,147,164	(3,147,164)	-	-	-
Total revenues and gains	24,263,850	2,948,594	-	27,212,444	19,233,745
EXPENSES					
Personnel Cost	5,102,641	-	-	5,102,641	5,025,811
Ministry Services	5,174,096	-	-	5,174,096	5,061,419
Program Services	3,904,939	-	-	3,904,939	2,677,822
Publishing Ministry	1,776,552	-	-	1,776,552	1,800,849
NEW LIFE 2010	177,252	-	-	177,252	258,324
Total expenses	16,135,480	-	-	16,135,480	14,824,225
Actuarial change on annuity obligations	-	(28,479)	-	(28,479)	(60,022)
Total expenses	16,135,480	(28,479)	-	16,107,001	14,764,203
Changes in net assets	8,128,370	2,977,073	-	11,105,443	4,469,542
Net assets at beginning of year	51,420,416	68,672,995	38,479,598	158,573,009	154,103,467
Net assets at end of year	\$ 59,548,786	\$ 71,650,068	\$ 38,479,598	\$ 169,678,452	\$ 158,573,009

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, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	2005 Total
REVENUES AND GAINS				
Contributions:				
United Mission Basics	\$ 920,319	\$ -	\$ -	\$ 920,319
United Mission Designated	38,837	-	-	38,837
America for Christ Offering	1,250,152	-	-	1,250,152
One Great Hour of Sharing	-	3,771,344	-	3,771,344
Shared Support Services	323,576	-	-	323,576
Specific Purposes	-	296,120	-	296,120
Other Contributions	182,959	26,737	44,747	254,443
Other investment income	2,515,025	583,949	-	3,098,974
Mortgage income	622,185	-	-	622,185
Realized gains on sale of investments	9,705,743	2,633,212	-	12,338,955
Net unrealized losses	(4,257,298)	(1,176,602)	-	(5,433,900)
Legacies, terminated trusts and trust fund income	18,091	71,854	8,789	98,734
Publishing Net Sales	2,756,075	-	-	2,756,075
Less: Publishing Cost of Goods Sold	1,102,069	-	-	1,102,069
Gross Profit	1,654,006	-	-	1,654,006
Net assets released from restrictions:				
Satisfaction of program restrictions	4,117,538	(4,117,538)	-	-
Total revenues and gains	17,091,133	2,089,076	53,536	19,233,745
EXPENSES				
Personnel Cost	5,025,811	-	-	5,025,811
Ministry Services	5,061,419	-	-	5,061,419
Program Services	2,677,822	-	-	2,677,822
Publishing Ministry	1,800,849	-	-	1,800,849
NEW LIFE 2010	258,324	-	-	258,324
Total expenses	14,824,225	-	-	14,824,225
Actuarial change on annuity obligations	-	(60,022)	-	(60,022)
Total expenses	14,824,225	(60,022)	-	14,764,203
Changes in net assets	2,266,908	2,149,098	53,536	4,469,542
Net assets at beginning of year	49,153,508	66,523,897	38,426,062	154,103,467
Net assets at end of year	\$ 51,420,416	\$ 68,672,995	\$ 38,479,598	\$ 158,573,009

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, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 11,105,443	\$ 4,469,542
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	114,710	109,260
Change in value of annuity obligations	(28,479)	(52,299)
Net unrealized (gains) losses on investments	(5,613,196)	5,433,900
Realized gains on investments	(10,408,579)	(12,338,955)
(Increase) decrease in:		
Receivable (publishing)	36,364	8,175
Receivables from Baptist-related organizations	(1,954,107)	1,033,572
Prepaid expenses and other assets	(26,804)	144,956
Inventory (Publishing)	6,151	(97,728)
Interest receivable	(66,938)	(76,818)
Increase (decrease) in:		
Accounts payable	735,450	482,944
Accrued expenses	28,272	177,905
Allowance for sales returns	(115,174)	(10,256)
Net cash used in operating activities	<u>(6,186,887)</u>	<u>(715,802)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Mortgage loans issued	(764,685)	(618,500)
Collections on mortgage loans	1,510,510	1,114,078
Purchases of property & equipment	(115,981)	(92,218)
Purchases of investments	(62,451,133)	(87,388,601)
Proceeds from sale of investments	<u>69,151,765</u>	<u>91,789,488</u>
Net cash provided by investing activities	<u>7,330,476</u>	<u>4,804,247</u>
Net increase in cash and cash equivalents	1,143,589	4,088,445
Cash and cash equivalents, beginning of year	<u>12,842,148</u>	<u>8,753,703</u>
Cash and cash equivalents, end of year	<u>\$ 13,985,737</u>	<u>\$ 12,842,148</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 147,944</u>	<u>\$ 69,215</u>

Equipment with an original cost of \$889,361 and accumulated depreciation of \$889,361 was retired in 2005. There were no retirements of equipment in 2006.

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

American Baptist Home Mission Societies

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

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). The 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. The 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 inter-company 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).

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 The American Baptist Home Mission Societies. 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 2006 and 2005 was at 5 percent, respectively.

Cash and Cash Equivalents:

Cash and cash equivalents include highly liquid investments with original maturities of three months or less at the time of pur-

chase 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 1983 Standard Annuity Tables, assuming a 10% 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 2006 or 2005.

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.

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 The American Baptist Home Mission Society: "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."

American Baptist Home Mission Societies
 NOTES TO COMBINED FINANCIAL STATEMENTS

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.

2. Assets Whose Use is Limited:

Assets whose use is limited at December 31, 2006 and 2005 are designated as follows:

	2006	2005
Assets held for The American Baptist Service Corporation	\$ 1,075,241	\$ 1,058,256
Assets held for the New Church Planting Vision Community	(94,048)	(94,048)
Assets held for New Christians and New Churches in a New Century Campaign	95,875	94,320
Assets held for others	13,201	10,829
Assets held for Hurricane Katrina	1,364,743	2,217,698
Assets held under trust agreements	35,413,272	30,106,119
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	37,868,284	33,393,174
Less current portion	(2,455,012)	(3,287,055)
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	\$35,413,272	\$30,106,119

3. Property and Equipment:

Property and equipment at December 31, 2006 and 2005 consists of the following:

	2006	2005
Computer equipment	\$ 523,474	\$ 413,783
Furniture and fixtures	314,640	308,350
Schools, Missions, Christian Centers and other properties	2,807,908	2,807,908
Land	292,068	292,068
	<hr/>	<hr/>
	3,938,090	3,822,109
Less accumulated depreciation	(3,156,978)	(3,042,268)
	<hr/>	<hr/>
Property and equipment, net of depreciation	\$ 781,112	\$ 779,841

Depreciation expense of property and equipment was \$114,710 and \$109,260 in 2006 and 2005, respectively.

4. Receivables Due from Baptist-Related Organizations:

ABHMS has loaned funds to other related organizations, principally The American Baptist Service Corporation, to be used primarily for the redemption of debts and payment of operating expenses. At December 31, 2006 and 2005, the receivables from these organizations aggregated \$5,641,805 and \$3,808,990 net of allowance for losses of \$1,925,397 and \$2,046,689, respectively. The collectibility 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.

