

Financial Statements and Report of Independent
Certified Public Accountants

Baptist Foundation of Oklahoma

December 31, 2007 and 2006

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Report of Independent Certified Public Accountants

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, 2007 and 2006, 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, 2007 and 2006, 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.

As discussed in Note I to the financial statements, effective December 31, 2007, The Baptist Foundation of Oklahoma adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*.

Grant Thornton LLP

Oklahoma City, Oklahoma
April 17, 2008

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

ASSETS	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 14,326,541	\$ 13,914,068
Certificates of deposit	170,000	197,000
Prepaid expenses and other	342,883	292,458
Investments		
Pooled investments - at market		
Domestic equities	95,106,932	98,033,095
International equities	38,330,155	33,080,031
Fixed income	77,617,147	71,797,477
Alternative investments	<u>40,118,723</u>	<u>28,799,252</u>
	<u>251,172,957</u>	<u>231,709,855</u>
Christian Stewardship mutual funds - at market	4,413,109	5,648,023
Other investments		
At market		
Corporate stocks and mutual funds	781,677	974,563
Bonds	5,397	173,483
At contributed value or cost		
Notes receivable	323,995	343,012
Mineral interests	1,833,856	1,823,825
Real estate	1,261,119	1,238,382
Life and annuity contracts and other	<u>132,093</u>	<u>283,499</u>
	<u>4,338,137</u>	<u>4,836,764</u>
Total investments	259,924,203	242,194,642
Remainder interests in assets held by others	1,241,472	1,161,128
Long term receivable	8,608	29,362
Property and equipment, net	<u>764,415</u>	<u>724,117</u>
	<u>\$ 276,778,122</u>	<u>\$ 258,512,775</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>2007</u>	<u>2006</u>
Liabilities		
Accounts payable and accrued expenses	\$ 244,314	\$ 150,462
Accrued postretirement benefits	509,442	568,879
Liabilities to beneficial owners		
Liability to income beneficiaries under split-interest agreements		
Gift annuity contracts	4,721,032	4,658,985
Irrevocable trust agreements	<u>4,417,060</u>	<u>3,982,394</u>
	<u>9,138,092</u>	<u>8,641,379</u>
Refundable advances		
Assets held under custodial arrangements with affiliated organizations	44,397,286	43,742,218
Conditional transfers from donors	<u>7,205,705</u>	<u>7,662,824</u>
	<u>51,602,991</u>	<u>51,405,042</u>
Assets held for others		
Assets held as trustee under permanent endowments	153,474,616	140,905,892
Assets held under agreements with affiliated organizations to administer endowments or other trust funds	34,074,693	31,014,465
Remainder interests under gift annuity and irrevocable interests	<u>15,393,321</u>	<u>14,084,122</u>
	<u>202,942,630</u>	<u>186,004,479</u>
Total liabilities to beneficial owners	263,683,713	246,050,900
Commitments and contingencies		
Net assets		
Unrestricted	4,623,688	3,438,114
Temporarily restricted	2,896,984	3,562,476
Permanently restricted	<u>4,819,981</u>	<u>4,741,944</u>
	<u>12,340,653</u>	<u>11,742,534</u>
	<u>\$ 276,778,122</u>	<u>\$ 258,512,775</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, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support				
Fees for asset management and trust administration	\$ 2,877,976	\$ -	\$ -	\$ 2,877,976
Investment earnings				
Interest and dividends from investment pools	129,643	80,585	-	210,228
Interest, dividends and other investment earnings	50,453	23,507	3,700	77,660
Net realized and unrealized gains on investments	368,409	239,514	-	607,923
Other support and revenue				
Cooperative program allocation	50,000	-	-	50,000
Contributions	12,112	4,400	74,337	90,849
Change in value of remainder interest in assets held by others	-	80,344	-	80,344
Other	25	3,939	-	3,964
Net assets released from restriction	1,097,781	(1,097,781)	-	-
Total revenue, gains and other support	4,586,399	(665,492)	78,037	3,998,944
Expenses and distributions				
Program services				
Estate planning, trust, investment and lending services for Southern Baptist organizations	2,107,049	-	-	2,107,049
Distributions to students, elderly and charitable causes	198,530	-	-	198,530
Management and general	1,154,939	-	-	1,154,939
Total expenses	3,460,518	-	-	3,460,518
Adjustment to initially apply FASB Statement No. 158	59,693	-	-	59,693
CHANGE IN NET ASSETS	1,185,574	(665,492)	78,037	598,119
Net assets at beginning of year	3,438,114	3,562,476	4,741,944	11,742,534
Net assets at end of year	\$ 4,623,688	\$ 2,896,984	\$ 4,819,981	\$ 12,340,653

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, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support				
Fees for asset management and trust administration	\$ 2,736,532	\$ -	\$ -	\$ 2,736,532
Investment earnings				
Interest and dividends from investment pools	65,054	147,221	-	212,275
Interest, dividends and other investment earnings	38,931	35,807	8,605	83,343
Net realized and unrealized gains on investments	160,944	325,694	-	486,638
Other support and revenue				
Cooperative program allocation	49,992	-	-	49,992
Contributions	29,062	5,688	-	34,750
Change in value of remainder interest in assets held by others	-	119,102	-	119,102
Other	77,945	259	-	78,204
Net assets released from restriction	339,686	(339,686)	-	-
Total revenue, gains and other support	3,498,146	294,085	8,605	3,800,836
Expenses and distributions				
Program services				
Estate planning, trust, investment and lending services for Southern Baptist organizations	2,046,967	-	-	2,046,967
Distributions to students, elderly and charitable causes	198,292	-	-	198,292
Management and general	1,130,758	-	-	1,130,758
Total expenses	3,376,017	-	-	3,376,017
CHANGE IN NET ASSETS	122,129	294,085	8,605	424,819
Net assets at beginning of year	3,315,985	3,268,391	4,733,339	11,317,715
Net assets at end of year	\$ 3,438,114	\$ 3,562,476	\$ 4,741,944	\$ 11,742,534

The accompanying notes are an integral part of these statements.

The Baptist Foundation of Oklahoma

STATEMENTS OF CASH FLOWS

Year ended December 31,

	2007	2006
Cash flows from operating activities		
Cash received as fees for asset management and trust administration	\$ 2,877,976	\$ 2,736,532
Interest, dividends and other investment income received	284,188	287,013
Cash received from contributors and under Cooperative Program	66,512	84,742
Cash paid to employees, suppliers and to benefit recipients	(3,217,993)	(3,459,836)
Cash received from other sources	3,964	67,957
Cash flows related to assets held for beneficial owners		
Cash received from or on behalf of beneficial owners	19,212,828	7,671,210
Earnings on assets held for beneficial owners	9,703,861	7,579,381
Distributions to or on behalf of beneficial owners	(25,193,248)	(18,229,480)
	3,723,441	(2,978,889)
Net cash provided by (used in) operating activities	3,738,088	(3,262,481)
Cash flows from investing activities		
Purchase of certificates of deposit	(170,000)	(197,000)
Purchase of other investments	(440,966)	(866,895)
Proceeds from sale of other investments	921,027	1,241,065
Issuance of notes receivable	(22,640)	(11,600)
Collections on notes receivable	41,657	58,380
Proceeds from sales of property and equipment	29,000	42,624
Sales of certificates of deposit	197,000	199,000
Purchase of units in investment pools	(33,188,809)	(37,368,063)
Sales of units in investment pools	28,348,950	38,115,885
Sale of Christian Stewardship mutual funds	1,399,965	1,073,598
Purchase of Christian Stewardship mutual funds	(271,450)	(575,350)
Purchase of property and equipment	(247,386)	(488,784)
Net cash (used in) provided by investing activities	(3,403,652)	1,222,860
Cash flows from financing activities		
Proceeds from contributions restricted for investment in endowments	78,037	8,605
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	412,473	(2,031,016)
Cash and cash equivalents at beginning of year	13,914,068	15,945,084
Cash and cash equivalents at end of year	\$ 14,326,541	\$ 13,914,068
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ 598,119	\$ 424,819
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	157,922	136,843
Loss (gain) on sale of property and equipment	20,166	(10,247)
Adjustment to initially apply FASB Statement No. 158	(59,693)	-
Increase in accounts payable and accrued expenses	93,852	27,710
Increase (decrease) in accrued postretirement benefits	256	(764)
Decrease (increase) in long term receivables	20,754	(15,803)
Increase in prepaid expenses and other	(50,425)	(231,805)
Cash increase (decrease) related to beneficial owners	3,723,441	(2,978,889)
Net realized and unrealized gains on investments	(607,923)	(486,638)
Contributions and other earnings restricted for long-term investments	(78,037)	(8,605)
Increase in value of remainder interest in assets held by others	(80,344)	(119,102)
Net cash provided by operating activities	\$ 3,738,088	\$ (3,262,481)

Noncash activities:

Liabilities to beneficial owners include net realized and unrealized gains on investments of \$13,899,341 and \$13,824,101 for 2007 and 2006.

The accompanying notes are an integral part of these statements.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

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, 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 as well as the net increase over the original contribution amount on assets benefitting the foundation 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 primarily consist of the net increase over the original contribution amount for assets where the foundation does not benefit but will hold discretion as to the distribution as well as 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, 2007 and 2006

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 October, 2028 and bear interest at rates ranging from 4.75% to 9%. 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, 2007 and 2006

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.

Certain other investments consisting of income producing properties, 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, 2007 and 2006, the Foundation had impaired loans totaling approximately \$505,000 and \$517,000, respectively. The average recorded investment in impaired loans was approximately \$511,000 and \$523,000 during 2007 and 2006, respectively. The total reserve for doubtful loans related to these loans was approximately \$250,000 at each December 31, 2007 and 2006. Interest income on impaired loans of approximately \$25,000 was recognized for cash payments received in each 2007 and 2006.

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

	<u>2007</u>	<u>2006</u>
Balance at beginning of year	\$ 1,036,410	\$ 1,026,410
Provision for doubtful loans	93,626	22,063
Recoveries of amounts previously charged-off	<u>-</u>	<u>(12,063)</u>
Balance at end of year	<u>\$ 1,130,036</u>	<u>\$ 1,036,410</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, 2007 and 2006

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, 2007 or 2006.

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 permanently added to corpus to preserve the value of the trust corpus according to donor stipulation. In addition, corpus of trusted 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 2007 or 2006.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2007 and 2006

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 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. Reclassifications

Certain reclassifications have been made to the 2006 financial statements to conform with 2007 presentation.

15. New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in generally accepted accounting principles more consistent and comparable. SFAS 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value and the effect of fair value measures on earnings. SFAS 157 is effective for financial assets and liabilities for the Foundation's 2008 fiscal year and for non-financial assets and liabilities in 2009, although early adoption is permitted. The Foundation is currently assessing the potential effect of SFAS 157 on its financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 allows an entity to make an irrevocable instrument-by-instrument election to measure eligible items at fair value in the entirety. Subsequent changes in fair value for designated items will be required to be reported in earnings in the current period. SFAS 159 also establishes presentation and disclosure requirements for similar types of assets and liabilities measured at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Foundation is currently assessing the effect of implementing this guidance, which directly depends on the nature and extent of eligible items elected to be measured at fair value, upon initial application of the standard on January 1, 2008.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2007 and 2006

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

	2007		
	Cost	Appreciation (depreciation)	Market
Domestic equities			
Cash - interest-bearing	\$ 4,114,973	\$ -	\$ 4,114,973
Money market accounts	3,601,893	-	3,601,893
Marketable equity securities	79,956,693	7,433,373	87,390,066
	87,673,559	7,433,373	95,106,932
International equities			
Cash - interest-bearing	139,276	-	139,276
Money market account	2,664,195	-	2,664,195
Marketable equity securities	26,547,334	8,979,350	35,526,684
	29,350,805	8,979,350	38,330,155
Fixed income instruments			
Cash - interest-bearing	975,284	-	975,284
Money market accounts	301,976	-	301,976
Foreign debt securities	103,260	(2,750)	100,510
Corporate debt securities	12,050,291	(274,723)	11,775,568
U.S. Government securities	12,221,884	558,471	12,780,355
Accrued interest income	314,256	-	314,256
Church building loans	55,020,821	-	55,020,821
Participation by others	(2,712,889)	-	(2,712,889)
Accrued interest on loans	191,302	-	191,302
Allowance for doubtful loans	(1,130,036)	-	(1,130,036)
	77,336,149	280,998	77,617,147
Alternative investments			
Cash - interest-bearing	(1,444,759)	-	(1,444,759)
Structured settlements	4,909,338	212,922	5,122,260
Distressed debt	1,903,236	(76,683)	1,826,553
Venture capital	1,340,000	(95,203)	1,244,797
Private equity	1,325,539	(38,670)	1,286,869
Real estate	1,791,781	50,051	1,841,832
Distressed equity	1,640,443	(75,078)	1,565,365
Hedge fund (high volatility)	6,000,000	(1,167,680)	4,832,320
Hedge fund (mid volatility)	11,000,000	341,667	11,341,667
Hedge fund (low volatility)	10,000,000	2,059,957	12,059,957
Real Assets	455,232	(13,370)	441,862
	38,920,810	1,197,913	40,118,723
Total pooled investments	\$ 233,281,323	\$ 17,891,634	\$ 251,172,957

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2007 and 2006

NOTE B - POOLED INVESTMENTS - CONTINUED

	2006		
	Cost	Appreciation (depreciation)	Market
Domestic equities			
Cash - interest-bearing	\$ (1,897,056)	\$ -	\$ (1,897,056)
Money market accounts	2,481,713	-	2,481,713
Marketable equity securities	87,960,808	9,487,630	97,448,438
	88,545,465	9,487,630	98,033,095
International equities			
Cash - interest-bearing	(747,242)	-	(747,242)
Money market account	1,454,479	-	1,454,479
Marketable equity securities	26,948,772	5,424,022	32,372,794
	27,656,009	5,424,022	33,080,031
Fixed income instruments			
Cash - interest-bearing	2,844,548	-	2,844,548
Money market accounts	331,856	-	331,856
Foreign debt securities	152,426	(5,477)	146,949
Corporate debt securities	9,513,758	(221,292)	9,292,466
U.S. Government securities	12,139,778	6,745	12,146,523
Accrued interest income	336,405	-	336,405
Church building loans	49,359,747	-	49,359,747
Participation by others	(1,797,107)	-	(1,797,107)
Accrued interest on loans	172,500	-	172,500
Allowance for doubtful loans	(1,036,410)	-	(1,036,410)
	72,017,501	(220,024)	71,797,477
Alternative investments			
Cash - interest-bearing	1,247,102	-	1,247,102
Structured settlements	5,000,000	42,768	5,042,768
Distressed debt	882,316	15,385	897,701
Venture capital	565,000	(97,067)	467,933
Private equity	388,212	(35,494)	352,718
Real estate	583,215	(19,592)	563,623
Distressed equity	700,000	(59,758)	640,242
Hedge fund (high volatility)	6,000,000	(470,394)	5,529,606
Hedge fund (mid volatility)	3,000,000	175,769	3,175,769
Hedge fund (low volatility)	10,000,000	881,790	10,881,790
	28,365,845	433,407	28,799,252
Total pooled investments	\$ 216,584,820	\$ 15,125,035	\$ 231,709,855

NOTE C - TOTAL RETURN SPENDING POLICY

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 the "Uniform Prudent Management of Institutional Funds Act."

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2007 and 2006

NOTE C - TOTAL RETURN SPENDING POLICY – CONTINUED

The spending or distribution policy as determined under a method adopted annually by the Board of Directors effective January 1 of each year provides for the establishment of an “annual dividend” based on 5% of the average of the trailing 12 quarters’ Spending Policy Pool share prices.

In January of each year, the Foundation averages the Spending Policy Pool unit values from the previous 12 quarters. The annual dividend is then calculated as 5% of that average. This dividend per share must fall between 4% and 6% of the actual current year-end unit value. If it is greater than 6%, then it is capped at 6% of the current unit value. If it is less than 4%, then it is set at 4% of the current unit value.

In each month of the following year, 1/12th of this dividend is paid to every spending policy trust. 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 its historic dollar value. If the market value for a given trust is less than its historic dollar value in any given month, the portion of the monthly dividend that is not traditional income is reinvested and will not be held in the trust 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 next year’s January Board of Directors meeting.

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:

	2007		
	Cost	Appreciation (depreciation)	Market value
Christian Stewardship			
Bond Index Fund	\$ 2,689,631	\$ (61,631)	\$ 2,628,000
Large Cap Equity Index Fund	1,491,377	293,732	1,785,109
Total	\$ 4,181,008	\$ 232,101	\$ 4,413,109
	2006		
	Cost	Appreciation (depreciation)	Market value
Christian Stewardship			
Bond Index Fund	\$ 3,299,836	\$ (111,617)	\$ 3,188,219
Large Cap Equity Index Fund	2,009,687	450,117	2,459,804
Total	\$ 5,309,523	\$ 338,500	\$ 5,648,023

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2007 and 2006

NOTE E - OTHER INVESTMENTS - AT MARKET

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

	2007		
	Cost	Appreciation (depreciation)	Market value
Corporate stocks and mutual funds	\$ 389,792	\$ 391,885	\$ 781,677
Bonds	5,000	397	5,397
Total	\$ 394,792	\$ 392,282	\$ 787,074
	2006		
	Cost	Appreciation (depreciation)	Market value
Corporate stocks and mutual funds	\$ 576,024	\$ 398,539	\$ 974,563
Bonds	170,160	3,323	173,483
Total	\$ 746,184	\$ 401,862	\$ 1,148,046

NOTE F - INVESTMENT RETURN

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

	2007	2006
<u>Pooled Investments</u>		
Investment income		
Domestic equities		
Interest and dividends	\$ 897,338	\$ 1,049,366
International equities		
Interest and dividends	510,222	652,738
Fixed income instruments		
Interest - bonds and cash accounts	1,062,777	1,639,057
Interest - church building loans	3,073,653	2,442,851
Bank charges and loan expenses	(260,210)	(190,133)
Alternative investments		
Interest and dividends	229,268	100,362
Total investment income	5,513,048	5,694,241
Net realized and unrealized gains (losses)		
Domestic equities	7,271,842	9,010,724
International equities	6,037,640	7,121,241
Fixed income investments	424,096	(671,204)
Alternative investments	586,300	433,407
Net realized and unrealized gains	14,319,878	15,894,168
Investment return for the year	19,832,926	21,588,409

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2007 and 2006

NOTE F - INVESTMENT RETURN - CONTINUED

	2007	2006
<u>Christian Stewardship Funds</u>		
Gains and dividends		
Christian Stewardship		
Bond Index Fund	\$ 128,164	\$ 129,986
Large Cap Equity Index Fund	141,082	35,275
Total gains and dividends	269,246	165,261
Net realized and unrealized gains (losses)		
Christian Stewardship		
Bond Index Fund	31,416	(29,042)
Large Cap Equity Index Fund	135,621	300,787
Net realized and unrealized gains	167,037	271,745
Investment return for the year	436,283	437,006
<u>Other Investments - At Market</u>		
Investment income		
Corporate stocks and mutual funds		
Interest and dividends	27,507	47,815
Bonds		
Interest	6,534	11,542
Net realized and unrealized gains (losses)		
Corporate stocks and mutual funds	37,487	71,178
Bonds	(850)	1,284
Investment return for the year	70,678	131,819
<u>Other Investments - At Contributed Value or Cost</u>		
Investment income		
Notes receivable		
Interest	26,457	31,220
Mineral interests	3,538,676	1,501,316
Real Estate	15,900	16,233
Money market dividends	498,400	631,517
Certificate of deposit interest	9,920	-
Life and annuity contracts and other		
Interest	41	6,751
Net realized and unrealized losses		
Real estate	(12,718)	151,739
Investment return for the year	4,076,676	2,338,776
Total investment return for the year	\$ 24,416,563	\$ 24,496,010

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2007 and 2006

NOTE G - REMAINDER INTERESTS IN ASSETS HELD BY OTHERS

The Foundation is the principal remainder beneficiary of a charitable remainder unitrust which provides 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 approximated \$3,555,000 and \$3,448,000 at December 31, 2007 and 2006, respectively.

The trust agreement constitutes an unconditional promise to give. At December 31, 2007, the remainder interest had a discounted present value (discount rates of 3.9% and 3.8% at December 31, 2007, and 2006, respectively), of approximately \$1,241,000 (\$1,161,000 at December 31, 2006). Changes in the value of the remainder interest are recognized as temporarily restricted income or losses until all donor imposed restrictions are met.

NOTE H - PROPERTY AND EQUIPMENT

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

	<u>2007</u>	<u>2006</u>
Office furniture	\$ 357,514	\$ 348,668
Office equipment	197,425	195,487
Computer equipment	167,537	391,233
Computer software	287,625	228,403
Automobiles	222,300	199,652
Leasehold improvements	<u>362,100</u>	<u>291,611</u>
	1,594,501	1,655,054
Less accumulated depreciation	<u>(830,086)</u>	<u>(930,937)</u>
	<u>\$ 764,415</u>	<u>\$ 724,117</u>

Depreciation expense totaled \$157,922 and \$136,843 for the years ended December 31, 2007 and 2006, 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 Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2007 and 2006

NOTE I - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

In September 2006, FASB issued Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans: an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (Statement 158). The Foundation adopted the recognition and disclosure provisions of Statement 158 effective December 31, 2007. Statement 158 requires the funded status of its defined benefit pension and other postretirement plans be fully recognized in the statement of financial position. The incremental effects of applying Statement 158 on individual line items in the statement of financial position as of that date are as follows

	<u>Before Application of SFAS No. 158</u>	<u>Adjustments</u>	<u>After Application of SFAS No. 158</u>
Accrued postretirement benefits	\$ 569,135	\$ (59,693)	\$ 509,442
Unrestricted net assets	4,563,995	59,693	4,623,688
Total net assets	12,280,960	59,693	12,340,653

In addition, the Foundation early adopted the measurement provisions of Statement 158 which require that plan assets and obligations be measured at the year-end statement of financial position date. As a result, the Foundation changed its measurement date for its plan from September 30 to December 31. Application of the measurement provisions of Statement 158 had no effect on the financial statements.

The following relates to the Foundation's postretirement plan which has measurement dates of December 31, 2007 and September 30, 2006:

	<u>2007</u>	<u>2006</u>
Accumulated postretirement benefit obligations		
For retirees	\$ 402,631	\$ 432,437
For active employees not fully eligible	106,811	91,607
Funded status	509,442	524,044
Unrecognized gain	57,708	42,188
Unrecognized prior service benefit	1,985	2,647
Accrued postretirement benefit cost	<u>\$ 569,135</u>	<u>\$ 568,879</u>

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2007 and 2006

NOTE I - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

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

	2007	2006
Accrued postretirement benefit cost - January 1	\$ 568,879	\$ 569,643
Net postretirement benefit cost	39,568	38,548
Benefits paid	(39,312)	(39,312)
Accrued postretirement benefit cost - December 31	569,135	568,879
Change in unrestricted net assets due to adoption of SFAS No. 158	(59,693)	-
Funded status	\$ 509,442	\$ 568,879

The estimated net gain and 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 are \$600 and \$600, respectively.

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

	2007	2006
Weighted-average assumption used to determine benefit obligations at December 31,		
Discount rate	6.00%	5.75%
Rate of compensation increase	4.50%	4.50%
Weighted-average assumption used to determine net periodic benefit cost for year ended December 31,		
Discount rate	6.00%	5.75%
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	9.50%	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	2013	2012

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2007 and 2006

NOTE I - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

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

2008	\$	39,312
2009		40,485
2010		41,222
2011		50,623
2012		69,086
2013-2017		214,217

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.

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 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.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2007 and 2006

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 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.

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

	2007	2006
Baptist General Convention of the State of Oklahoma	\$ 27,606,356	\$ 27,715,449
Oklahoma Baptist Homes for Children, Inc.	61,121,045	54,777,329
Oklahoma Baptist University	82,902,914	76,482,851
Baptist Village Retirement Communities of Oklahoma, Inc.	9,215,074	8,814,997
Baptist churches and institutions	40,514,095	37,746,445
Individuals and non-Baptist charities	42,324,229	40,513,829
	\$ 263,683,713	\$ 246,050,900

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2007 and 2006

NOTE K - 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 for the year ended December 31, 2007 were \$50,000 (\$49,992 for the year ended December 31, 2006).

As discussed in Note M, 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 Church Building Loan Committee with consideration given to the current rates available from commercial sources. The balance of church building loans outstanding at December 31, 2007 was \$55,020,821 (\$49,359,747 at December 31, 2006). An allowance of \$1,130,036 for uncollectible loans was recorded as of December 31, 2007 (\$1,036,410 as of December 31, 2006). Loans totaling \$1,650,619 and \$1,768,043 were guaranteed by the Baptist Foundation of Texas under a guaranty servicing agreement at December 31, 2007 and 2006, respectively.

NOTE L - PENSION PLAN

All employees of the Foundation are eligible to participate in a 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 for the year ended December 31, 2007 was \$139,306 (\$130,162 for the year ended December 31, 2006). The Foundation's policy is to fund pension cost as it is incurred.

NOTE M - 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 \$148,456 for 2007 (\$143,119 for 2006). The future annual rental commitments reflect anticipated annual renewals through the expected lives of the related leasehold improvements.

The Baptist Foundation of Oklahoma

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2007 and 2006

NOTE M - LEASED FACILITIES - CONTINUED

The Foundation also leases office facilities in Tulsa under a lease expiring December 31, 2008. Expense under the lease for 2007 totaled \$21,369 (\$20,515 for 2006).

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	
2008	\$ 171,600
2009	157,430
2010	162,694
2011	168,133
2012	173,754
Thereafter	<u>755,085</u>
	<u>\$ 1,588,696</u>

NOTE N - COMMITMENTS AND CONTINGENCIES

At December 31, 2007, the Foundation had outstanding commitments totaling \$12,846,433 (\$18,134,912 at December 31, 2006) for church building loans.

At December 31, 2007, the Foundation had unfunded commitments totaling \$15,404,292 (\$12,395,330 at December 31, 2006) to purchase units of alternative investments.

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.

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, 2007 and 2006, which are presented in the preceding section of this report. The supplementary information as of and for the years ended December 31, 2007 and 2006, 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 17, 2007

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

December 31, 2007

	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	\$ 7,603,615	\$ 1,463,136	\$ 417,134	\$ 3,444,779	\$ 883,070	\$ 13,811,734	\$ 514,807	\$ 14,326,541
Certificates of deposit	-	-	-	-	170,000	170,000	-	170,000
Prepaid expenses and other	-	-	-	-	-	-	342,883	342,883
Investments								
Pooled investments - at market								
Domestic equities	55,456,098	12,331,883	9,616,878	13,912,642	49,896	91,367,397	3,739,535	95,106,932
International equities	22,538,544	4,827,245	3,872,556	5,558,898	21,279	36,818,522	1,511,633	38,330,155
Fixed income	37,556,955	9,237,288	9,613,966	18,203,651	218,258	74,830,118	2,787,029	77,617,147
Alternative investments	28,610,009	6,170,889	391,718	3,171,930	-	38,344,546	1,774,177	40,118,723
	<u>144,161,606</u>	<u>32,567,305</u>	<u>23,495,118</u>	<u>40,847,121</u>	<u>289,433</u>	<u>241,360,583</u>	<u>9,812,374</u>	<u>251,172,957</u>
Christian Stewardship mutual funds - at market	-	-	82,402	-	4,285,709	4,368,111	44,998	4,413,109
Other investments								
At market								
Corporate stocks and mutual funds	14,444	-	-	10,025	723,664	748,133	33,544	781,677
Bonds	-	-	4,047	1	-	4,048	1,349	5,397
At contributed value or cost								
Notes receivable	-	4,717	-	17,261	17,950	39,928	284,067	323,995
Mineral interests	1,594,550	39,535	74,521	72,099	8,945	1,789,650	44,206	1,833,856
Real estate	82,628	-	427,600	6,000	744,891	1,261,119	-	1,261,119
Life and annuity contracts and other	17,773	-	30,591	-	82,043	130,407	1,686	132,093
	<u>1,709,395</u>	<u>44,252</u>	<u>536,759</u>	<u>105,386</u>	<u>1,577,493</u>	<u>3,973,285</u>	<u>364,852</u>	<u>4,338,137</u>
Total investments	145,871,001	32,611,557	24,114,279	40,952,507	6,152,635	249,701,979	10,222,224	259,924,203
Remainder interest in assets held by others	-	-	-	-	-	-	1,241,472	1,241,472
Long term receivable	-	-	-	-	-	-	8,608	8,608
Property and equipment, net	-	-	-	-	-	-	764,415	764,415
Total assets	153,474,616	34,074,693	24,531,413	44,397,286	7,205,705	263,683,713	13,094,409	276,778,122
Accounts payable and accrued	-	-	-	-	-	-	753,756	753,756
Net assets held for beneficial owners	153,474,616	34,074,693	24,531,413	44,397,286	7,205,705	263,683,713	12,340,653	276,024,366
Liability to income beneficiaries	-	-	9,138,092	-	-	9,138,092	-	9,138,092
Net assets held for beneficial owners of remainder interests	<u>\$ 153,474,616</u>	<u>\$ 34,074,693</u>	<u>\$ 15,393,321</u>	<u>\$ 44,397,286</u>	<u>\$ 7,205,705</u>	<u>\$ 254,545,621</u>	<u>\$ 12,340,653</u>	<u>\$ 266,886,274</u>

The Baptist Foundation of Oklahoma
SCHEDULES OF ASSETS HELD FOR BENEFICIAL OWNERS
December 31, 2006

	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	\$ 6,885,650	\$ 1,322,385	\$ 440,580	\$ 4,492,396	\$ 376,434	\$ 13,517,445	\$ 396,623	\$ 13,914,068
Certificates of deposit	25,000	-	-	-	172,000	197,000	-	197,000
Prepaid expenses and other	-	-	-	-	-	-	292,458	292,458
Investments								
Pooled investments - at market								
Domestic equities	58,696,757	12,527,430	9,230,323	13,383,388	60,398	93,898,296	4,134,799	98,033,095
International equities	19,926,335	4,192,998	3,303,278	4,242,429	27,101	31,692,141	1,387,890	33,080,031
Fixed income	32,795,134	8,454,458	8,182,661	19,552,048	245,767	69,230,068	2,567,409	71,797,477
Alternative investments	20,877,304	4,300,496	277,595	1,963,873	-	27,419,268	1,379,984	28,799,252
	<u>132,295,530</u>	<u>29,475,382</u>	<u>20,993,857</u>	<u>39,141,738</u>	<u>333,266</u>	<u>222,239,773</u>	<u>9,470,082</u>	<u>231,709,855</u>
Christian Stewardship mutual funds - at market	-	-	82,524	-	5,522,098	5,604,622	43,401	5,648,023
Other investments								
At market								
Corporate stocks and mutual funds	256	-	241,450	11,725	700,994	954,425	20,138	974,563
Bonds	-	168,030	4,089	1	-	172,120	1,363	173,483
At contributed value or cost								
Notes receivable	8,306	9,137	-	18,265	19,993	55,701	287,311	343,012
Mineral interests	1,594,529	39,531	74,521	72,093	8,945	1,789,619	34,206	1,823,825
Real estate	82,628	-	862,600	6,000	287,154	1,238,382	-	1,238,382
Life and annuity contracts and other	13,993	-	25,880	-	241,940	281,813	1,686	283,499
	<u>1,699,712</u>	<u>216,698</u>	<u>1,208,540</u>	<u>108,084</u>	<u>1,259,026</u>	<u>4,492,060</u>	<u>344,704</u>	<u>4,836,764</u>
Total investments	133,995,242	29,692,080	22,284,921	39,249,822	7,114,390	232,336,455	9,858,187	242,194,642
Remainder interest in assets held by others	-	-	-	-	-	-	1,161,128	1,161,128
Long term receivable	-	-	-	-	-	-	29,362	29,362
Property and equipment, net	-	-	-	-	-	-	724,117	724,117
Total assets	140,905,892	31,014,465	22,725,501	43,742,218	7,662,824	246,050,900	12,461,875	258,512,775
Accounts payable and accrued	-	-	-	-	-	-	719,341	719,341
Net assets held for beneficial owners	140,905,892	31,014,465	22,725,501	43,742,218	7,662,824	246,050,900	11,742,534	257,793,434
Liability to income beneficiaries	-	-	8,641,379	-	-	8,641,379	-	8,641,379
Net assets held for beneficial owners of remainder interests	<u>\$ 140,905,892</u>	<u>\$ 31,014,465</u>	<u>\$ 14,084,122</u>	<u>\$ 43,742,218</u>	<u>\$ 7,662,824</u>	<u>\$ 237,409,521</u>	<u>\$ 11,742,534</u>	<u>\$ 249,152,055</u>

The Baptist Foundation of Oklahoma

SCHEDULES OF CHANGES IN LIABILITIES TO BENEFICIAL OWNERS

Year ended December 31, 2007

	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, 2007	\$ 140,905,892	\$ 31,014,465	\$ 22,725,501	\$ 43,742,218	\$ 7,662,824	\$ 246,050,900
Additions						
Investment earnings						
Interest and dividends from pools - net of fees	2,919,364	697,146	632,970	1,247,851	12,665	5,509,996
Earnings from non-pooled investments	1,538,734	142,446	129,349	1,976,386	320,932	4,107,847
Net realized and unrealized gains (losses) on investments	8,605,813	1,909,518	1,220,510	2,043,573	119,927	13,899,341
Other income	28,720	82	2,503	1	54,712	86,018
Amounts received as advances or contributions to principal	3,906,845	1,784,748	2,185,213	6,231,408	5,114,645	19,222,859
Transfers from existing agreements	2,602,821	2,040	5,702	58,211	3,097	2,671,871
	<u>19,602,297</u>	<u>4,535,980</u>	<u>4,176,247</u>	<u>11,557,430</u>	<u>5,625,978</u>	<u>45,497,932</u>
Reductions						
Distributions of						
Accumulated income or amounts specified by agreement	6,895,468	1,370,675	1,599,126	-	2,924,275	12,789,544
Amounts advanced or held as principal	-	-	-	10,440,893	-	10,440,893
Expenses incurred or paid on behalf of beneficial owners	138,105	37,591	576,808	461,469	748,838	1,962,811
Transfers to existing agreements	-	67,486	194,401	-	2,409,984	2,671,871
	<u>7,033,573</u>	<u>1,475,752</u>	<u>2,370,335</u>	<u>10,902,362</u>	<u>6,083,097</u>	<u>27,865,119</u>
Liability to beneficial owners at December 31, 2007	<u>\$ 153,474,616</u>	<u>\$ 34,074,693</u>	<u>\$ 24,531,413</u>	<u>\$ 44,397,286</u>	<u>\$ 7,205,705</u>	<u>\$ 263,683,713</u>

The Baptist Foundation of Oklahoma
SCHEDULES OF CHANGES IN LIABILITIES TO BENEFICIAL OWNERS
Year ended December 31, 2006

	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, 2006	\$ 131,535,873	\$ 28,749,887	\$ 22,698,738	\$ 43,756,034	\$ 8,435,564	\$ 235,176,096
Additions						
Investment earnings						
Interest and dividends from pools - net of fees	2,761,030	651,194	537,411	1,089,808	11,184	5,050,627
Earnings from non-pooled investments	1,385,336	115,998	212,747	402,320	336,061	2,452,462
Net realized and unrealized gains (losses) on investments	8,240,715	1,727,478	1,580,811	2,084,200	190,897	13,824,101
Other income	1,184	-	2,918	-	72,190	76,292
Amounts received as advances or contributions to principal	1,771,862	1,089,211	1,080,574	3,140,406	618,749	7,700,802
Transfers from existing agreements	1,607,108	37,392	25,909	657,127	50,063	2,377,599
	<u>15,767,235</u>	<u>3,621,273</u>	<u>3,440,370</u>	<u>7,373,861</u>	<u>1,279,144</u>	<u>31,481,883</u>
Reductions						
Distributions of						
Accumulated income or amounts specified by agreement	6,181,272	1,321,054	1,427,144	-	1,042,524	9,971,994
Amounts advanced or held as principal	-	-	-	6,938,232	-	6,938,232
Expenses incurred or paid on behalf of beneficial owners	107,981	35,641	283,136	349,193	543,303	1,319,254
Transfers to existing agreements	107,963	-	1,703,327	100,252	466,057	2,377,599
	<u>6,397,216</u>	<u>1,356,695</u>	<u>3,413,607</u>	<u>7,387,677</u>	<u>2,051,884</u>	<u>20,607,079</u>
Liability to beneficial owners at December 31, 2006	<u>\$ 140,905,892</u>	<u>\$ 31,014,465</u>	<u>\$ 22,725,501</u>	<u>\$ 43,742,218</u>	<u>\$ 7,662,824</u>	<u>\$ 246,050,900</u>

The Baptist Foundation of Oklahoma
SCHEDULES OF FUNCTIONAL EXPENSES
Year ended December 31, 2007

	<u>Total</u>	<u>Program service</u>	<u>Management and general</u>
Salaries	\$ 1,458,334	\$ 1,039,590	\$ 418,744
Employee benefits	494,760	309,268	185,492
Continuing education, professional dues and publications	57,713	41,758	15,955
Travel, meals and lodging	99,719	57,205	42,514
Office materials, supplies and printing	16,262	6,648	9,614
Postage and telephone	53,034	22,918	30,116
Office equipment and computer expense and maintenance	113,971	82,453	31,518
Insurance	77,313	43,762	33,551
Building rent	173,425	99,197	74,228
Legal and accounting fees	223,829	151,822	72,007
Consultant and professional service fees	186,039	44,151	141,888
Communication and public relations	124,161	121,543	2,618
Depreciation	157,922	85,827	72,095
Miscellaneous	<u>25,506</u>	<u>907</u>	<u>24,599</u>
 Total expenses	 3,261,988	 2,107,049	 1,154,939
 Distributions to students, elderly and to charitable causes	 <u>198,530</u>	 <u>198,530</u>	 <u>-</u>
 Total expenses and distributions	 <u>\$ 3,460,518</u>	 <u>\$ 2,305,579</u>	 <u>\$ 1,154,939</u>

The Baptist Foundation of Oklahoma
SCHEDULES OF FUNCTIONAL EXPENSES
Year ended December 31, 2006

	<u>Total</u>	<u>Program service</u>	<u>Management and general</u>
Salaries	\$ 1,367,683	\$ 971,896	\$ 395,787
Employee benefits	482,834	314,315	168,519
Continuing education, professional dues and publications	59,337	47,475	11,862
Travel, meals and lodging	96,921	61,121	35,800
Office materials, supplies and printing	15,379	6,899	8,480
Postage and telephone	48,755	21,729	27,026
Office equipment and computer expense and maintenance	130,665	65,853	64,812
Insurance	76,236	43,152	33,084
Building rent	167,234	95,674	71,560
Legal and accounting fees	232,363	161,191	71,172
Consultant and professional service fees	155,488	18,257	137,231
Communication and public relations	91,101	87,203	3,898
Depreciation	136,843	76,359	60,484
Miscellaneous	<u>116,886</u>	<u>75,843</u>	<u>41,043</u>
 Total expenses	 3,177,725	 2,046,967	 1,130,758
 Distributions to students, elderly and to charitable causes	 <u>198,292</u>	 <u>198,292</u>	 <u>-</u>
 Total expenses and distributions	 <u>\$ 3,376,017</u>	 <u>\$ 2,245,259</u>	 <u>\$ 1,130,758</u>