

Financial Statements and Report of Independent
Certified Public Accountants

Baptist Foundation of Oklahoma

December 31, 2010 and 2009

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Report of Independent Certified Public Accountants

Board of Directors
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We have audited the accompanying statements of financial position of The Baptist Foundation of Oklahoma (the Foundation) as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Baptist Foundation of Oklahoma as of December 31, 2010 and 2009, 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.

Grant Thornton LLP

Oklahoma City, Oklahoma
April 28, 2011

The Baptist Foundation of Oklahoma
STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 9,170,061	\$ 10,419,829
Certificates of deposit	970,000	210,000
Prepaid expenses and other	360,302	400,001
Investments		
Pooled investments - at market		
Domestic equities	68,240,837	50,449,145
International equities	33,054,278	29,253,668
Fixed income	93,226,358	95,086,902
Alternative investments	<u>71,398,978</u>	<u>66,715,924</u>
	<u>265,920,451</u>	<u>241,505,639</u>
Christian Stewardship mutual funds - at market	2,677,890	2,673,110
Other investments		
At market		
Corporate stocks and mutual funds	589,164	517,351
Bonds	66,647	5,287
Mineral interests	12,437,775	12,021,071
At contributed value or cost		
Notes receivable	271,802	302,949
Real estate	630,797	566,960
Life and annuity contracts and other	<u>151,834</u>	<u>189,951</u>
	<u>14,148,019</u>	<u>13,603,569</u>
Total investments	282,746,360	257,782,318
Securities lending collateral	12,986,311	9,545,355
Securities lending receivable	346,219	357,011
Property and equipment, net	<u>1,099,110</u>	<u>700,594</u>
	<u>\$ 307,678,363</u>	<u>\$ 279,415,108</u>

The accompanying notes are an integral part of these statements.

The Baptist Foundation of Oklahoma

STATEMENTS OF FINANCIAL POSITION - CONTINUED

December 31,

LIABILITIES AND NET ASSETS	<u>2010</u>	<u>2009</u>
Liabilities		
Accounts payable and accrued expenses	\$ 367,888	\$ 318,990
Accrued postretirement benefits	582,622	524,527
Payable under securities lending agreement	14,140,375	10,735,393
Liabilities to beneficial owners		
Liability to income beneficiaries under split-interest agreements		
Gift annuity contracts	3,994,819	3,967,377
Irrevocable trust agreements	3,468,310	3,417,795
	<u>7,463,129</u>	<u>7,385,172</u>
Assets held for others		
Assets held as trustee under permanent endowments	138,644,012	128,129,956
Assets held under agreements with affiliated organizations to administer endowments or other trust funds	42,009,761	36,944,477
Remainder interests under gift annuity and irrevocable interests	11,530,828	10,917,325
	<u>192,184,601</u>	<u>175,991,758</u>
Refundable advances		
Assets held under custodial arrangements with affiliated organizations	72,456,352	68,634,694
Conditional transfers from donors	5,207,163	4,225,496
	<u>77,663,515</u>	<u>72,860,190</u>
Total liabilities to beneficial owners	277,311,245	256,237,120
Commitments and contingencies		
Net assets		
Unrestricted	2,782,303	2,779,520
Temporarily restricted	2,052,412	1,338,255
Permanently restricted	10,441,518	7,481,303
	<u>15,276,233</u>	<u>11,599,078</u>
	<u>\$ 307,678,363</u>	<u>\$ 279,415,108</u>

The accompanying notes are an integral part of these statements.

The Baptist Foundation of Oklahoma

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support				
Fees for asset management and trust administration	\$ 3,277,932	\$ -	\$ -	\$ 3,277,932
Investment earnings				
Interest and dividends from investment pools	137,417	212,845	-	350,262
Interest, dividends and other investment earnings	20,494	36,977	-	57,471
Net realized and unrealized gains on investments	136,439	815,058	-	951,497
Other support and revenue				
Cooperative program allocation	47,706	-	-	47,706
Contributions	9,696	1,666	2,957,892	2,969,254
Other	8,813	(777)	-	8,036
Reclassification of net assets:				
Reclassification for income preservation	-	(2,323)	2,323	-
Reclassification for endowment accounts with total net asset balances less than the original gift	20,943	(20,943)	-	-
Net assets released from restriction	<u>328,346</u>	<u>(328,346)</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	<u>3,987,786</u>	<u>714,157</u>	<u>2,960,215</u>	<u>7,662,158</u>
Expenses and distributions				
Program services				
Estate planning, trust, investment and lending services for Southern Baptist organizations	2,397,811	-	-	2,397,811
Distributions to students, elderly and charitable causes	154,419	-	-	154,419
Management and general	<u>1,367,667</u>	<u>-</u>	<u>-</u>	<u>1,367,667</u>
Total expenses	3,919,897	-	-	3,919,897
Pension related changes other than net periodic pension costs	<u>(65,106)</u>	<u>-</u>	<u>-</u>	<u>(65,106)</u>
CHANGE IN NET ASSETS	2,783	714,157	2,960,215	3,677,155
Net assets at beginning of year	<u>2,779,520</u>	<u>1,338,255</u>	<u>7,481,303</u>	<u>11,599,078</u>
Net assets at end of year	<u>\$ 2,782,303</u>	<u>\$ 2,052,412</u>	<u>\$ 10,441,518</u>	<u>\$ 15,276,233</u>

The accompanying notes are an integral part of these statements.

The Baptist Foundation of Oklahoma

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED

Year ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, gains and other support				
Fees for asset management and trust administration	\$ 3,008,739	\$ -	\$ -	\$ 3,008,739
Investment earnings				
Interest and dividends from investment pools	60,246	177,112	-	237,358
Interest, dividends and other investment earnings	21,998	20,414	-	42,412
Net realized and unrealized gains on investments	205,379	923,805	-	1,129,184
Other support and revenue				
Cooperative program allocation	50,000	-	-	50,000
Contributions	10,539	2,337	1,697,496	1,710,372
Other	35	6,698	-	6,733
Reclassification of net assets:				
Reclassification of remainder interest	-	(957,499)	957,499	-
Reclassification for income preservation	-	(2,907)	2,907	-
Reclassification for endowment accounts with total net asset balances less than the original gift	30,718	(30,718)	-	-
Net assets released from restriction	<u>335,519</u>	<u>(335,519)</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	<u>3,723,173</u>	<u>(196,277)</u>	<u>2,657,902</u>	<u>6,184,798</u>
Expenses and distributions				
Program services				
Estate planning, trust, investment and lending services for Southern Baptist organizations	2,286,493	-	-	2,286,493
Distributions to students, elderly and charitable causes	175,602	-	-	175,602
Management and general	<u>1,202,649</u>	<u>-</u>	<u>-</u>	<u>1,202,649</u>
Total expenses	3,664,744	-	-	3,664,744
Pension related changes other than net periodic pension costs	<u>7,025</u>	<u>-</u>	<u>-</u>	<u>7,025</u>
CHANGE IN NET ASSETS	65,454	(196,277)	2,657,902	2,527,079
Net assets at beginning of year	<u>2,714,066</u>	<u>1,534,532</u>	<u>4,823,401</u>	<u>9,071,999</u>
Net assets at end of year	<u>\$ 2,779,520</u>	<u>\$ 1,338,255</u>	<u>\$ 7,481,303</u>	<u>\$ 11,599,078</u>

The accompanying notes are an integral part of these statements.

The Baptist Foundation of Oklahoma

STATEMENTS OF CASH FLOWS

Year ended December 31,

	2010	2009
Cash flows from operating activities		
Cash received as fees for asset management and trust administration	\$ 3,277,932	\$ 3,008,739
Interest, dividends and other investment income received	407,733	279,770
Cash received from contributors and under Cooperative Program	56,745	57,702
Cash paid to employees, suppliers and to benefit recipients	(3,636,326)	(3,474,651)
Cash received from other sources	8,036	6,733
Cash flows related to assets held for beneficial owners		
Cash received from or on behalf of beneficial owners	18,448,704	21,333,993
Earnings on assets held for beneficial owners	10,905,094	10,571,055
Distributions to or on behalf of beneficial owners	(25,901,626)	(30,063,519)
	3,452,172	1,841,529
Net cash provided by (used in) operating activities	3,566,292	1,719,822
Cash flows from investing activities		
Purchases of certificates of deposit	(3,191,831)	(220,000)
Sales of certificates of deposit	2,431,831	180,000
Purchases of units in investment pools	(39,859,559)	(108,433,586)
Sales of units in investment pools	33,541,837	81,579,090
Purchases of Christian Stewardship mutual funds	(72,615)	(224,850)
Sales of Christian Stewardship mutual funds	230,797	566,158
Advances on notes receivable	(2,105)	(13,200)
Collections on notes receivable	30,517	25,102
Purchases of other investments	(1,173,214)	(360,998)
Sales of other investments	888,568	354,313
Sales of property and equipment	27,850	74,455
Purchases of property and equipment	(628,351)	(229,288)
Net cash (used in) provided by investing activities	(7,776,275)	(26,702,804)
Cash flows from financing activities		
Proceeds from contributions restricted for investment in endowments	2,960,215	2,657,902
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,249,768)	(22,325,080)
Cash and cash equivalents at beginning of year	10,419,829	32,744,909
Cash and cash equivalents at end of year	\$ 9,170,061	\$ 10,419,829
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ 3,677,155	\$ 2,527,079
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Decrease (increase) in prepaid expenses and other	39,699	(102,063)
Net realized and unrealized (gains) on investments	(951,497)	(1,129,184)
Decrease in value of remainder interest in assets held by others	-	957,499
Decrease in long term receivables	-	6,801
Loss on sale of property and equipment	4,248	15,633
Depreciation	197,737	195,144
Increase in accounts payable and accrued expenses	48,898	71,572
Increase (decrease) in accrued postretirement benefits	58,095	(4,019)
Cash increase related to beneficial owners	3,452,172	1,839,262
Contributions and other earnings restricted for long-term investments	(2,960,215)	(2,657,902)
Net cash provided by operating activities	\$ 3,566,292	\$ 1,719,822

Noncash activities:

Liabilities to beneficial owners include net realized and unrealized (losses) gains on investments of \$17,621,953 and \$31,337,553 for 2010 and 2009.

The accompanying notes are an integral part of these statements.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES

The Baptist Foundation of Oklahoma (Foundation) is a private, nonprofit religious association chartered by the State of Oklahoma on October 31, 1946 for perpetual existence without capital stock. Its creation was approved by the Baptist General Convention of the State of Oklahoma (Convention) to administer funds and property received by gift, device, and bequest or otherwise in order to assist and promulgate the furtherance of the Convention and to promote Baptist doctrines, evangelism, Christian education and both home and foreign mission work.

The Foundation, in the capacity of trustee, holds, administers and invests assets for the Convention and institutions affiliated with the Convention, as well as for its own account. Trusts may have other charitable or non-charitable beneficiaries. Interests of the Foundation, Convention or affiliates of the Convention may be total or may represent only income or remainder interests.

The Foundation also holds assets for investment in a custodial capacity for the Convention and its affiliates. In addition, the Foundation administers trusts where affiliated organizations serve as trustee.

Activities of the Foundation include estate stewardship and gift planning for the Convention and its affiliates. Staff members work with Southern Baptist churches and associations both within and outside the State of Oklahoma to encourage financial support for local, state and national institutions through lifetime and testamentary planning.

The Foundation receives its financial support primarily from fees charged for the administration and investment of assets. In addition, annual appropriations are received from the Convention through its Cooperative Program.

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

1. Recognition of Donor Restrictions

Contributions received without restrictions are reported as an increase in unrestricted net assets. Donor restricted contributions are recognized as increases in permanently or temporarily restricted net assets. Permanently restricted net assets consist of the original contribution amount of permanent endowments or remainder interests that will become permanently endowed. Temporarily restricted net assets consist of the net increase over the original contribution amount for assets benefitting the Foundation directly as well as those where the Foundation does not benefit, but holds discretion on the distributions. Temporarily restricted net assets also include the remainder interests under split-interest agreements that transfer assets unconditionally upon the passage of a period of time, typically the life of the income beneficiary. The liability to income beneficiaries for future payments is determined by applying an annual discount rate of 5% (which equals the estimated long-term return on investments) to estimated payments under the agreements.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

2. Cash and Cash Equivalents

The Foundation maintains its cash and cash equivalents in bank deposit accounts, money market funds and short-term certificates of deposit, some of which may not be federally insured. Bank deposit balances are transferred daily into interest-bearing accounts secured by short-term, high-quality fixed income securities issued by banks, corporations and the U.S. Government. The Foundation has not experienced any losses in cash equivalents and believes it is not exposed to significant credit risk on cash equivalents. Management considers highly liquid debt instruments readily convertible into cash to be cash equivalents other than cash equivalents held as part of its investment portfolio.

3. Investments

Pooled Investments

The Foundation pools the assets under its ownership, administration, or control into various equity, fixed income, and alternative investment pools.

Pro-rata ownership in the pools is determined under a system in which units of ownership are recorded to represent each member's share of the total market value of assets. Investment interest, dividends, gains, losses and appreciation or depreciation in market value are allocated based on each pool member's percentage of ownership represented by these units. The cost of securities sold is determined on a specific identification basis.

Domestic and international equities consist primarily of cash equivalents and marketable equity securities. Fixed income assets consist primarily of cash equivalents and corporate and governmental debt securities. In addition, the fixed income assets include church building loans. Alternative investments consist primarily of cash equivalents, futures contracts, and other investment vehicles including structured settlements, distressed debt, venture capital, private equity, real estate, real assets, and hedge funds.

Pooled investments are carried at fair market value or at cost if no fair market value can be established. Fair market value for pooled investments, excluding church building loans and alternative investments, is provided by brokers. Church building loans are carried at the total principal balance of these loans less an allowance for doubtful loans. The board approves the methodology used to establish interest rates so that the rates reflect market conditions. The adjustable interest rate on each church building loan is adjusted either on a one, three, five, or ten year basis, dependent on terms selected by the borrower at the time of loan origination. These adjustments result in the principal balances approximating current market value. Management believes that adjustments, if any, to market value would be nominal and, as such, the carrying value approximates market value. Church building loans mature at various dates through November, 2031 and bear interest at rates ranging from 4.75% to 8.50%.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

3. Investments - Continued

Pooled Investments - Continued

Alternative investments are carried at the net asset value (NAV) of the fund as provided by the administrator or general partner. Management evaluates the values provided based on a number of factors, including obtaining an understanding of the fund's underlying investments, strategy, positions and valuation methodologies, obtaining audited financial statements, obtaining verification of transactions at or near year end, and comparing information provided by the fund administrator or general partner to other available information such as sector data and indexes. Because alternative investments are not readily marketable, their NAV is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such a difference could be material. Realized and unrealized gains and losses for the Foundation's investments are reflected in the statements of activities and changes in net assets.

Christian Stewardship Mutual Funds

Investments in Christian Stewardship mutual funds are carried at market with realized and unrealized gains and losses reflected in the statements of activities and changes in net assets.

Other Investments

Other investments stated at fair market value, as provided by brokers, consist primarily of corporate stocks, mutual funds and bonds. Oil and gas income producing properties are stated at fair market value as calculated by the Foundation at four times the average annual income from that property.

Certain other investments, including notes and other debt instruments redeemable at face value and annuity contracts, are carried at contributed or acquisition value as these assets do not have readily determinable market values. The Foundation evaluates cost basis investments for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. When required, impairment losses are recognized based upon the estimated fair value of the investment.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

4. Allowance for Doubtful Loans

Church building loans included in fixed income pools are presented net of an allowance for doubtful loans. The adequacy of the allowance is determined by the Foundation's management and Board of Directors based on a number of factors, including the collection of loans and evaluation of underlying collateral values, loss experience, identification and review of problem loans, quality of the loan portfolio and business and economic conditions. However, ultimate losses may differ from these estimates.

At December 31, 2010 the Foundation had no impaired loans. There were no recorded investment in impaired loans during 2010 and 2009. No interest income was recognized on impaired loans in 2010 or 2009.

The following is a summary of the changes in the allowance for doubtful loans for the years ended December 31:

	<u>2010</u>	<u>2009</u>
Balance at beginning of year	\$ 1,197,090	\$ 1,157,090
Provision for doubtful loans	165,000	40,000
Recoveries of amounts previously charged-off	<u>-</u>	<u>-</u>
Balance at end of year	<u>\$ 1,362,090</u>	<u>\$ 1,197,090</u>

Management considers notes receivable included in other investments to be fully collectible; accordingly, no allowance is required. Specific amounts considered to be uncollectible are charged off when that determination is made.

5. Interest on Loans

Interest on loans is accrued based upon the principal amount outstanding. Loans are placed on nonaccrual status and are considered impaired based on the judgment of management and the Foundation Loan Services Committee, considering factors such as number of days past due and collateral position, unless their collateral position or other conditions warrant continued accrual status. It is the Foundation's policy to reverse previously accrued but uncollected interest on loans placed on nonaccrual status. Interest on nonaccrual loans is recognized only as it is received and only after the principal balance is satisfied. Earned but unrecorded interest on nonaccrual loans subsequently refinanced is deferred and recognized over the remaining life of the loan. There were no loans on nonaccrual status at either December 31, 2010 or 2009.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

6. Remainder interests in assets held by others

Remainder interests in assets held by others are carried at the present value of expected future cash flows with realized and unrealized gains and losses reflected in the statements of activities and changes in net assets.

7. Property and Equipment

Major expenditures for property and equipment are capitalized at cost while donated property and equipment are capitalized at fair market value at the date of the gift. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. The estimated useful lives predominately range from three to ten years for property and equipment other than buildings, which are depreciated for 40 years. No provision is made for depreciation on properties carried as other investments.

The Foundation evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. When required, impairment losses are recognized based upon the estimated fair value of the asset.

8. Liabilities to Beneficial Owners

The Foundation has recorded liabilities for assets held as trustee, intermediary, custodian or agent for beneficial owners of income or remainder interests. Generally, the Foundation's liability is limited to assets held within a specific trust or account. The Foundation, however, may be responsible for the payments to annuitants under certain gift annuity contracts out of its general assets.

9. Appropriations to Preserve Principal

According to the terms of certain trust provisions, a portion of income may be added to corpus to preserve the value of the trust corpus according to donor stipulation. In addition, corpus of trustee or administered trusts holding mineral interests is credited with an amount equal to 15% of oil and gas revenue.

10. Tax Status

The Foundation, is recognized as a not-for-profit, tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and, as such, is exempt from federal income taxes except for amounts relating to unrelated business income. There were no unrelated business income taxes incurred in either 2010 or 2009. In addition, the Foundation had net operating loss carryforwards of approximately \$765,000 at December 31, 2010 which begin to expire in 2026. There were no deferred income taxes at December 31, 2010 or 2009 due to valuation allowances associated with deferred income tax assets.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

11. Fair Value of Financial Instruments

All financial instruments for which it is practicable to estimate fair value are carried as such in the accompanying financial statements.

12. Functional Allocation of Expenses

The cost of providing the Foundation's various programs, activities, and general support have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon management's estimates of the level of effort for each activity. As the Foundation does not actively solicit contributions for their own benefit, no amounts have been allocated to fundraising activities.

13. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual amounts could differ from those estimates.

14. Securities Lending

The securities lending investment is comprised of bonds held by The Bank of New York Mellon (BONY) which are carried at fair value with the changes in fair value of investments included in the statement of activity and changes in net assets.

15. Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued guidance on the FASB Accounting Standards Codification (ASC) and the Hierarchy of Generally Accepted Accounting Principles. ASC 105 establishes the FASB ASC as the source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with generally accepted accounting principles. All guidance contained in the Codification carries an equal level of authority. All non-grandfathered literature not included in the Codification is superseded and deemed non-authoritative. ASC 105 was effective for the Foundation's financial statements for periods ending after September 15, 2009. Implementation of this pronouncement did not have a significant impact on the Foundation's financial statements.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

15. Recent Accounting Pronouncements – Continued

In April 2009, the FASB issued ASC 320, “Recognition and Presentation of Other-Than-Temporary Impairments” amending prior literature on the other-than-temporary impairment guidance under U.S. Generally Accepted Accounting Principles (GAAP) for debt securities to make the guidance more operational and improve the presentation and disclosure in the financial statements. ASC 320 specifies that if a company does not have the intent to sell a debt security prior to recovery and it is more likely than not that it will not have to sell the debt security prior to recovery, the security would not be considered other-than-temporarily impaired unless there is a credit loss. The credit loss component of other-than-temporarily impaired debt security must be determined based on the company’s best estimate of cash flows expected to be collected. This FSP was effective for years ending after June 15, 2009. Implementation of this FASB ASC topic did not have a significant impact on the Foundation’s financial statements.

In September 2009 the FASB issued guidance in ASU 2009-12, Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). ASU 2009-12 clarifies that for investments in entities that permit the investor to redeem the investment directly with (or receive distributions from) the investee at NAV, at times allowable under the terms of the investee’s governing documents, NAV is the most relevant estimate of fair value available that would not require undue cost and effort for the reporting entity. A reporting entity is permitted to estimate the fair value of an investment if the net asset value per share of the investment (or its equivalent) is determined in accordance with the Investment Companies Guide as of the reporting entity’s measurement date. ASC 2009-12 was adopted by the Foundation’s as of December 31, 2010.

The Foundation has adopted ASC 815-10-50, Disclosures about Derivative Instruments and Hedging Activities. ASC 815-10-50 requires additional disclosures about derivative instruments and hedging activities. This new standard requires that (1) objectives for using derivative instruments be disclosed in terms of underlying risks and accounting designation, (2) the fair values of derivative instruments and their gains and losses be disclosed, and (3) information be disclosed about credit-risk contingent features of derivative contracts.

NOTE B - POOLED INVESTMENTS

Investments of the various funds under management of the Foundation are primarily held in pooled investments. Pooled investments consist of domestic equities, international equities, fixed income instruments, and alternative investment vehicles.

Trust and custodial accounts participate in the respective pools based upon investment models. These models represent ownership percentages designed for various types of trusts and accounts based on the respective needs for current income or capital appreciation. Entry or withdrawal from the pools is based upon the market value of a pool unit. Market value of a pool unit is determined by dividing the total assets by total units outstanding.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE B - POOLED INVESTMENTS - CONTINUED

The following is a summary of assets held in pooled investments at December 31:

	2010		
	Cost	Appreciation (depreciation)	Market
Domestic equities			
Cash	\$ (135,945)	\$ -	\$ (135,945)
Money market accounts	2,298,801	-	2,298,801
Marketable equity securities	54,273,647	11,804,334	66,077,981
	<u>56,436,503</u>	<u>11,804,334</u>	<u>68,240,837</u>
International equities			
Cash	(15,654)	-	(15,654)
Money market accounts	1,340,371	-	1,340,371
Marketable equity securities	27,506,349	4,223,212	31,729,561
	<u>28,831,066</u>	<u>4,223,212</u>	<u>33,054,278</u>
Fixed income instruments			
Cash	104,900	-	104,900
Money market accounts	964,559	-	964,559
Foreign debt securities	290,033	2,899	292,932
Corporate debt securities	12,619,776	(176,405)	12,443,371
U.S. Government securities	9,765,787	59,335	9,825,122
Accrued interest income	214,665	-	214,665
Church building loans	70,889,504	-	70,889,504
Participation by others	(427,745)	-	(427,745)
Accrued interest on loans	281,140	-	281,140
Allowance for doubtful loans	(1,362,090)	-	(1,362,090)
	<u>93,340,529</u>	<u>(114,171)</u>	<u>93,226,358</u>
Alternative investments			
Cash and margin cash	3,712,545	-	3,712,545
Futures contracts (mark-to-market)	-	392,815	392,815
Church building loans	7,300,000	-	7,300,000
Structured settlements	5,087,044	(24,942)	5,062,102
Distressed debt	3,571,328	(422,279)	3,149,049
Venture capital	4,125,603	(374,031)	3,751,572
Private equity	5,262,619	176,801	5,439,420
Real estate	5,119,610	(789,779)	4,329,831
Distressed equity	5,929,236	926,295	6,855,531
Hedge fund (high volatility)	2,895,902	(159,491)	2,736,411
Hedge fund (mid volatility)	9,472,245	33,754	9,505,999
Hedge fund (low volatility)	17,193,745	598,413	17,792,158
Real assets	1,396,165	(24,620)	1,371,545
	<u>71,066,042</u>	<u>332,936</u>	<u>71,398,978</u>
Total pooled investments	<u>\$ 249,674,140</u>	<u>\$ 16,246,311</u>	<u>\$ 265,920,451</u>

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE B - POOLED INVESTMENTS - CONTINUED

	2009		
	Cost	Appreciation (depreciation)	Market
Domestic equities			
Cash	\$ 909,219	\$ -	\$ 909,219
Money market accounts	4,663,388	-	4,663,388
Marketable equity securities	40,040,590	4,835,948	44,876,538
	45,613,197	4,835,948	50,449,145
International equities			
Cash	18,553	-	18,553
Money market accounts	664,578	-	664,578
Marketable equity securities	27,596,645	973,892	28,570,537
	28,279,776	973,892	29,253,668
Fixed income instruments			
Cash	47,018	-	47,018
Money market accounts	495,255	-	495,255
Foreign debt securities	254,102	28,639	282,741
Corporate debt securities	18,355,324	(868,368)	17,486,956
U.S. Government securities	9,504,380	8,007	9,512,387
Preferred stock	101,723	25,762	127,485
Debentures	42,600	8,625	51,225
Accrued interest income	331,520	-	331,520
Church building loans	68,108,180	-	68,108,180
Participation by others	(369,719)	-	(369,719)
Accrued interest on loans	210,944	-	210,944
Allowance for doubtful loans	(1,197,090)	-	(1,197,090)
	95,884,237	(797,335)	95,086,902
Alternative investments			
Cash and margin cash	819,629	-	819,629
Futures contracts (mark-to-market)	-	187,664	187,664
Church building loans	5,800,000	-	5,800,000
Structured settlements	5,148,903	46,870	5,195,773
Distressed debt	3,019,178	(303,405)	2,715,773
Venture capital	3,155,199	(457,078)	2,698,121
Private equity	4,164,807	(241,379)	3,923,428
Real estate	4,575,337	(929,513)	3,645,824
Distressed equity	5,434,043	351,231	5,785,274
Hedge fund (high volatility)	2,895,902	(77,083)	2,818,819
Hedge fund (mid volatility)	11,000,000	(1,523,848)	9,476,152
Hedge fund (low volatility)	21,083,061	(576,794)	20,506,267
Real assets	3,156,165	(12,965)	3,143,200
	70,252,224	(3,536,300)	66,715,924
Total pooled investments	\$ 240,029,434	\$ 1,476,205	\$ 241,505,639

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE B - POOLED INVESTMENTS - CONTINUED

Alternative Investments

The Foundation uses the NAV to determine the fair value for all alternative investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have attributes of an investment company. Per ASU 2009-12, the following table lists investments in other investment companies (in partnership format) by major category at December 31.

Investment Category	Fair Value (Determined Using NAV)		Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Period
	2010	2009			
Structured settlements ^(a)	\$ 5,062,102	\$ 5,195,773	\$ -	N/A	N/A
Distressed debt ^(b)	3,149,049	2,715,773	258,825	N/A	N/A
Venture capital ^(c)	3,751,572	2,698,121	3,238,102	N/A	N/A
Private equity ^(d)	5,439,420	3,923,428	7,171,459	N/A	N/A
Real estate ^(e)	4,329,831	3,645,824	2,559,788	N/A	N/A
Distressed equity ^(f)	6,855,531	5,785,274	1,958,268	N/A	N/A
High volatility hedge fund ^(g)	2,736,411	2,818,819	-	Monthly	15 days
Mid volatility hedge fund ^(h)	9,505,999	9,476,152	-	Monthly, annually	60-180 days
Low volatility hedge fund ⁽ⁱ⁾	17,792,158	20,506,267	-	Quarterly	75 days
Real assets ⁽ⁱ⁾	1,371,545	3,143,200	599,178	N/A	N/A
	<u>\$ 59,993,618</u>	<u>\$ 59,908,631</u>	<u>\$ 15,785,620</u>		

- (a) This category includes an investment in a fund that purchases annuities from litigants for a present value discounted price. The annuities are typically held until maturity. The fund returns contributed capital to investors as the fund receives the annuity payments. Redemption by the investor is not permitted.
- (b) This category includes investments in limited partnerships that invest in non-performing collateralized loans from banks, government agencies, or other financial organizations. The strategy is to pursue investments collateralized by or involving an ownership interest in hard or resalable assets at a deep discount to face or book value. The partnerships return contributed capital to investors as underlying investments are liquidated. Redemption by the investor is not permitted.
- (c) This category includes investments in limited partnerships that invest in venture capital partnerships with exposure to early stage opportunities. The investment objective is to attain small capitalization equity-like returns. The partnerships return contributed capital to investors as underlying investments are liquidated. Redemption by the investor is not permitted.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE B - POOLED INVESTMENTS - CONTINUED

Alternative Investments – Continued

- (d) This category includes investments in limited partnerships that invest in private equity partnerships, either by direct investment or by purchased on a secondary market, with exposure to multiple strategies. The investment objective will be to attain equity-like returns over the life of the partnership. The partnerships return contributed capital to investors as underlying investments are liquidated. Redemption by the investor is not permitted.
- (e) This category includes investments in limited partnerships that invest with developers in the real estate under multiple strategies. The partnerships return contributed capital to investors as underlying investments are liquidated. Redemption by the investor is not permitted. The strategies used include:
 - investments in the redevelopment, renovation, and rehab of existing properties that seeks significant capital appreciation and significant risk adjusted average annual returns by investing in the process of "re-manufacturing" real estate assets.
 - investments in "high return" real estate funds seeking to generate equity-like returns and superior long term growth with relatively low correlation to the public equity markets.
- (f) This category includes investments in limited partnerships that invest in a multiple manager investment programs that seek to invest in top-tier distressed and turnaround managers in both private and public markets globally. The partnerships return contributed capital to investors as underlying investments are liquidated. Redemption by the investor is not permitted.
- (g) This category includes an investment in a limited partnership that invests in a series of global trading strategies that seeks to have a low correlation to traditional asset classes.
- (h) This category includes investments in limited partnerships that invest in hedge funds that attempt to create private equity style value through public company investments. For one investment, valued at \$1,400,000, no redemptions are currently allowed due to the fund being in a wind down phase. This investment has plans to liquidate all holdings within the next two years and contributed capital will be returned to investors as those holdings are liquidated.
- (i) This category includes investments in limited partnerships that invest in hedge funds using multiple managers and multiple strategies. The strategy is preservation of capital while seeking to achieve superior, consistent, absolute returns with a risk level comparable to the major bond indices. For one investment, valued at \$8.6 million, no redemptions are currently allowed due to the fund being in a wind down phase. This investment has plans to liquidate all holdings within the next two years and contributed capital will be returned to investors as those holdings are liquidated.
- (j) This category includes investments in a limited partnership that invests in real assets funds with strategies including oil and gas production, power and energy infrastructure, and oil and gas private equity. The partnerships seeks to earn returns that are protected against inflation. The partnerships return contributed capital to investors as underlying investments are liquidated. Redemption by the investor is not permitted.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE B - POOLED INVESTMENTS - CONTINUED

Futures Contracts

Included in the alternative pooled investments are exchange traded equity index futures contracts. These contracts are a type of derivative instrument and are traded on the Chicago Mercantile Exchange (Exchange). Because the instruments are purchased on the Exchange, there is minimal credit risk associated with these contracts. Exchange traded futures contracts can be terminated at any point through maturity, and are redeemable in cash, for the current settlement price with no early termination restrictions or penalties.

Buying futures contracts increases the exposure to the underlying instrument. The notional cost represents the value of the market exposure at the time of purchase. The notional fair value is the value of the exposure as of December 31. The futures contracts mark-to-market is the unrealized gain on the open contracts. These open contracts had a notional value as follows as of December 31:

	Open Contracts	Maturity Date	2010		
			Notional Cost	Notional Fair Value	Futures Contracts (Mark-to-Market)
S&P 500 E-mini futures contracts	313	3/18/2011	\$ 19,216,635	\$ 19,609,450	\$ 392,815
			2009		
			Notional Cost	Notional Fair Value	Futures Contracts (Mark-to-Market)
S&P 500 E-mini futures contracts	280	3/15/2010	\$ 15,362,136	\$ 15,549,800	\$ 187,664

No assets or liabilities are recorded at the time of purchase. However, upon entering into futures contracts, the Foundation is required to deposit with its broker an amount of cash in accordance with the initial margin requirements of the broker or exchange. Gains and losses are realized when the contracts expire or are closed. Futures contracts are marked-to-market daily, by the receipt or transfer of cash, based on settlement prices established by the Exchange and an appropriate unrealized gain or loss for the change in value is recorded. The Foundation had unrealized mark-to-market gains on open futures contracts of \$392,815 and \$187,664 as of December 31, 2010 and 2009, respectively. The realized and unrealized net gain included in the Statement of Activities and Changes in Net Assets and the Statement of Changes in Liabilities to Beneficial Owners was \$2,539,102 and \$2,581,411 for the years ending December 31, 2010 and 2009, respectively.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE C - INVESTMENT IN CHRISTIAN STEWARDSHIP MUTUAL FUNDS

Certain trusts with non-charitable income or remainder beneficiaries are not eligible to pool investments with trusts which are, or will ultimately become, fully charitable. As such, the assets of these trusts are invested in Christian Stewardship mutual funds which are carried at market. The following summarizes cost, appreciation (depreciation) and market value for the years ended December 31:

	2010		
	Cost	Appreciation (depreciation)	Market value
Christian Stewardship			
Bond Index Fund	\$ 1,730,544	\$ 6,109	\$ 1,736,653
Large Cap Equity Index Fund	<u>820,303</u>	<u>120,934</u>	<u>941,237</u>
Total	<u>\$ 2,550,847</u>	<u>\$ 127,043</u>	<u>\$ 2,677,890</u>

	2009		
	Cost	Appreciation (depreciation)	Market value
Christian Stewardship			
Bond Index Fund	\$ 1,792,282	\$ (18,891)	\$ 1,773,391
Large Cap Equity Index Fund	<u>916,747</u>	<u>(17,028)</u>	<u>899,719</u>
Total	<u>\$ 2,709,029</u>	<u>\$ (35,919)</u>	<u>\$ 2,673,110</u>

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE D - OTHER INVESTMENTS - AT MARKET

The following summarizes other investments carried at market value as of December 31:

		2010		
		Cost or contributed value	Appreciation (depreciation)	Market value
	Corporate stocks and mutual funds	\$ 373,289	\$ 215,875	\$ 589,164
	Bonds	65,325	1,322	66,647
	Mineral interests	1,855,377	10,582,398	12,437,775
	Total	\$ 2,293,991	\$ 10,799,595	\$ 13,093,586

		2009		
		Cost or contributed value	Appreciation (depreciation)	Market value
	Corporate stocks and mutual funds	\$ 184,791	\$ 332,560	\$ 517,351
	Bonds	5,001	286	5,287
	Mineral interests	1,842,799	10,178,272	12,021,071
	Total	\$ 2,032,591	\$ 10,511,118	\$ 12,543,709

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE E – SECURITIES LENDING

The Foundation’s investment committee has approved its participation in a securities lending program. The program is administered by the BONY. The Foundation has no restrictions on the amount of loans that can be made. Certain securities of the Foundation are loaned to participating brokers, who must provide collateral in the form of cash, U.S. Treasury or government agency securities, or letters of credit issued by approved banks. Under the terms of the agreement, collateralization of the fair value of the loaned securities must be provided in the amount of 102% for loans of securities for which the principal trading market is the United States.

The market value of securities on loan was approximately \$13,771,000 and \$10,571,000 at December 31, 2010 and 2009, respectively. The amortized cost of the collateral provided by participating brokers was approximately \$14,140,000 and \$10,735,000 at December 31, 2010 and 2009, respectively.

Cash collateral provided by brokers participating in the securities lending program is invested in a cash collateral pool which is managed by BONY. Investments of the cash collateral consist of repurchase agreements, commercial paper, fixed and floating rate asset-backed debt securities, and floating rate notes. The fair value of the collateral held was as follows at December 31:

	2010	
	Cost	Fair Value
Corporate bonds	\$ 14,140,230	\$ 12,986,311
	2009	
	Cost	Fair Value
Corporate bonds	\$ 10,735,393	\$ 9,545,355

The Foundation recorded unrealized losses of approximately \$7,000 and \$32,000 during 2010 and 2009, respectively, which represent the decline in market value of the Foundation’s investment of the collateral. These unrealized losses are included in Statement of Activities and Changes in Net Assets.

At December 31, 2010, the Foundation had no credit risk exposure to borrowers because the amounts the Foundation owes the borrowers exceeds the amounts the borrowers owe the Foundation. Furthermore, the contract with the BONY requires it to indemnify the Foundation if the borrowers fail to return the lent securities. There have been no losses on security lending transactions during 2010 resulting from the default of a borrower or the lending agent.

All securities loans can be terminated on demand by either the Foundation or the borrower.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE F – FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair Value Measurements

ASC 820 requires the Foundation to disclose estimated fair values for all financial instruments and non-financial instruments measured at fair value on a recurring basis. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Foundation uses various valuation approaches. ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation’s assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Foundation in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE F – FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS – CONTINUED

Fair Value Measurements – Continued

The following table presents the fair value measurements of investments recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the ASC 820 fair value hierarchy in which the fair value measurements fall at December 31:

	2010			
	Fair Value	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pooled Investments				
Domestic equities	\$ 68,240,837	\$ 68,240,837	\$ -	\$ -
International equities	33,054,278	33,054,278	-	-
Fixed income instruments	93,226,358	10,894,581	82,331,777	-
Alternative investments	71,398,978	4,105,360	27,337,394	39,956,224
Christian Stewardship mutual funds	2,677,890	941,237	1,736,653	-
Other				
Corporate stocks and mutual funds	589,164	589,164	-	-
Bonds	66,647	-	66,647	-
Mineral interests	12,437,775	-	-	12,437,775
Securities lending collateral	12,986,311	-	12,986,311	-
Total asset instruments at fair value	<u>\$ 294,678,238</u>	<u>\$ 117,825,457</u>	<u>\$ 124,458,782</u>	<u>\$ 52,393,999</u>
Payable under securities lending agreement	\$ (14,140,375)	\$ -	\$ (14,140,375)	\$ -
Liabilities to beneficial owners				
Assets held for others	(192,184,601)	-	-	(192,184,601)
Refundable advances	<u>(77,663,515)</u>	-	-	<u>(77,663,515)</u>
Total liability instruments at fair value	<u>\$ (283,988,491)</u>	<u>\$ -</u>	<u>\$ (14,140,375)</u>	<u>\$ (269,848,116)</u>

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Assets	Liabilities
Balance at beginning of year	\$ 77,729,702	\$ (248,851,948)
Reclassification to Level 2	(30,248,377)	-
Additional investments	8,456,876	(18,448,704)
Distributions	(5,818,461)	25,901,626
Gains (losses)	<u>2,274,259</u>	<u>(28,449,090)</u>
Balance at end of year	<u>\$ 52,393,999</u>	<u>\$ (269,848,116)</u>

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE F – FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS – CONTINUED

Fair Value Measurements – Continued

	2009			
	Fair Value	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pooled Investments				
Domestic equities	\$ 50,449,145	\$ 50,449,145	\$ -	\$ -
International equities	29,253,668	29,253,668	-	-
Fixed income instruments	95,086,902	10,054,660	85,032,242	-
Alternative investments	66,715,924	1,007,293	-	65,708,631
Christian Stewardship mutual funds	2,673,110	899,719	1,773,391	-
Other				
Corporate stocks and mutual funds	517,351	517,351	-	-
Bonds	5,287	-	5,287	-
Mineral interests	12,021,071	-	-	12,021,071
Securities lending collateral	9,545,355	-	9,545,355	-
Total asset instruments at fair value	<u>\$ 266,267,813</u>	<u>\$ 92,181,836</u>	<u>\$ 96,356,275</u>	<u>\$ 77,729,702</u>
Payable under securities lending agreement	\$ (10,735,393)	\$ -	\$ (10,735,393)	\$ -
Liabilities to beneficial owners				
Assets held for others	(175,991,758)	-	-	(175,991,758)
Refundable advances	<u>(72,860,190)</u>	<u>-</u>	<u>-</u>	<u>(72,860,190)</u>
Total liability instruments at fair value	<u>\$ (259,587,341)</u>	<u>\$ -</u>	<u>\$ (10,735,393)</u>	<u>\$ (248,851,948)</u>
		Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
		Assets	Liabilities	
Balance at beginning of year		\$ 49,147,506	\$ (214,747,942)	
Additional investments		16,221,887	(21,333,993)	
Distributions		(6,411,276)	30,065,786	
Gains (losses)		<u>18,771,585</u>	<u>(42,835,799)</u>	
Balance at end of year		<u>\$ 77,729,702</u>	<u>\$ (248,851,948)</u>	

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE F – FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS – CONTINUED

Fair Value of Financial Instruments

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Foundation's financial assets and financial liabilities carried at fair value.

Pooled Investments

Domestic and International Equities

Securities classified as domestic or international equities are reported at fair value using level one inputs found on active markets.

Fixed Income Instruments

Securities classified as fixed income securities are classified at fair value. U.S. Government securities are valued using Level 1 inputs. Other fixed income securities including foreign debt securities and corporate debt securities are valued using prices from an independent pricing service utilizing Level 2 data. The fair value measurements include observable data that may include dealer quotes, market spreads, cash flows, U.S. Treasury yield curve, live trading levels, trade execution data, credit information and the bond's terms and conditions among other things. Church building loans are carried at the total principal balance less an allowance for doubtful loans. Since the interest rates adjust on a one, three, five, seven or ten year basis, dependent on terms selected by the borrower, management believes that the carrying value of the loans, as described above, approximates market value. This valuation estimate is a Level 2 input.

Alternative Investments

Alternative investments are investments in structured settlement, distressed debt and equity, venture capital, private equity, real estate, real asset, hedge funds and futures contracts. For structured settlement, distressed debt and equity, venture capital, private equity, real estate, real asset, and hedge funds management determines the fair value based on NAV as permitted by ASU 2009-12. Futures contracts are reported at fair value using level one inputs found on active markets. Investments in externally managed funds generally have limited redemption options for investors. These entities may also have the ability to impose gates, lockups, and other restrictions on an investor's ability to readily redeem out of their investment interest in the fund. Externally managed funds where the Foundation has the ability and the right to redeem interests within the next twelve months are classified as Level 2 investments. Otherwise, these funds are classified as Level 3 investments.

Cash and Cash Equivalents

Cash held in each pooled investment classification is measured using Level 1 inputs.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE F – FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS – CONTINUED

Fair Value of Financial Instruments – Continued

Christian Stewardship Mutual Funds

Securities classified as Christian Stewardship mutual funds consist of investments in a bond index fund and an equity index fund both of which are valued using prices from an independent pricing service. The equities are valued using Level 1 data and the bonds are valued utilizing Level 2 data.

Other Investments – At Market

Other investments consist of corporate stocks and mutual funds valued using Level 1 inputs by an independent pricing service, bonds valued using Level 2 inputs by an independent pricing service and mineral interests. Observable inputs are not available for mineral interests. For mineral interests, management determines the fair value based on an income approach based on recent past income produced by the income property. This valuation method is a Level 3 input.

Securities Lending

Securities lending collateral consists of corporate bonds valued using prices from an independent pricing service utilizing Level 2 data. The payable under securities lending agreement is the value owed back to the borrower of the securities. This liability is measured at cost on the date of receipt of the collateral. Management believes that the carrying value of the liability, as described above, approximates market value. This valuation estimate is a Level 2 input.

Assets Held for Others and Refundable Advances

These liabilities represent the beneficiaries interest in the assets held by the Foundation. The liabilities are measured using Level 3 inputs that are equal to the fair value of the related assets held by the Foundation.

Cash and Cash Equivalents, Certificates of Deposit, Accounts Receivable, Securities Lending Receivable, and Accounts Payable and Accrued Expenses

The carrying amount approximates fair value because of the short maturity and highly liquid nature of those instruments.

Other Investments – Notes Receivable and Life and Annuity Contracts and Other

The carrying amount approximates fair value because contractual rates approximate market rates.

Liabilities to Beneficial Owners – Liability to Income Beneficiaries Under Split-Interest Agreements

The carrying amount approximates fair value because the discount rates used to calculate this liability approximate current market rates that the Foundation could obtain for borrowings.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE F – FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS – CONTINUED

Fair Value of Financial Instruments – Continued

The following table includes various estimated fair value information relating to certain of the Foundation's financial instruments and does not purport to represent the aggregate net fair value of the Foundation. The carrying amounts in the table are the amounts at which the financial instruments are reported in the financial statements.

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	\$ 9,170,061	\$ 9,170,061	\$ 10,419,829	\$ 10,419,829
Certificates of deposit	970,000	970,000	210,000	210,000
Accounts receivable	270,851	270,851	266,795	266,795
Domestic and international equities	101,295,115	101,295,115	79,702,813	79,702,813
Fixed income instruments	93,226,358	93,226,358	95,986,902	95,986,902
Alternative investments	71,398,978	71,398,978	66,715,924	66,715,924
Christian Stewardship mutual funds	2,677,890	2,677,890	2,673,110	2,673,110
Other investments - at market	13,093,586	13,093,586	12,543,709	12,543,709
Other investments	423,636	423,636	492,900	492,900
Securities lending collateral	12,986,311	12,986,311	9,545,355	9,545,355
Securities lending receivable	346,219	346,219	357,011	357,011
Financial liabilities:				
Accounts payable and accrued expenses	367,888	367,888	318,990	318,990
Payable under securities lending agreement	14,140,375	14,140,375	10,735,393	10,735,393
Liabilities to beneficial owners				
Income beneficiaries under split-interest agreements	7,643,129	7,643,129	7,385,172	7,385,172
Assets held for others and refundable advances	269,848,116	269,848,116	248,851,948	248,851,948

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE G - INVESTMENT RETURN

The following is a summary of investment return for each investment category for the years ended December 31:

	2010	2009
<u>Pooled Investments</u>		
Investment income		
Domestic equities		
Interest and dividends	\$ 572,420	\$ 416,298
International equities		
Interest and dividends	501,991	525,828
Fixed income instruments		
Interest - bonds and cash accounts	1,087,343	1,413,839
Interest - church building loans	4,230,541	3,860,401
Bank charges and loan expenses	(462,165)	(313,414)
Alternative investments		
Interest and dividends	999,859	1,169,179
Total investment income	6,929,989	7,072,131
Net realized and unrealized gains (losses)		
Domestic equities	9,426,604	8,057,739
International equities	2,731,344	7,345,991
Fixed income investments	637,908	1,940,083
Alternative investments	5,306,884	5,052,240
Net realized and unrealized gains (losses)	18,102,740	22,396,053
Investment return for the year	25,032,729	29,468,184
<u>Christian Stewardship Funds</u>		
Gains and dividends		
Christian Stewardship		
Bond Index Fund	63,904	66,596
Large Cap Equity Index Fund	12,646	10,745
Total gains and dividends	76,550	77,341
Net realized and unrealized gains (losses)		
Christian Stewardship		
Bond Index Fund	26,862	29,056
Large Cap Equity Index Fund	142,318	263,308
Net realized and unrealized gains (losses)	169,180	292,364
Investment return for the year	245,730	369,705

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE G - INVESTMENT RETURN – CONTINUED

	2010	2009
<u>Other Investments - At Market</u>		
Investment income		
Corporate stocks and mutual funds		
Interest and dividends	11,559	29,119
Bonds		
Interest	703	394
Mineral interests	4,019,178	3,549,648
Net realized and unrealized gains (losses)		
Corporate stocks and mutual funds	(90,360)	441,568
Bonds	1,036	(96)
Mineral interests	404,126	10,178,272
Investment return for the year	4,346,242	14,198,905
<u>Other Investments - At Contributed Value or Cost</u>		
Investment income		
Notes receivable		
Interest	49,279	20,868
Real estate	11,400	11,400
Money market dividends	109	35,302
Certificate of deposit interest	65,109	4,228
Life and annuity contracts and other		
Interest	41	41
Net realized and unrealized losses		
Real estate	-	(7,855)
Investment return for the year	125,938	63,984
<u>Securities Lending</u>		
Net realized and unrealized gains (losses)	25,181	(833,027)
Investment return for the year	25,181	(833,027)
Total investment return for the year	\$ 29,775,820	\$ 43,267,751

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE H - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2010	2009
Land	\$ 180,825	\$ -
Buildings	351,603	-
Office furniture	223,589	219,556
Office equipment	148,997	144,716
Computer equipment	207,287	197,390
Computer software	427,726	400,143
Automobiles	229,501	222,576
Leasehold improvements	364,600	364,600
	2,134,128	1,548,981
Less accumulated depreciation	(1,035,018)	(848,387)
	\$ 1,099,110	\$ 700,594

Depreciation expense totaled \$197,737 and \$195,144 for the years ended December 31, 2010 and 2009, respectively.

NOTE I - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Foundation maintains a plan to provide health, life and termination benefits to retirees. Estimated costs are recognized over the employee's active service period. The plan, as originally adopted, provided health and life premium coverage for all employees and spouses after ten years of service upon normal retirement. Subsequently, the plan was amended to increase the service period to 15 years and to limit coverage by excluding spouses. This amendment resulted in an unrecognized prior service benefit of \$139,328 and an unrecognized net gain of \$40,618. In 2005, the plan was further amended to eliminate all postretirement health care and life insurance benefits for current employees and life insurance benefits for most of the current retirees. A more complete explanation of this amendment is included below. The plan as adopted and amended is unfunded.

The Foundation accounts for its postretirement benefit obligations under ASC 715 and ASC 958, which require the funded status of its defined benefit pension and other postretirement plans be fully recognized in the statement of financial position and requires that plan assets and obligations be measured at the year-end statement of financial position date.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE I - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

The following relates to the Foundation's postretirement plan which has measurement dates of December 31:

	2010	2009
Accumulated postretirement benefit obligations		
For retirees	\$ 450,368	\$ 418,071
For active employees not fully eligible	132,254	106,456
Funded status	582,622	524,527
Unrecognized net (loss) or gain	(14,520)	49,925
Unrecognized prior service benefit	-	661
Accrued postretirement benefit cost	\$ 568,102	\$ 575,113

The change in accrued postretirement benefit cost for the years ended December 31, is as follows:

	2010	2009
Accrued postretirement benefit cost - January 1	\$ 575,113	\$ 572,107
Net postretirement benefit cost	36,981	44,028
Benefits paid	(43,992)	(41,022)
Accrued postretirement benefit cost - December 31	568,102	575,113
Net loss or (gain) and prior service benefit	14,520	(50,586)
Funded status	\$ 582,622	\$ 524,527

The change in unrecognized net (loss) or gain and prior service benefit of \$(65,106) and \$7,025 for 2010 and 2009, respectively, has been recognized in the 2010 and 2009 Statements of Activities and Changes in Net Assets apart from expenses. There is no prior service cost for the plan that will be amortized from changes in unrestricted net assets into net periodic benefit cost over the next fiscal year.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE I - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

The following assumptions were used in accounting for the plan as of December 31:

	2010	2009
Weighted-average assumption used to determine benefit obligations at December 31,		
Discount rate	4.90%	5.55%
Rate of compensation increase	4.50%	4.50%
Assumed health care cost trend rates at December 31,		
Health care cost trend rate assumed for next year	8.75%	8.75%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2015	2014

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

2011	\$	57,386
2012		75,998
2013		64,277
2014		47,064
2015		45,641
2016-2020		195,011

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 was enacted. Among other features, the Act introduces a prescription drug benefit under Medicare Part D and a federal subsidy to sponsors of retiree health care plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. The effects of this Act were considered in the actuarial valuation prepared by our outside actuary. Based on the actuary's analysis, the prescription benefit coverage provided to retirees under the plan is at least actuarially equivalent to those provided by Medicare Part D. Therefore, for purposes of the actuarial valuation, it was assumed that the Foundation will receive the benefits of a subsidy in the form of reduced Medicare supplement premiums.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE J - LIABILITY TO BENEFICIAL OWNERS

The Foundation was formed to administer funds and receive property on behalf of the Convention and other Baptist institutions. In its capacity as trustee, administrator, custodian or agent, the Foundation holds assets for these organizations. In addition, the Foundation acts as trustee under revocable and irrevocable agreements in which donors have retained interest in income, principal or both.

The following summarizes categories of arrangements under which the Foundation has liabilities to these beneficial owners.

Liabilities to Income Beneficiaries under Split-Interest Agreements

Gift Annuity Contracts These agreements have been entered into between the Foundation and a donor under which the Foundation has agreed to pay a specified amount, at least annually, to a non-charitable income beneficiary. Typically, income payments are for life. The liability to income beneficiaries represents a general liability of the Foundation. This liability is equal to the present value of estimated future payments. Obligations to make future payments are discounted at 5% which equals the estimated long-term return on investments. Those payments which are for life are estimated using 1999 unisex tables published by the Internal Revenue Service.

Liabilities To Income Beneficiaries Under Irrevocable Trust Agreements The balances represent the present value of estimated future payments to non-charitable beneficiaries under irrevocable trusts. This includes amounts estimated to be payable to beneficiaries of charitable remainder annuity trusts, charitable remainder unitrusts and other trusts whose remainder beneficiaries may be partially non-charitable. Obligations to make future payments are discounted at 5% which equals the estimated long-term return on investments. Those payments which are for life are estimated using 1999 unisex tables published by the Internal Revenue Service.

Assets Held For Others

Assets Held As Trustee Under Permanent Endowments The Foundation acts as trustee for numerous permanent charitable endowment trusts. These trusts generally benefit the Convention and its affiliates or other Southern Baptist affiliated institutions. Earnings from these funds are disbursed periodically under terms of the agreement or at the discretion of the beneficiary, based upon the Foundation's spending policy. While the Foundation will administer these assets in perpetuity, the rights to enjoyment of benefits are vested in the income beneficiaries.

Assets Held Under Agreements With Affiliated Organizations To Administer Endowment Or Other Trust Agreements The Foundation holds, invests and administers assets under trust agreements that name the Convention or its affiliates as trustee. These trusts are administered in a manner identical to those trusts in which the Foundation is named trustee.

Remainder Interests Under Gift Annuity And Irrevocable Agreements These balances represent the remainder interest in assets subject to payments to income beneficiaries as discussed above. Where agreements ultimately benefit the Foundation, remainder interests are included under temporarily or permanently restricted net assets.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE J - LIABILITY TO BENEFICIAL OWNERS - CONTINUED

Refundable Advances

Assets Held Under Custodial Arrangements The Foundation holds and invests assets for the Convention and its affiliates in a custodial capacity. The balances represent the Foundation's liability to return amounts transferred and unremitted earnings to these affiliates. These funds are generally invested in the investment pools in ratios selected by the owner.

Conditional Transfers From Donors The Foundation receives assets as trustee under agreements that are revocable or provide that trust corpus may be invaded for the benefit of the grantor or a non-charitable beneficiary. Because these assets may be withdrawn by revocation or through consumption by non-charitable beneficiaries, they are considered to be conditional transfers. To the extent the Foundation is an ultimate beneficiary under these agreements, a contribution will be recognized when all conditions are met, which is typically when the trust becomes irrevocable and the rights of non-charitable beneficiaries to corpus lapse.

The following is a summary of beneficial owners and their present interest in assets at December 31:

	<u>2010</u>	<u>2009</u>
Baptist General Convention of the State of Oklahoma	\$ 28,143,414	\$ 26,704,575
Oklahoma Baptist Homes for Children, Inc.	58,680,365	55,069,257
Oklahoma Baptist University	106,906,903	95,981,132
Baptist Village Retirement Communities of Oklahoma, Inc.	10,536,251	9,008,556
Baptist churches and institutions	47,458,862	45,043,439
Individuals and non-Baptist charities	25,585,450	24,430,161
	<u>\$ 277,311,245</u>	<u>\$ 256,237,120</u>

NOTE K - REMAINDER INTERESTS IN ASSETS HELD BY OTHERS

The Foundation was the principal remainder beneficiary of a charitable remainder unitrust which provided for specified payments to facilities now operated by Oklahoma Baptist Homes for Children, Inc. with the remainder to be distributed outright to the Foundation to be used for purposes as determined by its officers.

During 2009, all donor imposed restrictions were met and the Foundation received a contribution of \$2,410,000. Since the remainder interest in this trust was previously recorded as a temporarily restricted net asset, a reclassification of \$957,499 from temporarily restricted net assets to permanently restricted net assets was required.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE L - ENDOWMENTS

The Foundation's endowments consist of individual funds established to provide financial support to the ministries served by the Foundation in perpetuity. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's Board of Directors has interpreted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original fair value of gifts to donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation.

The Foundation has adopted investment and spending policies for endowment assets designed to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended, over the long-term to:

- Earn an annualized total-rate-of-return of 8.0%, net of expenses and fees, on the spending policy pool as measured over a five-year period.
- Realize investment performance that ranks in the top third of our peer group for the spending policy pool as measured over a five-year period.
- Exceed the annual total-rate-of-return of the applicable benchmark, net of expenses and fees, for each investment manager and investment pool over a five-year period
- Realize investment performance that ranks in the top third of our peer group for each investment manager as measured over a five-year period.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE L – ENDOWMENTS - CONTINUED

Actual returns in any given year may vary from these amounts.

The Foundation uses a method based upon the total return on assets to determine the amounts distributable from endowments held as trustee and amounts appropriated for expenditure for endowments under which the Foundation is the income beneficiary in conformity with UPMIFA. To satisfy its long-term rate-of-return objectives, the Foundation seeks investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term return objectives within prudent risk constraints.

The spending or distribution policy as determined under a method adopted by the Board of Directors provides for the establishment of an “annual dividend”. Effective January 1, 2010, the Board of Directors adopted an amended calculation method for the annual dividend which uses a weighted average formula based on 4.5% (the spending rate) of the average of the trailing 12 months Spending Policy Pool share prices and the prior year’s dividend, adjusted for inflation using the Consumer Price Index. In January of each subsequent year, the Foundation will average the Spending Policy Pool unit values from the previous 12 months. The annual dividend is then calculated as 4.5% multiplied by that average (weighted 25%) and the prior year dividend multiplied by inflation (weighted 75%). This dividend per share must fall between 3% and 5% of the actual current year-end unit value. If it is greater than 5%, then it is capped at 5% of the current unit value. If it is less than 3%, then it is set at 3% of the current unit value.

In each month of the accumulating year, 1/12th of this dividend is paid to every spending policy trust and invested in a money market account. The dividend comes from any traditional income (bond interest and stock dividends) earned in that month and is supplemented from the Trust’s net appreciation over the fair value of the original gift. If the market value for a given trust is less than the fair value of the original gift in any given month, the portion of the monthly dividend that is not traditional income is reinvested and will not be added to the accumulation of funds for distribution.

Over the course of the accumulating year, Spending Policy Pool dividends are invested in a money market fund until the annual distribution, which immediately follows the subsequent year’s January Board of Directors meeting. The 2010 annual distribution, calculated as described above, was paid in January 2011.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE L – ENDOWMENTS - CONTINUED

Changes in endowment net assets for the fiscal years ending December 31, are described below:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Endowment net assets at January 1, 2010	\$ (39,438)	\$ 1,272,038	\$ 7,481,303
Investment return (loss):				
Investment income	-	246,983	-	246,983
Net appreciation (realized and unrealized)	-	808,368	-	808,368
Total investment return	-	1,055,351	-	1,055,351
Contributions	-	1,666	2,957,892	2,959,558
Other income	-	(335)	-	(335)
Net assets released from restriction	318,369	(318,369)	-	-
Expenses paid	(318,369)	-	-	(318,369)
Reclassification of endowment				
accounts due to account preservation	-	(2,323)	2,323	-
Reclassification of endowment				
accounts with total net asset				
balances less than the original gift	20,943	(20,943)	-	-
Endowment net assets at December 31, 2010	\$ (18,495)	\$ 1,987,085	\$ 10,441,518	\$ 12,410,108
	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at January 1, 2009	\$ (65,712)	\$ 516,756	\$ 4,823,401	\$ 5,274,445
Investment return (loss):				
Investment income	-	194,480	-	194,480
Net appreciation (realized and unrealized)	-	913,348	-	913,348
Total investment return	-	1,107,828	-	1,107,828
Contributions	-	2,337	2,654,995	2,657,332
Other income	-	133	-	133
Net assets released from restriction	325,835	(325,835)	-	-
Expenses paid	(325,835)	-	-	(325,835)
Reclassification of endowment				
accounts due to account preservation	-	(2,907)	2,907	-
Reclassification of endowment				
accounts with total net asset				
balances less than the original gift	26,274	(26,274)	-	-
Endowment net assets at December 31, 2009	\$ (39,438)	\$ 1,272,038	\$ 7,481,303	\$ 8,713,903

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE M - AFFILIATED ENTITIES

The majority of the funds administered by the Foundation are for the benefit of the Convention, its affiliates, Baptist churches and associations and various other Baptist organizations. Principal affiliates of the Convention and, thus, the Foundation are Oklahoma Baptist University, Oklahoma Baptist Homes for Children, Inc., and Baptist Village Communities of Oklahoma, Inc. For this purpose, affiliates are those organizations whose directors or trustees are elected by the participating churches of the Convention at its annual meeting.

The Foundation receives appropriations from the Cooperative Program of the Convention. Appropriations received were \$47,706 and \$50,000 for the years ended December 31, 2010 and 2009, respectively.

As discussed in Note N, the Foundation has entered into an operating lease for office facilities with the Convention.

The Foundation makes loans to churches, associations and agencies affiliated with the Convention to finance the purchase of land and buildings. These loans are secured by first mortgages on the property and buildings constructed. The lives of these loans vary up to a maximum of 20 years. Interest rates are set by the Foundation Loan Services Committee with consideration given to the current rates available from commercial sources. The balance of church building loans outstanding was \$78,189,504 and \$73,908,180 at December 31, 2010 and 2009, respectively. An allowance of \$1,362,090 and \$1,197,090 for uncollectible loans was recorded as of December 31, 2010 and 2009, respectively. Loans totaling \$1,190,726 and \$1,352,518 were guaranteed by the Baptist Foundation of Texas under a guaranty servicing agreement at December 31, 2010 and 2009, respectively.

NOTE N - LEASED FACILITIES

The Foundation conducts its operations in Oklahoma City from facilities leased from the Convention. This lease had an initial term of ten years with options to renew for ten additional one-year periods. The agreement provides for increases based upon escalations in operating costs. The Foundation also rents office space in Ardmore under a one year term lease. Rental expense under these leases totaled \$164,055 and \$158,848 for the years ended December 31, 2010 and 2009, respectively, of which \$160,100 and \$155,248 was paid to the Convention for the years ended December 31, 2010 and 2009, respectively. The future annual rental commitments reflect anticipated annual renewals through the expected lives of related leasehold improvements. The minimum future annual rental commitments under these leases are as follows:

Period ending December 31:

2011	\$ 165,777
2012	164,434
2013	168,886
2014	173,459
2015	178,155
Thereafter	<u>182,978</u>
	<u>\$ 1,033,689</u>

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

NOTE O - PENSION PLAN

All employees of the Foundation are eligible to participate in a 403(b) defined contribution pension plan administered by the GuideStone Financial Resources of the Southern Baptist Convention. Under the plan, the Foundation contributes an amount equal to 10% of participating employees' salaries. Employee contributions are voluntary. Total pension expense was \$163,745 and \$152,825 for the years ended December 31, 2010 and 2009, respectively. The Foundation's policy is to fund pension cost as it is incurred.

NOTE P - COMMITMENTS AND CONTINGENCIES

The Foundation had outstanding church building loan commitments totaling approximately \$3,400,000 and \$13,700,000 at December 31, 2010 and 2009, respectively.

The Foundation also had unfunded commitments to purchase units of alternative investments totaling approximately \$15,800,000 and \$14,500,000 at December 31, 2010 and 2009, respectively.

From time to time, the Foundation may be involved in legal matters arising in the normal course of activities. In the opinion of management the ultimate liability, if any, with respect to these matters will not have a materially adverse effect on the financial position or activities of the Foundation.

The Foundation holds a variety of investments, the underlying securities of which are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investment securities would occur in the near term and that such change could materially affect the amounts reported in the financial statements.

NOTE Q – SUBSEQUENT EVENTS

The Foundation committed to the following alternative investment funds after December 31, 2010:

<u>Fund</u>	<u>Date Approved</u>	<u>Commitment Amount</u>
Siguler Guff Distressed Opportunities Fund IV, L.P.	1/27/2011	\$ 3,000,000
Commonfund International Partners Fund VIII, L.P.	2/23/2011	2,000,000
		<u>\$ 5,000,000</u>

The Foundation did not have any other subsequent events through April 28, 2011, which is the date the financials were available to be issued, requiring recording or disclosure in the financial statements for the year ended December 31, 2010.

SUPPLEMENTARY INFORMATION



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**Report of Independent Certified Public Accountants on Information
Accompanying the Basic Financial Statements**

**Board of Directors
The Baptist Foundation of Oklahoma**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of The Baptist Foundation of Oklahoma as of and for the years ended December 31, 2010 and 2009, which are presented in the preceding section of this report. The supplementary information as of and for the years ended December 31, 2010 and 2009, presented hereinafter, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Grant Thornton LLP

Oklahoma City, Oklahoma
April 28, 2011

The Baptist Foundation of Oklahoma
SCHEDULES OF ASSETS HELD FOR BENEFICIAL OWNERS
December 31, 2010

	Assets held for others			Refundable advances		Total held for beneficial owners	Held for the benefit of The Baptist Foundation of Oklahoma	Total
	As trustee under permanent endowments	Trusts administered for affiliates	As trustee of irrevocable agreements	Held for affiliates as custodian	Conditional transfers in trust			
Cash and cash equivalents	\$ 4,709,536	\$ 1,133,754	\$ 395,341	\$ 1,793,817	\$ 368,059	\$ 8,400,507	\$ 769,554	\$ 9,170,061
Certificates of deposit	-	-	-	-	970,000	970,000	-	970,000
Prepaid expenses and other	-	-	-	-	-	-	360,302	360,302
Term investments	-	-	256,266	11,547,646	-	11,803,912	(11,803,912)	-
Investments								
Pooled investments - at market								
Domestic equities	37,184,458	11,453,985	4,852,565	10,724,802	35,098	64,250,908	3,989,929	68,240,837
International equities	18,659,712	5,682,766	1,957,459	4,773,871	14,555	31,088,363	1,965,915	33,054,278
Fixed income	29,352,881	10,270,112	7,773,797	30,539,562	133,533	78,069,885	15,156,473	93,226,358
Alternative investments	44,360,598	13,386,765	3,311,250	5,993,226	-	67,051,839	4,347,139	71,398,978
	<u>129,557,649</u>	<u>40,793,628</u>	<u>17,895,071</u>	<u>52,031,461</u>	<u>183,186</u>	<u>240,460,995</u>	<u>25,459,456</u>	<u>265,920,451</u>
Christian Stewardship mutual funds - at market	-	-	78,899	-	2,549,640	2,628,539	49,351	2,677,890
Other investments								
At market								
Corporate stocks and mutual funds	12,824	22,770	-	28,285	521,439	585,318	3,846	589,164
Bonds	-	-	-	1	66,646	66,647	-	66,647
Mineral interests	4,600,886	193,509	382,892	7,160,418	8,595	12,346,300	91,475	12,437,775
At contributed value or cost								
Notes receivable	-	-	-	18,663	16,566	35,229	236,573	271,802
Real estate	89,960	-	77,600	6,000	457,237	630,797	-	630,797
Life and annuity contracts and other	84,703	-	-	-	67,131	151,834	-	151,834
	<u>4,788,373</u>	<u>216,279</u>	<u>460,492</u>	<u>7,213,367</u>	<u>1,137,614</u>	<u>13,816,125</u>	<u>331,894</u>	<u>14,148,019</u>
Total investments	134,346,022	41,009,907	18,434,462	59,244,828	3,870,440	256,905,659	25,840,701	282,746,360
Securities lending collateral	6,615,703	2,152,464	1,480,716	2,088,816	21,487	12,359,186	627,125	12,986,311
Securities lending receivable	176,377	57,385	39,476	55,689	573	329,500	16,719	346,219
Property and equipment, net	-	-	-	-	-	-	1,099,110	1,099,110
Total assets	145,847,638	44,353,510	20,606,261	74,730,796	5,230,559	290,768,764	16,909,599	307,678,363
Accounts payable and accrued	-	-	-	-	-	-	950,510	950,510
Payable under securities lending agreement	7,203,626	2,343,749	1,612,304	2,274,444	23,396	13,457,519	682,856	14,140,375
Net assets held for beneficial owners	138,644,012	42,009,761	18,993,957	72,456,352	5,207,163	277,311,245	15,276,233	292,587,478
Liability to income beneficiaries	-	-	7,463,129	-	-	7,463,129	-	7,463,129
Net assets held for beneficial owners of remainder interests	<u>\$ 138,644,012</u>	<u>\$ 42,009,761</u>	<u>\$ 11,530,828</u>	<u>\$ 72,456,352</u>	<u>\$ 5,207,163</u>	<u>\$ 269,848,116</u>	<u>\$ 15,276,233</u>	<u>\$ 285,124,349</u>

The Baptist Foundation of Oklahoma
SCHEDULES OF ASSETS HELD FOR BENEFICIAL OWNERS

December 31, 2009

	Assets held for others			Refundable advances		Total held for beneficial owners	Held for the benefit of The Baptist Foundation of Oklahoma	Total
	As trustee under permanent endowments	Trusts administered for affiliates	As trustee of irrevocable agreements	Held for affiliates as custodian	Conditional transfers in trust			
Cash and cash equivalents	\$ 4,923,573	\$ 984,422	\$ 417,092	\$ 3,195,357	\$ 246,844	\$ 9,767,288	\$ 652,541	\$ 10,419,829
Certificates of deposit	-	-	-	-	210,000	210,000	-	210,000
Prepaid expenses and other	35,000	-	-	-	-	35,000	365,001	400,001
Investments								
Pooled investments - at market								
Domestic equities	24,605,221	8,616,514	4,694,051	10,880,668	37,560	48,834,014	1,615,131	50,449,145
International equities	16,291,109	5,003,552	1,844,951	4,802,111	15,371	27,957,094	1,296,574	29,253,668
Fixed income	33,410,622	10,874,591	7,882,969	39,579,801	155,596	91,903,579	3,183,323	95,086,902
Alternative investments	44,535,180	11,393,489	2,920,162	3,627,241	-	62,476,072	4,239,852	66,715,924
	<u>118,842,132</u>	<u>35,888,146</u>	<u>17,342,133</u>	<u>58,889,821</u>	<u>208,527</u>	<u>231,170,759</u>	<u>10,334,880</u>	<u>241,505,639</u>
Christian Stewardship mutual funds - at market	-	-	74,068	-	2,552,912	2,626,980	46,130	2,673,110
Other investments								
At market								
Corporate stocks and mutual funds	1,255	-	-	-	511,774	513,029	4,322	517,351
Bonds	-	-	3,965	-	-	3,965	1,322	5,287
Mineral interests	4,576,917	203,891	464,276	6,663,750	10,336	11,919,170	101,901	12,021,071
At contributed value or cost								
Notes receivable	-	-	-	17,947	16,594	34,541	268,408	302,949
Real estate	90,123	-	77,600	6,000	393,237	566,960	-	566,960
Life and annuity contracts and other	82,229	-	30,591	-	77,131	189,951	-	189,951
	<u>4,750,524</u>	<u>203,891</u>	<u>576,432</u>	<u>6,687,697</u>	<u>1,009,072</u>	<u>13,227,616</u>	<u>375,953</u>	<u>13,603,569</u>
Total investments	123,592,656	36,092,037	17,992,633	65,577,518	3,770,511	247,025,355	10,756,963	257,782,318
Securities lending collateral	4,827,214	1,512,329	1,228,688	1,583,367	21,300	9,172,898	372,457	9,545,355
Securities lending receivable	180,545	56,564	45,955	59,220	797	343,081	13,930	357,011
Property and equipment, net	-	-	-	-	-	-	700,594	700,594
Total assets	133,558,988	38,645,352	19,684,368	70,415,462	4,249,452	266,553,622	12,861,486	279,415,108
Accounts payable and accrued	-	-	-	-	-	-	843,517	843,517
Payable under securities lending agreement	<u>5,429,032</u>	<u>1,700,875</u>	<u>1,381,871</u>	<u>1,780,768</u>	<u>23,956</u>	<u>10,316,502</u>	<u>418,891</u>	<u>10,735,393</u>
Net assets held for beneficial owners	128,129,956	36,944,477	18,302,497	68,634,694	4,225,496	256,237,120	11,599,078	267,836,198
Liability to income beneficiaries	-	-	7,385,172	-	-	7,385,172	-	7,385,172
Net assets held for beneficial owners of remainder interests	<u>\$ 128,129,956</u>	<u>\$ 36,944,477</u>	<u>\$ 10,917,325</u>	<u>\$ 68,634,694</u>	<u>\$ 4,225,496</u>	<u>\$ 248,851,948</u>	<u>\$ 11,599,078</u>	<u>\$ 260,451,026</u>

The Baptist Foundation of Oklahoma

SCHEDULES OF CHANGES IN LIABILITIES TO BENEFICIAL OWNERS

Year ended December 31, 2010

	Assets held for others			Refundable advances		Total
	As trustee under permanent endowments	Trusts administered for affiliates	As trustee of irrevocable agreements	Held for affiliates as custodian	Conditional transfers in trust	
Liability to beneficial owners at January 1, 2010	\$ 128,129,956	\$ 36,944,477	\$ 18,302,497	\$ 68,634,694	\$ 4,225,496	\$ 256,237,120
Additions						
Investment earnings						
Interest and dividends from pools - net of fees	2,847,462	908,740	496,118	2,348,442	7,311	6,608,073
Earnings from non-pooled investments	1,162,883	69,048	78,171	2,731,952	144,510	4,186,564
Net realized and unrealized gains (losses) on investments	9,877,758	3,104,569	1,134,949	3,402,609	102,068	17,621,953
Other income	3,252	150	20,184	5,774	81,097	110,457
Amounts received as advances or contributions to principal	1,595,876	2,038,554	946,973	12,593,214	1,274,087	18,448,704
Transfers from existing agreements	8,691	261,966	18,039	1,244,475	-	1,533,171
	15,495,922	6,383,027	2,694,434	22,326,466	1,609,073	48,508,922
Reductions						
Distributions of						
Accumulated income or amounts specified by agreement	4,832,019	1,044,233	1,735,775	-	238,463	7,850,490
Amounts advanced or held as principal	-	-	-	16,481,561	-	16,481,561
Expenses incurred or paid on behalf of beneficial owners	104,880	31,545	243,637	823,899	365,614	1,569,575
Transfers to existing agreements	44,967	241,965	23,562	1,199,348	23,329	1,533,171
	4,981,866	1,317,743	2,002,974	18,504,808	627,406	27,434,797
Liability to beneficial owners at December 31, 2010	\$ 138,644,012	\$ 42,009,761	\$ 18,993,957	\$ 72,456,352	\$ 5,207,163	\$ 277,311,245

The Baptist Foundation of Oklahoma

SCHEDULES OF CHANGES IN LIABILITIES TO BENEFICIAL OWNERS - CONTINUED

Year ended December 31, 2009

	Assets held for others			Refundable advances		Total
	As trustee under permanent endowments	Trusts administered for affiliates	As trustee of irrevocable agreements	Held for affiliates as custodian	Conditional transfers in trust	
Liability to beneficial owners at January 1, 2009	\$ 113,126,064	\$ 27,042,900	\$ 18,818,930	\$ 59,540,432	\$ 4,531,979	\$ 223,060,305
Additions						
Investment earnings						
Interest and dividends from pools - net of fees	3,011,246	802,031	532,463	2,498,099	8,681	6,852,520
Earnings from non-pooled investments	1,135,250	28,818	71,983	2,321,743	110,930	3,668,724
Net realized and unrealized gains (losses) on investments	15,417,738	3,408,879	2,082,493	10,025,658	402,785	31,337,553
Other income	9,702	-	1,276	681	38,152	49,811
Amounts received as advances or contributions to principal	1,603,925	6,613,521	555,174	12,426,582	134,791	21,333,993
Transfers from existing agreements	1,680,593	446,211	-	1,824,407	24,360	3,975,571
	22,858,454	11,299,460	3,243,389	29,097,170	719,699	67,218,172
Reductions						
Distributions of						
Accumulated income or amounts specified by agreement	7,377,445	1,370,611	2,008,416	-	484,274	11,240,746
Amounts advanced or held as principal	-	-	-	17,504,688	-	17,504,688
Expenses incurred or paid on behalf of beneficial owners	104,849	27,272	244,029	698,033	246,169	1,320,352
Transfers to existing agreements	372,268	-	1,507,377	1,800,187	295,739	3,975,571
	7,854,562	1,397,883	3,759,822	20,002,908	1,026,182	34,041,357
Liability to beneficial owners at December 31, 2009	\$ 128,129,956	\$ 36,944,477	\$ 18,302,497	\$ 68,634,694	\$ 4,225,496	\$ 256,237,120

The Baptist Foundation of Oklahoma
SCHEDULES OF FUNCTIONAL EXPENSES
Year ended December 31, 2010

	<u>Total</u>	<u>Program service</u>	<u>Management and general</u>
Salaries	\$ 1,769,939	\$ 1,244,595	\$ 525,344
Employee benefits (including pension plan costs of \$163,745 and postretirement benefits other than pensions of \$36,981)	550,801	366,833	183,968
Continuing education, professional dues, and publications	50,841	40,004	10,837
Travel, meals, and lodging	105,110	61,263	43,847
Office materials, supplies, and printing	17,545	3,057	14,488
Postage and telephone	42,893	31,067	11,826
Office equipment and computer expense and maintenance	132,616	86,849	45,767
Insurance	74,158	37,609	36,549
Building rent	181,524	101,474	80,050
Legal fees	24,866	-	24,866
Legal fee reimbursements to donors	118,581	118,581	-
Accounting fees	72,646	-	72,646
Board expenses	49,769	-	49,769
Consultant and professional service fees	96,543	18,647	77,896
Communication and public relations	174,457	174,457	-
Depreciation	197,737	110,348	87,389
Miscellaneous expense	<u>105,452</u>	<u>3,027</u>	<u>102,425</u>
 Total expenses	 3,765,478	 2,397,811	 1,367,667
 Distributions to students, elderly and charitable causes	 <u>154,419</u>	 <u>154,419</u>	 <u>-</u>
 Total expenses and distributions	 <u>\$ 3,919,897</u>	 <u>\$ 2,552,230</u>	 <u>\$ 1,367,667</u>

The Baptist Foundation of Oklahoma
SCHEDULES OF FUNCTIONAL EXPENSES - CONTINUED
Year ended December 31, 2009

	<u>Total</u>	<u>Program service</u>	<u>Management and general</u>
Salaries	\$ 1,656,099	\$ 1,220,007	\$ 436,092
Employee benefits (including pension plan costs of \$152,825 and postretirement benefits other than pensions of \$44,028)	523,917	356,853	167,064
Continuing education, professional dues, and publications	35,514	27,787	7,727
Travel, meals, and lodging	97,506	54,696	42,810
Office materials, supplies, and printing	22,681	4,510	18,171
Postage and telephone	43,157	30,423	12,734
Office equipment and computer expense and maintenance	128,616	80,787	47,829
Insurance	71,033	41,465	29,568
Building rent	191,467	113,843	77,624
Legal fees	42,428	-	42,428
Legal fee reimbursements to donors	112,643	112,643	-
Accounting fees	67,320	-	67,320
Board expenses	46,850	-	46,850
Consultant and professional service fees	88,991	22,482	66,509
Communication and public relations	114,807	112,236	2,571
Depreciation	195,144	103,823	91,321
Miscellaneous expense	<u>50,969</u>	<u>4,938</u>	<u>46,031</u>
 Total expenses	 3,489,142	 2,286,493	 1,202,649
 Distributions to students, elderly, and charitable causes	 <u>175,602</u>	 <u>175,602</u>	 <u>-</u>
 Total expenses and distributions	 <u>\$ 3,664,744</u>	 <u>\$ 2,462,095</u>	 <u>\$ 1,202,649</u>