

Financial Statements and Report of Independent  
Certified Public Accountants

**Baptist Foundation of Oklahoma**

December 31, 2009 and 2008

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# Grant Thornton

Audit • Tax • Advisory

## Report of Independent Certified Public Accountants

Grant Thornton LLP  
211 N Robinson, Suite 1200N  
Oklahoma City, OK 73102-7148  
T 405.218.2800  
F 405.218.2801  
[www.GrantThornton.com](http://www.GrantThornton.com)

Board of Directors  
The Baptist Foundation of Oklahoma

We have audited the accompanying statements of financial position of The Baptist Foundation of Oklahoma (the Foundation) as of December 31, 2009 and 2008, 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, 2009 and 2008, 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 20, 2010

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

ASSETS	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 10,419,829	\$ 32,744,909
Certificates of deposit	210,000	170,000
Prepaid expenses and other	400,001	297,938
Investments		
Pooled investments - at market		
Domestic equities	50,449,145	39,302,589
International equities	29,253,668	19,208,553
Fixed income	95,086,902	81,406,753
Alternative investments	<u>66,715,924</u>	<u>52,063,293</u>
	<u>241,505,639</u>	<u>191,981,188</u>
Christian Stewardship mutual funds - at market	2,673,110	2,647,677
Other investments		
At market		
Corporate stocks and mutual funds	517,351	423,716
Bonds	5,287	5,384
Mineral interests	12,021,071	1,834,388
At contributed value or cost		
Notes receivable	302,949	314,851
Real estate	566,960	574,965
Life and annuity contracts and other	<u>189,951</u>	<u>192,414</u>
	<u>13,603,569</u>	<u>3,345,718</u>
Total investments	257,782,318	197,974,583
Securities lending collateral	9,545,355	-
Securities lending receivable	357,011	-
Remainder interests in assets held by others	-	957,499
Long term receivable	-	6,801
Property and equipment, net	<u>700,594</u>	<u>756,538</u>
	<u>\$ 279,415,108</u>	<u>\$ 232,908,268</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>2009</u>	<u>2008</u>
Liabilities		
Accounts payable and accrued expenses	\$ 318,990	\$ 247,418
Accrued postretirement benefits	524,527	528,546
Payable under securities lending agreement	10,735,393	-
Liabilities to beneficial owners		
Liability to income beneficiaries under split-interest agreements		
Gift annuity contracts	3,967,377	4,603,418
Irrevocable trust agreements	3,417,795	3,728,945
	<u>7,385,172</u>	<u>8,332,363</u>
Assets held for others		
Assets held as trustee under permanent endowments	128,129,956	113,126,064
Assets held under agreements with affiliated organizations to administer endowments or other trust funds	36,944,477	27,042,900
Remainder interests under gift annuity and irrevocable interests	10,917,325	10,486,567
	<u>175,991,758</u>	<u>150,655,531</u>
Refundable advances		
Assets held under custodial arrangements with affiliated organizations	68,634,694	59,540,432
Conditional transfers from donors	4,225,496	4,531,979
	<u>72,860,190</u>	<u>64,072,411</u>
Total liabilities to beneficial owners	256,237,120	223,060,305
Commitments and contingencies		
Net assets		
Unrestricted	2,779,520	2,714,066
Temporarily restricted	1,338,255	1,534,532
Permanently restricted	7,481,303	4,823,401
	<u>11,599,078</u>	<u>9,071,999</u>
	<u>\$ 279,415,108</u>	<u>\$ 232,908,268</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, 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	237,883	923,805	-	1,161,688
Net realized and unrealized gains on securities lending	(32,504)	-	-	(32,504)
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 due to income preservation	-	(2,907)	2,907	-
Net assets released from restriction	<u>366,237</u>	<u>(366,237)</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 ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED

Year ended December 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support				
Fees for asset management and trust administration	\$ 3,071,007	\$ -	\$ -	\$ 3,071,007
Investment earnings				
Interest and dividends from investment pools	55,944	132,016	-	187,960
Interest, dividends and other investment earnings	31,437	35,922	-	67,359
Net realized and unrealized gains on investments	(735,856)	(1,976,983)	-	(2,712,839)
Other support and revenue				
Cooperative program allocation	50,034	-	-	50,034
Contributions	14,977	1,504	3,420	19,901
Change in value of remainder interest in assets held by others	-	(283,973)	-	(283,973)
Other	-	1,919	-	1,919
Net assets released from restriction	320,527	(320,527)	-	-
Total revenue, gains and other support	2,808,070	(2,410,122)	3,420	401,368
Expenses and distributions				
Program services				
Estate planning, trust, investment and lending services for Southern Baptist organizations	2,246,556	-	-	2,246,556
Distributions to students, elderly and charitable causes	220,443	-	-	220,443
Management and general	1,186,891	-	-	1,186,891
Total expenses	3,653,890	-	-	3,653,890
Pension related changes other than net periodic pension costs	(16,132)	-	-	(16,132)
CHANGE IN NET ASSETS	(861,952)	(2,410,122)	3,420	(3,268,654)
Net assets at beginning of year	3,576,018	3,944,654	4,819,981	12,340,653
Net assets at end of year	\$ 2,714,066	\$ 1,534,532	\$ 4,823,401	\$ 9,071,999

The accompanying notes are an integral part of these statements.

# The Baptist Foundation of Oklahoma

## STATEMENTS OF CASH FLOWS

Year ended December 31,

	2009	2008
Cash flows from operating activities		
Cash received as fees for asset management and trust administration	\$ 3,008,739	\$ 3,071,007
Interest, dividends and other investment income received	279,770	255,319
Cash received from contributors and under Cooperative Program	57,702	66,515
Cash paid to employees, suppliers and to benefit recipients	(3,474,651)	(3,420,663)
Cash received from other sources	6,733	1,919
Cash flows related to assets held for beneficial owners		
Cash received from or on behalf of beneficial owners	21,333,993	36,911,553
Earnings on assets held for beneficial owners	10,571,055	10,915,139
Distributions to or on behalf of beneficial owners	(30,063,519)	(20,887,838)
	1,841,529	26,938,854
Net cash provided by (used in) operating activities	1,719,822	26,912,951
Cash flows from investing activities		
Purchase of certificates of deposit	(220,000)	(170,000)
Purchase of other investments	(360,998)	(120,002)
Proceeds from sale of other investments	354,313	959,578
Issuance of notes receivable	(13,200)	(19,500)
Collections on notes receivable	25,102	28,644
Proceeds from sales of property and equipment	74,455	77,801
Sales of certificates of deposit	180,000	170,000
Purchase of units in investment pools	(108,433,586)	(60,435,411)
Sales of units in investment pools	81,579,090	50,130,539
Sale of Christian Stewardship mutual funds	566,158	1,730,294
Purchase of Christian Stewardship mutual funds	(224,850)	(599,623)
Purchase of property and equipment	(229,288)	(250,323)
Net cash (used in) provided by investing activities	(26,702,804)	(8,498,003)
Cash flows from financing activities		
Proceeds from contributions restricted for investment in endowments	2,657,902	3,420
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(22,325,080)	18,418,368
Cash and cash equivalents at beginning of year	32,744,909	14,326,541
Cash and cash equivalents at end of year	\$ 10,419,829	\$ 32,744,909
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ 2,527,079	\$ (3,268,654)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	195,144	171,248
Loss (gain) on sale of property and equipment	15,633	9,151
Increase in accounts payable and accrued expenses	71,572	3,104
Increase (decrease) in accrued postretirement benefits	(4,019)	19,104
Decrease (increase) in long term receivables	6,801	1,807
Decrease (increase) in prepaid expenses and other	(102,063)	44,945
Cash increase (decrease) related to beneficial owners	1,839,262	26,938,854
Net realized and unrealized gains on investments	(1,129,184)	2,712,839
Contributions and other earnings restricted for long-term investments	(2,657,902)	(3,420)
Decrease in value of remainder interest in assets held by others	957,499	283,973
Net cash provided by operating activities	\$ 1,719,822	\$ 26,912,951

Noncash activities:

Liabilities to beneficial owners include net realized and unrealized (losses) gains on investments of \$32,138,076 and (\$67,562,794) for 2009 and 2008.

The accompanying notes are an integral part of these statements.

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

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

The Baptist Foundation of Oklahoma (the 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 (the 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 noncharitable 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 will hold discretions to 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.

#### 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.

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

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

#### 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.

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 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. Interest rates on church building loans, periodically set by the Board, are adjusted on a one, three, five, and 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 May, 2031 and bear interest at rates ranging from 4.75% to 8.5%. Fair market value for alternative investments is provided by the administrator or general partner. Management evaluates the fair market 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 estimated fair value 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.

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

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

#### 3. Investments - Continued

##### *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 consisting of 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.

#### 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, 2009 the Foundation had no impaired loans. The average recorded investment in impaired loans was approximately \$0 and \$251,000, during 2009 and 2008, respectively. No interest income was recognized on impaired loans in 2009 or 2008.

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

	<u>2009</u>	<u>2008</u>
Balance at beginning of year	\$ 1,157,090	\$ 1,130,036
Provision for doubtful loans	40,000	27,054
Recoveries of amounts previously charged-off	<u>-</u>	<u>-</u>
Balance at end of year	<u>\$ 1,197,090</u>	<u>\$ 1,157,090</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.

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

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

#### 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, 2009 or 2008.

#### 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, predominantly three to ten years, of the respective assets on a straight-line basis. 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 trusteed or administered trusts holding mineral interests is credited with an amount equal to 15% of oil and gas revenue.

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

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

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 2009 or 2008. In addition, the Foundation had net operating loss carryforwards of approximately \$502,000 at December 31, 2009 which begin to expire in 2026. There were no deferred income taxes at December 31, 2009 or 2008 due to valuation allowances associated with deferred income tax assets.

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 Expense

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 represents investment in bonds held by The Bank of New York Mellon and is carried at fair value with the changes in fair value of investments included in the statement of activity and changes in net assets.

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

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

#### 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.

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 February 2008, the Financial Accounting Standards Board (FASB) issued FASB ASC Topic 820. ASC 820, provided a one year delay of the effective date of FASB 157 to January 1, 2009 for the Foundation for non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Foundation adopted ASC 820, with the exception of non-financial assets and non-financial liabilities as provided by ASC 820 as of January 1, 2008, with no significant impact on the Foundation's financial statements. Effective January 1, 2009, the Foundation adopted the remaining provisions of ASC 820. Implementation of this FASB ASC topic did not have a significant impact on the Foundation's financial statements.

### 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, 2009 and 2008

### NOTE B - POOLED INVESTMENTS - CONTINUED

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

	2009		
	Cost	Appreciation (depreciation)	Market
<b>Domestic equities</b>			
Cash	\$ 909,219	\$ -	\$ 909,219
Money market accounts	4,663,388	-	4,663,388
Marketable equity securities	<u>40,040,590</u>	<u>4,835,948</u>	<u>44,876,538</u>
	<u>45,613,197</u>	<u>4,835,948</u>	<u>50,449,145</u>
<b>International equities</b>			
Cash	18,553	-	18,553
Money market accounts	664,578	-	664,578
Marketable equity securities	<u>27,596,645</u>	<u>973,892</u>	<u>28,570,537</u>
	<u>28,279,776</u>	<u>973,892</u>	<u>29,253,668</u>
<b>Fixed income instruments</b>			
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	<u>(1,197,090)</u>	<u>-</u>	<u>(1,197,090)</u>
	<u>95,884,237</u>	<u>(797,335)</u>	<u>95,086,902</u>
<b>Alternative investments</b>			
Cash	1,007,293	-	1,007,293
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	<u>3,156,165</u>	<u>(12,965)</u>	<u>3,143,200</u>
	<u>70,439,888</u>	<u>(3,723,964)</u>	<u>66,715,924</u>
<b>Total pooled investments</b>	<u>\$ 240,217,098</u>	<u>\$ 1,288,541</u>	<u>\$ 241,505,639</u>

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

### NOTE B - POOLED INVESTMENTS - CONTINUED

	2008		
	Cost	Appreciation (depreciation)	Market
Domestic equities			
Cash	\$ 277,553	\$ -	\$ 277,553
Money market accounts	2,012,355	-	2,012,355
Marketable equity securities	44,016,289	(7,003,608)	37,012,681
	<u>46,306,197</u>	<u>(7,003,608)</u>	<u>39,302,589</u>
International equities			
Cash	87,898	-	87,898
Money market accounts	443,018	-	443,018
Marketable equity securities	26,409,583	(7,731,946)	18,677,637
	<u>26,940,499</u>	<u>(7,731,946)</u>	<u>19,208,553</u>
Fixed income instruments			
Cash	457,278	-	457,278
Money market accounts	937,418	-	937,418
Foreign debt securities	33,110	(4,075)	29,035
Corporate debt securities	15,519,301	(2,821,168)	12,698,133
U.S. Government securities	10,895,750	692,934	11,588,684
Accrued interest income	257,292	-	257,292
Church building loans	56,743,927	-	56,743,927
Participation by others	(326,640)	-	(326,640)
Accrued interest on loans	178,716	-	178,716
Allowance for doubtful loans	(1,157,090)	-	(1,157,090)
	<u>83,539,062</u>	<u>(2,132,309)</u>	<u>81,406,753</u>
Alternative investments			
Cash	2,915,787	-	2,915,787
Structured settlements	4,707,318	503,618	5,210,936
Distressed debt	2,070,700	(192,096)	1,878,604
Venture capital	2,546,079	(253,944)	2,292,135
Private equity	3,114,539	(114,748)	2,999,791
Real estate	3,528,884	(327,024)	3,201,860
Distressed equity	3,814,043	(321,148)	3,492,895
Hedge fund (high volatility)	2,595,902	(72,190)	2,523,712
Hedge fund (mid volatility)	11,000,000	(2,367,800)	8,632,200
Hedge fund (low volatility)	23,000,000	(4,975,891)	18,024,109
Real assets	906,165	(14,901)	891,264
	<u>60,199,417</u>	<u>(8,136,124)</u>	<u>52,063,293</u>
Total pooled investments	<u>\$ 216,985,175</u>	<u>\$ (25,003,987)</u>	<u>\$ 191,981,188</u>

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

### NOTE C - ENDOWMENTS

The Foundation's endowments consist of individual funds established to provide financial support to the Foundation in perpetuity. As required by US 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, 2009 and 2008

### NOTE C – 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”. During 2009, this method was based on 5% of the average of the trailing 12 quarters’ Spending Policy Pool share prices. In January 2009, the Foundation averaged the Spending Policy Pool unit values from the previous 12 quarters. The annual dividend was then calculated as 5% of that average as long as this dividend per share fell between 4% and 6% of the actual current year-end unit value. If it was greater than 6%, then it is capped at 6% of the current unit value. If it is less than 4%, then it was set at 4% of the current unit value.

Effective January 1, 2010, the Board of Directors adopted a new 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, 1/12<sup>th</sup> 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 2009 annual distribution, calculated as described above, was paid in January 2010.

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

### NOTE C – ENDOWMENTS - CONTINUED

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

	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	<u>\$ (39,438)</u>	<u>\$ 1,272,038</u>	<u>\$ 7,481,303</u>	<u>\$ 8,713,903</u>
	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at January 1, 2008	\$ 1,047,670	\$ 1,570,192	\$ 4,819,981	\$ 7,437,843
Net asset reclassification based on changes in law	(1,047,670)	1,047,670	-	-
Endowment net assets after reclassification	-	2,617,862	4,819,981	7,437,843
Investment return (loss):				
Investment income	-	164,162	-	164,162
Net appreciation (realized and unrealized)	-	(1,952,729)	-	(1,952,729)
Total investment return	-	(1,788,567)	-	(1,788,567)
Contributions	-	1,504	3,420	4,924
Other income	-	105	-	105
Net assets released from restriction	379,860	(379,860)	-	-
Expenses paid	(379,860)	-	-	(379,860)
Reclassification of endowment accounts with total net asset balances less than the original gift	(65,712)	65,712	-	-
Endowment net assets at December 31, 2008	<u>\$ (65,712)</u>	<u>\$ 516,756</u>	<u>\$ 4,823,401</u>	<u>\$ 5,274,445</u>

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

### NOTE D - INVESTMENT IN CHRISTIAN STEWARDSHIP MUTUAL FUNDS

Certain trusts with noncharitable 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:

	2009		
	Cost	Appreciation (depreciation)	Market value
Christian Stewardship			
Bond Index Fund	\$ 1,792,282	\$ (18,891)	\$ 1,773,391
Large Cap Equity Index Fund	916,747	(17,028)	899,719
Total	\$ 2,709,029	\$ (35,919)	\$ 2,673,110
	2008		
	Cost	Appreciation (depreciation)	Market value
Christian Stewardship			
Bond Index Fund	\$ 1,866,465	\$ (54,112)	\$ 1,812,353
Large Cap Equity Index Fund	1,183,872	(348,548)	835,324
Total	\$ 3,050,337	\$ (402,660)	\$ 2,647,677

### NOTE E - OTHER INVESTMENTS - AT MARKET

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

	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, 2009 and 2008

### NOTE E - OTHER INVESTMENTS - AT MARKET - CONTINUED

	2008		
	Cost or contributed value	Appreciation (depreciation)	Market value
Corporate stocks and mutual funds	\$ 176,049	\$ 247,667	\$ 423,716
Bonds	5,000	384	5,384
Mineral interests	1,834,388	-	1,834,388
Total	\$ 2,015,437	\$ 248,051	\$ 2,263,488

In 2009, the Foundation implemented a change in the estimate used to report mineral interests from contributed value to a multiple of average earnings.

### NOTE F - INVESTMENT RETURN

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

	2009	2008
<u>Pooled Investments</u>		
Investment income		
Domestic equities		
Interest and dividends	\$ 416,298	\$ 703,460
International equities		
Interest and dividends	525,828	603,953
Fixed income instruments		
Interest - bonds and cash accounts	1,413,839	1,460,605
Interest - church building loans	3,860,401	3,291,052
Bank charges and loan expenses	(313,414)	(366,324)
Alternative investments		
Interest and dividends	1,169,179	228,138
Total investment income	7,072,131	5,920,884
Net realized and unrealized gains (losses)		
Domestic equities	8,057,739	(36,031,807)
International equities	7,345,991	(17,597,550)
Fixed income investments	1,940,083	(2,433,724)
Alternative investments	5,052,240	(13,423,242)
Net realized and unrealized gains (losses)	22,396,053	(69,486,323)
Investment return for the year	29,468,184	(63,565,439)

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

### NOTE F - INVESTMENT RETURN - CONTINUED

	2009	2008
<u>Christian Stewardship Funds</u>		
Gains and dividends		
Christian Stewardship		
Bond Index Fund	\$ 66,596	\$ 84,394
Large Cap Equity Index Fund	10,745	81,320
Total gains and dividends	77,341	165,714
Net realized and unrealized gains (losses)		
Christian Stewardship		
Bond Index Fund	29,056	(2,385)
Large Cap Equity Index Fund	263,308	(531,969)
Net realized and unrealized gains (losses)	292,364	(534,354)
Investment return for the year	369,705	(368,640)
<u>Other Investments - At Market</u>		
Investment income		
Corporate stocks and mutual funds		
Interest and dividends	29,119	31,089
Bonds		
Interest	394	394
Mineral interests	3,549,648	4,605,361
Net realized and unrealized gains (losses)		
Corporate stocks and mutual funds	441,568	(98,697)
Bonds	(96)	(15)
Mineral interests	10,178,272	-
Investment return for the year	14,198,905	4,538,132
<u>Other Investments - At Contributed Value or Cost</u>		
Investment income		
Notes receivable		
Interest	20,868	25,075
Real estate	11,400	11,000
Money market dividends	35,302	338,993
Certificate of deposit interest	4,228	8,267
Life and annuity contracts and other		
Interest	41	41
Net realized and unrealized losses		
Real estate	(7,855)	(154,430)
Investment return for the year	63,984	228,946
Total investment return for the year	\$ 44,100,778	\$ (59,167,001)

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

### NOTE G – FAIR VALUE MEASUREMENT

ASC Topic 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 Topic 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.

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.

#### Domestic and International Equities

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

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

### NOTE G – FAIR VALUE MEASUREMENT - CONTINUED

#### 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, dependant 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, or hedge funds for which observable inputs are not readily available. These securities are measured at fair value utilizing Level 3 inputs. For these securities, management determines the fair value based on statements from fund managers, cash flows to/from the fund, and audited statements of the fund.

#### 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

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.

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

#### 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.

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

### NOTE G – FAIR VALUE MEASUREMENT – 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:

	2009			
	Fair Value	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(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	<u>66,715,924</u>	<u>1,007,293</u>	<u>-</u>	<u>65,708,631</u>
	<u>241,505,639</u>	<u>90,764,766</u>	<u>85,032,242</u>	<u>65,708,631</u>
Christian Stewardship mutual funds	<u>2,673,110</u>	<u>899,719</u>	<u>1,773,391</u>	<u>-</u>
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	-
Payable under securities lending agreement	<u>(10,735,393)</u>	<u>-</u>	<u>(10,735,393)</u>	<u>-</u>
	<u>11,353,671</u>	<u>517,351</u>	<u>(1,184,751)</u>	<u>12,021,071</u>
Total instruments at fair value	<u>\$ 255,532,420</u>	<u>\$ 92,181,836</u>	<u>\$ 85,620,882</u>	<u>\$ 77,729,702</u>
		Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
Balance at beginning of year		\$ 49,147,506		
Additional investments		16,221,887		
Distributions		(6,411,276)		
Gains (losses)		<u>18,771,585</u>		
Balance at end of year		<u>\$ 77,729,702</u>		

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

### NOTE G – FAIR VALUE MEASUREMENT – CONTINUED

	2008			
	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	\$ 39,302,589	\$ 39,302,589	\$ -	\$ -
International equities	19,208,553	19,208,553	-	-
Fixed income instruments	81,406,753	12,983,380	68,423,373	-
Alternative investments	<u>52,063,293</u>	<u>2,915,787</u>	<u>-</u>	<u>49,147,506</u>
	<u>191,981,188</u>	<u>74,410,309</u>	<u>68,423,373</u>	<u>49,147,506</u>
Christian Stewardship mutual funds	<u>2,647,677</u>	<u>835,324</u>	<u>1,812,353</u>	<u>-</u>
Other				
Corporate stocks and mutual funds	423,716	423,716	-	-
Bonds	<u>5,384</u>	<u>-</u>	<u>5,384</u>	<u>-</u>
	<u>429,100</u>	<u>423,716</u>	<u>5,384</u>	<u>-</u>
Total instruments at fair value	<u>\$ 195,057,965</u>	<u>\$ 75,669,349</u>	<u>\$ 70,241,110</u>	<u>\$ 49,147,506</u>
		Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
Balance at beginning of year		\$ 41,563,392		
Additional investments		21,096,680		
Distributions		(3,451,640)		
Gains (losses)		<u>(10,060,926)</u>		
Balance at end of year		<u>\$ 49,147,506</u>		

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

### NOTE H - REMAINDER INTERESTS IN ASSETS HELD BY OTHERS

At December 31, 2008 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. The fair market value of assets held by the trust was \$2,756,978 at December 31, 2008.

The trust agreement constituted an unconditional promise to give. At December 31, 2008, the remainder interest had a discounted present value (discount factor of 41% at December 31, 2008), of \$957,499. Changes in the value of the remainder interests are recognized as temporarily restricted income or losses until all donor imposed restrictions are met.

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.

### NOTE I - PROPERTY AND EQUIPMENT

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

	2009	2008
Office furniture	\$ 219,556	\$ 198,166
Office equipment	144,716	143,978
Computer equipment	197,390	147,545
Computer software	400,143	371,119
Automobiles	222,576	227,026
Leasehold improvements	364,600	362,100
	1,548,981	1,449,934
Less accumulated depreciation	(848,387)	(693,396)
	\$ 700,594	\$ 756,538

Depreciation expense totaled \$195,144 and \$171,248 for the years ended December 31, 2009 and 2008, respectively.

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

### NOTE J - 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 following relates to the Foundation's postretirement plan which has measurement dates of December 31:

	2009	2008
Accumulated postretirement benefit obligations		
For retirees	\$ 418,071	\$ 403,293
For active employees not fully eligible	106,456	125,253
Funded status	524,527	528,546
Unrecognized gain	49,925	42,238
Unrecognized prior service benefit	661	1,323
Accrued postretirement benefit cost	\$ 575,113	\$ 572,107

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

	2009	2008
Accrued postretirement benefit cost - January 1	\$ 572,107	\$ 569,135
Net postretirement benefit cost	44,028	40,124
Benefits paid	(41,022)	(37,152)
Accrued postretirement benefit cost - December 31	575,113	572,107
Net gain and prior service benefit	(50,586)	(43,561)
Funded status	\$ 524,527	\$ 528,546

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

### NOTE J - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

The change in unrecognized gain and prior service benefit of \$7,025 and \$(16,132) for 2009 and 2008, respectively, has been recognized in the 2009 and 2008 Statements of Activities and Changes in Net Assets apart from expenses. The 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 is \$661.

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

	2009	2008
Weighted-average assumption used to determine benefit obligations at December 31,		
Discount rate	5.55%	6.25%
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%	9.50%
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	2014	2014

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

2010	\$	43,992
2011		53,702
2012		72,044
2013		60,053
2014		43,057
2015-2019		188,265

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, 2009 and 2008

### NOTE K - 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 noncharitable 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 noncharitable 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 noncharitable. 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, 2009 and 2008

### NOTE K - 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 noncharitable beneficiary. Because these assets may be withdrawn by revocation or through consumption by noncharitable 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 noncharitable beneficiaries to corpus lapse.

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

	<u>2009</u>	<u>2008</u>
Baptist General Convention of the State of Oklahoma	\$ 25,034,521	\$ 22,362,613
Oklahoma Baptist Homes for Children, Inc.	50,531,984	45,350,842
Oklahoma Baptist University	89,045,526	75,033,625
Baptist Village Retirement Communities of Oklahoma, Inc.	8,314,962	7,185,114
Baptist churches and institutions	43,339,608	43,343,518
Individuals and non-Baptist charities	39,970,519	29,784,593
	<u>\$ 256,237,120</u>	<u>\$ 223,060,305</u>

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

### NOTE L - 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 Retirement 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 \$50,000 and \$50,034 for the years ended December 31, 2009 and 2008, 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 and Real Estate Committee with consideration given to the current rates available from commercial sources. The balance of church building loans outstanding was \$73,908,180 and \$56,743,927 at December 31, 2009 and 2008, respectively. An allowance of \$1,197,090 and \$1,157,090 for uncollectible loans was recorded as of December 31, 2009 and 2008, respectively. Loans totaling \$1,352,518 and \$1,512,709 were guaranteed by the Baptist Foundation of Texas under a guaranty servicing agreement at December 31, 2009 and 2008, respectively.

### NOTE M - 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 \$152,825 and \$152,859 for the years ended December 31, 2009 and 2008, respectively. The Foundation's policy is to fund pension cost as it is incurred.

# The Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

### NOTE N - LEASED FACILITIES

The Foundation conducts its operations from facilities leased from the Convention. The 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. Rental expense under the lease totaled \$155,248 and \$152,337 for the years ended December 31, 2009 and 2008, respectively. The future annual rental commitments reflect anticipated annual renewals through the expected lives of the related leasehold improvements.

The Foundation also leases office facilities in Tulsa under a lease expiring February 28, 2014. Expense under the lease totaled \$32,619 and \$21,786 for year ended December 31, 2009 and 2008, respectively. As discussed in Note P, the Foundation exercised a lease purchase option in March 2010.

Office space is also leased by the Foundation in Ardmore on a month-to-month basis for \$3,600 per year.

The minimum future annual rental commitments under these leases are as follows:

Period ending December 31:

2010	\$	165,892
2011		164,813
2012		169,814
2013		174,968
2014		180,277
Thereafter		<u>377,132</u>
	\$	<u>1,232,896</u>

### NOTE O - COMMITMENTS AND CONTINGENCIES

The Foundation had outstanding church building loan commitments totaling approximately \$13,700,000 and \$10,239,000 at December 31, 2009 and 2008, respectively.

The Foundation also had unfunded commitments to purchase units of alternative investments totaling approximately \$14,488,000 and \$20,054,000 at December 31, 2009 and 2008, 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 Baptist Foundation of Oklahoma

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

### NOTE O - COMMITMENTS AND CONTINGENCIES - CONTINUED

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 P – SECURITIES LENDING

The Foundation's investment committee has approved its participation in a securities lending program. The program is administered by the Bank of New York Mellon. 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 \$10,525,000 at December 31, 2009. Total collateral provided by participating brokers was approximately \$10,735,000 at December 31, 2009.

Cash collateral provided by brokers participating in the securities lending program is invested in a cash collateral pool which is managed by Bank of New York Mellon. 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, 2009:

	<u>Cost</u>	<u>Fair Value</u>
Corporate bonds	\$ 10,735,393	\$ 9,545,355

The Foundation recorded unrealized losses of approximately \$35,000 during 2009, 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, 2009, 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 Bank of New York Mellon 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 2009 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, 2009 and 2008

### NOTE Q – SUBSEQUENT EVENTS

In March 2010, the Foundation purchased the office building in Tulsa that it leased throughout 2009 for \$530,000. Rent expense was incurred through February 2010, prior to the purchase. The Foundation has acquired a tenant to lease an office in this building.

In January 2010 the Board of Directors approved a motion for the Foundation to obtain a line of credit from Bank of Oklahoma in the amount of \$6,000,000. There will be no costs to maintain the line of credit and any balance held by the Foundation will accrue interest at a rate of Wall Street Journal minus 0.25% with a floor of 4%.

The Foundation did not have any other subsequent events through April 20, 2010, 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, 2009.

## **SUPPLEMENTARY INFORMATION**

**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, 2009 and 2008, which are presented in the preceding section of this report. The supplementary information as of and for the years ended December 31, 2009 and 2008, 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 20, 2010

**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	-	77,000	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 accruals	-	-	-	-	-	-	843,517	843,517
Payable under securities lending agreement	5,429,032	1,700,875	1,381,871	1,780,768	23,956	10,316,502	418,891	10,735,393
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	\$ 128,129,956	\$ 36,944,477	\$ 10,917,325	\$ 68,634,694	\$ 4,225,496	\$ 248,851,948	\$ 11,599,078	\$ 260,451,026

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

December 31, 2008

	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	\$ 18,579,634	\$ 4,053,494	\$ 1,293,229	\$ 6,881,214	\$ 671,250	\$ 31,478,821	\$ 1,266,088	\$ 32,744,909
Certificates of deposit	-	-	-	-	170,000	170,000	-	170,000
Prepaid expenses and other	-	-	-	-	-	-	297,938	297,938
Investments								
Pooled investments - at market								
Domestic equities	21,748,453	5,328,581	3,428,509	7,322,413	31,206	37,859,162	1,443,427	39,302,589
International equities	11,278,689	2,605,820	1,337,712	3,241,748	12,279	18,476,248	732,305	19,208,553
Fixed income	25,645,549	7,180,581	9,352,302	37,105,637	170,914	79,454,983	1,951,770	81,406,753
Alternative investments	34,115,582	7,834,592	3,158,604	4,893,257	-	50,002,035	2,061,258	52,063,293
	<u>92,788,273</u>	<u>22,949,574</u>	<u>17,277,127</u>	<u>52,563,055</u>	<u>214,399</u>	<u>185,792,428</u>	<u>6,188,760</u>	<u>191,981,188</u>
Christian Stewardship mutual funds - at market	-	-	61,825	-	2,545,264	2,607,089	40,588	2,647,677
Other investments								
At market								
Corporate stocks and mutual funds	1,255	-	-	-	412,906	414,161	9,555	423,716
Bonds	-	-	4,037	1	-	4,038	1,346	5,384
Mineral interests	1,595,077	39,535	74,521	72,105	8,944	1,790,182	44,206	1,834,388
At contributed value or cost								
Notes receivable	-	297	-	18,057	17,853	36,207	278,644	314,851
Real estate	82,128	-	77,600	6,000	409,237	574,965	-	574,965
Life and annuity contracts and other	79,697	-	30,591	-	82,126	192,414	-	192,414
	<u>1,758,157</u>	<u>39,832</u>	<u>186,749</u>	<u>96,163</u>	<u>931,066</u>	<u>3,011,967</u>	<u>333,751</u>	<u>3,345,718</u>
Total investments	94,546,430	22,989,406	17,525,701	52,659,218	3,690,729	191,411,484	6,563,099	197,974,583
Remainder interest in assets held by others	-	-	-	-	-	-	957,499	957,499
Long term receivable	-	-	-	-	-	-	6,801	6,801
Property and equipment, net	-	-	-	-	-	-	756,538	756,538
Total assets	113,126,064	27,042,900	18,818,930	59,540,432	4,531,979	223,060,305	9,847,963	232,908,268
Accounts payable and accrued	-	-	-	-	-	-	775,964	775,964
Net assets held for beneficial owners	113,126,064	27,042,900	18,818,930	59,540,432	4,531,979	223,060,305	9,071,999	232,132,304
Liability to income beneficiaries	-	-	8,332,363	-	-	8,332,363	-	8,332,363
Net assets held for beneficial owners of remainder interests	<u>113,126,064</u>	<u>27,042,900</u>	<u>10,486,567</u>	<u>59,540,432</u>	<u>4,531,979</u>	<u>214,727,942</u>	<u>9,071,999</u>	<u>223,799,941</u>

**The Baptist Foundation of Oklahoma**  
**SCHEDULES OF CHANGES IN LIABILITIES TO BENEFICIAL OWNERS**

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
<b>Additions</b>						
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	15,839,011	3,540,861	2,189,721	10,163,839	404,644	32,138,076
Net realized and unrealized gains (losses) on securities lending	(421,273)	(131,982)	(107,228)	(138,181)	(1,859)	(800,523)
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
	<u>22,858,454</u>	<u>11,299,460</u>	<u>3,243,389</u>	<u>29,097,170</u>	<u>719,699</u>	<u>67,218,172</u>
<b>Reductions</b>						
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
	<u>7,854,562</u>	<u>1,397,883</u>	<u>3,759,822</u>	<u>20,002,908</u>	<u>1,026,182</u>	<u>34,041,357</u>
Liability to beneficial owners at December 31, 2009	<u>\$ 128,129,956</u>	<u>\$ 36,944,477</u>	<u>\$ 18,302,497</u>	<u>\$ 68,634,694</u>	<u>\$ 4,225,496</u>	<u>\$ 256,237,120</u>

## The Baptist Foundation of Oklahoma

### SCHEDULES OF CHANGES IN LIABILITIES TO BENEFICIAL OWNERS - CONTINUED

Year ended December 31, 2008

	Assets held for others			Refundable advances		
	As trustee under permanent endowments	Trusts administered for affiliates	As trustee of irrevocable agreements	Held for affiliates as custodian	Conditional transfers in trust	Total
Liability to beneficial owners at January 1, 2008	\$ 153,474,616	\$ 34,074,693	\$ 24,531,413	\$ 44,397,286	\$ 7,205,705	\$ 263,683,713
<b>Additions</b>						
Investment earnings						
Interest and dividends from pools - net of fees	2,623,540	663,826	686,750	1,903,095	11,490	5,888,701
Earnings from non-pooled investments	1,835,535	94,194	154,341	2,641,188	243,345	4,968,603
Net realized and unrealized gains (losses) on investments	(41,364,413)	(9,853,072)	(4,867,767)	(10,712,130)	(765,412)	(67,562,794)
Other income	1,412	-	70	-	56,353	57,835
Amounts received as advances or contributions to principal	2,826,465	3,411,191	860,578	29,228,883	584,968	36,912,085
Transfers from existing agreements	1,755,341	184,867	33,005	1,329,532	20,058	3,322,803
	<u>(32,322,120)</u>	<u>(5,498,994)</u>	<u>(3,133,023)</u>	<u>24,390,568</u>	<u>150,802</u>	<u>(16,412,767)</u>
<b>Reductions</b>						
Distributions of						
Accumulated income or amounts specified by agreement	7,840,695	1,435,978	1,692,690	-	964,816	11,934,179
Amounts advanced or held as principal	-	-	-	7,343,410	-	7,343,410
Expenses incurred or paid on behalf of beneficial owners	142,751	32,808	287,967	567,839	578,884	1,610,249
Transfers to existing agreements	42,986	64,013	598,803	1,336,173	1,280,828	3,322,803
	<u>8,026,432</u>	<u>1,532,799</u>	<u>2,579,460</u>	<u>9,247,422</u>	<u>2,824,528</u>	<u>24,210,641</u>
Liability to beneficial owners at December 31, 2008	<u>\$ 113,126,064</u>	<u>\$ 27,042,900</u>	<u>\$ 18,818,930</u>	<u>\$ 59,540,432</u>	<u>\$ 4,531,979</u>	<u>\$ 223,060,305</u>

**The Baptist Foundation of Oklahoma**  
**SCHEDULES OF FUNCTIONAL EXPENSES**  
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 reimbursement 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 to 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>

## The Baptist Foundation of Oklahoma

### SCHEDULES OF FUNCTIONAL EXPENSES - CONTINUED

Year ended December 31, 2008

	Total	Program service	Management and general
Salaries	\$ 1,586,329	\$ 1,139,060	\$ 447,269
Employee benefits (including pension plan costs of \$152,859 and postretirement benefits other than pensions of \$40,124)	508,554	334,707	173,847
Continuing education, professional dues, and publications	75,895	54,986	20,909
Travel, meals, and lodging	109,028	64,456	44,572
Office materials, supplies, and printing	20,333	6,788	13,545
Postage and telephone	52,457	37,336	15,121
Office equipment and computer expense and maintenance	134,353	98,364	35,989
Insurance	69,212	41,407	27,805
Building rent	177,723	101,555	76,168
Legal fees	17,733	-	17,733
Legal fee reimbursement to donors	112,896	112,896	-
Accounting fees	59,095	-	59,095
Board expenses	67,656	-	67,656
Consultant and professional service fees	76,256	16,789	59,467
Communication and public relations	149,643	144,649	4,994
Depreciation	171,248	93,085	78,163
Miscellaneous expense	45,036	478	44,558
 Total expenses	 3,433,447	 2,246,556	 1,186,891
 Distributions to students, elderly and to charitable causes	 220,443	 220,443	 -
 Total expenses and distributions	 \$ 3,653,890	 \$ 2,466,999	 \$ 1,186,891