

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of Baptist Foundation of Maryland/Delaware, Inc. (a nonprofit organization) which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, changes in net assets, and cash flows for the year 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 the 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 Baptist Foundation of Maryland/Delaware, Inc. as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **WeberMessick**

December 11, 2015

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2015

**ASSETS**

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**Mid-Atlantic Baptist Network Assets**

Mid-Atlantic Baptist Network Parent Fund #1	\$ 1,453,265	
Mid-Atlantic Baptist Network Parent Fund #2	794,235	
Total Mid-Atlantic Baptist Network Assets		\$ 2,247,500

**Heritage Assets**

Heritage Parent Fund		4,713,059
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**Church Loan Assets**

Loan Parent Fund	772,459	
Notes Receivable	2,207,056	
Total Church Loan Assets		2,979,515

**Arthur Nanney Fund**

Loan Parent Fund	73,196	
Notes Receivable	17,387	
Total Arthur Nanney Fund		90,583

**CGA Assets**

Charitable Gift Annuities		25,601
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<b><u>Total Assets</u></b>		<b><u>\$ 10,056,258</u></b>
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**LIABILITIES AND NET ASSETS**

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**Liabilities**

Accrued Distribution Payable	\$ 123,780	
Charitable Gift Annuity Payable	2,845	
Total Liabilities		\$ 126,625

**Net Assets**

Unrestricted-Board Designated	2,946,318	
Temporarily Restricted	22,756	
Permanently Restricted	6,960,559	
Total Net Assets		<u>9,929,633</u>

<b><u>Total Liabilities and Net Assets</u></b>		<b><u>\$ 10,056,258</u></b>
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See Independent Auditor's report and accompanying notes.

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Unrestricted- Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenue, Other Support and Reclassifications</u>				
Amortization of Charitable Gift Annuity	\$ -	\$ 693	\$ -	\$ 693
Investment Income	1,366	689	170,855	172,910
Interest Income – Church Notes	131,438	-	-	131,438
Gifts and Bequests	-	1	327	328
Gain on Sale of Investments	-	1,128	267,903	269,031
Unrealized Depreciation on Marketable Securities	-	(2,066)	(540,501)	(542,567)
Net Assets Released from Restrictions Satisfaction of Purpose Restrictions	<u>373,868</u>	<u>(5,442)</u>	<u>(368,426)</u>	<u>-</u>
Total Income	<u>506,672</u>	<u>(4,997)</u>	<u>(469,842)</u>	<u>31,833</u>
<u>Expenses</u>				
Program Services				
Administration Services	71,868	-	-	71,868
Distributions	<u>433,905</u>	<u>-</u>	<u>-</u>	<u>433,905</u>
Total Program Services	<u>505,773</u>	<u>-</u>	<u>-</u>	<u>505,773</u>
Change in Net Assets	<u>\$ 899</u>	<u>\$ (4,997)</u>	<u>\$ (469,842)</u>	<u>\$ (473,940)</u>

See Independent Auditor's report and accompanying notes.

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Unrestricted- Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, Beginning of Year	\$ 2,945,419	\$ 27,753	\$ 7,430,401	\$ 10,403,573
Change in Net Assets	<u>899</u>	<u>(4,997)</u>	<u>(469,842)</u>	<u>(473,940)</u>
Net Assets, End of Year	<u>\$ 2,946,318</u>	<u>\$ 22,756</u>	<u>\$ 6,960,559</u>	<u>\$ 9,929,633</u>

See Independent Auditor's report and accompanying notes.

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Cash Flows From Operating Activities:

Change in Net Assets	\$	(473,940)
Noncash Items Included in Net Income		
Decrease in Accrued Expenses		(16,942)
Gains on Sale of Investments		(269,031)
Unrealized Depreciation on Investments		542,567
		542,567
Net Cash Used by Operating Activities		(217,346)

Cash Flows From Investing Activities:

Decrease in Charitable Gift Annuity		(693)
Investment in Securities, Net of Sales		201,996
Principal Disbursements on Notes		(2,209)
Collection on Notes		351,867
		351,867
Net Cash Provided by Investing Activities		550,961

Net Increase in Cash 333,615

Cash, Beginning of Year 512,040

Cash, End of Year \$ 845,655

**Supplemental Information:**

Interest Paid	\$	-
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See Independent Auditor's report and accompanying notes.

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Date of Management's Review*

Management has evaluated subsequent events through December 11, 2015, the date on which the financial statements were available to be issued.

b. *Organizational Purpose*

The Baptist Foundation of Maryland/Delaware, Inc. (the "Organization"), (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 Mid-Atlantic Baptist Network (trade name for the Baptist Convention of Maryland/Delaware, Inc.) and to professionally manage the investment of all funds entrusted to the care of the Organization in compliance with the wishes of the donors.

c. *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 of America.

d. *Financial Statement Presentation*

The Organization has adopted FASB ASC 958-205, "Presentation of Financial Statements". Under FASB ASC 958-205, the Organization 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 and present a statement of cash flows.

e. *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.

f. *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.



BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. *Allowance for Uncollectible Notes Receivable*

The notes receivable are reviewed on a quarterly basis for collectability. Any amounts deemed at risk are immediately reserved against revenue. The balance for Allowance for Uncollectible Notes Receivable is \$304,451 as of September 30, 2015.

h. *Income Taxes*

The Organization 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, the Organization has been determined by the Internal Revenue Service to not be considered a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, generally stays open for three years from the filing date and are subject to examination by the IRS.

i. *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 the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

j. *Cash Equivalents*

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

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are stated at fair value and are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Depreciation</u>
Fixed Income Funds	\$ 2,810,819	\$ 2,666,881	\$ (143,938)
Equity Funds	4,398,578	4,319,279	(79,299)
Total	<u>\$ 7,209,397</u>	<u>\$ 6,986,160</u>	<u>\$ (223,237)</u>

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The balances of the marketable securities accounts as shown on the Statement of Financial Position as of September 30, 2015 are as follows:

BCM/D Parent Fund #1	\$ 1,453,265
BCM/D Parent Fund #2	794,235
Heritage Parent Fund	4,713,059
Charitable Gift Annuities	25,601
Total Marketable Securities	<u>\$ 6,986,160</u>

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, 2015 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.

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based on significant unobservable inputs as determined by a third party.

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of investment level as of September 30, 2015 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 280,551			\$ 280,551
Common stock:				
Industrials	146,717			146,717
Consumer Discretionary	212,103			212,103
Consumer Staples	119,970			119,970
Energy	87,519			87,519
Financial	313,833			313,833
Materials	51,245			51,245
Information Technology	479,518			479,518
Utilities	19,178			19,178
Health Care	309,895			309,895
Telecommunication Service	26,673			26,673
Total Common Stock	<u>1,766,651</u>			<u>1,766,651</u>
U.S. Government & Agency Securities	<u>281,442</u>	\$ 235,005		<u>516,447</u>
Corporate Bonds & Notes		<u>274,008</u>		<u>274,008</u>
Asset Backed Securities		<u>82,803</u>		<u>82,803</u>
Mutual Funds:				
Core Bond	439,305			439,305
Diversified Emerging Markets	48,662			48,662
Floating Rate Bond	231,198			231,198
Foreign Large Growth	210,234			210,234
Foreign Large Value	195,016			195,016
Global Bond	288,246			288,246
Mid-Cap Value	177,790			177,790
REIT	197,479			197,479
Small-Cap Growth	157,339			157,339
Tactical Bond	833,475			833,475
World Allocation	121,704			121,704
Total Mutual Funds	<u>2,840,448</u>			<u>2,840,448</u>
Exchange Traded Funds:				
Emerging Markets	78,916			78,916
Europe Stock	113,241			113,241
Japan Stock	37,951			37,951
Large Cap Domestic Growth	186,532			186,532
Large Cap Domestic Value	143,771			143,771
Mid-Cap Growth	331,784			331,784
Mid-Cap Value	153,635			153,635
Total Exchange Traded Funds	<u>1,045,830</u>			<u>1,045,830</u>
Hedge Funds			\$ 525	525
Private Equity Investments			178,897	178,897
TOTAL	<u>\$ 6,214,922</u>	<u>\$ 591,816</u>	<u>\$ 179,422</u>	<u>\$ 6,986,160</u>

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2015

3. CASH - CONCENTRATION OF CREDIT RISK

The Organization maintains two interest bearing checking accounts to manage the cash resources for the Church Loan Fund and the Arthur Nanney Fund.

The balances of the Loan Parent Funds as shown on the Statement of Financial Position as of September 30, 2015 are as follows:

Church Loan Assets - Loan Parent Fund	\$ 772,459
Arthur Nanney Fund - Loan Parent Fund	73,196
Total Cash and Cash Equivalent	\$ 845,655

The concentration of cash risks are as follows:

Balance in Banks as of September 30, 2015	\$ 847,687
FDIC Insured Portion	(250,000)
Uninsured balance	\$ 597,687

4. NOTES RECEIVABLE - CHURCHES

The notes receivable are stated at face value. Interest is charged on the notes at a rate that averages 5.0%. 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 the greater of (1) a rate equal to the five year Treasury Bill Constant Rate plus 2.5% (adjusted to the nearest 0.25%), or (2) 5%. Loans will be amortized over 15 to 30 years with interest adjusting after five years. It is the policy of the Organization 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 future losses and reserved if necessary.

5. 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 Organization and are held as general assets of the Organization. The annuity liability 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 contributions.

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2015

6. NET ASSETS

A summary of net assets at September 30, 2015 is as follows:

Unrestricted-Board Designated:

Church Loan Fund	\$ 2,855,735
Arthur Nanney Fund	<u>90,583</u>
Total	<u><u>\$ 2,946,318</u></u>

Church Loan Funds: These funds were designated by the trustees of the Organization and the General Mission Board for providing loans to churches affiliated with the Mid-Atlantic Baptist Network.

Arthur Nanney Funds: These funds were designated by the trustees of the Organization 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	\$ 22,756
Total	<u><u>\$ 22,756</u></u>

Charitable Gift Annuity: These funds are held by the Organization to provide funding for stipulations set forth by the donors. The Organization 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 Fund	\$ 4,713,059
BCM/D Parent Fund # 1	1,453,265
BCM/D Parent Fund # 2	<u>794,235</u>
Total	<u><u>\$ 6,960,559</u></u>

Heritage Parent Funds: These funds are managed by the Organization to provide resources for various Mid-Atlantic Baptist Network ministries as stipulated by the donors.

BAPTIST FOUNDATION OF MARYLAND/DELAWARE, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

6. NET ASSETS (CONTINUED)

BCM/D Parent Funds: These funds are managed by the Organization to provide income for the Mid-Atlantic Baptist Network's annual budget with the earnings distributed to the Mid-Atlantic Baptist Network and used according to the intention of the donor.

7. RELATED PARTY TRANSACTIONS

The Organization receives services from employees of the Mid-Atlantic Baptist Network. Investment income and management fees support the Organization's administrative costs paid by the Mid-Atlantic Baptist Network.