

**BAPTIST FOUNDATION OF**  
**MARYLAND/DELAWARE, INC.**

**FINANCIAL STATEMENTS**  
**(Audited)**

**September 30, 2022**

## TABLE OF CONTENTS

Independent Auditor's Report	1 – 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 12



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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

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, 2022, 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.

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, 2022, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Baptist Foundation of Maryland/Delaware Inc. and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibility of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Baptist Foundation of Maryland/Delaware, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but not an absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.



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To the Board of Trustees  
Baptist Foundation of Maryland/Delaware, Inc.  
Page | 2

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform procedures responsive to those risks. Such procedures include examining, on test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Baptist Foundation of Maryland/Delaware, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Baptist Foundation of Maryland/Delaware, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that are identified during the audit.

*WeberMessick*

Baltimore, Maryland  
November 15, 2022

**Baptist Foundation of Maryland/Delaware, Inc.**  
**Statement of Financial Position**  
**September 30, 2022**

<b>Assets</b>	
<u>Baptist Convention of Maryland/Delaware, Inc. Funds</u>	
Baptist Convention of Maryland/Delaware, Inc. Funds	\$ <u>2,252,682</u>
 <u>Heritage Fund</u>	
Heritage Parent Fund	<u>6,527,158</u>
 <u>Church Loan Fund</u>	
Loan Parent Fund	723,088
Notes Receivable	<u>2,262,619</u>
Total Church Loan Fund	<u>2,985,707</u>
 <u>Arthur Nanney Fund</u>	
Loan Parent Fund	33,742
Notes Receivable	<u>58,737</u>
Total Arthur Nanney Fund	<u>92,479</u>
 <u>CGA Fund</u>	
Charitable Gift Annuities	<u>3,990</u>
Total Assets	<u>\$ 11,862,016</u>
<b>Liabilities and Net Assets</b>	
<u>Liabilities</u>	
Accrued Distribution Payable	\$ <u>116,950</u>
Total Liabilities	<u>116,950</u>
 <u>Net Assets</u>	
Without Donor Restrictions	2,961,236
With Donor Restrictions	<u>8,783,830</u>
Total Net Assets	<u>11,745,066</u>
Total Liabilities and Net Assets	<u>\$ 11,862,016</u>

See Independent Auditor's Report and accompanying notes.

**Baptist Foundation of Maryland/Delaware, Inc.**  
**Statement of Activities**  
**For the Year Ended September 30, 2022**

	<b>Net Assets Without Donor Restrictions</b>	<b>Net Assets With Donor Restrictions</b>	<b>Total</b>
<u>Revenue, Other Support, and Reclassifications</u>			
Investment Income	\$ 4,927	\$ 219,926	\$ 224,853
Interest Income - Notes Receivable	134,892	-	134,892
Gifts and Bequests	-	194,717	194,717
Gain on Sale of Investments	-	419,310	419,310
Unrealized Depreciation on Marketable Securities	-	(2,792,236)	(2,792,236)
Net Assets Released from Restrictions			
Satisfaction of Purpose Restrictions	604,224	(604,224)	-
Total Revenue	744,043	(2,562,507)	(1,818,464)
<u>Expenses</u>			
Program Services			
Administration Services	88,902	-	88,902
Bad Debt	1,138	-	1,138
Distributions	640,498	-	640,498
Total Program Services	730,538	-	730,538
Changes in Net Assets	\$ 13,505	\$ (2,562,507)	\$ (2,549,002)

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, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets, Beginning of Year	\$ 2,947,731	\$ 11,346,337	\$ 14,294,068
Changes in Net Assets	<u>13,505</u>	<u>(2,562,507)</u>	<u>(2,549,002)</u>
Net Assets, End of Year	<u>\$ 2,961,236</u>	<u>\$ 8,783,830</u>	<u>\$ 11,745,066</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, 2022**

Cash Flows from Operating Activities	
Changes in Net Assets	\$ (2,549,002)
Accrued Interest on Notes Receivable	(7,422)
Noncash Items Included in Net Income:	
Bad Debt Expense	1,138
Increase in Accrued Distribution Payable	13,146
Unrealized Depreciation on Investments	<u>2,792,236</u>
Net Cash Provided By Operating Activities	<u>250,096</u>
Cash Flows from Investing Activities	
Investment in Securities, Net of Sales	(229,729)
Principal Disbursements on Notes Receivable	(241,740)
Collection on Notes Receivable	<u>279,501</u>
Net Cash Used For Investing Activities	<u>(191,968)</u>
Net Increase in Cash and Cash Equivalents	58,128
Cash and Cash Equivalents, Beginning of Year	<u>698,702</u>
Cash and Cash Equivalents, End of Year	<u>\$ 756,830</u>
Supplemental Disclosure of Cash Flow Information	
Interest Paid	<u>\$ -</u>

See Independent Auditor's Report and accompanying notes.



**Baptist Foundation of Maryland/Delaware, Inc.**  
**Notes to Financial Statements**  
**September 30, 2022**

**Note 1 – Summary of Significant Accounting Policies**

*Date of Management's Review:* Management has evaluated subsequent events through November 15, 2022, the date on which the financial statements were available to be issued. The Organization did not have any material recognizable subsequent events during this period.

*Organizational Purpose:* The Baptist Foundation of Maryland/Delaware, Inc. (the "Organization"), was established in 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), and was organized to (a) professionally manage the investment of all funds assigned to it by the Baptist Convention of Maryland/Delaware, Inc. and (b) professionally manage the investment of all funds entrusted to the care of the Organization in compliance with the wishes of the donors.

*Basis of Accounting:* The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which recognizes revenues and the related asset when earned, and expenses and the related liabilities when obligations are incurred. The Organization reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

*Financial Statement Presentation:* The Organization has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Updated (ASU) 2016-14, "Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities." Under ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Without Donor Restrictions

Net assets which are free of donor-imposed restrictions. Included net assets are donor advised funds, for which donors may make recommendations to the Board of Trustees with respect to the distribution of the income and/or principal for an agreed upon period of time. The Board of Trustees has complete discretion on whether to accept or reject the donor's recommendation.

With Donor Restrictions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other specified events. When time or purpose restrictions expire, or are achieved, the net assets are reclassified to net assets without donor restrictions. Other restrictions are perpetual in nature, where resources are to be maintained in perpetuity.

*Cash and Cash Equivalents:* Cash equivalents for cash flow purposes is generally all highly liquid debt instruments that mature in 90 days or less.

*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 reserve has been established to offset uncollectible church loan fund notes receivable. In the event of default, the Organization would consider assisting an existing church or a new church plant in occupying the facility. The balance of the Allowance for Uncollectible Notes Receivable is \$304,451 as of September 30, 2022.

*Property and Equipment:* The Organization uses the property and equipment of the Baptist Convention of Maryland/Delaware, Inc. Therefore, there is no property and equipment reflected on the statement of financial position as of September 30, 2022.

**Baptist Foundation of Maryland/Delaware, Inc.**  
**Notes to Financial Statements**  
**September 30, 2022**

Note 1 – Summary of Significant Accounting Policies (continued)

*Gifts and Bequests:* The Organization adopted FASB Accounting Standards Codification (ASC) 958-605, "Not-for-Profit Entities – Revenue Recognition." In accordance with FASB ASC 958-605, contributions received are recorded as without donor restrictions or with donor restrictions support depending on the existence and/or nature of any donor restrictions. Promises to give are not recorded as gifts and bequests until the funds are received.

*Investments and Investment Income:* The Organization has adopted FASB ASC 958-320, "Not-for-Profit Entities – 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. Realized gains on the sale of investments, as well as dividends and interest earned, are reinvested until such time distributions are paid to the Baptist Convention of Maryland/Delaware, Inc. or designated organizations. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. It is reasonably possible that changes in the values of investments could occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

The Organization has adopted FASB ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement." The standards core principle is to improve the effectiveness of disclosures in the notes to the financial statements.

*Interest Income – Church Loan Fund Notes Receivable:* The Organization records interest income on the notes receivable when earned. Effective for the year ended September 30, 2022, 90%, 100% in prior years, of the interest income earned, net of management fees, is accrued for distribution to the Baptist Convention of Maryland/Delaware, Inc., and paid at the beginning of the following year to be used for its' budgeted operations. The undistributed 10% will remain in the Church Loan Fund to increase the amounts available to loan to churches.

*Liquidity:* All cash and investments of the Organization are available to meet general expenditures within one year of the balance sheet date. General expenditures consist of investment and management fees reducing the amount of investment income available for distributions the Baptist Convention of Maryland/Delaware, Inc. and to other designated organizations per donor restrictions.

*Distributions:* Distributions primarily represent investment earnings, net of management fees, and are distributed to the Baptist Convention of Maryland/Delaware, Inc. or designated organizations in accordance with donor restrictions and recorded as an expense in the statement of activities.

*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 Form 990, Return of Organization Exempt from Income Tax, generally stays open for three years from the filing date and is subject to examination by the IRS.

*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.

**Baptist Foundation of Maryland/Delaware, Inc.**  
**Notes to Financial Statements**  
**September 30, 2022**

Note 2 – Cash and Cash Equivalents

The Organization maintains its cash accounts at various financial institutions and its balances may at times exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. The Organization has not experienced any losses in such accounts and monitors the creditworthiness of the financial institutions with which it conducts business. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash balances.

Note 3 – Investments and Fair Value Measurements

The Organization accounts for the fair value of its investments under the Fair Value Measurement and Disclosure topic of FASB ASC, which provides the framework for measuring fair value. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under this guidance are described as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2

Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and maximize the use of unobservable inputs.

There have been no changes in the methodologies used at September 30, 2022. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

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, 2022 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.

**Baptist Foundation of Maryland/Delaware, Inc.**  
**Notes to Financial Statements**  
**September 30, 2022**

Note 3 – Investments and Fair Value Measurements (continued)

Investments stated at fair value as of September 30, 2022 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Depreciation as of September 30, 2022</u>
Fixed Income Funds	\$ 3,649,782	\$ 3,265,430	\$ (384,352)
Equity Funds	5,978,952	5,518,399	(460,553)
Total	<u>\$ 9,628,734</u>	<u>\$ 8,783,829</u>	<u>\$ (844,905)</u>

The balances of the marketable securities accounts as shown on the statement of financial position as of September 30, 2022 are as follows:

Baptist Convention of Maryland/Delaware, Inc. Funds	\$ 2,252,682
Heritage Parent Fund	6,527,158
Charitable Gift Annuities	3,990
Total Marketable Securities	<u>\$ 8,783,830</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 4,332,259			\$ 4,332,259
U.S. Government and Agency Securities	235,683	\$ 268,893		504,576
Corporate Bonds and Notes		401,856		401,856
Asset Backed Securities		15,622		15,622
Equity Income Mutual Funds	465,546			465,546
Fixed Income Mutual Funds	2,652,774			2,652,774
Equity Exchange Traded Funds	340,230			340,230
Fixed Exchange Traded Funds	54,057			54,057
Private Equity Investments			\$ 16,910	16,910
Total	<u>\$ 8,080,549</u>	<u>\$ 686,371</u>	<u>\$ 16,910</u>	<u>\$ 8,783,830</u>

The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets for the year ending September 30, 2022:

Beginning Balance, September 30, 2021	\$ 28,527
Unrealized Gains (Losses)	(7,966)
Sales and Redemptions	(3,651)
Ending Balance September 30, 2022	<u>\$ 16,910</u>

**Baptist Foundation of Maryland/Delaware, Inc.**  
**Notes to Financial Statements**  
**September 30, 2022**

Note 3 – Investments and Fair Value Measurements (continued)

The Board of Trustees has adopted investment and spending policies for its assets that attempt to provide a predictable stream of funding to programs and ministries supported by the various individual funds, while also maintaining the purchasing power of those assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Assets are invested in a well-diversified asset mix, which includes equity and fixed income securities and alternative strategies, intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual spending distributions while growing the funds. Investment assets and allocation among asset classes and strategies are managed in a manner that will not expose the investment portfolio to unacceptable levels of risk.

Note 4 – Notes Receivable – Church Loan Fund

The notes receivable are stated at face value. Interest is charged on the notes at a rate that averages 5%. Interest and principal repayment are 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 80% of the fair market value of the collateralized property to maximize collectability in the case of default by the church. Loans delinquent more than 90 days are reviewed for future losses and reserved if necessary.

Note 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 assets of the Organization. Once the obligations of the annuity agreement are fulfilled, the Organization will recognize as income the donor's residual contributions.

Note 6 – Net Assets

A summary of net assets as of September 30, 2022 is as follows:

<u>Without Donor Restriction</u>	
Board Designated:	
Church Loan Fund	\$ 2,868,757
Arthur Nanney Fund	<u>92,479</u>
Total	<u>\$ 2,961,236</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 Baptist Convention of Maryland/Delaware, Inc.

*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.

**Baptist Foundation of Maryland/Delaware, Inc.**  
**Notes to Financial Statements**  
**September 30, 2022**

Note 6 – Net Assets (continued)

<u>With Donor Restrictions</u>		
Baptist Convention of Maryland/Delaware, Inc. Funds	\$	2,252,682
Heritage Parent Fund		6,527,158
Charitable Gift Annuities		<u>3,990</u>
Total	\$	<u>8,783,830</u>

*Baptist Convention of Maryland/Delaware, Inc. Parent Funds:* These funds are managed by the Organization to provide income for the Baptist Convention of Maryland/Delaware, Inc.'s annual budget with the earnings distributed to the Baptist Convention of Maryland/Delaware, Inc. and used according to the intention of the donor.

*Heritage Parent Funds:* These funds are managed by the Organization to provide resources for various Baptist Convention of Maryland/Delaware, Inc. ministries or designated organizations, as stipulated by the donors.

*Charitable Gift Annuities:* 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.

Note 7 – Related Party Transactions

The Organization receives services from employees of the Baptist Convention of Maryland/Delaware, Inc. Investment income and administrative fees support the Organization's administrative costs paid by the Baptist Convention of Maryland/Delaware, Inc. Gifts from the Baptist Convention of Maryland/Delaware, Inc. were \$132,367 for the year ending September 30, 2022. Distributions to the Baptist Convention of Maryland/Delaware, Inc. were \$540,152 for the year ending September 30, 2022 including accrued distributions of \$116,950 as of September 30, 2022 and are included in distributions on the statement of activities. Total management fees incurred and paid to the Baptist Convention of Maryland/Delaware, Inc. were \$34,131 for the year ending September 30, 2022 and are included in administration services on the statement of activities.