

# **BOARD OF NATIONAL MINISTRIES**

## **AMERICAN BAPTIST CHURCHES USA**

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### **INDEPENDENT AUDITORS' REPORT**

and

### **FINANCIAL STATEMENTS**

For the years ended  
December 31, 2007 and 2006

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REPORT OF INDEPENDENT AUDITORS'

To the Board of Directors  
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, 2007 and 2006, 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 Societies' 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, 2007 and 2006, 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*

Milligan & Company, LLC

June 4, 2008  
Philadelphia, PA

**American Baptist Home Mission Societies**  
**THE COMBINED STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2007 and 2006**

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
Current assets:		
Cash and cash equivalents	\$ 15,905,607	\$ 13,985,737
Assets whose use is limited	2,237,348	2,455,012
Receivables, net (Publishing Ministry)	246,214	252,949
Receivables due from Baptist-related organizations, net	2,936,222	2,646,161
Mortgage loans receivable	347,434	421,670
Interest receivable	616,243	559,069
Inventory (Publishing Ministry)	874,158	635,440
Prepaid expenses and other assets	53,866	59,480
Total current assets	23,217,092	21,015,518
Noncurrent assets:		
Receivables due from Baptist-related organizations, net	1,067,937	1,070,247
Mortgage loans receivable, net	7,246,060	8,082,195
Investments	147,997,949	143,553,393
Assets restricted for annuity obligations	578,959	590,869
Assets whose use is limited	95,296,519	35,413,272
Property and equipment, net	716,866	781,112
Total assets	\$ 276,121,382	\$ 210,506,606
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 208,743	\$ 1,769,813
Accrued expenses	486,362	547,275
Allowance for sales returns (Publishing Ministry)	364,449	369,224
Funds of others	2,237,348	2,455,012
Total current liabilities	3,296,902	5,141,324
Noncurrent liabilities:		
Actuarial liability for annuity obligations	243,101	273,558
Funds of others	95,296,519	35,413,272
Total liabilities	98,836,522	40,828,154
Net assets:		
Unrestricted	64,147,520	59,548,786
Temporarily restricted	74,473,362	71,650,068
Permanently restricted	38,663,978	38,479,598
Total net assets	177,284,860	169,678,452
Total liabilities and net assets	\$ 276,121,382	\$ 210,506,606

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, 2007 (with comparative 2006 totals)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2007 Total	2006 Total
<b>REVENUES AND GAINS</b>					
Contributions:					
United Mission Basics	\$ 668,422	\$ -	\$ -	\$ 668,422	\$ 740,355
United Mission Designated	44,221	-	-	44,221	32,043
America for Christ Offering	1,067,548	-	-	1,067,548	1,108,493
One Great Hour of Sharing	-	623,105	-	623,105	1,411,273
Shared Support Services	323,576	-	-	323,576	323,576
Specific Purposes	-	291,887	-	291,887	282,779
Other Contributions	173,386	-	-	173,386	145,534
Other investment income	3,493,869	781,721	-	4,275,590	4,177,711
Mortgage interest income	501,578	-	-	501,578	533,267
Realized gains on sale of investments	12,088,303	3,533,782	-	15,622,085	9,796,325 *
Net unrealized (losses) gains	(3,772,936)	(1,103,595)	-	(4,876,531)	6,225,450 *
Legacies, terminated trusts and trust fund income	1,747,371	-	184,380	1,931,751	811,208
Publishing Net Sales	2,585,593	-	-	2,585,593	2,731,034
Less: Publishing Cost of Goods Sold	(1,035,716)	-	-	(1,035,716)	(1,106,604)
Gross Profit	1,549,877	-	-	1,549,877	1,624,430
Net assets released from restrictions:					
Satisfaction of program restrictions	1,334,063	(1,334,063)	-	-	-
Total revenues and gains	19,219,278	2,792,837	184,380	22,196,495	27,212,444
<b>EXPENSES</b>					
Ministry Services	7,082,779	-	-	7,082,779	7,572,336 *
Program Services	5,432,098	-	-	5,432,098	6,608,981 *
Publishing Ministry	1,994,132	-	-	1,994,132	1,776,911 *
New Life 2010	111,535	-	-	111,535	177,252
Total expenses	14,620,544	-	-	14,620,544	16,135,480
Actuarial change on annuity obligations	-	(30,457)	-	(30,457)	(28,479)
Total expenses	14,620,544	(30,457)	-	14,590,087	16,107,001
Changes in net assets	4,598,734	2,823,294	184,380	7,606,408	11,105,443
Net assets at beginning of year	59,548,786	71,650,068	38,479,598	169,678,452	158,573,009
Net assets at end of year	\$ 64,147,520	\$ 74,473,362	\$ 38,663,978	\$ 177,284,860	\$ 169,678,452

\* Amounts reclassified to conform to current year presentation.

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**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2006 Total
<b>REVENUES AND GAINS</b>				
Contributions:				
United Mission Basics	\$ 740,355	\$ -	\$ -	\$ 740,355
United Mission Designated	32,043	-	-	32,043
America for Christ Offering	1,108,493	-	-	1,108,493
One Great Hour of Sharing	-	1,411,273	-	1,411,273
Shared Support Services	323,576	-	-	323,576
Specific Purposes	-	282,779	-	282,779
Other Contributions	145,534	-	-	145,534
Other investment income	3,405,879	771,832	-	4,177,711
Mortgage interest income	533,267	-	-	533,267
Realized gains on sale of investments	7,495,451	2,300,874	-	9,796,325 *
Net unrealized gains	4,896,450	1,329,000	-	6,225,450 *
Legacies, terminated trusts and trust fund income	811,208	-	-	811,208
Publishing Net Sales	2,731,034	-	-	2,731,034
Less: Publishing Cost of Goods Sold	(1,106,604)	-	-	(1,106,604)
Gross Profit	<u>1,624,430</u>	-	-	<u>1,624,430</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>3,147,164</u>	<u>(3,147,164)</u>	-	<u>-</u>
Total revenues and gains	<u>24,263,850</u>	<u>2,948,594</u>	-	<u>27,212,444</u>
<b>EXPENSES</b>				
Ministry Services	7,572,336	-	-	7,572,336 *
Program Services	6,608,981	-	-	6,608,981 *
Publishing Ministry	1,776,911	-	-	1,776,911 *
New Life 2010	<u>177,252</u>	-	-	<u>177,252</u>
Total expenses	16,135,480	-	-	16,135,480
Actuarial change on annuity obligations	<u>-</u>	<u>(28,479)</u>	-	<u>(28,479)</u>
Total expenses	<u>16,135,480</u>	<u>(28,479)</u>	-	<u>16,107,001</u>
Changes in net assets	8,128,370	2,977,073	-	11,105,443
Net assets at beginning of year	<u>51,420,416</u>	<u>68,672,995</u>	<u>38,479,598</u>	<u>158,573,009</u>
Net assets at end of year	<u>\$ 59,548,786</u>	<u>\$ 71,650,068</u>	<u>\$ 38,479,598</u>	<u>\$ 169,678,452</u>

\* Amounts reclassified to conform to current year presentation.

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

**American Baptist Home Mission Societe**  
**THE COMBINED STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities</b>		
Total change in net assets	\$ 7,606,408	\$ 11,105,443
Adjustments to reconcile total change in net assets to net cash used in operating activities:		
Depreciation	111,239	114,710
Change in value of annuity obligations	(30,457)	(28,479)
Net unrealized losses (gains) on investments	4,876,531	(6,225,450) *
Reserve for mortgage loan losses	179,970	-
Realized gains on investments	(15,622,085)	(9,796,325) *
(Increase) decrease in:		
Receivable (Publishing Ministry)	6,735	36,364
Receivables from Baptist-related organizations	(287,750)	(1,954,107)
Prepaid expenses and other assets	5,614	(26,804)
Inventory (Publishing Ministry)	(238,718)	6,151
Interest receivable	(57,174)	(66,938)
Increase (decrease) in:		
Accounts payable	(1,561,070)	735,450
Accrued expenses	(60,913)	28,272
Allowance for sales returns	(4,775)	(115,174)
Net cash used in operating activities	<u>(5,076,445)</u>	<u>(6,186,887)</u>
<b>Cash flows from investing activities</b>		
Mortgage loans issued	(189,292)	(764,685)
Collections on mortgage loans	919,693	1,510,510
Purchases of property and equipment	(46,993)	(115,981)
Purchases of investments	(120,451,648)	(62,451,133)
Proceeds from sale of investments	<u>126,764,555</u>	<u>69,151,765</u>
Net cash provided by investing activities	<u>6,996,315</u>	<u>7,330,476</u>
Net increase in cash and cash equivalents	1,919,870	1,143,589
Cash and cash equivalents, beginning of year	<u>13,985,737</u>	<u>12,842,148</u>
Cash and cash equivalents, end of year	<u>\$ 15,905,607</u>	<u>\$ 13,985,737</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	<u>\$ 103,758</u>	<u>\$ 147,944</u>

\* Amounts reclassified to conform to current year presentation.

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

**American Baptist Home Mission Societies**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2007 and 2006**

**1. Summary of Significant Accounting Policies:**

**Background:**

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 of 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).

Major Sources of revenue are contributions received from various churches and individuals, investment income, legacy received and Judson Press publishing sales.

**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, and are stated at fair value based

**American Baptist Home Mission Societies**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2007 and 2006**

**1. Summary of Significant Accounting Policies, continued:**

**Investments, continued:**

on third-party determinations. 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 are 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 both 2007 and 2006 was at 5 percent.

**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 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 gain or loss 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 in the Combined Statements of Financial Position as "Funds of others".

**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.

**American Baptist Home Mission Societies**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2007 and 2006**

**2. Summary of Significant Accounting Policies, continued:**

**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 2007 or 2006.

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 Combined 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 Combined 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:

“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.

**American Baptist Home Mission Societies**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2007 and 2006**

**1. Summary of Significant Accounting Policies, continued:**

**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.

**Fair Value Measurement:**

In September 2006, the Financial Accounting Standard Board (FASB) issued Statement of Financial Accounting Standards No. 157 *Fair Value Measurements* (FASB 157) that may impact ABHMS's future financial presentations.

FASB 157 provides a common definition of fair value as well as establishes a framework to measure fair value within U.S. generally accepted accounting principles and expands the disclosures about fair value measurements. The Board of Directors is currently evaluating the impact of this standard. This statement is effective for ABHMS's fiscal year ending December 31, 2008.

**2. Assets Whose Use is Limited:**

Assets whose use is limited at December 31, 2007 and 2006 are designated as follows:

	<b>2007</b>	<b>2006</b>
Assets held for The American Baptist Service Corporation	\$ 1,088,939	\$ 1,075,241
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	95,875
Assets held for others	12,718	13,201
Assets held for Hurricane Katrina	1,133,864	1,364,743
Assets held under trust agreements	95,296,519	35,413,272
	<hr/>	<hr/>
	97,533,867	37,868,284
Less current portion	(2,237,348)	(2,455,012)
	<hr/>	<hr/>
	\$ 95,296,519	\$ 35,413,272

**American Baptist Home Mission Societies**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2007 and 2006**

**3. Property and Equipment:**

Property and equipment at December 31, 2007 and 2006 consists of the following:

	<b>2007</b>	<b>2006</b>
Computer equipment	\$ 558,371	\$ 523,474
Furniture and fixtures	326,736	314,640
Schools, Missions, Christian Centers and other properties	2,807,908	2,807,908
Land	<u>292,068</u>	<u>292,068</u>
	3,985,083	3,938,090
Less accumulated depreciation	<u>(3,268,217)</u>	<u>(3,156,978)</u>
Property and equipment, net of depreciation	<u>\$ 716,866</u>	<u>\$ 781,112</u>

Depreciation expense for property and equipment was \$111,239 and \$114,710 in 2007 and 2006, respectively.

**4. 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. Gift Annuities are administered by the American Baptist Foundation and are recorded as receivables.

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.

As of December 31, 2007 and 2006, the receivables from these organizations include:

	<b>2007</b>	<b>2006</b>
American Baptist Extension Corporation	\$ 2,492,410	\$ 1,960,259
American Baptist Service Corporation	1,932,885	1,932,885
American Baptist Foundation	641,548	925,144
American Baptist Churches USA	468,515	477,731
Other	<u>280,213</u>	<u>345,786</u>
	5,815,571	5,641,805
Less Allowance for doubtful receivables	<u>(1,811,412)</u>	<u>(1,925,397)</u>
	<u>\$ 4,004,159</u>	<u>\$ 3,716,408</u>

**American Baptist Home Mission Societies**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2007 and 2006**

**5. Investments and Assets Whose Use is Limited:**

The Societies report their investments and assets whose use is limited on the combined statement of financial position at fair value. The Societies' realized and unrealized gains and losses are reflected in the combined statement of activities.

The fair value of investments and assets whose use is limited as of December 31, 2007 and 2006, are as follows:

	<b>2007</b>	<b>2006</b>
Assets whose use is limited:		
Cash and cash equivalents	\$ 1,780,306	\$ 1,774,207
Corporate bonds	204,392	198,900
U.S. Government securities	710	857
Common Investment Fund	94,414,595	34,529,577
Cash - Hurricane Katrina	1,133,864	1,364,743
	<u>\$ 97,533,867</u>	<u>\$ 37,868,284</u>
	<b>2007</b>	<b>2006</b>
Investments and assets restricted for annuity obligations:		
Certificates of deposit and commercial paper	\$ 315,743	\$ 313,477
Corporate bonds	5,293,490	4,774,663
U.S. Government securities	697	996
Marketable equity securities	620,536	560,820
Common Investment Fund	137,917,812	137,387,760
Other	4,428,630	1,106,546
	<u>\$ 148,576,908</u>	<u>\$ 144,144,262</u>
	<b>2007</b>	<b>2006</b>
Net realized / unrealized gains and (losses):		
Assets whose use is limited		
Net realized gains	\$ 9,903,048	\$ 2,220,039
Net unrealized (losses) and gains	\$ (3,415,771)	\$ 1,516,590
Investments		
Net realized gains	\$ 15,622,085	\$ 9,796,325 *
Net unrealized (losses) and gains	\$ (4,876,531)	\$ 6,225,450 *
	<b>2007</b>	<b>2006</b>
The fair values of cash, cash equivalents and investments held by the Common Investment Fund are as follows:		
Cash and cash equivalents	\$ 7,856,109	\$ 5,507,406
Corporate bonds	36,158,464	21,629,016
Marketable equity securities	194,317,870	150,288,321
Timber real estate investment trust	1,856,074	-
	<u>\$ 240,188,517</u>	<u>\$ 177,424,743</u>

\* Amounts reclassified to conform to current year presentation.

**American Baptist Home Mission Societies**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2007 and 2006**

**6. Mortgage Loans Receivable:**

The Societies mortgage loan portfolio was made up of 136 and 147 loans as of December 31, 2007 and 2006, respectively. The average rate on these loans as of December 31, 2007 and 2006 was 6.02% and 5.82%, 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 as of December 31, 2007 are as follows:

2008	\$	347,434
Later years		<u>8,045,589</u>
		8,393,023
Less reserve		<u>(799,529)</u>
		<u>\$ 7,593,494</u>

**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 payments of debts of ABHMS 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 adequacy of the reserve requirements at December 31, 2005 was certified to the Insurance Department by the Societies' officers in whose opinion the assets of the annuity fund were adequate at that date to meet the reserve requirements. The annual reports of the fund on the form prescribed by the Insurance Department have been filed through 2007. The Actuarial Liability for annuity obligations was \$243,101 and \$273,558 at December 31, 2007 and 2006, 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 \$757,287 and \$811,868 for the years 2007 and 2006 respectively.

**American Baptist Home Mission Societies**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2007 and 2006**

**9. Temporarily and Permanently Restricted Net Assets:**

Temporarily and permanently restricted Net assets consisted of the following at December 31, 2007 and 2006:

	<b>2007</b>	<b>2006</b>
<u>Temporarily Restricted Net Assets</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>\$ 74,473,362</u>	<u>\$ 71,650,068</u>
 <u>Permanently Restricted Net Assets</u>		
Donor restricted endowments required to be maintained in perpetuity	<u>\$ 38,663,978</u>	<u>\$ 38,479,598</u>

**10. Lease Commitment:**

The Societies have an operating lease agreement with ABC expiring on December 31, 2007. Under this agreement, the Societies are assessed monthly rental charges based upon a fixed rate per square foot. The amount of space occupied by the Societies can vary from year to year.

Rental expense was \$428,975 and \$437,017 for years ended December 31, 2007 and 2006 respectively.

**11. Commitments and Contingencies:**

The Societies are from time to time involved in litigation arising in the ordinary course of business. At December 31, 2007 and 2006, there was no outstanding litigation or potential losses outstanding, therefore, no accrual has been recorded.

**12. Subsequent Event:**

ABHMS, as part owner of a newly established Limited Liability Corporation (LLC) whose owners will also include ABC, the American Baptist Foreign Mission Society, and the MMBB, is in negotiations to purchase the Mission Center property for the newly established LLC, anticipated to occur during the third quarter of 2008.

**Woman's American Baptist Home Mission Society**  
**SUPPLEMENTAL SCHEDULE OF FINANCIAL POSITION**  
**December 31, 2007**

**ASSETS**

Investment in the Common Investment Fund	\$ 5,143,569
Property and equipment, net of accumulated depreciation	<u>11,201</u>
Total assets	<u><u>\$ 5,154,770</u></u>

**LIABILITIES**

Payable to the American Baptist Home Mission Society	\$ <u>6,782</u>
Total liabilities	<u>6,782</u>

**NET ASSETS**

Net Assets:	
Unrestricted	2,948,070
Permanently restricted	<u>2,199,918</u>
Total net assets	<u>5,147,988</u>
Common In	
Total liabilities and net assets	<u><u>\$ 5,154,770</u></u>

**Woman's American Baptist Home Mission Society**  
**SUPPLEMENTAL SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the year ended December 31, 2007**

**REVENUES**

Investment income	\$ 666,921
Contributions	-
Trust fund income	<u>2,105</u>
Total revenues	<u>669,026</u>

**EXPENSES**

Contribution to Baptist related organization	
Disbursements to The American Baptist Home Mission Society	<u>489,360</u>
Total expenses	<u>489,360</u>
Increase in net assets	179,666
Net assets at beginning of year	<u>4,968,322</u>
Net assets at end of year	<u><u>\$ 5,147,988</u></u>

**Common Investment Fund**  
**SUPPLEMENTAL SCHEDULE OF FINANCIAL POSITION**  
**December 31, 2007**

	<b>Societies</b>	<b>Funds of Others</b>	<b>Total</b>
<b>ASSETS</b>			
Cash, cash equivalents and investments at fair value	\$ 147,922,194	\$ 95,806,069	\$ 243,728,263
Total assets	<u>147,922,194</u>	<u>95,806,069</u>	<u>243,728,263</u>
<b>LIABILITIES</b>			
Accounts payable	2,148,272	1,391,474	3,539,746
Total liabilities	<u>2,148,272</u>	<u>1,391,474</u>	<u>3,539,746</u>
Assets less liabilities	<u>\$ 145,773,922</u>	<u>\$ 94,414,595</u>	<u>\$ 240,188,517</u>
<b>NET ASSETS</b>			
Participating funds	\$ 50,543,102	\$ 79,080,458	\$ 129,623,560
Undistributed net realized gains	90,415,994	16,185,923	106,601,917
Accumulated market value over cost	17,889,895	3,865,708	21,755,603
Accumulated net premium on withdrawals	<u>(13,075,069)</u>	<u>(4,717,494)</u>	<u>(17,792,563)</u>
Total net assets	<u>\$ 145,773,922</u>	<u>\$ 94,414,595</u>	<u>\$ 240,188,517</u>

Based on market values, the unit value at December 31, 2007 was \$350.041 and \$333.341 at December 31, 2006.

**Common Investment Fund**  
**SUPPLEMENTAL SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the year ended December 31, 2007**

	<b>Societies</b>	<b>Funds of Others</b>	<b>Total</b>
<b>REVENUES AND GAINS</b>			
Contributions	\$ 2,485,753	\$ 59,371,158	\$ 61,856,911
Investment income	3,253,546	2,079,844	5,333,390
Realized gain on sale of investments	15,447,368	9,903,048	25,350,416
Net unrealized losses	<u>(5,109,815)</u>	<u>(3,415,771)</u>	<u>(8,525,586)</u>
Total revenues and gains	<u>16,076,852</u>	<u>67,938,279</u>	<u>84,015,131</u>
<b>EXPENSES AND PAYMENTS</b>			
Withdrawals	2,228,093	3,764,891	5,992,984
Operating expenses	913,496	584,403	1,497,899
Distributions to participants	5,700,332	3,528,940	9,229,272
Gains paid to participants	4,356,175	175,027	4,531,202
Total expenses and payments	<u>13,198,096</u>	<u>8,053,261</u>	<u>21,251,357</u>
Changes in net assets	2,878,756	59,885,018	62,763,774
Net assets at beginning of year	<u>142,895,166</u>	<u>34,529,577</u>	<u>177,424,743</u>
Net assets at end of year	<u>\$ 145,773,922</u>	<u>\$ 94,414,595</u>	<u>\$ 240,188,517</u>

NOTE: Income distribution is based on an annual payment rate of \$13.644 per unit in 2007 and \$13.464 in 2006.