BGM Item #10
EC Item #8

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2012 AND 2011

TAIT | WELLER
FOCUS. EXPERTISE. RESULTS.

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

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CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statements of American Baptist Churches in the U.S.A. (ABC-USA) which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABC-USA as of December 31, 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

ABC-USA's 2011 financial statements were audited by other auditors, whose report dated June 6, 2012, expressed an unmodified opinion on those statements.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
May 16, 2013

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 And 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,436,574	$ 3,441,148
Accounts receivable from Baptist-related organizations, net of allowance for doubtful accounts of $4,537 for 2012 and 2011	2,949,779	3,060,027
Prepaid expenses and other current assets	189,452	45,736
Note receivable, current portion ***(Note 6)***	538,129	513,427
Total Current Assets	7,113,934	7,060,338
NONCURRENT ASSETS		
Investments, at fair value ***(Note 3)***	17,824,204	16,072,064
Investment in partnership ***(Note 4)***	7,121,114	7,101,190
Property, land and equipment, net ***(Note 5)***	570,363	607,473
Note receivable, non-current portion ***(Note 6)***	6,296,547	6,822,115
Lease acquisition costs, net ***(Note 7)***	178,589	195,497
Assets whose use is limited ***(Note 3)***	172,560	136,078
Total Assets	$ 39,277,311	$ 37,994,755

	2012	2011
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 226,935	$ 347,243
Funds of others – Mission Support	2,356,306	2,490,821
Funds held for others	1,326,506	1,064,688
Deferred lease revenue, current portion ***(Note 7)***	96,476	96,476
Total Current Liabilities	4,006,223	3,999,228
NONCURRENT LIABILTIES		
Deferred Compensation	172,560	136,078
Deferred lease revenue, non-current portion ***(Note 7)***	1,977,603	2,074,079
Total Liabilities	6,156,386	6,209,385
NET ASSETS		
Unrestricted		
Board designated	21,280,603	21,061,331
Board undesignated	3,530,695	2,872,281
Total unrestricted	24,811,298	23,933,612
Temporarily restricted	5,096,451	4,638,582
Permanently restricted	3,213,176	3,213,176
Total Net Assets	33,120,925	31,785,370
Total Liabilities and Net Assets	$ 39,277,311	$ 37,994,755

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended December 31, 2012
(With Comparative Totals For The Year Ended December 31, 2011)

		Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
Revenues, gains and other support:						
American Baptist mission support ***(Note 9)***						
Amounts received on behalf of others	$32,672,363					
Amounts remitted to others	$30,253,312					
Amounts retained by ABC/USA		$ 2,419,051	$ -	$ -	$ 2,419,051	$ 2,210,055
Donations and other revenue		1,749,842	386,741	-	2,136,583	2,625,622
Investment income on estate gifts and endowments		55,150	242,348	-	297,498	303,027
Other investment income		820,180	101,398	-	921,578	480,491
Net realized and unrealized gain/(loss) on investments		680,062	255,562	-	935,624	(630,163)
Net change in value of investment in partnerships		(57,076)	-	-	(57,076)	(71,859)
Mission Center building operations		827,131	-	-	827,131	901,621
Lease revenue		96,476	-	-	96,476	96,476
Net assets released from restrictions:						
Satisfaction of program restrictions		528,180	(528,180)	-	-	-
Total revenues, gains and other support		7,118,996	457,869	-	7,576,865	5,915,270
Expenses						
Mission Center building operations		849,985	-	-	849,985	904,421
Treasurer's office		669,160	-	-	669,160	695,475
Mission resource development		623,811	-	-	623,811	648,644
Biennial		-	-	-	-	527,650
General secretary		454,845	-	-	454,845	493,585
Representative process		368,060	-	-	368,060	479,375
Regional operations		332,049	-	-	332,049	466,868
Distribution to others		241,590	-	-	241,590	387,738
General and administrative		696,380	-	-	696,380	362,375
Human resource development		335,025	-	-	335,025	329,284
Office of travel and conference planning		309,668	-	-	309,668	308,066
Transition Ministries		289,369	-	-	289,369	-
Denominational emphasis		360,492	-	-	360,492	227,039
ABC information		198,916	-	-	198,916	200,911
Women in Ministry		140,643	-	-	140,643	129,833
Ecumenical relations		127,101	-	-	127,101	103,671
Orientation to American Baptist Life		244,216	-	-	244,216	98,363
Total expenses		6,241,310	-	-	6,241,310	6,363,298
Changes in net assets before transfers		877,686	457,869	-	1,335,555	(448,028)
Designated reserve transfers		-	-	-	-	121,619
Change in net assets after transfers		877,686	457,869	-	1,335,555	(326,409)
Net Assets						
Beginning of year		23,933,612	4,638,582	3,213,176	31,785,370	32,111,779
End of year		$24,811,298	$ 5,096,451	$3,213,176	$ 33,120,925	$ 31,785,370

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For The Year Ended December 31, 2011

		Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total
Revenues, gains and other support:					
American Baptist mission support					
Amounts received on behalf of others *(See Note 9)*	$32,428,207				
Amounts remitted to others *(See Note 9)*	$30,218,152				
Amounts retained by ABC/USA		$ 2,210,055	$ -	$ -	$ 2,210,055
Donations and other revenue		2,617,122	8,500	-	2,625,622
Investment income on estate gifts and endowments		55,149	247,878	-	303,027
Other investment income		366,056	114,435	-	480,491
Net realized and unrealized gain/(loss) on investments		(396,972)	(233,191)	-	(630,163)
Net change in value of investment in partnerships		(71,859)	-	-	(71,859)
Mission Center building operations		901,621	-	-	901,621
Lease revenue *(See Note 7)*		96,476	-	-	96,476
Net assets released from restrictions:					
Satisfaction of program restrictions		335,644	(335,644)	-	-
Total revenues, gains and other support		6,113,292	(198,022)	-	5,915,270
Expenses					
Mission Center building operations		904,421	-	-	904,421
Treasurer's office		695,475	-	-	695,475
Mission resource development		648,644	-	-	648,644
Biennial		527,650	-	-	527,650
General secretary		493,585	-	-	493,585
Representative process		479,375	-	-	479,375
Regional operations		466,868	-	-	466,868
Distribution to others		387,738	-	-	387,738
General and administrative		362,375	-	-	362,375
Human resource development		329,284	-	-	329,284
Office of travel and conference planning		308,066	-	-	308,066
Denominational emphasis		227,039	-	-	227,039
ABC information		200,911	-	-	200,911
Women in Ministry		129,833	-	-	129,833
Ecumenical relations		103,671	-	-	103,671
Orientation to American Baptist Life		98,363	-	-	98,363
Total expenses		6,363,298	-	-	6,363,298
Changes in net assets before transfers		(250,006)	(198,022)	-	(448,028)
Designated reserve transfers		121,619	-	-	121,619
Changes in net assets after transfers		(128,387)	(198,022)	-	(326,409)
Net Assets					
Beginning of year		24,061,999	4,836,604	3,213,176	32,111,779
End of year		$ 23,933,612	$ 4,638,582	$ 3,213,176	$ 31,785,370

AMERICAN BAPTIST CHURCHES IN THE U.S.A.

STATEMENT OF CASH FLOWS

For The Years Ended December 31, 2012 And 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	$ 1,335,555	$ (326,409)
Adjustments to reconcile total change in net assets to net cash provided/(used) in operating activities:		
Depreciation	47,278	58,664
Amortization of lease acquisition costs	16,908	16,908
Net realized and unrealized gain on investments	(935,624)	630,163
Net change / (gain) loss in value of investment in partnership	57,076	71,859
Amortization of lease income	(96,476)	(96,476)
Decrease (increase) in operating assets:		
Accounts receivable from Baptist related organizations	110,248	(559,016)
Prepaid expenses and other assets	(143,716)	18,207
Increase (decrease) in operating liabilities:		
Accounts payable/accrued expenses	(120,308)	(61,025)
Assets whose use is limited	36,482	13,354
Funds of others and funds held for others-mission support	127,303	655,176
Net cash provided by operating activities	434,726	421,405
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(10,168)	(5,398)
Additional investment in partnership	(77,000)	(87,500)
Purchases of investments, net of proceeds from sales	(816,516)	(1,630,979)
Net change in assets whose use is limited	(36,482)	(13,354)
Repayments on notes receivable	500,866	1,343,734
Net cash used in investing activities	(439,300)	(393,497)
Net increase/(decrease) in cash and cash equivalents	(4,574)	27,908
CASH AND CASH EQUIVALENTS		
Beginning of year	3,441,148	3,413,240
End of year	$ 3,436,574	$ 3,441,148

(1) BACKGROUND

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

The Internal Revenue Service ***("IRS")*** has determined ABC-USA to be an "association of churches" and, therefore, exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The IRS has further determined that contributions made to the ABC-USA are deductible by the donors to the extent allowed by law. Management has reviewed their tax positions and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements of ABC-USA have been prepared using the accrual basis of accounting.

NET ASSETS

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

Unrestricted Net Assets – include the revenues and expenses associated with the principal mission of ABC-USA and are segregated as follows:

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

Board Designated*:* Includes reserves such as the Biennial Reserve, reserve for Representative Process, Funds Functioning as Endowment, Proceeds from the Sale of the Mission Center, OGS Operating Reserve and other designated balances. Although intended for specific use, these are not binding on ABC-USA.

Temporarily Restricted Net Assets – include gifts for which restrictions have not been met. Temporarily restricted net assets are limited by donors for a specific purpose or specified period.

Permanently Restricted Net Assets – include ABC-USA's permanent endowment funds.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of amounts held in highly liquid securities with maturities of less than three months at the time of purchase and are stated at cost, which approximates fair value.

CONCENTRATION OF CREDIT RISK

ABC-USA is required to disclose significant concentrations of credit risk regardless of the degree of such risk. As of December 31, 2012 and 2011, ABC-USA maintained bank deposits that exceeded the limit of insurability under the Federal Deposit Insurance Corporation. ABC-USA manages the risk by investing in high quality institutions.

ACCOUNTS RECEIVABLE FROM BAPTIST RELATED ORGANIZATIONS

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

INVESTMENTS

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

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

INVESTMENT IN PARTNERSHIP

In 2008, ABC-USA entered into a limited partnership agreement with the American Baptist Foreign Missions Society ***(“ABFMS”)***, American Baptist Home Mission Society ***(“ABHMS”)***, and the Ministers and Missionaries Benefits Board ***(“MMBB”)*** to form 588 Associates, LP (the ***“Partnership”***), a Pennsylvania limited partnership, for the purpose of the acquisition of the Mission Center (the ***“Sale”***), and 588 Associates, LLC (the ***“Company”***), a Pennsylvania limited liability company, for the purpose of managing the activities and serving as the General Partner of the Partnership. ABC-USA holds a 34.65% interest in the Partnership and a 35% interest in the Company, which holds a 1% interest in the Partnership. ABC-USA reports its investment in the Partnership based on the equity method of accounting.

PROPERTY, LAND, EQUIPMENT AND DEPRECIATION

Property, land, and equipment are recorded at cost. Depreciation is provided on a straight-line basis and is charged to expense over the estimated useful lives of the assets. Gains and losses on the disposition of assets are recognized in the Statement of Activity in the period of disposition. Repair and maintenance costs are expensed when incurred, while improvements that extend the life of the assets are capitalized.

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

ASSETS WHOSE USE IS LIMITED

Assets whose use is limited consist of investments held for a deferred compensation plan.

FUNDS OF OTHERS-MISSION SUPPORT

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

FUNDS HELD FOR OTHERS

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

DEFERRED LEASE REVENUE

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

CONTRIBUTIONS

Contributions which are unconditional are recognized when received. Contributions restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the period in which the contributions are received. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

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 amounts reported in the financial statements and related disclosures. Actual results could differ from those estimates.

RECLASSIFICATIONS

Certain 2011 amounts have been reclassified to conform to the December 31, 2012 presentation. These changes had no impact on previously reported results of operations or total net assets.

(3) INVESTMENTS

ABC-USA carries its investments at fair value. ABC-USA utilizes various methods to measure the fair value of most of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets at the measurement date for identical assets and/or liabilities. An active market is one in which transactions for assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis. This category includes contracts traded on active exchange markets valued using unadjusted prices quoted directly from the exchange.

Level 2 – Observable inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Assets or liabilities whose fair value is estimated based on internally developed models or methodologies using inputs that are generally less readily observable and supported by little, if any, market activity at the measurement date. Unobservable inputs are developed based on the best available information and subject to cost benefit constraints.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. For example, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities are reflected as Level 2.

The fair values of the investment securities and the associated fair value measurements as of December 31, 2012 and 2011, are as follows:

2012	Level 1	Level 2	Level 3	Total
Investment Type				
Blended Portfolio of the American Baptist Foundation	$ -	$ 12,331,389	$ -	$ 12,331,389
Common Investment Fund of the American Home Mission Society –	-	4,937,124	-	4,937,124
Mutual Funds – Fixed Income	555,691	-	-	555,691
Total investments	$ 555,691	$ 17,268,513	$ -	$ 17,824,204
Assets whose use is limited	$ -	$ 172,560	$ -	$ 172,560

2011	Level 1	Level 2	Level 3	Total
Investment Type				
Blended Portfolio of the American Baptist Foundation	$ -	$ 11,647,170	$ -	$ 11,647,170
Common Investment Fund of the American Baptist Home Mission Society -	-	4,106,938	-	4,106,938
Mutual Funds – Fixed Income	317,956	-	-	317,956
Total Investments	$ 317,956	$ 15,754,108	$ -	$ 16,072,064
Assets whose use is limited	$ -	$ 136,078	$ -	$ 136,078

The Blended Portfolio of the ABF and the Common Investment Fund of the ABHMS represent investment pools managed by ABF and ABHMS, respectively. Each investment has a calculated net asset value and distributions may be taken at any time. As a result, these investments are classified as Level 2.

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

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

Assets who use is limited represent investments held for a deferred compensation plan.

(4) INVESTMENT IN LIMITED PARTNERSHIP

ABC-USA investment in the Partnership and Company represents its equity interest of 34.65% and 35%, respectively, in the net assets of those entities which amounted to $7,121,114 at December 31, 2012 and $7,101,190 at December 31, 2011.

Summarized financial information for 588 Associates, LP for the years ended December 31, 2012 and 2011 is as follows:

	Balance Sheet	
	2012	**2011**
Total Assets	$ 20,565,644	$ 20,437,798
Total Liabilities	$ 219,600	$ 148,676
Partnership Capital	20,346,044	20,289,122
Total Liabilities and Partnership Capital	$ 20,565,644	$ 20,437,798

Its shares of the partnership loss for 2012 and 2011 was ($57,076) and ($71,859) respectively, which is recorded as “net change in value of investment in partnership” in the statement of activities. During 2012 and 2011, ABC-USA contributed capital of $77,000 and $87,500, respectively to the Partnership.

Assets of the Partnership consist principally of land and buildings in which the buildings are being depreciated over their useful lives.

ABC-USA provides financial management services to the Partnership. During 2012 and 2011, the fees collected for these services, including reimbursement of allocated personnel expenses, totaled $255,444 and $277,628, respectively, which is included in the “Mission Center building operations” revenue and expense lines in the statement of activities.

(5) PROPERTY, LAND AND EQUIPMENT

Property, land and equipment as of December 31, 2012 and 2011 consist of the following:

	2012	2011
Computer software and equipment	$ 2,534,760	$ 2,528,918
Office equipment	631,031	626,705
Automobiles	39,385	39,385
Subtotal	3,205,176	3,195,008
Accumulated depreciation	(3,049,729)	(3,002,451)
Subtotal property and equipment, net	155,447	192,557
Land	414,916	414,916
Total property, land and equipment, net	$ 570,363	$ 607,473

Depreciation expense for the years ended December 31, 2012 and 2011 was $47,278 and $58,664, respectively.

(6) NOTES RECEIVABLE

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

Commencing October 1, 2009 and thereafter interest accrues at 5%. As of December 31, 2012, ABC-USA's share of the principal balance due was $35,673.

ABC-USA entered into loan agreements with ABFMS, ABHMS, and MMBB in conjunction with the 2009 sale of the Mission Center to the partnership. The notes, which carry an interest rate of 7%, are payable in monthly installments over 10 years for MMBB and over 25 years for ABHMS. During 2011, ABFMS paid in full the remaining balance due on its outstanding note. These notes are collateralized by each organization's interest in the Partnership. As of December 31, 2012, the outstanding note receivable balance due from ABHMS and MMBB was $6,799,003.

The following is the schedule of future minimum principal payments of all outstanding notes receivable as of December 31, 2012:

Year Ending December 31,	
2013	$ 538,129
2014	576,895
2015	618,458
2016	663,021
2017	710,800
2018 and thereafter	3,727,373
Total	$ 6,834,676

(7) LEASE OF AMERICAN BAPTIST FREEDOM CENTER

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

Rent received for the initial lease term approximated $4,690,000. This amount and subsequent rental revenues were deferred and are amortized using the straight-line method over various lease terms of up to 50 years. Amortization of deferred lease revenue for each of the years ended December 31, 2012 and 2011 was $96,476.

Costs incurred in negotiating and consummating the lease transactions described above totaled $624,496. These costs were deferred and are amortized using the straight-line method over various periods of up to 50 years. Amortization on these deferred lease acquisition costs for each of the years ended December 31, 2012 and 2011 was $16,908. Accumulated amortization was $445,817 and $428,909 as of December 31, 2012 and 2011, respectively.

(8) RETIRMENT PLAN

Substantially all of ABC-USA full-time employees are covered by the American Baptist Churches Retirement Plan (the ***"Plan"***), a multi-employer defined contribution plan in accordance with Section 403(b) of the Internal Revenue Code. ABC-USA contributes 13 percent of each participant's annual compensation. Plan expenses for the years ended December 31, 2012 and 2011 were $288,079 and $288,758, respectively.

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

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

Amounts received on behalf of and remitted to others through the American Baptist Mission Support (“ABMS”) during the years ended December 31, 2012 and 2011 were as follows:

	2012	2011
Amounts received through ABMS:		
ABC Offerings and Other Objectives	$ 21,921,840	$ 21,146,408
United Mission	10,201,307	10,852,839
Other campaigns	258,405	99,722
Gifts to other agencies	290,811	329,238
Total amounts received through ABMS	32,672,363	32,428,207
Amounts received on behalf of others were distributed as follows:		
National Related Boards	$ 13,071,432	$ 12,252,010
Regions, States, and Baptist Related Activities	12,401,956	12,863,261
Other organizations	4,354,335	4,670,777
Shared Support Services to Related Boards	323,576	323,576
Uncommitted Fund Disbursements	102,013	108,528
Total amounts distributed to others	30,253,312	30,218,152
Amounts retained by American Baptist Churches in the U.S.A. in accordance with budget covenant provisions	$ 2,419,051	$ 2,210,055

(10) NET ASSETS

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	2012	2011
Funds functioning as endowment:		
Roblee fund	$ 3,965,800	$ 3,802,209
Other funds	915,510	836,373
Biennial Fund	215,141	-
	$ 5,096,451	$ 4,638,582

PERMANENTLY RESTRICTED NET ASSETS

Restricted endowment funds account for the principal amount of gifts and bequests accepted with the donor’s stipulation that the principal be maintained in perpetuity or until the occurrence of a specified event or for a specified period. The income from the investment of such funds is available for unrestricted use, unless specifically restricted by the donor.

Permanently restricted net assets consist of the following:

	2012	2011
Women in Ministry	$ 2,323,285	$ 2,323,255
Operational Support	889,891	889,891
	$ 3,213,176	$ 3,213,176

Endowment net asset composition by type of fund as of December 31, 2012 and 2011:

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ (504,898)	$ -	$ 3,213,176	$ 2,708,278
Funds functioning as endowment	8,186,045	4,881,310	-	13,067,355
Total funds	$7,681,147	$4,881,310	$ 3,213,176	$ 15,775,633

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ (565,406)	$ -	$ 3,213,176	$ 2,647,770
Funds functioning as endowment	7,004,026	4,638,582	-	11,642,608
Total funds	$6,438,620	$4,638,582	$ 3,213,176	$ 14,290,378

Change in endowment net assets for the years ended December 31, 2012 and 2011:

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2011	$ 6,438,620	$ 4,638,582	$ 3,213,176	$ 14,290,378
Investment return:				
Investment income	375,819	343,746	-	719,565
Net realized/unrealized gains	404,575	316,070	-	720,645
Total investment return	780,394	659,816	-	1,440,210
Transfers from other unrestricted net assets	993,498	-	-	993,498
Appropriation of assets for expenditure in accordance with the spending policy	(591,873)	(356,580)	-	(948,453)
Recovery of endowment income on deficit balances	60,508	(60,508)	-	-
Endowment net assets, December 31, 2012	$ 7,681,147	$ 4,881,310	$ 3,213,176	$ 15,775,633

	2011			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, December 31, 2010	$ 5,227,037	$ 4,836,604	$ 3,213,176	$ 13,276,817
Investment return:				
Investment income	289,527	362,313	-	651,840
Net realized/unrealized gains	(331,822)	(304,113)	-	(635,935)
Total investment return	(42,295)	58,200	-	15,905
Contributions	-	8,500	-	8,500
Transfers from other unrestricted net assets	1,869,950	-	-	1,869,950
Appropriation of assets for expenditure in accordance with the spending policy	(545,150)	(335,644)	-	(880,794)
Deficit balances charged to unrestricted	(70,922)	70,922	-	-
Endowment net assets, December 31, 2011	$ 6,438,620	$ 4,638,582	$ 3,213,176	$ 14,290,378

RETURN OBJECTIVES AND RISK PARAMETERS

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

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

SPENDING POLICY

ABC-USA sets the draw from the endowment funds by approval of the BGM Finance Committee annually. The percentage draw for operations and disbursements to related partners was 5% for all restricted and funds functioning as endowment, except for the Proceeds on the Sale of the Mission Center Fund which was at 4% for 2012 and 2011. Effective January 1, 2004, ABC-USA was assigned American Baptist Women in Ministry ***("ABWIM")*** as a department within the Office of the General Secretary by the General Board, and thus, investments held in an endowment fund were transferred to ABC-USA to support the operations of the new department. ABWIM's percentage draw was 5% for 2012 and 2011. The maximum percentage allowable under terms of ABC-USA's Covenant Agreement with the Ministers & Missionaries Benefit Board ***("MMBB")*** is 8%.

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or state standards require ABC-USA to retain as a fund of perpetual duration. As of December 31, 2012 and 2011, deficit balances of endowment income on permanently restricted net assets of $504,898 and $565,406, respectively, were charged to unrestricted net assets.

(11) FUNCTIONAL CLASSIFICATION OF EXPENSES

ABC/USA is required to present expenses on a functional basis if natural classifications are presented in the Statement of Activities. The functional allocation of expenses is based primarily on the amount of direct cost spent on the program or activity as follows:

	2012	2011
Programs	$ 4,513,559	$ 4,932,518
Management and General	1,478,227	1,171,322
Fundraising	249,524	259,458
Total	$ 6,241,310	$ 6,363,298

(12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 16, 2013, the date which the financial statements were available to be issued. There were no material subsequent events required to be disclosed.

(13) RESTATEMENT

In 2012, ABC-USA restated its net assets to correct permanently restricted net assets to original cost (corpus) and to record a liability for a deferred compensation plan. In connection with the restatement, cumulative net investment losses included within permanently restricted net assets were reclassified to unrestricted net assets.

The cumulative effect of restating the 2010 beginning net asset balances was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, December 31, 2010 as previously reported	$24,679,207	$4,836,604	$2,718,692	$32,234,503
Restatement of net assets balances	(122,724)	-	-	(122,724)
Reclassification of net assets balances*	(494,484)	-	494,484	-
Net assets, December 31, 2010, as restated	$24,061,999	$4,836,604	$3,213,176	$32,111,779

The effect of this restatement on the 2011 financial statements was to decrease unrestricted net assets by $84,276 and increase permanently restricted net assets by $70,922.

* Deficit balances of endowment income on permanently restricted net assets are charged to unrestricted net assets.