

The Baptist Foundation of Oklahoma

Consolidated Financial Statements and Report of Independent Certified Public Accountants
December 31, 2016 and 2015

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated financial statements of The Baptist Foundation of Oklahoma (an Oklahoma not-for-profit organization) and subsidiary, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness

of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Baptist Foundation of Oklahoma and subsidiary as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 46 to 51 is presented for purposes of additional analysis and is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Oklahoma City, Oklahoma
April 27, 2017

The Baptist Foundation of Oklahoma

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

| ASSETS | <u>2016</u> | <u>2015</u> |
|---|----------------------|-----------------------|
| Cash and cash equivalents | \$ 14,562,204 | \$ 11,056,297 |
| Certificates of deposit | 502,357 | 1,006,864 |
| Prepaid expenses and other | 150,855 | 125,155 |
| Investments | | |
| Pooled investments - at market | | |
| Domestic equities | 39,282,354 | 30,811,000 |
| International equities | 41,567,678 | 40,193,056 |
| Fixed income | 97,399,362 | 90,083,356 |
| Alternative investments | <u>162,693,002</u> | <u>171,555,661</u> |
| | <u>340,942,396</u> | <u>332,643,073</u> |
| Other investments | | |
| At market | | |
| Corporate stocks and mutual funds | 6,056,224 | 4,921,284 |
| Bonds | - | 15,544 |
| Mineral interests | 19,244,911 | 20,588,246 |
| Limited Partnerships | 3,498,850 | - |
| At contributed value or cost | | |
| Notes receivable held in trust accounts | 228,597 | 194,352 |
| Real estate | 1,158,639 | 1,604,961 |
| Life and annuity contracts and other | <u>169,962</u> | <u>158,542</u> |
| | <u>30,357,183</u> | <u>27,482,929</u> |
| Total investments | 371,299,579 | 360,126,002 |
| Property and equipment, net | <u>1,255,938</u> | <u>1,103,012</u> |
| | <u>\$387,770,933</u> | <u>\$ 373,417,330</u> |

The accompanying notes are an integral part of these statements.

The Baptist Foundation of Oklahoma

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

| LIABILITIES AND NET ASSETS | <u>2016</u> | <u>2015</u> |
|--|-----------------------------|------------------------------|
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 526,353 | \$ 389,841 |
| Accrued postretirement benefits | 411,516 | 471,755 |
| Liabilities for participation agreements | 3,566,793 | 2,787,566 |
| Liabilities to beneficial owners | | |
| Liability to income beneficiaries under split-interest agreements | | |
| Gift annuity contracts | 2,827,292 | 2,899,212 |
| Irrevocable trust agreements | <u>2,509,574</u> | <u>2,645,947</u> |
| | <u>5,336,866</u> | <u>5,545,159</u> |
| Assets held for others | | |
| Assets held as trustee under permanent endowments | 167,401,735 | 163,462,284 |
| Assets held under agreements with affiliated entities to administer endowments or other trust funds | 57,339,782 | 55,547,618 |
| Remainder interests under gift annuity contracts and irrevocable trust agreements | <u>19,261,043</u> | <u>18,559,408</u> |
| | <u>244,002,560</u> | <u>237,569,310</u> |
| Refundable advances | | |
| Assets held under custodial arrangements with affiliated entities | 106,585,900 | 99,036,480 |
| Conditional transfers from donors | <u>6,531,881</u> | <u>7,436,863</u> |
| | <u>113,117,781</u> | <u>106,473,343</u> |
| Total liabilities to beneficial owners | 362,457,207 | 349,587,812 |
| Commitments and contingencies (NOTE O) | | |
| Net assets | | |
| Unrestricted | 6,547,184 | 6,171,523 |
| Temporarily restricted | 3,060,649 | 3,003,315 |
| Permanently restricted | <u>11,201,231</u> | <u>11,005,518</u> |
| | <u>20,809,064</u> | <u>20,180,356</u> |
| | <u>\$387,770,933</u> | <u>\$ 373,417,330</u> |

The accompanying notes are an integral part of these statements.

The Baptist Foundation of Oklahoma

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

December 31, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Revenues, gains and other support | | | | |
| Fees for asset management and trust administration | \$ 3,973,394 | \$ - | \$ - | \$ 3,973,394 |
| Investment return | | | | |
| Interest and dividends from investment pools | 1,647,578 | 175,978 | - | 1,823,556 |
| Interest, dividends and other investment earnings | 6,003 | 160,016 | - | 166,019 |
| Net realized and unrealized gains (losses) on investments | 150,441 | 488,786 | - | 639,227 |
| Other support and revenue | | | | |
| Cooperative program allocation | 24,634 | - | - | 24,634 |
| Contributions | 94,133 | 930 | 193,060 | 288,123 |
| Other | 18,051 | 662 | - | 18,713 |
| Reclassification of net assets | | | | |
| Reclassification for income preservation | - | (2,653) | 2,653 | - |
| Reclassification for accounts with total net asset balances less than the original gift | (1,402) | 1,402 | - | - |
| Net assets released from restriction | <u>767,787</u> | <u>(767,787)</u> | <u>-</u> | <u>-</u> |
| Total revenues, gains and other support | <u>6,680,619</u> | <u>57,334</u> | <u>195,713</u> | <u>6,933,666</u> |
| Expenses and distributions | | | | |
| Program services | | | | |
| Estate planning, trust, investment and lending services for Southern Baptist organizations | 3,780,256 | - | - | 3,780,256 |
| Distributions to students, elderly and charitable causes | 460,478 | - | - | 460,478 |
| Management and general | <u>2,099,668</u> | <u>-</u> | <u>-</u> | <u>2,099,668</u> |
| Total expenses | 6,340,402 | - | - | 6,340,402 |
| Pension related changes other than net periodic pension costs | <u>35,444</u> | <u>-</u> | <u>-</u> | <u>35,444</u> |
| CHANGE IN NET ASSETS | 375,661 | 57,334 | 195,713 | 628,708 |
| Net assets at beginning of year | <u>6,171,523</u> | <u>3,003,315</u> | <u>11,005,518</u> | <u>20,180,356</u> |
| Net assets at end of year | <u>\$ 6,547,184</u> | <u>\$ 3,060,649</u> | <u>\$ 11,201,231</u> | <u>\$ 20,809,064</u> |

The accompanying notes are an integral part of these statements.

The Baptist Foundation of Oklahoma

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

December 31, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|----------------------|
| Revenues, gains and other support | | | | |
| Fees for asset management and trust administration | \$ 4,148,240 | \$ - | \$ - | \$ 4,148,240 |
| Investment return | | | | |
| Interest and dividends from investment pools | 1,488,950 | 203,751 | - | 1,692,701 |
| Interest, dividends and other investment earnings | 7,840 | 302,716 | - | 310,556 |
| Net realized and unrealized gains (losses) on investments | (87,506) | 2,159 | - | (85,347) |
| Other support and revenue | | | | |
| Cooperative program allocation | 23,748 | - | - | 23,748 |
| Contributions | 31,248 | 987 | 164,335 | 196,570 |
| Other | 14,845 | 5,342 | - | 20,187 |
| Reclassification of net assets | | | | |
| Reclassification for income preservation | - | 51,097 | (51,097) | - |
| Reclassification for accounts with total net asset balances less than the original gift | (1,889) | 1,889 | - | - |
| Net assets released from restriction | <u>902,738</u> | <u>(902,738)</u> | <u>-</u> | <u>-</u> |
| Total revenues, gains and other support | <u>6,528,214</u> | <u>(334,797)</u> | <u>113,238</u> | <u>6,306,655</u> |
| Expenses and distributions | | | | |
| Program services | | | | |
| Estate planning, trust, investment and lending services for Southern Baptist organizations | 3,767,545 | - | - | 3,767,545 |
| Distributions to students, elderly and charitable causes | 428,374 | - | - | 428,374 |
| Management and general | <u>1,635,228</u> | <u>-</u> | <u>-</u> | <u>1,635,228</u> |
| Total expenses | 5,831,147 | - | - | 5,831,147 |
| Pension related changes other than net periodic pension costs | <u>28,631</u> | <u>-</u> | <u>-</u> | <u>28,631</u> |
| CHANGE IN NET ASSETS | 725,698 | (334,797) | 113,238 | 504,139 |
| Net assets at beginning of year | <u>5,445,825</u> | <u>3,338,112</u> | <u>10,892,280</u> | <u>19,676,217</u> |
| Net assets at end of year | <u>\$ 6,171,523</u> | <u>\$ 3,003,315</u> | <u>\$ 11,005,518</u> | <u>\$ 20,180,356</u> |

The accompanying notes are an integral part of these statements.

The Baptist Foundation of Oklahoma

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31,

| | <u>2016</u> | <u>2015</u> |
|--|----------------------|------------------------|
| Cash flows from operating activities | | |
| Cash received as fees for asset management and trust administration | \$ 3,973,394 | \$ 4,148,240 |
| Interest, dividends and other investment income received | 1,989,575 | 2,003,257 |
| Cash received from donors and under Cooperative Program | 117,044 | 107,080 |
| Cash paid to employees, suppliers and to benefit recipients | (5,230,366) | (5,110,136) |
| Cash paid for interest | (787,891) | (547,644) |
| Cash received from other sources | 18,713 | 20,187 |
| Cash flows related to assets held for beneficial owners | | |
| Cash received from or on behalf of beneficial owners | 37,823,473 | 33,817,693 |
| Earnings on assets held for beneficial owners | 10,002,974 | 12,930,719 |
| Distributions to or on behalf of beneficial owners | (47,004,118) | (62,437,138) |
| | <u>822,329</u> | <u>(15,688,726)</u> |
| Net cash provided by (used in) operating activities | <u>902,798</u> | <u>(15,067,742)</u> |
| Cash flows from investing activities | | |
| Purchases of certificates of deposit | (500,014) | (1,097,745) |
| Sales of certificates of deposit | 1,002,659 | 1,923,880 |
| Purchases of units in investment pools | 64,321,743 | (92,049,948) |
| Sales of units in investment pools | (63,270,077) | 98,565,040 |
| Advances on notes receivable | (71,508) | (41,104) |
| Collections on notes receivable | 37,263 | 15,119 |
| Purchases of other investments | (2,489,236) | (2,714,687) |
| Sales of other investments | 2,986,393 | 4,299,505 |
| Purchases of property and equipment | (501,304) | (378,647) |
| Sales of property and equipment | 112,250 | 70,160 |
| Net cash provided by (used in) investing activities | <u>1,628,169</u> | <u>8,591,573</u> |
| Cash flows from financing activities | | |
| Proceeds from sale of participation agreements | 1,617,011 | 1,621,400 |
| Payments to participation agreement owners | (837,784) | (267,302) |
| Proceeds from contributions restricted for investment in endowments | 195,713 | 113,238 |
| Net cash provided by (used in) financing activities | <u>974,940</u> | <u>1,467,336</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 3,505,907 | (5,008,833) |
| Cash and cash equivalents at beginning of year | <u>11,056,297</u> | <u>16,065,130</u> |
| Cash and cash equivalents at end of year | <u>\$ 14,562,204</u> | <u>\$ 11,056,297</u> |
| Reconciliation of change in net assets to net cash provided by (used in) operating activities | | |
| Change in net assets | \$ 628,708 | \$ 504,139 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Net realized and unrealized (gains) losses on investments | (639,227) | 85,347 |
| (Gain) loss on sale of property and equipment | 15,320 | 4,054 |
| Depreciation | 220,808 | 161,849 |
| (Increase) decrease in prepaid expenses and other | (25,700) | (7,169) |
| Increase (decrease) in accounts payable and accrued expenses | 136,512 | 18,528 |
| Increase (decrease) in accrued postretirement benefits | (60,239) | (32,526) |
| Cash increase (decrease) related to beneficial owners | 822,329 | (15,688,726) |
| Contributions and other earnings restricted for long-term investments | (195,713) | (113,238) |
| Net cash provided by (used in) operating activities | <u>\$ 902,798</u> | <u>\$ (15,067,742)</u> |

Non-cash activities:

Liabilities to beneficial owners include net realized and unrealized gains (losses) of \$7,837,449 and \$(2,731,322) for 2016 and 2015, non-cash receipts of other investments of \$5,018,671 and \$3,293,542 for 2016 and 2015, and non-cash disposals of other investments of \$401,604 and \$384,882 for 2016 and 2015.

The accompanying notes are an integral part of these statements.

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES

The Baptist Foundation of Oklahoma (Foundation) is a private, nonprofit religious association chartered by the State of Oklahoma on October 31, 1946 for perpetual existence without capital stock. Its creation was approved by the Baptist General Convention of the State of Oklahoma (Convention) to administer funds and property received by gift, device, and bequest or otherwise in order to assist and promulgate the furtherance of the Convention and to promote Baptist doctrines, evangelism, Christian education and both home and foreign mission work. The Foundation qualifies as 501(c)(3) public charity.

The Foundation formed 25:21, LLC (LLC) on November 15th, 2016 with the purpose of allowing internally managed pools to participate as a direct investor in local investing opportunities. The Foundation is the sole member of the LLC. At December 31, 2016, the LLC had committed capital to one real estate company. The LLC is an Oklahoma limited liability company and will continue perpetually until terminated pursuant to statute or any provision of the operating agreement.

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

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

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

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

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

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

1. Consolidation

The accompanying financial statements have been prepared on the accrual basis and include the activities and net assets of 25:21 LLC, its wholly-owned subsidiary, from the date of formation to December 31, 2016. All significant intercompany balances and transactions have been eliminated.

2. Recognition of Donor Restrictions

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

3. Cash and Cash Equivalents

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

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

4. Investments

Pooled Investments

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

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

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

Pooled investments are carried at fair market value or at cost if no fair market value can be established. Fair market value for pooled investments, excluding church building loans and alternative investments, is provided by brokers. Church building loans are carried at the total principal balance of these loans less an allowance for loan losses. The board approves the methodology used to establish interest rates so that the rates reflect market conditions. The adjustable interest rate on each church building loan is adjusted either on a one, three, five, or ten year basis, dependent on terms selected by the borrower at the time of loan origination. These adjustments result in the principal balances approximating current market value. Management believes that adjustments, if any, to market value would be nominal and, as such, the carrying value approximates market value. Church building loans mature at various dates through December, 2037 and bear interest at rates ranging from 2.50% to 6.75%.

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

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

Other Investments

Other investments stated at fair market value consist primarily of corporate stocks, mutual funds, bonds, oil and gas income producing properties, and a limited partnership. The corporate stocks, mutual funds, bonds, are stated at fair market value provided by brokers. 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. The limited partnership is stated at fair market value as determined by the Foundation after examining current purchases and sales of the fund as provided by the audit of the fund in addition to observing partnership agreements and current offering documents.

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

5. Allowance for Loan Losses

Church building loans included in fixed income pools are presented net of an allowance for loan losses. 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.

6. 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. The Foundation had one loan on nonaccrual status at December 31, 2016 and 2015.

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

7. Liabilities for Participation Agreements

Although most loans made by the Foundation are to Southern Baptist churches within the state of Oklahoma, loans are also made to Southern Baptist churches in other states. In some cases, cooperating state foundations will invest in loans made in their state through a participation agreement with the Foundation. The governing participation agreements do not allow the sale of the cooperating foundation's investment in the loans to a third party organization. As a result, these participation agreements do not meet the accounting criteria for treatment as a sale and, therefore, are shown as a liability instead of a reduction in the notes receivable balance.

8. 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.

9. Donor Advised Funds

Donor advised funds are reported as irrevocable interests in the liability category of Assets Held for Others since donations to these accounts are irrevocable. The Foundation has variance powers, or legal control, over the assets in each account. However, each account has an advisor, or advisors, that retains advisory privileges with respect to the distribution of the funds and the investment of the assets. The Foundation's procedure has been to honor these requests as long as each meets legal guidelines and does not conflict with the Foundation's mission.

10. Property and Equipment

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

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

11. 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 own assets.

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

12. 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.

13. 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.

14. 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 2016 or 2015. Accordingly, no provision for taxes has been made in the accompanying financial statements. The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Generally, the Foundation is no longer subject to income tax examination by federal, state or local tax authorities for years prior to 2013. In addition, the Foundation had net operating loss carryforwards of approximately \$1,920,000 at December 31, 2016 which begin to expire in 2026. The generation of the net operating loss carryforward is a result of unrelated business losses from their various partnership investments. At no time since the inception of these investments has the organization generated net unrelated business income. There were no deferred income taxes at December 31, 2016 or 2015 due to valuation allowances associated with deferred income tax assets. The Foundation's wholly-owned subsidiary, 25:21 LLC, is an Oklahoma limited liability company and therefore is treated as pass-through entity for income tax purposes. As a pass-through entity, income taxes on net earnings are payable by the members and are not reflected in the financial statements.

15. Functional Allocation of Expenses

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

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

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

16. 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.

17. Reclassifications

Certain reclassifications of prior year comparative information have been made in order to conform to current year presentation. These reclassifications had no effect on net assets or the change in net assets.

18. Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 will make a number of significant changes to the presentation of financial statements for not-for-profit entities. The guidance requires retrospective application and will be effective for financial statements issued for fiscal years beginning after December 15, 2017. Early implementation is allowed. The Foundation is currently evaluating the impact of this pronouncement.

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, and alternative investments.

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 CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE B - POOLED INVESTMENTS - CONTINUED

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

| | 2016 | | |
|------------------------------------|-----------------------|--------------------------------|-----------------------|
| | Cost | Appreciation (depreciation) | Market |
| Domestic equities | | | |
| Cash | \$ (56,512) | \$ - | \$ (56,512) |
| Money market accounts | 2,171,619 | - | 2,171,619 |
| Marketable equity securities | <u>29,128,256</u> | <u>8,038,991</u> | <u>37,167,247</u> |
| | <u>31,243,363</u> | <u>8,038,991</u> | <u>39,282,354</u> |
| International equities | | | |
| Cash | 329 | - | 329 |
| Money market accounts | 220,353 | - | 220,353 |
| Marketable equity securities | <u>41,836,697</u> | <u>(489,701)</u> | <u>41,346,996</u> |
| | <u>42,057,379</u> | <u>(489,701)</u> | <u>41,567,678</u> |
| Fixed income | | | |
| Cash | 368,015 | - | 368,015 |
| Money market accounts | 213,587 | - | 213,587 |
| Foreign debt securities | 279,248 | 245 | 279,493 |
| Corporate debt securities | 3,868,917 | (169,494) | 3,699,423 |
| U.S. Government securities | 16,568,804 | (371,746) | 16,197,058 |
| Accrued interest income | 72,287 | - | 72,287 |
| Church building loans | 78,236,024 | - | 78,236,024 |
| Accrued interest on loans | 216,906 | - | 216,906 |
| Allowance for loan losses | <u>(1,883,431)</u> | <u>-</u> | <u>(1,883,431)</u> |
| | <u>97,940,357</u> | <u>(540,995)</u> | <u>97,399,362</u> |
| Alternative investments | | | |
| Cash and money market accounts | (869,062) | - | (869,062) |
| Margin cash | 8,230,027 | - | 8,230,027 |
| Futures contracts (mark-to-market) | - | (83,267) | (83,267) |
| Church building loans | 15,000,000 | - | 15,000,000 |
| Structured settlements | 3,876,990 | 45,852 | 3,922,842 |
| Distressed debt | 542,482 | 864,245 | 1,406,727 |
| Distressed equity | 17,771,800 | 1,923,569 | 19,695,369 |
| Venture capital | 7,179,064 | 4,114,871 | 11,293,935 |
| Private equity | 11,252,930 | 4,319,563 | 15,572,493 |
| Real estate | 5,763,614 | 1,316,390 | 7,080,004 |
| Real assets | 5,938,034 | 2,064,601 | 8,002,635 |
| Developed markets hedge fund | 32,279,131 | (1,004,529) | 31,274,602 |
| Emerging markets hedge fund | 9,000,000 | 1,378,911 | 10,378,911 |
| Absolute return hedge fund | 24,006,556 | 2,388,009 | 26,394,565 |
| Commodities hedge fund | 208,683 | - | 208,683 |
| Direct lending | <u>5,239,829</u> | <u>(55,291)</u> | <u>5,184,538</u> |
| | <u>145,420,078</u> | <u>17,272,924</u> | <u>162,693,002</u> |
| Total pooled investments | <u>\$ 316,661,177</u> | <u>\$ 24,281,219</u> | <u>\$ 340,942,396</u> |

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE B - POOLED INVESTMENTS – CONTINUED

| | 2015 | | |
|------------------------------------|-----------------------|--------------------------------|-----------------------|
| | Cost | Appreciation (depreciation) | Market |
| Domestic equities | | | |
| Cash | \$ (65,774) | \$ - | \$ (65,774) |
| Money market accounts | 162,065 | - | 162,065 |
| Marketable equity securities | <u>24,968,072</u> | <u>5,746,637</u> | <u>30,714,709</u> |
| | <u>25,064,363</u> | <u>5,746,637</u> | <u>30,811,000</u> |
| International equities | | | |
| Cash | 10,521 | - | 10,521 |
| Money market accounts | 228,601 | - | 228,601 |
| Marketable equity securities | <u>37,801,195</u> | <u>2,152,739</u> | <u>39,953,934</u> |
| | <u>38,040,317</u> | <u>2,152,739</u> | <u>40,193,056</u> |
| Fixed income | | | |
| Cash | (9,684) | - | (9,684) |
| Money market accounts | 235,884 | - | 235,884 |
| Foreign debt securities | 186,938 | (5,844) | 181,094 |
| Corporate debt securities | 4,320,931 | (207,335) | 4,113,596 |
| U.S. Government securities | 12,271,796 | (165,676) | 12,106,120 |
| Accrued interest income | 72,698 | - | 72,698 |
| Church building loans | 75,050,293 | - | 75,050,293 |
| Accrued interest on loans | 229,640 | - | 229,640 |
| Allowance for loan losses | <u>(1,896,285)</u> | <u>-</u> | <u>(1,896,285)</u> |
| | <u>90,462,211</u> | <u>(378,855)</u> | <u>90,083,356</u> |
| Alternative investments | | | |
| Cash and money market accounts | 193,215 | - | 193,215 |
| Margin cash | 3,231,096 | - | 3,231,096 |
| Futures contracts (mark-to-market) | - | (65,083) | (65,083) |
| Church building loans | 17,000,000 | - | 17,000,000 |
| Structured settlements | 4,069,223 | 47,551 | 4,116,774 |
| Distressed debt | 818,427 | 520,917 | 1,339,344 |
| Distressed equity | 12,004,326 | 2,146,683 | 14,151,009 |
| Venture capital | 6,463,941 | 4,322,966 | 10,786,907 |
| Private equity | 11,270,047 | 3,410,534 | 14,680,581 |
| Real estate | 9,906,978 | 1,069,974 | 10,976,952 |
| Real assets | 3,480,666 | 733,196 | 4,213,862 |
| Developed markets hedge fund | 42,519,437 | (299,832) | 42,219,605 |
| Emerging markets hedge fund | 8,000,000 | 432,887 | 8,432,887 |
| Absolute return hedge fund | 29,019,255 | 1,508,637 | 30,527,892 |
| Commodities hedge fund | 3,900,000 | 484,980 | 4,384,980 |
| Direct lending | <u>5,468,635</u> | <u>(102,995)</u> | <u>5,365,640</u> |
| | <u>157,345,246</u> | <u>14,210,415</u> | <u>171,555,661</u> |
| Total pooled investments | <u>\$ 310,912,137</u> | <u>\$ 21,730,936</u> | <u>\$ 332,643,073</u> |

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE B - POOLED INVESTMENTS - CONTINUED

Alternative Investments

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

| Investment Category | Fair Value (Determined Using NAV) | | Unfunded | Redemption | Redemption Period |
|---------------------------------|--------------------------------------|-----------------------|----------------------|---|----------------------|
| | 2016 | 2015 | Commitments 2016 | Frequency (if currently eligible) | |
| Structured settlements (a) | \$ 3,922,842 | \$ 4,116,774 | \$ - | N/A | N/A |
| Distressed debt (b) | 1,406,727 | 1,339,344 | 124,044 | N/A | N/A |
| Distressed equity (c) | 19,695,369 | 14,151,009 | 27,422,473 | N/A | N/A |
| Venture capital (d) | 11,293,935 | 10,786,907 | 3,621,823 | N/A | N/A |
| Private equity (e) | 15,572,493 | 14,680,581 | 9,979,794 | N/A | N/A |
| Real estate (f) | 7,080,004 | 10,976,952 | 16,361,893 | N/A | N/A |
| Real assets (g) | 8,002,635 | 4,213,862 | 5,002,037 | N/A | N/A |
| Developed market hedge fund (h) | 31,274,602 | 42,219,605 | - | Monthly, Quarterly, & Annually | 45-90 days |
| Emerging markets hedge fund (i) | 10,378,911 | 8,432,887 | - | Quarterly | 65 days |
| Absolute return hedge fund (j) | 26,394,565 | 30,527,892 | - | Quarterly | 45-65 days |
| Commodities hedge fund (k) | 208,683 | 4,384,980 | - | N/A | N/A |
| Direct lending (l) | <u>5,184,538</u> | <u>5,365,640</u> | <u>9,989,414</u> | N/A | N/A |
| | <u>\$ 140,415,304</u> | <u>\$ 151,196,433</u> | <u>\$ 72,501,478</u> | | |

- (a) This category includes an investment in a fund that purchases annuities from litigants for a present value discounted price. The annuities are typically held until maturity. The fund returns contributed capital to investors as the fund receives the annuity payments. Redemption by the investor is not permitted.
- (b) This category includes investments in limited partnerships that invest in non-performing collateralized loans from banks, government agencies, or other financial organizations. The strategy is to pursue investments collateralized by or involving an ownership interest in hard or resalable assets at a deep discount to face or book value. The partnerships return contributed capital to investors as underlying investments are liquidated. Redemption by the investor is not permitted.
- (c) This category includes investments in limited partnerships that invest in multiple manager investment programs that seek to invest in top-tier distressed and turnaround managers in both private and public markets globally. The partnerships return contributed capital to investors as underlying investments are liquidated. Redemption by the investor is not permitted.

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE B - POOLED INVESTMENTS - CONTINUED

Alternative Investments - Continued

- (d) This category includes investments in limited partnerships that invest in venture capital with exposure to early stage opportunities. The investment objective is to attain small capitalization equity-like returns. The partnerships return contributed capital to investors as underlying investments are liquidated. Redemption by the investor is not permitted.
- (e) This category includes investments in limited partnerships that invest in private equity partnerships using multiple strategies either by direct investment or by purchase on a secondary market. The investment objective will be to attain equity-like returns over the life of the partnership. The partnerships return contributed capital to investors as underlying investments are liquidated. Redemption by the investor is not permitted.
- (f) This category includes investments in limited partnerships that invest with developers in real estate. The partnerships return contributed capital to investors as underlying investments are liquidated. Redemption by the investor is not permitted.
- (g) This category includes investments in limited partnerships that invest in real assets funds with strategies including oil and gas production, power and energy infrastructure, and oil and gas private equity. The partnerships seek to earn returns that protect the portfolio against inflation. The partnerships return capital to investors as underlying investments are liquidated. Redemption by the investor is not permitted.
- (h) This category includes investments in limited partnerships attempting to achieve returns consistent to that of public markets over a full economic cycle with less volatility by investing both long and short in public companies in developed markets. For two investments, no redemptions are currently allowed. Both investments plan to return all capital within the next three years. Capital will be returned to investors as the underlying holdings are liquidated. For the remaining four investments, the Foundation has begun requesting redemption based on stated partnership terms and expects full return of capital within two years.
- (i) This category includes an investment in a limited partnership that attempts to achieve returns consistent to that of public markets over a full economic cycle with less volatility by investing both long and short in public companies in emerging markets. The investment in this category can be redeemed quarterly based on stated partnership terms.
- (j) This category includes investments in limited partnerships that invest in hedge funds using multiple managers and multiple strategies. The goal of each investment is the preservation of capital while seeking to achieve superior, consistent, absolute returns with a risk level comparable to the major bond indices. For three investments, no redemptions are currently allowed. All three investments should return remaining capital within the next three years. Capital will be returned to investors as the underlying holdings are liquidated. For another investment, full redemption has been requested based on stated partnership terms. Only a litigation holdback remains in this investment and return of capital is expected upon resolution of the lawsuit. Each of the other investments in this category can be redeemed quarterly based on stated partnership terms.

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE B - POOLED INVESTMENTS – CONTINUED

Alternative Investments - Continued

- (k) The Foundation has submitted a redemption request on the only investment in this category. Only an audit holdback remains in the fund and the Foundation expects the return of the remaining capital during 2017.
- (l) This category includes investments in limited partnerships that provide comprehensive financing solutions. Redemption by the investor is not permitted.

Futures Contracts

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

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

| | Open Contracts | Maturity Date | 2016 | | |
|----------------------------------|----------------|---------------|---------------|---------------------|------------------------------------|
| | | | Notional Cost | Notional Fair Value | Futures Contracts (Mark-to-Market) |
| S&P 500 E-mini futures contracts | 297 | 3/17/2017 | \$ 33,290,837 | \$ 33,207,570 | \$ (83,267) |

| | Open Contracts | Maturity Date | 2015 | | |
|----------------------------------|----------------|---------------|---------------|---------------------|------------------------------------|
| | | | Notional Cost | Notional Fair Value | Futures Contracts (Mark-to-Market) |
| S&P 500 E-mini futures contracts | 241 | 3/18/2016 | \$ 24,591,653 | \$ 24,526,570 | \$ (65,083) |

No assets or liabilities are recorded at the time of purchase. However, upon entering into futures contracts, the Foundation was required to deposit with its broker cash in accordance with the initial margin requirements. At December 31, 2016 the broker required margin of \$1,551,825 and the Foundation had \$8,146,760 deposited. Gains and losses are realized when the contracts expire or are closed. Futures contracts are marked-to-market daily, by the receipt or transfer of cash, based on settlement prices established by the Exchange and an appropriate unrealized gain or loss for the change in value is recorded.

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE B - POOLED INVESTMENTS - CONTINUED

Futures Contracts - Continued

The Foundation had an unrealized mark-to-market losses of \$83,267 and \$65,083 on open futures contracts at December 31, 2016 and 2015, respectively. The realized and unrealized net gain from futures contracts was \$3,181,822 and \$65,327 for the years ending December 31, 2016 and 2015, respectively. The gain attributable to the Foundation is included in the Statements of Activities and Changes in Net Assets and the gain attributable to beneficial owners is included in the Statements of Changes in Liabilities to Beneficial Owners.

NOTE C - OTHER INVESTMENTS - AT MARKET

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

| | 2016 | | |
|-----------------------------------|---------------------------------|--------------------------------|-----------------|
| | Cost or contributed value | Appreciation (depreciation) | Market value |
| Corporate stocks and mutual funds | \$ 5,769,641 | \$ 286,583 | \$ 6,056,224 |
| Mineral interests | 4,189,474 | 15,055,437 | 19,244,911 |
| Limited partnerships | 3,323,850 | 175,000 | 3,498,850 |
| Total | \$ 13,282,965 | \$ 15,517,020 | \$ 28,799,985 |
| | 2015 | | |
| | Cost or contributed value | Appreciation (depreciation) | Market value |
| Corporate stocks and mutual funds | \$ 4,713,789 | \$ 207,495 | \$ 4,921,284 |
| Bonds | 15,343 | 201 | 15,544 |
| Mineral interests | 4,189,464 | 16,398,782 | 20,588,246 |
| Total | \$ 8,918,596 | \$ 16,606,478 | \$ 25,525,074 |

The Limited Partnerships are an investment in a single fund. The Foundation owns \$3,175,000 of the fund and a Donor Advised Fund managed by the Foundation owns \$323,850 of the fund. Neither of the two beneficiaries have an unfunded commitment. The general partner allows redemptions from the fund quarterly with 60 days written notice as long as cumulative requests from all limited partners does not exceed 1.25%.

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE D - LOANS AND ALLOWANCE FOR LOAN LOSSES

The Foundation provides loans primarily to churches for church building projects. The church building loans are primarily to churches in Oklahoma. In addition to church building loans, which are included in pooled investments, the Foundation manages several trusts that make loans. The Foundation's lending policy requires that church building loans be collateralized by sufficient assets to provide a margin of safety between the loan balance and the value of the underlying collateral securing the loan. When borrowers default on loans, the Foundation can pursue normal legal actions to foreclose upon or repossess the collateral securing the loan.

The following summarizes loans at December 31:

| | 2016 | 2015 |
|---|---------------|---------------|
| Church building loans | \$ 93,236,024 | \$ 92,050,293 |
| Notes receivable held in trust accounts | 228,597 | 194,352 |
| | 93,464,621 | 92,244,645 |
| Less allowance for loan losses | (1,883,431) | (1,896,285) |
| Net Loans | \$ 91,581,190 | \$ 90,348,360 |

The interest rate on all of the church building loans adjust on a one, three, five, or ten year basis, dependent on terms selected by the borrower at the time of loan origination. The notes receivable held in trust accounts all have fixed rates. The following is a summary of fixed-rate loans by contractual maturity at December 31:

| | 2016 | 2015 |
|----------------------------------|------------|------------|
| Due in 1 year or less | \$ - | \$ 2 |
| Due after 1 year through 5 years | 96,011 | 126,449 |
| Due after 5 years | 132,586 | 67,901 |
| | \$ 228,597 | \$ 194,352 |

The Foundation manages trusts that were created to provide student loans. The Foundation has provided, through these trusts, loans to family members of an officer as well as loans to family members of current and former directors. These loans were made in accordance with the terms of the trust document. Also, the Foundation manages a revocable trust which has provided a trust loan to a family member of a former officer. This loan was made at the direct instruction of the trustor of the revocable trust. In aggregate, these loans totaled \$69,006 and \$62,996 at December 31, 2016 and 2015, respectively. A summary of changes in the related party loans, during 2016 and 2015 is as follows:

| | 2016 | 2015 |
|------------------------------|-----------|-----------|
| Balance at beginning of year | \$ 62,996 | \$ 61,033 |
| Advances | 11,508 | 6,104 |
| Payments | (5,498) | (4,141) |
| Balance at end of year | \$ 69,006 | \$ 62,996 |

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE D - LOANS AND ALLOWANCE FOR LOAN LOSSES - CONTINUED

The following presents an aging analysis of the outstanding loans, by class, at December 31:

| | 2016 | | | | | |
|--|-------------------|-----------------|-------------------|----------------------|----------------------|---|
| | Past Due Loans | | | Current Loans | Total Loans | Accruing Loans Over 90 Days Past Due |
| | 30–90 Days | Over 90 Days | Total | | | |
| Church building loans | \$ 685,882 | \$ - | \$ 685,882 | \$ 92,550,142 | \$ 93,236,024 | \$ - |
| Notes receivable held in trust accounts | - | - | - | 228,597 | 228,597 | - |
| | <u>\$ 685,882</u> | <u>\$ -</u> | <u>\$ 685,882</u> | <u>\$ 92,778,739</u> | <u>\$ 93,464,621</u> | <u>\$ -</u> |

| | 2015 | | | | | |
|--|-------------------|-----------------|-------------------|----------------------|----------------------|---|
| | Past Due Loans | | | Current Loans | Total Loans | Accruing Loans Over 90 Days Past Due |
| | 30–90 Days | Over 90 Days | Total | | | |
| Church building loans | \$ 580,382 | \$ - | \$ 580,382 | \$ 91,469,911 | \$ 92,050,293 | \$ - |
| Notes receivable held in trust accounts | - | - | - | 194,352 | 194,352 | - |
| | <u>\$ 580,382</u> | <u>\$ -</u> | <u>\$ 580,382</u> | <u>\$ 91,664,263</u> | <u>\$ 92,244,645</u> | <u>\$ -</u> |

The following is a summary of the changes in the allowance for loan losses at December 31:

| | 2016 | 2015 |
|--|---------------------|---------------------|
| Balance at beginning of year | \$ 1,896,285 | \$ 1,894,484 |
| Loans charged off | (12,854) | - |
| Provision for doubtful loans | - | 1,801 |
| Recoveries of amounts previously charged-off | - | - |
| Balance at end of year | <u>\$ 1,883,431</u> | <u>\$ 1,896,285</u> |

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE D - LOANS AND ALLOWANCE FOR LOAN LOSSES - CONTINUED

The following presents the activity in the allowance for loan losses by portfolio segment at December 31:

| | 2016 | | |
|--|----------------------|---------------------------|----------------------|
| | Church Building | Notes Receivable | Total |
| | Loans | held in Trust Accounts | |
| Allowance for loan losses: | | | |
| Summary of changes - | | | |
| Balance at beginning of year | \$ 1,896,285 | \$ - | \$ 1,896,285 |
| Loans charged off | (12,854) | - | (12,854) |
| Provision for doubtful loans | - | - | - |
| Recoveries of amounts previously charged-off | - | - | - |
| Balance at end of year | <u>\$ 1,883,431</u> | <u>\$ -</u> | <u>\$ 1,883,431</u> |
| Ending Balances - | | | |
| Individually evaluated for impairment | \$ 328,000 | \$ - | \$ 328,000 |
| Collectively evaluated for impairment | <u>1,555,431</u> | <u>-</u> | <u>1,555,431</u> |
| | <u>\$ 1,883,431</u> | <u>\$ -</u> | <u>\$ 1,883,431</u> |
| Loans: | | | |
| Ending Balances - | | | |
| Individually evaluated for impairment | \$ 3,936,440 | \$ 228,597 | \$ 4,165,037 |
| Collectively evaluated for impairment | <u>89,299,584</u> | <u>-</u> | <u>89,299,584</u> |
| | <u>\$ 93,236,024</u> | <u>\$ 228,597</u> | <u>\$ 93,464,621</u> |
| | | | |
| | 2015 | | |
| | Church Building | Notes Receivable | Total |
| | Loans | held in Trust Accounts | |
| Allowance for loan losses: | | | |
| Summary of changes - | | | |
| Balance at beginning of year | \$ 1,894,484 | \$ - | \$ 1,894,484 |
| Loans charged off | - | - | - |
| Provision for doubtful loans | 1,801 | - | 1,801 |
| Recoveries of amounts previously charged-off | - | - | - |
| Balance at end of year | <u>\$ 1,896,285</u> | <u>\$ -</u> | <u>\$ 1,896,285</u> |
| Ending Balances - | | | |
| Individually evaluated for impairment | \$ 328,000 | \$ - | \$ 328,000 |
| Collectively evaluated for impairment | <u>1,568,285</u> | <u>-</u> | <u>1,568,285</u> |
| | <u>\$ 1,896,285</u> | <u>\$ -</u> | <u>\$ 1,896,285</u> |
| Loans: | | | |
| Ending Balances - | | | |
| Individually evaluated for impairment | \$ 3,442,391 | \$ 194,352 | \$ 3,636,743 |
| Collectively evaluated for impairment | <u>88,607,902</u> | <u>-</u> | <u>88,607,902</u> |
| | <u>\$ 92,050,293</u> | <u>\$ 194,352</u> | <u>\$ 92,244,645</u> |

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE D - LOANS AND ALLOWANCE FOR LOAN LOSSES - CONTINUED

The Foundation had one loan on nonaccrual status at December 31, 2016 and 2015. A loan is placed on nonaccrual status when, in the opinion of management, the future collectability of interest or principal, or both, is in serious doubt. Total interest income which was not accrued on nonaccrual loans outstanding was \$19,007 and \$19,360 at December 31, 2016 and 2015, respectively.

The Foundation had one impaired loan with an unpaid principal balance of \$560,882 and \$580,382 at December 31, 2016 and 2015, respectively. The related allowance for loan losses was \$328,000 at both December 31, 2016 and 2015. Loans are considered impaired when, based on current information and events, it is probable the Foundation will be unable to collect the full amount of scheduled principal and interest payments in accordance with the original contractual terms of the loan agreement. If a loan is impaired, a specific valuation allowance may be allocated so that the loan is reported net of an allowance for loss. No interest income was recognized on impaired loans subsequent to their classification as impaired.

This impaired loan resulted from the Foundation modifying the terms of two church building loans from the same church in 2012. The loans modified were a 5.75%, \$500,000 loan with accrued interest of \$5,541 and a 5.75%, \$165,839 loan with accrued interest of \$2,299. Both loans were combined into one loan. The loan was further modified in 2013 and then again in 2016. Under the 2013 terms, the loan did not accrue interest and the borrower agreed to remit \$3,000 principal only payments each month through April 2016. In May 2016 the borrower was scheduled to pay all unpaid principal in a single balloon payment. In 2016, the balloon payment was extended to June 2018 and additional collateral was added to the loan. Interest income of \$6,373 was recorded in 2013 before the loan was converted to non-accrual status on April 26, 2013. Had the terms of the original loans not been modified, and if the restructured loan was not placed on non-accrual status, interest income of \$38,817 and \$38,710 would have been recorded in 2016 and 2015. The Foundation has not written off any principal or previously accrued interest as a result of either loan modification described above. However, a specific allowance for loan losses of \$328,000 was created as a part of the first modification. The Foundation has maintained this specific allocation since it was established.

To assess the credit quality of loans, the Foundation classifies loans into risk categories based on relevant information about the ability of the borrowers to service their debts. The information used to classify the loans includes current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. This analysis is performed on a quarterly basis. The Foundation uses the following definitions for risk classifications:

Pass - Loans classified as pass represent reasonable and satisfactory credit risk which requires normal attention and supervision. There are no known potential weaknesses and capacity to repay is not questioned.

Special mention - Loans classified as special mention have potential weaknesses that deserve management's close attention. These potential weaknesses may result in deterioration of the repayment prospects for these loans at some future date.

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December 31, 2016 and 2015

NOTE D - LOANS AND ALLOWANCE FOR LOAN LOSSES - CONTINUED

Substandard - Performing - Loans in this category are performing, but are considered problems. Loans in this category would include, but not be limited to, borrowers with a weakened financial condition, poor performance history, past dues, and/or loans restructured to reduce payments. In general, these loans have no identifiable loss potential in the near future, however, the possibility of a loss developing is heightened.

Substandard - Nonperforming - Loans in this category have one or more well-defined weaknesses that jeopardize collection of the debt and are inadequately protected by the current collateral pledged, if any. They are characterized by the distinct possibility that the Foundation will sustain some loss if the deficiencies are not corrected. These loans are considered potential nonperforming or nonperforming loans depending on the accrual status of the loans.

Doubtful - Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristics that the weaknesses make collection or full recovery, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The following presents a summary of loans by risk category at December 31:

| | Church Building Loans | | Notes Receivable held in Trust Accounts | |
|-----------------------------|-----------------------|----------------------|--|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Pass | \$ 90,450,357 | \$ 90,056,803 | \$ 228,597 | \$ 194,352 |
| Special mention | 2,224,785 | 1,413,108 | - | - |
| Substandard - performing | - | - | - | - |
| Substandard - nonperforming | 560,882 | 580,382 | - | - |
| Doubtful | - | - | - | - |
| | <u>\$ 93,236,024</u> | <u>\$ 92,050,293</u> | <u>\$ 228,597</u> | <u>\$ 194,352</u> |

NOTE E - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair Value Measurements

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

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE E - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS - CONTINUED

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.

There were no transfers or reclassifications between levels during 2016 or 2015.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE E - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS - CONTINUED

Fair Value Measurements – Continued

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

| | 2016 | | | |
|-----------------------------------|-------------------|------------------------------|-------------------|--------------|
| | Fair Value | Fair Value Measurement Using | | |
| | | Quoted Prices in | Significant Other | Significant |
| | | Active Markets for | Observable | Unobservable |
| | Identical Assets | Inputs | Inputs | |
| | (Level 1) | (Level 2) | (Level 3) | |
| Pooled Investments | | | | |
| Domestic equities | | | | |
| Cash and money market accounts | \$ 2,115,107 | \$ 2,115,107 | \$ - | \$ - |
| Basic materials | 1,108,427 | 1,108,427 | - | - |
| Consumer discretionary | 4,379,305 | 4,379,305 | - | - |
| Consumer staples | 2,904,591 | 2,904,591 | - | - |
| Energy | 2,673,826 | 2,673,826 | - | - |
| Financials | 7,357,344 | 7,357,344 | - | - |
| Health care | 4,665,598 | 4,665,598 | - | - |
| Industrials | 4,553,437 | 4,553,437 | - | - |
| Information technology | 7,056,444 | 7,056,444 | - | - |
| Telecommunications | 883,030 | 883,030 | - | - |
| Real Estate | 11,431 | 11,431 | - | - |
| Utilities | 1,573,814 | 1,573,814 | - | - |
| Total domestic equity | 39,282,354 | 39,282,354 | - | - |
| International equities | | | | |
| Cash and money market accounts | 220,682 | 220,682 | - | - |
| Basic materials | 2,925,242 | 2,925,242 | - | - |
| Consumer discretionary | 5,998,273 | 5,998,273 | - | - |
| Consumer staples | 4,122,176 | 4,122,176 | - | - |
| Energy | 1,858,432 | 1,858,432 | - | - |
| Financials | 10,974,269 | 10,974,269 | - | - |
| Health care | 2,895,537 | 2,895,537 | - | - |
| Industrials | 3,915,107 | 3,915,107 | - | - |
| Information technology | 6,181,271 | 6,181,271 | - | - |
| Telecommunications | 1,643,780 | 1,643,780 | - | - |
| Utilities | 832,909 | 832,909 | - | - |
| Total international equity | 41,567,678 | 41,567,678 | - | - |
| Fixed income | | | | |
| Cash and money market accounts | 581,602 | 581,602 | - | - |
| Foreign debt securities | 279,493 | - | 279,493 | - |
| Corporate debt securities | 3,699,423 | - | 3,699,423 | - |
| U.S. Government securities | 16,197,058 | 16,197,058 | - | - |
| Accrued interest income | 72,287 | 72,287 | - | - |
| Church building loans (net) | 76,569,499 | - | 76,569,499 | - |
| Total fixed income | 97,399,362 | 16,850,947 | 80,548,415 | - |

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE E - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS - CONTINUED

Fair Value Measurements – Continued

| | 2016 - Continued | | | |
|---|------------------|---|--|--|
| | 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) |
| | | Fair Value | (Level 1) | (Level 2) |
| Alternative investments | | | | |
| Cash and money market accounts | \$ (869,062) | \$ (869,062) | \$ - | \$ - |
| Margin cash | 8,146,760 | 8,146,760 | | |
| Church building loans | 15,000,000 | - | 15,000,000 | - |
| Limited partnerships (measured at NAV) | 140,415,304 | - | - | - |
| Total alternative investments | 162,693,002 | 7,277,698 | 15,000,000 | - |
| Total pooled investments | 340,942,396 | 105,195,583 | 95,331,509 | - |
| Other | | | | |
| Corporate stocks and mutual funds | 6,056,224 | 6,056,224 | - | - |
| Mineral interests | 19,244,911 | - | - | 19,244,911 |
| Limited partnerships | 3,498,850 | - | - | 3,498,850 |
| Total other | 28,799,985 | 6,056,224 | - | 22,743,761 |
| Total asset instruments at fair value | \$ 369,742,381 | \$ 111,251,807 | \$ 95,331,509 | \$ 22,743,761 |
| Liabilities to beneficial owners | | | | |
| Assets held for others | \$ (244,002,560) | \$ - | \$ - | \$ (244,002,560) |
| Refundable advances | (113,117,781) | - | - | (113,117,781) |
| Total liability instruments at fair value | \$ (357,120,341) | \$ - | \$ - | \$ (357,120,341) |

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | | |
|-------------------------------------|--|---------------------------|---------------|-----------------|-------------------|
| | Beginning Balance | Additional Investments | Distributions | Gain (Loss) | Ending Balance |
| Asset instruments at fair value | | | | | |
| Limited partnerships | \$ - | \$ 3,323,850 | \$ - | \$ 175,000 | \$ 3,498,850 |
| Mineral interests | 20,588,246 | 10 | - | (1,343,345) | 19,244,911 |
| | \$ 20,588,246 | \$ 3,323,860 | \$ - | \$ (1,168,345) | \$ 22,743,761 |
| Liability instruments at fair value | | | | | |
| Assets held for others | \$ (237,569,310) | \$ (8,385,624) | \$ 14,438,642 | \$ (12,486,268) | \$ (244,002,560) |
| Refundable advances | (106,473,343) | (39,260,888) | 37,771,448 | (5,154,998) | (113,117,781) |
| | \$ (344,042,653) | \$ (47,646,512) | \$ 52,210,090 | \$ (17,641,266) | \$ (357,120,341) |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE E - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS - CONTINUED

Fair Value Measurements – Continued

| | 2015 | | | |
|--------------------------------|-------------------|------------------------------|-------------------|--------------|
| | Fair Value | Fair Value Measurement Using | | |
| | | Quoted Prices in | Significant Other | Significant |
| | | Active Markets for | Observable | Unobservable |
| | Identical Assets | Inputs | Inputs | |
| | (Level 1) | (Level 2) | (Level 3) | |
| Pooled Investments | | | | |
| Domestic equities | | | | |
| Cash and money market accounts | \$ 96,291 | \$ 96,291 | \$ - | \$ - |
| Basic materials | 894,187 | 894,187 | - | - |
| Consumer discretionary | 3,636,532 | 3,636,532 | - | - |
| Consumer staples | 693,311 | 693,311 | - | - |
| Energy | 4,050,979 | 4,050,979 | - | - |
| Financials | 2,493,711 | 2,493,711 | - | - |
| Health care | 1,902,441 | 1,902,441 | - | - |
| Industrials | 5,735,120 | 5,735,120 | - | - |
| Information technology | 4,442,481 | 4,442,481 | - | - |
| Telecommunications | 5,609,082 | 5,609,082 | - | - |
| Real Estate | 1,244,120 | 1,244,120 | - | - |
| Utilities | 12,745 | 12,745 | - | - |
| Total domestic equity | <u>30,811,000</u> | <u>30,811,000</u> | - | - |
| International equities | | | | |
| Cash and money market accounts | 239,122 | 239,122 | - | - |
| Basic materials | 2,662,793 | 2,662,793 | - | - |
| Consumer discretionary | 4,088,613 | 4,088,613 | - | - |
| Consumer staples | 1,705,288 | 1,705,288 | - | - |
| Energy | 5,548,158 | 5,548,158 | - | - |
| Financials | 4,163,250 | 4,163,250 | - | - |
| Health care | 1,645,828 | 1,645,828 | - | - |
| Industrials | 10,743,154 | 10,743,154 | - | - |
| Information technology | 3,202,481 | 3,202,481 | - | - |
| Telecommunications | 5,230,904 | 5,230,904 | - | - |
| Utilities | 963,465 | 963,465 | - | - |
| Total international equity | <u>40,193,056</u> | <u>40,193,056</u> | - | - |
| Fixed income | | | | |
| Cash and money market accounts | 226,200 | 226,200 | - | - |
| Foreign debt securities | 181,094 | - | 181,094 | - |
| Corporate debt securities | 4,113,596 | - | 4,113,596 | - |
| U.S. Government securities | 12,106,120 | 12,106,120 | - | - |
| Accrued interest income | 72,698 | 72,698 | - | - |
| Church building loans (net) | 73,383,648 | - | 73,383,648 | - |
| Total fixed income | <u>90,083,356</u> | <u>12,405,018</u> | <u>77,678,338</u> | - |

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE E - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS - CONTINUED

Fair Value Measurements – Continued

| | 2015 - Continued | | | |
|---|-------------------------|---|--|--|
| | 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) |
| | | | | |
| Alternative investments | | | | |
| Cash and money market accounts | \$ 128,132 | \$ 128,132 | \$ - | \$ - |
| Margin cash | 3,231,096 | \$ 3,231,096 | | |
| Church building loans | 17,000,000 | - | 17,000,000 | - |
| Limited partnerships (measured at NAV) | 151,196,433 | - | - | - |
| Total alternative investments | <u>171,555,661</u> | <u>3,359,228</u> | <u>17,000,000</u> | <u>-</u> |
| Total pooled investments | <u>332,643,073</u> | <u>86,768,302</u> | <u>94,678,338</u> | <u>-</u> |
| Other | | | | |
| Corporate stocks and mutual funds | 4,921,284 | 4,921,284 | - | - |
| Bonds | 15,544 | - | 15,544 | - |
| Mineral interests | 20,588,246 | - | - | 20,588,246 |
| Total other | <u>25,525,074</u> | <u>4,921,284</u> | <u>15,544</u> | <u>20,588,246</u> |
| Total asset instruments at fair value | <u>\$ 358,168,147</u> | <u>\$ 91,689,586</u> | <u>\$ 94,693,882</u> | <u>\$ 20,588,246</u> |
| Liabilities to beneficial owners | | | | |
| Assets held for others | \$ (237,569,310) | \$ - | \$ - | \$ (237,569,310) |
| Refundable advances | (106,473,343) | - | - | (106,473,343) |
| Total liability instruments at fair value | <u>\$ (344,042,653)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (344,042,653)</u> |

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

| | Beginning Balance | Additional Investments | Distributions | Gain (Loss) | Ending Balance |
|-------------------------------------|-------------------------|---------------------------|----------------------|------------------------|-------------------------|
| Asset instruments at fair value | | | | | |
| Mineral interests | \$ 20,189,344 | \$ 38 | \$ - | \$ 398,864 | \$ 20,588,246 |
| | <u>\$ 20,189,344</u> | <u>\$ 38</u> | <u>\$ -</u> | <u>\$ 398,864</u> | <u>\$ 20,588,246</u> |
| Liability instruments at fair value | | | | | |
| Assets held for others | \$ (238,992,698) | \$ (10,367,176) | \$ 17,054,743 | \$ (5,264,179) | \$ (237,569,310) |
| Refundable advances | (119,891,685) | (38,768,845) | 57,141,217 | (4,954,030) | (106,473,343) |
| | <u>\$ (358,884,383)</u> | <u>\$ (49,136,021)</u> | <u>\$ 74,195,960</u> | <u>\$ (10,218,209)</u> | <u>\$ (344,042,653)</u> |

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE E - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS - CONTINUED

Fair Value of Financial Instruments

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

Pooled Investments

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

Fixed Income - Fixed income securities are reported 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 inputs. 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 loan losses. Since the interest rates adjust on a one, three, five, seven or ten year basis, dependent on terms selected by the borrower, management believes that the carrying value of the loans, as described above, approximates market value. This valuation estimate is a Level 2 input.

Alternative investments - Margin cash held for futures contracts are reported at fair value using Level 1 inputs found on active markets. Church building loans are carried at the total principal balance. Management believes that the carrying value of the loans, as described above, approximates market value. This valuation estimate is a Level 2 input.

For limited partnerships, management determines the fair value based on net asset value per share as permitted by ASU 2009-12. In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. Additional disclosure on limited partnerships measured at fair value using the net asset value per share is provided in Note B.

Cash and Cash Equivalents - Cash held in each pooled investment classification is measured using Level 1 inputs. Money market accounts held in each pooled investment classification is measured using Level 1 inputs.

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE E - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS - CONTINUED

Fair Value of Financial Instruments – Continued

Other Investments – At Market - Other investments consist of corporate stocks and mutual funds valued using Level 1 inputs by an independent pricing service, bonds valued using Level 2 inputs by an independent pricing service and mineral interests. Observable inputs are not available for mineral interests. For mineral interests, management determines the fair value based on an income approach using recent past income produced by the income property. This valuation method is a Level 3 input. For limited partnerships, management determines the fair value based on examining current purchases and sales of the fund as provided by the audit of the fund in addition to observing partnership agreements and current offering documents. This valuation method is a Level 3 input.

Assets Held for Others and Refundable Advances - These liabilities represent the beneficiaries interest in the assets held by the Foundation. The liabilities are measured using Level 3 inputs that are equal to the fair value of the related assets held by the Foundation.

Cash and Cash Equivalents, Certificates of Deposit, Accounts Receivable, and Accounts Payable and Accrued Expenses - The carrying amount approximates fair value because of their short maturity and highly liquid nature.

Other Investments – Notes Receivable and Life and Annuity Contracts and Other - The carrying amount approximates fair value because contractual rates approximate market rates.

Liabilities for Participation Agreements – The carrying amount of the participation agreements is the total principal balance of the participation agreement. Since the interest rates adjust on a one, three, five, seven, or ten year basis, dependent on terms selected by the borrower, management believes the carrying value of the participation agreements, as described above, approximates market value.

Liabilities to Beneficial Owners – Liability to Income Beneficiaries Under Split-Interest Agreements - The carrying amount approximates fair value because the discount rates used to calculate this liability approximate current market rates that the Foundation could obtain for borrowings.

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE E - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS - CONTINUED

Fair Value of Financial Instruments – Continued

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

| | 2016 | | 2015 | |
|--|-----------------|---------------|-----------------|---------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial assets: | | | | |
| Cash and cash equivalents | \$ 14,562,204 | \$ 14,562,204 | \$ 11,056,297 | \$ 11,056,297 |
| Certificates of deposit | 502,357 | 502,357 | 1,006,864 | 1,006,864 |
| Accounts receivable | 11,142 | 11,142 | 3,331 | 3,331 |
| Domestic and international equities | 80,850,032 | 80,850,032 | 71,004,056 | 71,004,056 |
| Fixed income | 97,399,362 | 97,399,362 | 90,083,356 | 90,083,356 |
| Limited Partnerships | 162,693,002 | 162,693,002 | 171,555,661 | 171,555,661 |
| Other investments - at market | 28,799,985 | 28,799,985 | 25,525,074 | 25,525,074 |
| Other investments | 398,559 | 398,559 | 352,894 | 352,894 |
| Financial liabilities: | | | | |
| Accounts payable and accrued expenses | 526,353 | 526,353 | 389,841 | 389,841 |
| Liabilities for participation agreements | 3,566,793 | 3,566,793 | 2,787,566 | 2,787,566 |
| Liabilities to beneficial owners | | | | |
| Income beneficiaries under split-interest agreements | 5,336,866 | 5,336,866 | 5,545,159 | 5,545,159 |
| Assets held for others and refundable advances | 357,120,341 | 357,120,341 | 344,042,653 | 344,042,653 |

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE F - INVESTMENT RETURN

The following is a summary of the investment return by investment category at December 31:

| | <u>2016</u> | <u>2015</u> |
|--|--------------------|------------------|
| <u>Pooled Investments</u> | | |
| Investment income | | |
| Domestic equities | | |
| Interest and dividends | \$ 580,631 | \$ 721,767 |
| International equities | | |
| Interest and dividends | 961,848 | 1,090,633 |
| Fixed income instruments | | |
| Interest - bonds and cash accounts | 390,547 | 528,577 |
| Interest - church building loans | 3,980,180 | 4,432,125 |
| Bank charges and loan expenses | (386,182) | (441,756) |
| Alternative investments | | |
| Interest and dividends | 1,512,972 | 1,777,992 |
| Net realized and unrealized gains (losses) | | |
| Domestic equities | 2,831,161 | (1,094,023) |
| International equities | (2,903,967) | (5,091,499) |
| Fixed income investments | (56,398) | (721,119) |
| Alternative investments | <u>10,262,945</u> | <u>3,808,924</u> |
| Investment return for the year | <u>17,173,737</u> | <u>5,011,621</u> |
| <u>Other Investments - At Market</u> | | |
| Investment income | | |
| Corporate stocks and mutual funds | | |
| Interest and dividends | 240,398 | 291,513 |
| Bonds | | |
| Interest | - | 863 |
| Mineral interests | 3,752,400 | 6,059,887 |
| Net realized and unrealized gains (losses) | | |
| Corporate stocks and mutual funds | 145,932 | 130,320 |
| Bonds | (151) | 169 |
| Limited partnerships | 175,000 | - |
| Mineral interests | <u>(1,343,345)</u> | <u>398,864</u> |
| Investment return for the year | <u>2,970,234</u> | <u>6,881,616</u> |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE F - INVESTMENT RETURN - CONTINUED

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| <u>Other Investments - At Contributed Value or Cost</u> | | |
| Investment income | | |
| Notes receivable | | |
| Interest | \$ 37,356 | \$ 24,267 |
| Real estate | 25,066 | 19,906 |
| Money market dividends | 5,784 | 129 |
| Certificate of deposit interest | 6,136 | 5,124 |
| Life and annuity contracts and other | | |
| Interest | - | - |
| Net realized and unrealized gains (losses) | | |
| Real estate | (214,782) | 5,004 |
| Life and annuity contracts | - | 14,686 |
| Investment return for the year | <u>(140,440)</u> | <u>69,116</u> |
| Total investment return for the year | <u>\$20,003,531</u> | <u>\$11,962,353</u> |

Investment return allocated to accounts that benefit the Foundation, included in the Statements of Activities and Changes in Net Assets, was \$2,628,802 and \$1,917,910 in 2016 and 2015, respectively. Investment return allocated to accounts that benefit clients of the Foundation, included in the Schedule of Changes in Liabilities to Beneficial Owners, was \$17,374,729 and \$10,044,443 in 2016 and 2015, respectively.

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|---------------------|---------------------|
| Land | \$ 181,513 | \$ 181,513 |
| Buildings | 351,603 | 351,603 |
| Office furniture | 332,066 | 308,055 |
| Office equipment | 178,159 | 177,509 |
| Computer equipment | 444,394 | 408,067 |
| Computer software | 663,128 | 446,813 |
| Automobiles | 201,637 | 248,462 |
| Leasehold improvements | 498,697 | 411,417 |
| Capital Additions Suspense | <u>3,270</u> | <u>-</u> |
| | 2,854,467 | 2,533,439 |
| Less accumulated depreciation | <u>(1,598,529)</u> | <u>(1,430,427)</u> |
| | <u>\$ 1,255,938</u> | <u>\$ 1,103,012</u> |

Depreciation expense totaled \$220,808 and \$161,849 at December 31, 2016 and 2015, respectively.

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE H - 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 insurance 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:

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Accumulated postretirement benefit obligations | | |
| For retirees | \$ 258,843 | \$ 305,532 |
| For active fully eligible participants | - | 24,623 |
| For active employees not fully eligible | <u>152,673</u> | <u>141,600</u> |
| Funded status | 411,516 | 471,755 |
| Unrecognized net (loss) or gain | <u>62,546</u> | <u>27,102</u> |
| Accrued postretirement benefit cost | <u>\$ 474,062</u> | <u>\$ 498,857</u> |

The change in accrued postretirement benefit cost at December 31, is as follows:

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Accrued postretirement benefit cost at beginning of year | \$ 498,857 | \$ 504,281 |
| Net postretirement benefit cost | 25,469 | 22,654 |
| Benefits paid | <u>(50,264)</u> | <u>(28,078)</u> |
| Accrued postretirement benefit cost at end of year | 474,062 | 498,857 |
| Net loss or (gain) and prior service benefit | <u>(62,546)</u> | <u>(27,102)</u> |
| Funded status | <u>\$ 411,516</u> | <u>\$ 471,755</u> |

The change in unrecognized net (income) and prior service benefit of \$(35,444) and \$(28,631) for 2016 and 2015, respectively, has been recognized in the 2016 and 2015 Statements of Activities and Changes in Net Assets apart from expenses. There is no prior service cost for the plan that will be amortized from changes in unrestricted net assets into net periodic benefit cost over the next fiscal year.

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE H - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

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

| | <u>2016</u> | <u>2015</u> |
|---|---------------|----------------|
| Weighted-average assumption used to determine benefit obligations at December 31, | | |
| Discount rate | 3.28% | 3.45% |
| Life Expectancy of Inactive Participants | 9.7 years | 10 years |
| Assumed health care cost trend rates at December 31, | | |
| Health care cost trend rate assumed for next year (medical/Rx) | 4.30% / 9.90% | 3.20% / 10.90% |
| Rate to which the cost trend rate is assumed to decline, the ultimate trend rate (medical/Rx) | 4.30% / 5.25% | 3.20% / 5.25% |
| Year that the rate reaches the ultimate trend rate | 2025 | 2023 |

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

| | |
|-----------|-----------|
| 2017 | \$ 22,224 |
| 2018 | 22,653 |
| 2019 | 22,911 |
| 2020 | 91,885 |
| 2021 | 42,183 |
| 2022-2026 | 143,114 |

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 through the Foundation's medical insurance provider, Guidestone Financial Resources, 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 pay reduced Medicare supplement premiums as a result of Guidestone receiving the benefits of subsidies.

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE I - NOTE PAYABLE

During 2016 and 2015, the Foundation maintained an unused line of credit with Bank of Oklahoma in the amount of \$6,000,000. The Foundation has pledged an investment account that is held in custody at Bank of Oklahoma as collateral on this note with a fair value of approximately \$26,656,000 and \$25,331,000 at December 31, 2016 and 2015, respectively.

NOTE J - LIABILITY TO BENEFICIAL OWNERS

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

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

Liabilities to Income Beneficiaries under Split-Interest Agreements

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

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

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE J - LIABILITY TO BENEFICIAL OWNERS - CONTINUED

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 Entities to Administer Endowments or Other Trust Funds - 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 Contracts and Irrevocable Trust 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 restricted net assets.

Refundable Advances

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

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

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE J - LIABILITY TO BENEFICIAL OWNERS - CONTINUED

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

| | <u>2016</u> | <u>2015</u> |
|--|-----------------------|-----------------------|
| Baptist General Convention of the State of Oklahoma | \$ 39,699,384 | \$ 41,254,370 |
| Oklahoma Baptist Homes for Children, Inc. | 69,939,672 | 68,385,242 |
| Oklahoma Baptist University | 121,065,341 | 117,536,186 |
| Baptist Village Retirement Communities of Oklahoma, Inc. | 23,795,126 | 20,279,982 |
| Baptist churches and institutions | 78,161,764 | 67,468,153 |
| Individuals and non-Baptist charities | <u>29,795,920</u> | <u>34,663,879</u> |
| | <u>\$ 362,457,207</u> | <u>\$ 349,587,812</u> |

NOTE K - ENDOWMENTS

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

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

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

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

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE K - ENDOWMENTS - CONTINUED

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). 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.

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

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

The spending or distribution policy as determined under a method adopted by the Board of Directors provides for the establishment of an "annual dividend". Effective January 1, 2010, the Board of Directors adopted an amended calculation method for the annual dividend which uses a weighted average formula based on 4.5% (the spending rate) of the average of the trailing 12 months Spending Policy Pool share prices and the prior year's dividend, adjusted for inflation using the Consumer Price Index. In January of each subsequent year, the Foundation will average the Spending Policy Pool unit values from the previous 12 months. The annual dividend is then calculated as 4.5% multiplied by that average (weighted 25%) and the prior year dividend multiplied by inflation (weighted 75%). This dividend per share must fall between 3% and 5% of the actual current year-end unit value. If it is greater than 5%, then it is capped at 5% of the current unit value. If it is less than 3%, then it is set at 3% of the current unit value. 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 an account has less market value than the original gift, the above described dividend formula does not apply and the distribution is limited to 3% of market value. The portion of the monthly dividend that is above 3% of the market value is reinvested and will not be added to the accumulation of funds for distribution.

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE K - ENDOWMENTS - CONTINUED

In each month of the accumulating year, 1/12th of this dividend is paid and the dividends are invested in cash equivalents until the annual distribution is paid. The 2016 annual distribution, calculated as described above, was paid in January 2017.

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

| | 2016 | | | |
|--|--------------|---------------------------|---------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Endowment net assets at beginning of year | \$ - | \$ 3,003,315 | \$ 11,005,518 | \$ 14,008,833 |
| Investment return (loss): | | | | |
| Investment income | - | 335,900 | - | 335,900 |
| Net appreciation (realized and unrealized) | - | 488,587 | - | 488,587 |
| Total investment return | - | 824,487 | - | 824,487 |
| Contributions | - | 930 | 193,060 | 193,990 |
| Other income | - | - | - | - |
| Net assets released from restriction | 765,430 | (765,430) | - | - |
| Expenses paid | (765,430) | - | - | (765,430) |
| Reclassification of endowment accounts due to account preservation | - | (2,653) | 2,653 | - |
| Reclassification of endowment accounts with total net asset balances less than the original gift | - | - | - | - |
| Endowment net assets at end of year | <u>\$ -</u> | <u>\$ 3,060,649</u> | <u>\$ 11,201,231</u> | <u>\$ 14,261,880</u> |
| | | | | |
| | 2015 | | | |
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Endowment net assets at beginning of year | \$ (772) | \$ 3,329,426 | \$ 10,892,280 | \$ 14,220,934 |
| Investment return (loss): | | | | |
| Investment income | - | 506,323 | - | 506,323 |
| Net appreciation (realized and unrealized) | - | 2,265 | - | 2,265 |
| Total investment return | - | 508,588 | - | 508,588 |
| Contributions | - | 987 | 164,335 | 165,322 |
| Other income | - | 4,694 | - | 4,694 |
| Net assets released from restriction | 890,705 | (890,705) | - | - |
| Expenses paid | (890,705) | - | - | (890,705) |
| Reclassification of endowment accounts due to account preservation | - | 51,097 | (51,097) | - |
| Reclassification of endowment accounts with total net asset balances less than the original gift | 772 | (772) | - | - |
| Endowment net assets at end of year | <u>\$ -</u> | <u>\$ 3,003,315</u> | <u>\$ 11,005,518</u> | <u>\$ 14,008,833</u> |

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

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 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. The appropriations received in 2016 and 2015 were \$24,634 and \$23,748, respectively.

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 Foundation Loan Services Committee with consideration given to the current rates available from commercial sources. The balance of church building loans outstanding was \$93,236,024 and \$92,050,293 at December 31, 2016 and 2015, respectively. An allowance of \$1,883,431 and \$1,896,285 for uncollectible loans was recorded at December 31, 2016 and 2015, respectively.

NOTE M - LEASED FACILITIES

The Foundation conducts its operations in Oklahoma City from facilities leased from the Convention. This lease has a term of one year. Rental expense under this totaled \$177,956 in 2016 and 2015, all of which was paid to the Convention. The future annual rental commitments reflect anticipated annual renewals through the expected lives of related leasehold improvements in 2027 and considers increases based upon escalating costs.

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

| | |
|----------------------------|---------------------|
| Period ending December 31: | |
| 2017 | \$ 183,190 |
| 2018 | 187,026 |
| 2019 | 190,943 |
| 2020 | 194,942 |
| Thereafter | <u>1,483,816</u> |
| | <u>\$ 2,239,917</u> |

The Baptist Foundation of Oklahoma

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE N - 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. In addition, the Foundation matches employee contributions up to a maximum of an additional 5%. The amount of the match an employee is eligible for is determined by the number of years of employment. Employee contributions are voluntary. Total pension expense was \$261,155 and \$201,821 at December 31, 2016 and 2015, respectively. The Foundation's policy is to fund pension cost as it is incurred.

NOTE O - COMMITMENTS AND CONTINGENCIES

The Foundation had outstanding church building loan commitments totaling approximately \$6,127,000 and \$7,130,000 at December 31, 2016 and 2015, respectively.

The Foundation also had unfunded commitments to purchase units of alternative investments totaling approximately \$72,501,000 and \$46,811,000 at December 31, 2016 and 2015, respectively.

The Foundation has extended a line of credit to the Convention in the amount of \$1,000,000. The line of credit was unused during 2016 and 2015.

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

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

NOTE P - SUBSEQUENT EVENTS

The Foundation did not have any subsequent events through April 27, 2017, 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, 2016.

SUPPLEMENTARY INFORMATION

The Baptist Foundation of Oklahoma
SCHEDULES OF ASSETS HELD FOR BENEFICIAL OWNERS
December 31, 2016

| | Assets held for others | | | Refundable advances | | Total held for beneficial owners | Held for the benefit of the Foundation | 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 | \$ (498,836) | \$ (18,321) | \$ 273,858 | \$ 253,198 | \$ 953,541 | \$ 963,440 | \$ 13,598,764 | \$ 14,562,204 |
| Enhanced Cash Fund | 7,163,675 | 2,079,072 | 259,766 | 3,867,036 | - | 13,369,549 | (13,369,549) | - |
| Institutional Cash Fund | - | - | 4,923,500 | 25,305,358 | - | 30,228,858 | (30,228,858) | - |
| Term investments | - | - | 584,134 | 35,562,956 | - | 36,147,090 | (36,147,090) | - |
| Certificates of deposit | - | - | - | - | - | - | 502,357 | 502,357 |
| Prepaid expenses and other | - | - | - | - | - | - | 150,855 | 150,855 |
| Investments | | | | | | | | |
| Pooled investments - at market | | | | | | | | |
| Domestic equities | 18,887,011 | 6,606,976 | 5,188,004 | 5,880,856 | 494,452 | 37,057,299 | 2,225,055 | 39,282,354 |
| International equities | 21,728,120 | 7,947,166 | 2,735,651 | 6,330,972 | 202,000 | 38,943,909 | 2,623,769 | 41,567,678 |
| Fixed income | 13,282,528 | 5,023,486 | 6,396,263 | 4,053,730 | 342,721 | 29,098,728 | 68,300,634 | 97,399,362 |
| Alternative investments | 97,899,952 | 35,072,732 | 2,546,742 | 16,697,641 | - | 152,217,067 | 10,475,935 | 162,693,002 |
| | <u>151,797,611</u> | <u>54,650,360</u> | <u>16,866,660</u> | <u>32,963,199</u> | <u>1,039,173</u> | <u>257,317,003</u> | <u>83,625,393</u> | <u>340,942,396</u> |
| Other investments | | | | | | | | |
| At market | | | | | | | | |
| Corporate stocks and mutual funds | 255 | 33,450 | 751,976 | 16,551 | 4,184,910 | 4,987,142 | 1,069,082 | 6,056,224 |
| Mineral interests | 8,766,752 | 690,505 | 181,840 | 8,676,921 | 20,871 | 18,336,889 | 908,022 | 19,244,911 |
| Limited partnerships | - | - | 323,850 | - | - | 323,850 | 3,175,000 | 3,498,850 |
| At contributed value or cost | | | | | | | | |
| Notes receivable held in trust accounts | - | - | - | 2 | 14,614 | 14,616 | 213,981 | 228,597 |
| Real estate | 298,302 | - | 495,744 | - | 364,592 | 1,158,638 | 1 | 1,158,639 |
| Life and annuity contracts and other | 115,460 | - | 2 | - | 54,500 | 169,962 | - | 169,962 |
| | <u>9,180,769</u> | <u>723,955</u> | <u>1,753,412</u> | <u>8,693,474</u> | <u>4,639,487</u> | <u>24,991,097</u> | <u>5,366,086</u> | <u>30,357,183</u> |
| Total investments | 160,978,380 | 55,374,315 | 18,620,072 | 41,656,673 | 5,678,660 | 282,308,100 | 88,991,479 | 371,299,579 |
| Property and equipment, net | - | - | - | - | - | - | 1,255,938 | 1,255,938 |
| Total assets | 167,643,219 | 57,435,066 | 24,661,330 | 106,645,221 | 6,632,201 | 363,017,037 | 24,753,896 | 387,770,933 |
| Accounts payable and accrued | - | - | - | - | 100,320 | 100,320 | 837,549 | 937,869 |
| Liabilities for participation agreements | 241,484 | 95,284 | 63,421 | 59,321 | - | 459,510 | 3,107,283 | 3,566,793 |
| Net assets held for beneficial owners | 167,401,735 | 57,339,782 | 24,597,909 | 106,585,900 | 6,531,881 | 362,457,207 | 20,809,064 | 383,266,271 |
| Liability to income beneficiaries | - | - | 5,336,866 | - | - | 5,336,866 | - | 5,336,866 |
| Net assets held for beneficial owners of remainder interests | <u>\$ 167,401,735</u> | <u>\$ 57,339,782</u> | <u>\$ 19,261,043</u> | <u>\$ 106,585,900</u> | <u>\$ 6,531,881</u> | <u>\$ 357,120,341</u> | <u>\$ 20,809,064</u> | <u>\$ 377,929,405</u> |

The Baptist Foundation of Oklahoma
SCHEDULES OF ASSETS HELD FOR BENEFICIAL OWNERS - CONTINUED
December 31, 2015

| | Assets held for others | | | Refundable advances | | Total held for beneficial owners | Held for the benefit of the Foundation | 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 | \$ (77,399) | \$ (2,066) | \$ 794,534 | \$ (747,857) | \$ 1,693,170 | \$ 1,660,382 | \$ 9,395,915 | \$ 11,056,297 |
| Enhanced Cash Fund | 8,208,634 | 2,222,153 | 52,041 | 1,228,295 | - | 11,711,123 | (11,711,123) | - |
| Term investments | - | - | 562,692 | 28,817,818 | - | 29,380,510 | (29,380,510) | - |
| Certificates of deposit | - | - | - | - | 2,631 | 2,631 | 1,004,233 | 1,006,864 |
| Prepaid expenses and other | - | - | - | - | - | - | 125,155 | 125,155 |
| Investments | | | | | | | | |
| Pooled investments - at market | | | | | | | | |
| Domestic equities | 13,663,300 | 4,764,415 | 4,884,010 | 5,501,133 | 411,451 | 29,224,309 | 1,586,691 | 30,811,000 |
| International equities | 20,394,748 | 7,579,172 | 2,727,760 | 6,851,761 | 184,186 | 37,737,627 | 2,455,429 | 40,193,056 |
| Fixed income | 11,966,382 | 4,572,495 | 10,857,149 | 26,737,347 | 288,537 | 54,421,910 | 35,661,446 | 90,083,356 |
| Alternative investments | 99,257,425 | 35,815,754 | 3,149,171 | 22,322,225 | - | 160,544,575 | 11,011,086 | 171,555,661 |
| | <u>145,281,855</u> | <u>52,731,836</u> | <u>21,618,090</u> | <u>61,412,466</u> | <u>884,174</u> | <u>281,928,421</u> | <u>50,714,652</u> | <u>332,643,073</u> |
| Other investments | | | | | | | | |
| At market | | | | | | | | |
| Corporate stocks and mutual funds | 255 | 26,290 | 584,869 | 9,436 | 4,244,161 | 4,865,011 | 56,273 | 4,921,284 |
| Bonds | - | - | - | 1 | 15,543 | 15,544 | - | 15,544 |
| Mineral interests | 9,545,126 | 668,915 | 210,200 | 9,216,106 | 73,026 | 19,713,373 | 874,873 | 20,588,246 |
| At contributed value or cost | | | | | | | | |
| Notes receivable held in trust accounts | - | - | - | 2 | 15,328 | 15,330 | 179,022 | 194,352 |
| Real estate | 655,886 | - | 495,744 | - | 453,330 | 1,604,960 | 1 | 1,604,961 |
| Life and annuity contracts and other | 103,040 | - | 2 | - | 55,500 | 158,542 | - | 158,542 |
| | <u>10,304,307</u> | <u>695,205</u> | <u>1,290,815</u> | <u>9,225,545</u> | <u>4,856,888</u> | <u>26,372,760</u> | <u>1,110,169</u> | <u>27,482,929</u> |
| Total investments | 155,586,162 | 53,427,041 | 22,908,905 | 70,638,011 | 5,741,062 | 308,301,181 | 51,824,821 | 360,126,002 |
| Property and equipment, net | - | - | - | - | - | - | 1,103,012 | 1,103,012 |
| Total assets | 163,717,397 | 55,647,128 | 24,318,172 | 99,936,267 | 7,436,863 | 351,055,827 | 22,361,503 | 373,417,330 |
| Accounts payable and accrued | - | - | - | - | - | - | 861,596 | 861,596 |
| Liabilities for participation agreements | 255,113 | 99,510 | 213,605 | 899,787 | - | 1,468,015 | 1,319,551 | 2,787,566 |
| Net assets held for beneficial owners | 163,462,284 | 55,547,618 | 24,104,567 | 99,036,480 | 7,436,863 | 349,587,812 | 20,180,356 | 369,768,168 |
| Liability to income beneficiaries | - | - | 5,545,159 | - | - | 5,545,159 | - | 5,545,159 |
| Net assets held for beneficial owners of remainder interests | <u>\$ 163,462,284</u> | <u>\$ 55,547,618</u> | <u>\$ 18,559,408</u> | <u>\$ 99,036,480</u> | <u>\$ 7,436,863</u> | <u>\$ 344,042,653</u> | <u>\$ 20,180,356</u> | <u>\$ 364,223,009</u> |

The Baptist Foundation of Oklahoma
SCHEDULES OF CHANGES IN LIABILITIES TO BENEFICIAL OWNERS
Year ended December 31, 2016

| | 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 beginning of year | \$ 163,462,284 | \$ 55,547,618 | \$ 24,104,567 | \$ 99,036,480 | \$ 7,436,863 | 349,587,812 |
| Additions | | | | | | |
| Investment earnings | | | | | | |
| Interest and dividends from pools - net of fees | 2,095,954 | 760,650 | 580,811 | 1,753,732 | 24,959 | 5,216,106 |
| Earnings from non-pooled investments | 1,763,968 | 86,835 | 102,697 | 2,479,871 | 90,528 | 4,523,899 |
| Net realized and unrealized gains (losses) on investments | 4,475,173 | 1,917,796 | 492,343 | 655,407 | 94,005 | 7,634,724 |
| Other income | - | - | 1,748 | - | 56,496 | 58,244 |
| Amounts received as advances or contributions to principal | 2,024,218 | 1,286,513 | 2,563,818 | 35,389,788 | 1,577,807 | 42,842,144 |
| Transfers from existing agreements | <u>2,501,135</u> | <u>99</u> | <u>9,841</u> | <u>2,293,293</u> | <u>-</u> | <u>4,804,368</u> |
| | <u>12,860,448</u> | <u>4,051,893</u> | <u>3,751,258</u> | <u>42,572,091</u> | <u>1,843,795</u> | <u>65,079,485</u> |
| Reductions | | | | | | |
| Distributions of | | | | | | |
| Accumulated income or amounts specified by agreement | 8,376,527 | 2,250,891 | 2,660,362 | - | 623,388 | 13,911,168 |
| Amounts advanced or held as principal | - | - | - | 32,443,772 | - | 32,443,772 |
| Expenses incurred or paid on behalf of beneficial owners | 121,123 | 8,231 | 278,275 | 378,899 | 264,254 | 1,050,782 |
| Transfers to existing agreements | <u>423,347</u> | <u>607</u> | <u>319,279</u> | <u>2,200,000</u> | <u>1,861,135</u> | <u>4,804,368</u> |
| | <u>8,920,997</u> | <u>2,259,729</u> | <u>3,257,916</u> | <u>35,022,671</u> | <u>2,748,777</u> | <u>52,210,090</u> |
| Liability to beneficial owners at end of year | <u>\$ 167,401,735</u> | <u>\$ 57,339,782</u> | <u>\$ 24,597,909</u> | <u>\$ 106,585,900</u> | <u>\$ 6,531,881</u> | <u>\$ 362,457,207</u> |

The Baptist Foundation of Oklahoma

SCHEDULES OF CHANGES IN LIABILITIES TO BENEFICIAL OWNERS - CONTINUED

Year ended December 31, 2015

| | 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 beginning of year | \$ 164,741,663 | \$ 54,795,480 | \$ 25,651,560 | \$ 111,595,353 | \$ 8,296,332 | \$ 365,080,388 |
| Additions | | | | | | |
| Investment earnings | | | | | | |
| Interest and dividends from pools - net of fees | 2,380,169 | 869,840 | 630,924 | 2,177,360 | 29,402 | 6,087,695 |
| Earnings from non-pooled investments | 2,721,046 | 453,668 | 114,360 | 3,107,649 | 282,619 | 6,679,342 |
| Net realized and unrealized gains (losses) on investments | (1,362,059) | (290,768) | (270,431) | (861,601) | 62,265 | (2,722,594) |
| Other income | - | - | 17,430 | - | 156,336 | 173,766 |
| Amounts received as advances or contributions to principal | 1,732,283 | 449,301 | 2,798,474 | 30,903,891 | 1,227,286 | 37,111,235 |
| Transfers from existing agreements | <u>3,578,869</u> | <u>1,795,737</u> | <u>12,512</u> | <u>6,637,469</u> | <u>199</u> | <u>12,024,786</u> |
| | <u>9,050,308</u> | <u>3,277,778</u> | <u>3,303,269</u> | <u>41,964,768</u> | <u>1,758,107</u> | <u>59,354,230</u> |
| Reductions | | | | | | |
| Distributions of | | | | | | |
| Accumulated income or amounts specified by agreement | 9,077,525 | 2,494,293 | 2,998,499 | - | 602,349 | 15,172,666 |
| Amounts advanced or held as principal | - | - | - | 45,833,159 | - | 45,833,159 |
| Expenses incurred or paid on behalf of beneficial owners | 176,287 | 26,251 | 421,108 | 485,521 | 707,028 | 1,816,195 |
| Transfers to existing agreements | <u>1,075,875</u> | <u>5,096</u> | <u>1,430,655</u> | <u>8,204,961</u> | <u>1,308,199</u> | <u>12,024,786</u> |
| | <u>10,329,687</u> | <u>2,525,640</u> | <u>4,850,262</u> | <u>54,523,641</u> | <u>2,617,576</u> | <u>74,846,806</u> |
| Liability to beneficial owners at end of year | <u>\$ 163,462,284</u> | <u>\$ 55,547,618</u> | <u>\$ 24,104,567</u> | <u>\$ 99,036,480</u> | <u>\$ 7,436,863</u> | <u>\$ 349,587,812</u> |

The Baptist Foundation of Oklahoma

SCHEDULES OF FUNCTIONAL EXPENSES

Year ended December 31, 2016

| | Total | Program services | Management and general |
|--|--------------|---------------------|---------------------------|
| Salaries | \$ 2,211,976 | \$ 1,333,195 | \$ 878,781 |
| Employee benefits (including pension plan costs of \$261,155, and postretirement benefits other than pensions of \$25,469) | 686,909 | 362,690 | 324,219 |
| Continuing education, professional dues, and publications | 79,525 | 55,809 | 23,716 |
| Travel, meals, and lodging | 113,494 | 53,322 | 60,172 |
| Office materials, supplies, and printing | 20,302 | 15,227 | 5,075 |
| Postage and telephone | 41,291 | 21,675 | 19,616 |
| Office equipment, computer expenses, and maintenance | 260,729 | 118,539 | 142,190 |
| Insurance | 80,355 | 40,498 | 39,857 |
| Building rent | 177,956 | 88,978 | 88,978 |
| Legal fees | 19,753 | - | 19,753 |
| Legal fee reimbursements to donors | 142,406 | 142,406 | - |
| Accounting fees | 147,683 | - | 147,683 |
| Board expenses | 59,297 | - | 59,297 |
| Consultant and professional service fees | 103,423 | 71,465 | 31,958 |
| Communication and public relations | 382,522 | 325,961 | 56,561 |
| Depreciation | 220,808 | 35,526 | 185,282 |
| Interest expense - term investments | 787,891 | 787,891 | - |
| Trust account fees | 314,971 | 314,971 | - |
| Miscellaneous expenses | 28,633 | 12,103 | 16,530 |
| Total expenses | 5,879,924 | 3,780,256 | 2,099,668 |
| Distributions to students, elderly, and charitable causes | 460,478 | 460,478 | - |
| Total expenses and distributions | \$ 6,340,402 | \$ 4,240,734 | \$ 2,099,668 |

The Baptist Foundation of Oklahoma
SCHEDULES OF FUNCTIONAL EXPENSES - CONTINUED
Year ended December 31, 2015

| | <u>Total</u> | <u>Program services</u> | <u>Management and general</u> |
|---|---------------------|-----------------------------|-----------------------------------|
| Salaries | \$ 2,084,496 | \$ 1,465,579 | \$ 618,917 |
| Employee benefits (including pension plan costs of \$198,431 and postretirement benefits other than pensions of \$14,863) | 664,674 | 443,603 | 221,071 |
| Continuing education, professional dues, and publications | 90,747 | 70,898 | 19,849 |
| Travel, meals, and lodging | 99,541 | 58,005 | 41,536 |
| Office materials, supplies, and printing | 17,308 | 12,981 | 4,327 |
| Postage and telephone | 45,684 | 25,336 | 20,348 |
| Office equipment, computer expenses, and maintenance | 226,475 | 118,253 | 108,222 |
| Insurance | 76,842 | 38,627 | 38,215 |
| Building rent | 177,956 | 88,978 | 88,978 |
| Legal fees | 27,474 | - | 27,474 |
| Legal fee reimbursements to donors | 134,332 | 134,332 | - |
| Accounting fees | 71,325 | - | 71,325 |
| Board expenses | 77,982 | - | 77,982 |
| Consultant and professional service fees | 201,596 | 108,367 | 93,229 |
| Communication and public relations | 304,246 | 260,442 | 43,804 |
| Depreciation | 161,849 | 33,881 | 127,968 |
| Interest expense - term investments | 547,644 | 547,644 | - |
| Trust account fees | 345,122 | 345,122 | - |
| Miscellaneous expenses | <u>47,480</u> | <u>15,497</u> | <u>31,983</u> |
| Total expenses | 5,402,773 | 3,767,545 | 1,635,228 |
| Distributions to students, elderly, and charitable causes | <u>428,374</u> | <u>428,374</u> | <u>-</u> |
| Total expenses and distributions | <u>\$ 5,831,147</u> | <u>\$ 4,195,919</u> | <u>\$ 1,635,228</u> |