

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Baptist Foundation of Maryland/Delaware, Inc.

We have audited the accompanying statement of financial position of Baptist Foundation of Maryland/Delaware, Inc., as of September 30, 2011, and the related statements of activities, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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. 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 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 audit provides 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 Baptist Foundation of Maryland/Delaware, Inc., as of September 30, 2011, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

WeberMessick

Baltimore, Maryland
October 19, 2011

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2011

ASSETS

BCM/D Assets

BCM/D Parent Fund #1	\$ 1,490,604	
BCM/D Parent Fund #2	868,492	
Total BCM/D Assets		\$ 2,359,096

Heritage Assets

Heritage Parent Fund		3,483,563
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Church Loan Assets

Loan Parent Fund	\$ 1,018,328	
Notes Receivable	2,336,757	
Allowance for Bad Debt	(56,397)	
Total Church Loan Assets		3,298,688

Arthur Nanney Fund

Loan Parent Fund	60,184	
Notes Receivable	26,238	
Total Arthur Nanney Fund		86,422

CGA Assets

Charitable Gift Annuities		34,996
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Total Assets

\$ 9,262,765

LIABILITIES AND NET ASSETS

Liabilities

Accrued Distribution Payable	\$ 126,257	
Charitable Gift Annuity Payable	5,351	
Total Liabilities		\$ 131,608

Net Assets

Board Restricted	3,258,853	
Temporarily Restricted	29,645	
Permanently Restricted	5,842,659	
Total Net Assets		9,131,157

Total Liabilities and Net Assets

\$ 9,262,765

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Unrestricted</u>	<u>Permanently & Temporarily Restricted</u>	<u>Total</u>
<u>Revenue and Other support</u>			
Amortization of Charitable Gift Annuity	\$ -	\$ 4,282	\$ 4,282
Investment Income	3,683	137,670	141,353
Interest Income – Church Notes	131,620	-	131,620
Gifts and Bequests	-	30,590	30,590
Gain/(Loss) on Sale of Investments	-	304,505	304,505
Unrealized Depreciation on Marketable Securities	-	(549,210)	(549,210)
Total Income	<u>135,303</u>	<u>(72,163)</u>	<u>63,140</u>
<u>Expenses</u>			
Program Services			
Administration Services	8,286	55,903	64,189
Distributions	<u>126,257</u>	<u>226,410</u>	<u>352,667</u>
Total Program Services	<u>134,543</u>	<u>282,313</u>	<u>416,856</u>
Change in Net Assets	<u>\$ 760</u>	<u>\$ (354,476)</u>	<u>\$ (353,716)</u>

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.
 STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Unrestricted</u>	Permanently & Temporarily <u>Restricted</u>	<u>Total</u>
Net Assets, Beginning of Year	\$ 3,258,093	\$ 6,226,780	\$ 9,484,873
Change in Net Assets	<u>760</u>	<u>(354,476)</u>	<u>(353,716)</u>
Net Assets, End of Year	<u>\$ 3,258,853</u>	<u>\$ 5,872,304</u>	<u>\$ 9,131,157</u>

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Cash Flows From Operating Activities:

Change in Net Assets	\$ (353,716)
Noncash Items Included in Net Income	
Decrease in Accrued Expenses	(13,780)
Gains on Sale of Investments	(304,505)
Unrealized (Appreciation)/Depreciation on Investments	<u>549,210</u>
 Net Cash Used by Operating Activities	 <u>(122,791)</u>

Cash Flows From Investing Activities:

Decrease in Charitable Gift Annuity	(4,282)
Investment in Securities, Net of Sales	250,028
Principal Disbursements on Notes	(319,000)
Collection on Notes	<u>154,681</u>
 Net Cash Used In Investing Activities	 <u>81,427</u>

<u>Net Decrease in Cash</u>	(41,364)
 <u>Cash, Beginning of Year</u>	 <u>1,119,876</u>
 <u>Cash, End of Year</u>	 <u>\$ 1,078,512</u>

Supplemental Information:

Interest Paid	<u>\$ -</u>
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BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Organizational Purpose*

The Baptist Foundation of Maryland/Delaware, Inc., (established 1999) as the successor organization to the Baltimore Baptist Church Extension Society (formed on January 2, 1854); the Baptist Mission Foundation of Maryland/Delaware (established 1959); and the Baptist Mission Foundation, Inc. (established 1991), was organized to a) professionally manage the investment of all funds assigned to it by the Baptist Convention of Maryland/Delaware, Inc. and b) to professionally manage the investment of all funds entrusted to the care of the Corporation in compliance with the wishes of the donors.

b. *Basis of Accounting*

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. See (d) below.

c. *Financial Statement Presentation*

The Baptist Foundation of Maryland/Delaware, Inc. has adopted FASB ASC 958-205, "Presentation of Financial Statements". Under FASB ASC 958-205, Baptist Foundation of Maryland/Delaware, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Baptist Foundation of Maryland/Delaware, Inc. is required to present a statement of cash flows.

d. *Contributions*

Baptist Foundation of Maryland/Delaware, Inc. also adopted FASB ASC 958-605, "Revenue Recognition". In accordance with FASB ASC 958-605 contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

e. *Investments*

The organization elected to adopt FASB ASC 958-320, "Investments – Debt & Equity Securities". Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

f. *Allowance for Uncollectible Notes Receivable*

The notes receivable are reviewed on a quarterly basis for uncollectible amounts. Any amounts deemed uncollectible are immediately reserved against revenue.

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

g. *Income Taxes*

Baptist Foundation of Maryland/Delaware, Inc. is exempt for Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying financial statements. In addition, Baptist Foundation of Maryland/Delaware, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

h. *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States, 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 the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

i. *Cash Equivalents*

Cash for cash flow purposes is defined as checking and savings accounts.

2. CASH - CONCENTRATION OF CREDIT RISK

The Organization, for whom the Baptist Foundation of Maryland/Delaware, Inc. is the custodian of the investment accounts, deposits and disburses funds from the Organization. Operating expenditures are paid by the Baptist Convention of Maryland/Delaware, Inc., which is reimbursed by direct wire from the Baptist Foundation of Maryland/Delaware, Inc.

The Organization maintains two interest bearing checking accounts to manage the cash resources for the Church Loan Fund and the Arthur Nanney Fund. The concentration of cash risks are as follows:

Balance in Banks as of September 30, 2011	\$ 1,080,583
FDIC Insured Portion	(250,000)
Uninsured balance	<u>\$ 830,583</u>

3. MARKETABLE SECURITIES

Marketable securities are stated at fair value and are summarized as follows:

	Cost	Fair Value	Unrealized Appreciation/ Depreciation
Money Market	\$ 17	\$ 17	\$ -
Fixed Income Funds	2,737,726	2,676,461	(61,265)
Equity Funds	3,683,885	3,201,177	(482,708)
Total	<u>\$ 6,421,628</u>	<u>\$ 5,877,655</u>	<u>\$ (543,973)</u>

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

4. NOTES RECEIVABLE - CHURCHES

The notes receivable are stated at face value. Interest is charged on the notes at a rate that varies by note from 5.0% to 7.75%. Interest and principal repayment is determined on an individual basis based on the needs of the church. The Board has agreed that new loans issued will be charged interest at a rate equal to the five year Treasury Bill Constant Rate plus 2.5% (adjusted to the nearest 0.25%). Loans will be amortized over 15 to 30 years with interest adjusting after five years. It is the policy of the Board of the Baptist Foundation of Maryland/Delaware to lend only up to eighty percent of the fair market value of the collateralized property to maximize collectibility in the case of default by the borrower. Loans delinquent more than 90 days are reviewed for loss status and reserved if necessary.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization's financial instruments, none of which are held for trading purposes, include cash, marketable securities, and notes receivable. The Organization estimates that fair value of all financial instruments at September 30, 2011 does not differ materially from the aggregate carrying values of its financial instruments recorded in these statements. The estimated fair value amounts have been determined by the Organization using available market and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

6. CHARITABLE GIFT ANNUITIES

The Organization has received Charitable Gift Annuities over the years. Donors have contributed assets in exchange for distributions of a fixed amount for a specified period of time. The assets were contributed directly to the Baptist Foundation of Maryland/Delaware, Inc. and are held as general assets of the organization. The annuity liability of the organization has been recorded as a general obligation of the Organization. As the obligations of the annuity agreement are fulfilled, the organization amortizes the estimated liability and recognizes the income of the donor's contribution.

7. RESTRICTED ASSETS

A summary of restricted assets at September 30, 2011 is as follows:

<u>Board Restricted:</u>	
Church Loan Fund	\$ 3,172,431
Arthur Nanney Fund	86,422
Total Board Restricted Funds	<u>\$ 3,258,853</u>

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

Church Loan Funds: These funds were restricted by the trustees of the Foundation and the General Mission Board for providing loans to Maryland/Delaware churches and institutions.

Arthur Nanney Fund: These funds were restricted by the trustees of the foundation and the General Mission Board to provide interest free or low interest loans to assist in creative projects and emergency situations of no more than \$20,000 and which do not meet the regular criteria for the Church Loan Fund.

Temporarily Restricted:

Charitable Gift Annuities	\$ 29,645
Total Board Restricted Funds	\$ 29,645

Charitable Gift Annuity: These funds were held by the Baptist Foundation of Maryland/Delaware, Inc. to provide funding for stipulations set forth by the donors. The Foundation agreed to provide distributions over a specified period of time in exchange for the principal to be donated to the organization.

Permanently Restricted:

Heritage Parent Legacy Fund	\$ 3,483,563
BCM/D Parent Fund	1,490,604
BCM/D Parent Fund # 2	868,492
Total Permanently Restricted Funds	\$ 5,842,659

Heritage Parent Legacy Funds: These funds are managed by the Baptist Foundation of Maryland/Delaware, Inc. to provide resources for various BCM/D ministries as stipulated by the donors.

BCM/D Funds: These funds are managed by the Baptist Foundation of Maryland/Delaware, Inc. to provide income for the Baptist Convention of Maryland/Delaware, Inc. annual budget.

The earnings on these funds are distributed to the Baptist Convention of Maryland/Delaware, Inc. and used according to the intention of the donor.

