



**BAPTIST FOUNDATION OF ILLINOIS**

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FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2021 and 2020



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**BAPTIST FOUNDATION OF ILLINOIS**  
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## **Independent Auditor's Report**

Board of Trustees  
Baptist Foundation of Illinois  
Springfield, Illinois

### **Opinion**

We have audited the accompanying financial statements of Baptist Foundation of Illinois (Foundation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Baptist Foundation of Illinois as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Baptist Foundation of Illinois' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Baptist Foundation of Illinois' ability to continue as a going concern for a reasonable period of time.

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

*Sikich LLP*

Springfield, Illinois  
May 3, 2022

## **FINANCIAL STATEMENTS**

**BAPTIST FOUNDATION OF ILLINOIS**

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2021 and 2020

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	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,321	\$ 175,336
Accrued interest and other assets	32,203	33,482
Property and equipment, net	15,660	22,785
Loans receivable	8,101,310	8,897,534
Beneficial interest in split interest agreements	31,929	42,757
Accrued endowment interest	34,034	72,865
Investments held for endowment	3,467,224	3,587,109
	<u>11,683,681</u>	<u>12,831,868</u>
Assets held in trust and for others:		
Cash and cash equivalents	427,691	1,132,745
Accrued interest	270,009	250,339
Loans receivable	2,612,832	1,900,872
Reverted church assets	1,009,800	1,159,700
Investments	36,750,978	29,482,545
Beneficial interest in split interest agreements	77,531	85,591
Assets held in trust	6,602,909	5,445,100
	<u>47,751,750</u>	<u>39,456,892</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 59,435,431</u></u>	 <u><u>\$ 52,288,760</u></u>

This statement continued on the following page.

**BAPTIST FOUNDATION OF ILLINOIS**

## STATEMENTS OF FINANCIAL POSITION (Continued)

December 31, 2021 and 2020

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	<u>2021</u>	<u>2020</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 48,126	\$ 41,362
Bonds payable	7,642,528	8,826,215
	<u>7,690,654</u>	<u>8,867,577</u>
Funds held in trust and for others:		
Funds held as trustee under permanent endowments	9,161,911	7,250,908
Funds held under custodial fund agreements	31,986,930	26,760,884
Trust liabilities	6,602,909	5,445,100
	<u>47,751,750</u>	<u>39,456,892</u>
	<u>55,442,404</u>	<u>48,324,469</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Board designated endowment	273,874	374,526
Undesignated	(4,143)	54,115
	<u>269,731</u>	<u>428,641</u>
With donor restrictions		
Purpose and time restrictions	1,737,203	1,549,557
Perpetual in nature	1,986,093	1,986,093
	<u>3,723,296</u>	<u>3,535,650</u>
Total net assets	<u>3,993,027</u>	<u>3,964,291</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 59,435,431</u>	<u>\$ 52,288,760</u>

See accompanying notes to financial statements.

**BAPTIST FOUNDATION OF ILLINOIS**

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT, REVENUE AND RECLASSIFICATIONS</b>			
Investment income	\$ 46,786	\$ 335,915	\$ 382,701
Change in value of split interest agreements	-	(10,828)	(10,828)
Fees for asset management and administration	197,783	-	197,783
Interest received on loans receivable	468,734	-	468,734
Contributions	34	112,854	112,888
Net assets released from restrictions	250,295	(250,295)	-
Total support, revenue and reclassifications	<u>963,632</u>	<u>187,646</u>	<u>1,151,278</u>
<b>EXPENSES</b>			
Program services:			
Estate planning, trust, investment and lending services for IBSA organizations	540,121	-	540,121
Distributions for scholarships and other charitable causes	340,157	-	340,157
	<u>880,278</u>	<u>-</u>	<u>880,278</u>
Supporting activities:			
Management and general	242,264	-	242,264
Total expenses	<u>1,122,542</u>	<u>-</u>	<u>1,122,542</u>
<b>CHANGE IN NET ASSETS</b>	(158,910)	187,646	28,736
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>428,641</u>	<u>3,535,650</u>	<u>3,964,291</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 269,731</u>	<u>\$ 3,723,296</u>	<u>\$ 3,993,027</u>

See accompanying notes to financial statements.

**BAPTIST FOUNDATION OF ILLINOIS**

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

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	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT, REVENUE AND RECLASSIFICATIONS</b>			
Investment income	\$ 161,791	\$ 398,083	\$ 559,874
Change in value of split interest agreements	-	3,695	3,695
Fees for asset management and administration	148,229	-	148,229
Interest received on loans receivable	462,608	-	462,608
Contributions	9,917	-	9,917
Net assets released from restrictions	149,298	(149,298)	-
Total support, revenue and reclassifications	<u>931,843</u>	<u>252,480</u>	<u>1,184,323</u>
<b>EXPENSES</b>			
Program services:			
Estate planning, trust, investment and lending services for IBSA organizations	487,605	-	487,605
Distributions for scholarships and other charitable causes	343,176	-	343,176
	<u>830,781</u>	<u>-</u>	<u>830,781</u>
Supporting activities:			
Management and general	191,397	-	191,397
Total expenses	<u>1,022,178</u>	<u>-</u>	<u>1,022,178</u>
<b>CHANGE IN NET ASSETS</b>	(90,335)	252,480	162,145
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>518,976</u>	<u>3,283,170</u>	<u>3,802,146</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 428,641</u>	<u>\$ 3,535,650</u>	<u>\$ 3,964,291</u>

See accompanying notes to financial statements.

**BAPTIST FOUNDATION OF ILLINOIS**

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	<b>Estate Planning, Trust, Investment and Lending Services</b>	<b>Scholarships and Charitable Giving</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Total</b>
Salaries and benefits	\$ 135,189	\$ 15,021	\$ 150,210	\$ 122,899	\$ 273,109
Payroll taxes	11,362	1,262	12,624	10,329	22,953
Professional fees	2,686	298	2,984	21,442	24,426
Occupancy	13,579	1,509	15,088	12,344	27,432
Depreciation	3,527	392	3,919	3,206	7,125
Office and administrative expense	7,169	797	7,966	6,518	14,484
Insurance	8,854	984	9,838	8,049	17,887
Travel	7,080	787	7,867	6,436	14,303
Promotion	1,510	168	1,678	1,373	3,051
Technology	48,510	5,390	53,900	44,100	98,000
Board governance	711	79	790	647	1,437
Miscellaneous	5,414	601	6,015	4,921	10,936
Bond interest expense	294,530	-	294,530	-	294,530
Distributions for scholarships and other charitable causes	-	312,869	312,869	-	312,869
<b>Total expenses</b>	<b>\$ 540,121</b>	<b>\$ 340,157</b>	<b>\$ 880,278</b>	<b>\$ 242,264</b>	<b>\$ 1,122,542</b>

See accompanying notes to financial statements.

**BAPTIST FOUNDATION OF ILLINOIS**

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	<b>Estate Planning, Trust, Investment and Lending Services</b>	<b>Scholarships and Charitable Giving</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Total</b>
Salaries and benefits	\$ 100,665	\$ 11,185	\$ 111,850	\$ 91,514	\$ 203,364
Payroll taxes	7,381	820	8,201	6,710	14,911
Professional fees	3,405	378	3,783	37,546	41,329
Accounting services	-	-	-	12,000	12,000
Occupancy	13,579	1,509	15,088	12,344	27,432
Depreciation	5,341	593	5,934	4,855	10,789
Office and administrative expense	12,110	1,346	13,456	11,009	24,465
Insurance	51	6	57	46	103
Travel	3,367	374	3,741	3,061	6,802
Promotion	5,967	663	6,630	5,425	12,055
Technology	7,115	791	7,906	6,468	14,374
Miscellaneous	462	51	513	419	932
Bond interest expense	328,162	-	328,162	-	328,162
Distributions for scholarships and other charitable causes	-	325,460	325,460	-	325,460
<b>Total expenses</b>	<b>\$ 487,605</b>	<b>\$ 343,176</b>	<b>\$ 830,781</b>	<b>\$ 191,397</b>	<b>\$ 1,022,178</b>

See accompanying notes to financial statements.

**BAPTIST FOUNDATION OF ILLINOIS****STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 28,736	\$ 162,145
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	7,125	10,789
Realized and unrealized gain on investments	(302,334)	(546,215)
Reinvested interest on bonds payable	30,528	20,810
Change in value of split interest agreements	10,828	(3,695)
Changes in:		
Accrued interest and other assets	40,110	4,518
Accounts payable and accrued expenses	6,764	(1,351)
Net cash from operating activities	<u>(178,243)</u>	<u>(352,999)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	557,664	584,829
Purchase of investments	(135,445)	(592,278)
Loan advances	(1,327,000)	(1,818,286)
Loan principal received	1,623,224	1,000,232
Net cash from investing activities	<u>718,443</u>	<u>(825,503)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of bonds	851,000	825,000
Redemption of bonds	(2,065,215)	(924,995)
Use of endowment funds for loan advances	500,000	1,284,627
Net cash from financing activities	<u>(714,215)</u>	<u>1,184,632</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(174,015)	6,130
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>175,336</u>	<u>169,206</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,321</u>	<u>\$ 175,336</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	<u>\$ 307,060</u>	<u>\$ 326,512</u>

See accompanying notes to financial statements.

# **BAPTIST FOUNDATION OF ILLINOIS**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2021 and 2020

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### **1. NATURE OF ORGANIZATION**

The objective of the Baptist Foundation of Illinois (Foundation) is to serve any religious, benevolent, charitable, educational or missionary activity undertaking, institution or agency sponsored or sanctioned by the Illinois Baptist State Association. Activity of the Foundation is executed in the furtherance and development of ministry projects or other enterprises, operated by or under the supervision of, or sponsored or sanctioned by the Illinois Baptist State Association.

The Foundation's primary sources of funding are investment and interest income, fee income and contributions.

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Foundation has been classified as an organization that is not a private foundation. However, the Foundation is subject to federal income tax on any unrelated business taxable income.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

Cash and cash equivalents include deposits in banks. The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Investments

Investment income and realized and unrealized gains and losses are included in investment income without donor restrictions unless a donor or law temporarily or permanently restricts their use. Investment return is reported net of external and direct internal investment expenses.

Property and Equipment

The Foundation capitalizes fixed assets with a cost basis in excess of \$2,500. The cost of the vehicle and equipment is depreciated over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The useful lives adopted for the purpose of computing depreciation are:

Vehicle	5 years
Equipment	5 years

Loans Receivable

Loans receivable consist of loans primarily to Illinois Baptist State Association churches and organizations, secured by real estate mortgages. Most of the loans are set up for a term of twenty years. Loans receivable are carried at their estimated collectible amounts. The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb probable loan losses. The amount is based upon an analysis of the loan portfolio by management including, but not limited to, review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This process is based on estimates and ultimate losses may vary from current estimates. As changes in estimates occur, adjustments to the level of the allowance are recorded in the provision for potential loan losses in the period in which they become known. As of December 31, 2021 and 2020, no provision for loan losses has been recorded.

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Loans Receivable (Continued)

A loan is considered impaired when, based upon current information and events, it is probable that the Foundation will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans are classified as delinquent when payments are 90 days overdue. Delinquent loans continue to accrue interest. Payments on delinquent and impaired loans are recorded first as interest income and then as a reduction in principal. The accrual of interest income is discontinued when, in management's judgement, the scheduled interest may not be collectible within the stated term of the loan. Interest income is recognized on a cash basis for loans classified as nonaccrual loans, with subsequent payments applied first to interest and fees, if any, and then to principal. Loans classified as nonaccrual loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Assets Held in Trust and Trust Liability

Assets held in trust consist of charitable remainder trusts with revocable and irrevocable beneficiary interests. Assets held in trust are valued the same as investments. Gains and losses (including realized and unrealized) from all of these assets are reported as a component of trust liability since the trustor has the ability to change the remainderman until the point the trust matures or the trust benefits endowments benefiting other organizations. Trust liability includes irrevocable charitable remainder unitrusts and revocable charitable remainder unitrusts and represents the present value of future cash flows to income beneficiaries and the portion of trusts due other remaindermen. The present value of future cash flows to income beneficiaries is computed using published mortality rate tables adopted by the IRS at an assumed rate of return based on the current applicable federal rate to determine the present value of the actuarially determined liability. The resulting actuarial gain or loss is recorded directly to the due other remaindermen liability.

Funds Held for Others

Funds held for others consist of those assets held as trustee under permanent endowments for the benefit of other organizations and those assets held on behalf of other organizations and individuals under custodial fund agreements. These assets are valued the same as investments and comingled with other Foundation assets. The Foundation includes in its financial statements all assets that it accepts from a donor on behalf of other organizations, including nonfinancial assets. All activity related to these assets is recorded directly to assets and a corresponding liability account as they are accounted for as agency funds.

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Classes of Net Assets

Information regarding financial position and activities is reported in two classes of net assets based on the existence of, or absence of, donor-imposed restrictions. Net assets are classified as follows:

*Without donor restrictions* are those currently available for Foundation purposes under the direction of the Board and those designated by the Board for specific use. The Board has designated, from net assets without donor restrictions, a board-designated endowment.

*With donor restrictions* are those subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those contributed with donor stipulations for specific operating purposes or programs, those with time restrictions, undistributed endowment investment income, or those not currently available for use until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased. Other donor-imposed restrictions are perpetual in nature, such as those which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as without donor restriction or with donor restriction, as per endowment agreements.

Support and Revenue

Contributions to gift agreements are reported as income when made, which may be when cash is received, unconditional promises are made, or ownership of donated assets is transferred. Noncash gifts are recorded at their estimated fair market value at the date of donation. Investment income is recognized when earned. Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

No amount of contributed services was recorded for the years ended December 31, 2021 and 2020.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Foundation recognizes revenue when services are transferred to a customer. Fees for asset management and administration is recognized when services are provided which is when the performance obligation is satisfied. The services provided are investment and asset management services for the Foundations clients that place funds with the Foundation for investing and asset management purposes. The performance obligation is to provide the investment and asset management services to the clients of the Foundation. The Foundation generally uses the time elapsed method, an input measure, to recognize revenue for performance obligations satisfied over time, as it best depicts the simultaneous consumption and delivery of program services. The performance obligations satisfied over time related to asset management and administration. Fees for asset management and administration are billed for monthly and due within 30 days. At December 31, 2021 and 2020 there were no contract assets or liabilities.

Various economic factors could affect the recognition and cash flows, including market performance, demand for services and prompt payment from clients.

Significant Judgements

There are no significant judgements involved in the recognition of revenue due to the passage of time and delivery of services.

Expenses and Distributions

Grants to qualified organizations in accordance with various gift agreements are recognized when the grants are approved by the Foundation or upon maturity of the agreement at the donor's death. Operating expenses are recognized when incurred in accordance with the accrual basis of accounting and include certain costs associated with administration of gift agreements. The costs of providing various program services and supporting activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Bond interest expense and distributions for scholarships and other charitable purposes are directly allocated to program services. All other expenses of the Foundation are allocated based on estimates of time and effort.

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Future Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase the transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosures about leasing arrangements. ASU No. 2016-02, as amended by ASU No. 2020-05, is effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new leases standards at the beginning of the earliest period presented in the financial statements. In July 2018, FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*, providing a second optional transition method which allows the entity to apply the new standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. The Foundation is currently assessing the impact of this new standard, including the two optional transition methods.

Subsequent Events

The Foundation has evaluated subsequent events through May 3, 2022, which was the date that these financial statements were available for issuance.

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**3. INVESTMENTS**

At December 31, 2021 and 2020, investments consist of the following:

	December 31,	
	<u>2021</u>	<u>2020</u>
At fair value:		
LPL Financial:		
Corporate bonds	\$ 595,207	\$ 604,565
Municipal bonds	17,320,914	18,815,766
Common stock	49,380	91,111
Equity funds	4,931,835	-
Exchange traded funds	5,541,582	4,772,171
Publicly traded partnership interest	224,983	174,301
	<u>28,663,901</u>	<u>24,457,914</u>
At net asset value:		
Southern Baptist Foundation:		
Balanced fund	28,441	28,426
Flexible income fund	102,339	122,212
Income fund	43,288	91,795
Short term fund money market	1,088	913
Equity fund	29,655	53,966
Louisiana Baptist Foundation short term fund	2,812,458	-
Real estate investment trust	1,613,085	-
Unit investment trust	281,706	-
At cost:		
Cash held at LPL Financial	174,781	910,539
Spring Bancorp Subordinated Debenture	3,250,000	3,250,000
Real estate	1,053,604	1,053,604
The Baptist Foundation of Oklahoma:		
CBL investment certificates	2,163,856	2,319,496
Money market funds	-	780,789
	<u>40,218,202</u>	<u>33,069,654</u>
Less:		
Investments held for endowment	<u>(3,467,224)</u>	<u>(3,587,109)</u>
	<u>\$ 36,750,978</u>	<u>\$ 29,482,545</u>

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**4. LOANS RECEIVABLE**

At December 31, 2021, the Foundation had 73 loans with interest rates ranging from 3.00% - 5.75% and balances as follows:

<u>Loan Balance</u>	<u>Number of Loans</u>	<u>Principal Outstanding</u>	<u>Percent of Loan Portfolio</u>
\$0-\$100,000	37	\$ 1,832,439	17%
\$100,001 - \$300,000	28	5,234,967	49%
Over \$300,000	<u>8</u>	<u>3,646,736</u>	<u>34%</u>
		10,714,142	
Less:			
Loans included in assets held in trust and for others		<u>(2,612,832)</u>	
	<u>73</u>	<u>\$ 8,101,310</u>	<u>100%</u>

At December 31, 2020, the Foundation had 69 loans with interest rates ranging from 4.00% - 5.75% and balances as follows:

<u>Loan Balance</u>	<u>Number of Loans</u>	<u>Principal Outstanding</u>	<u>Percent of Loan Portfolio</u>
\$0-\$100,000	35	\$ 1,694,034	16%
\$100,001 - \$300,000	24	4,451,812	41%
Over \$300,000	<u>10</u>	<u>4,652,560</u>	<u>43%</u>
		10,798,406	
Less:			
Loans included in assets held in trust and for others		<u>(1,900,872)</u>	
	<u>69</u>	<u>\$ 8,897,534</u>	<u>100%</u>

The Foundation evaluates loans for impairment on an individual basis if the loan is more than 90 days delinquent. These loans are then given a specific allowance based on the estimated net realizable value of property serving as collateral. All other loans are evaluated for allowance on a collective basis. At December 31, 2021 and 2020, all loans were collectively evaluated, and no impairment was noted.

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**4. LOANS RECEIVABLE (Continued)**

Status for performing and nonperforming real estate loans is based on payment activity for the year. Payment activity is reviewed by management on a monthly basis to determine how loans are performing. Loans are considered to be nonperforming when days delinquent is greater than 60 days in the previous month. The following table presents credit exposure by performance status:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Performing	\$ 10,714,142	\$ 10,798,406
Nonperforming	-	-
	<u>\$ 10,714,142</u>	<u>\$ 10,798,406</u>

The Foundation classifies loans as past due if the loan is more than 30 days past due but less than 90 days delinquent. There were no past due loans or loans classified as delinquent or impaired as of December 31, 2021 and 2020.

Loans receivable at December 31, 2021, will mature as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 613,445
2023	640,427
2024	668,674
2025	698,245
2026	729,203
Thereafter	7,364,148
	<u>\$ 10,714,142</u>

**5. ASSETS HELD IN TRUST**

The Foundation administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). Assets held in the charitable remainder trusts are recorded at fair value in the Foundation's statements of financial position. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions.

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**5. ASSETS HELD IN TRUST (Continued)**

The assets of the remainder trust funds are invested in the following:

	December 31,	
	<u>2021</u>	<u>2020</u>
At fair value:		
LPL Financial:		
Corporate bonds	\$ 78,079	\$ -
Municipal bonds	2,129,739	1,909,163
Stock	651,260	621,158
Equity funds	919,371	-
Exchange traded funds	530,245	963,931
Limited partnership interest	<u>25,935</u>	<u>21,644</u>
	4,334,629	3,515,896
At net asset value:		
Real estate investment trust	672,812	284,743
Southern Baptist Foundation:		
Balanced fund	106,992	97,299
At cost:		
Cash held at LPL Financial	93,260	156,963
Spring Bancorp Subordinated Debenture	500,000	500,000
Accrued interest	24,216	19,199
Real estate	<u>871,000</u>	<u>871,000</u>
	<u>\$ 6,602,909</u>	<u>\$ 5,445,100</u>

**6. FUNDS HELD AS TRUSTEE UNDER PERMANENT ENDOWMENTS**

The Foundation is the recipient of approximately 60 endowment agreements whose earnings are to be used to support other organizations. These agreements are accounted for as agency funds and as such the activity is reported directly to assets and liability and is not reflected in the statement of activities. The following is a summary of activity for these agreements:

	December 31,	
	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 7,250,908	\$ 6,917,852
Investment return:		
Investment income	404,260	337,424
Investment management and custodial fees	<u>(12,332)</u>	<u>(9,772)</u>
	391,928	327,652
Change in value of split interest agreements	(8,060)	(4,061)
Amounts appropriated for expenditure	(530,821)	(474,520)
Contributions	<u>2,057,956</u>	<u>483,985</u>
	<u>1,911,003</u>	<u>333,056</u>
Balance, end of year	<u>\$ 9,161,911</u>	<u>\$ 7,250,908</u>

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**7. FUNDS HELD UNDER CUSTODIAL FUND AGREEMENTS**

The Foundation holds funds placed on deposit by various organizations and other individuals under custodial fund agreements and as such the activity is reported directly to assets and liability and is not reflected in the statement of activities. The following is a summary of activity for these agreements:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 26,760,884	\$ 23,329,562
Investment return:		
Investment income	1,539,018	1,696,730
Investment management and custodial fees	<u>(61,070)</u>	<u>(62,838)</u>
	1,477,948	1,633,892
Withdrawals	(4,649,736)	(5,710,096)
Deposits	<u>8,397,834</u>	<u>7,507,526</u>
	<u>5,226,046</u>	<u>3,431,322</u>
Balance, end of year	<u>\$ 31,986,930</u>	<u>\$ 26,760,884</u>

**8. BONDS PAYABLE**

Following is a summary of bonds payable as of December 31, 2021:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Issued</u>	<u>Balance</u>
BFI Bond Issue 2013A	3.00%	5/8/33	\$ 252,000	\$ 224,000
BFI Bond Issue 2013D	3.00%	6/21/33	250,000	186,000
BFI Bond Issue 2013E	3.00%	8/21/33	531,000	373,000
BFI Bond Issue 2013H	3.00%	9/25/33	439,000	384,000
BFI Bond Issue 2013K	3.00%	12/19/33	180,000	163,000
BFI Bond Issue 2013L	3.00%	12/19/33-12/20/33	170,000	161,000
BFI Bond Issue 2013M	3.00%	1/15/34	100,000	100,000
BFI Bond Issue 2013N	3.00%	2/4/34	93,000	93,000
BFI Bond Issue 2014B	3.00%	3/19/34	261,000	224,000
BFI Bond Issue 2014D	3.75%	3/19/34	70,000	25,000
BFI Bond Issue 2014E	3.25%	5/5/34	61,000	60,000
BFI Bond Issue 2014G	3.25%	9/4/34	79,000	76,000
BFI Bond Issue 2014H	3.25%	12/15/34	278,000	173,000
BFI Bond Issue 2014I	3.25%	2/23/35	114,000	110,000
BFI Bond Issue 2015B	3.60%-4.25%	6/1/22	10,000	10,000
BFI Bond Issue 2015C	1.25%-4.25%	6/30/22-6/30/25	346,000	325,000
BFI Bond Issue 2015D	2.25%-4.25%	9/30/22-9/30/25	160,000	160,000
BFI Bond Issue 2015F	4.25%	12/1/22-12/1/25	200,000	200,000
BFI Bond Issue 2015G	1.25%-4.25%	11/30/22-11/30/25	201,000	201,000

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**8. BONDS PAYABLE (Continued)**

Description	Interest Rate	Maturity	Issued	Balance
BFI Bond Issue 2015I	3.00%-4.25%	1/15/22-1/15/25	\$ 200,000	\$ 200,000
BFI Bond Issue 2015J	3.60%-4.25%	12/31/23	61,000	61,000
BFI Bond Issue 2016A	4.25%	7/18/22-2/1/26	233,000	200,000
BFI Bond Issue 2016F	3.00%-4.25%	7/7/22-8/28/23	299,000	299,000
BFI Bond Issue 2016G	3.00%-4.25%	3/31/22	50,000	50,000
BFI Bond Issue 2017A	2.25%-4.25%	2/28/22-11/1/25	46,000	46,000
BFI Bond Issue 2017B	3.60%-4.25%	4/11/22-4/11/24	91,000	79,000
BFI Bond Issue 2017D	4.25%	6/15/22	145,000	145,000
BFI Bond Issue 2017E	3.60%-4.25%	6/15/22	118,000	112,000
BFI Bond Issue 2017F	2.25%-4.25%	3/31/22	49,000	49,000
BFI Bond Issue 2017G	2.25%-4.25%	8/29/22-8/28/23	383,000	383,000
BFI Bond Issue 2017H	4.25%	7/5/22-1/28/24	116,000	116,000
BFI Bond Issue 2018A	3.00%-4.25%	4/19/22-4/19/23	75,000	75,000
BFI Bond Issue 2018B	3.60%-4.25%	5/4/22-5/4/23	376,000	266,000
BFI Bond Issue 2018C	3.60%-4.25%	5/23/22-6/22/25	303,000	303,000
BFI Bond Issue 2018D	4.25%	6/4/23	70,000	70,000
BFI Bond Issue 2019A	2.25%-4.25%	2/19/22-2/28/24	22,000	22,000
BFI Bond Issue 2019B	4.25%	6/20/24	71,000	71,000
BFI Bond Issue 2019E	3.00%-4.25%	5/17/22-5/17/24	200,000	200,000
BFI Bond Issue 2019F	3.00%-4.25%	6/6/22-6/6/24	200,000	200,000
BFI Bond Issue 2019G	3.60%-4.25%	6/28/23-6/28/24	74,000	74,000
BFI Bond Issue 2019H	1.25%-4.25%	7/24/22-7/24/24	50,000	50,000
BFI Bond Issue 2019I	3.60%	7/24/23	15,000	15,000
BFI Bond Issue 2019J	3.00%-4.25%	9/23/22-9/23/25	120,000	120,000
BFI Bond Issue 2019K	4.25%	11/1/24	80,000	80,000
BFI Bond Issue 2020A	3.00%-4.25%	3/13/22-3/13/25	325,000	325,000
BFI Bond Issue 2020B	4.25%	6/30/25	50,000	50,000
BFI Bond Issue 2021A	3.60%-4.25%	3/25/25-3/25/26	116,000	116,000
BFI Bond Issue 2021B	4.25%	5/14/26	100,000	100,000
BFI Bond Issue 2021C	4.25%	8/27/26	100,000	100,000
BFI Bond Issue 2021D	2.25%-4.25%	9/13/33-9/13/26	90,000	90,000
BFI Bond Issue 2021E	4.25%	8/30/26	7,000	7,000
BFI Bond Issue 2021F	4.25%	9/15/26	100,000	100,000

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**8. BONDS PAYABLE (Continued)**

Description	Interest Rate	Maturity	Issued	Balance
BFI Bond Issue 2021G	1.25%-4.25%	9/16/22-9/16/26	\$ 40,000	\$ 40,000
BFI Bond Issue 2021H	1.25%-4.25%	10/6/22-10/6/26	150,000	150,000
			<u>\$8,320,000</u>	7,612,000
Reinvested interest on bonds payable				<u>30,528</u>
				<u>\$7,642,528</u>

Following is a summary of bonds payable as of December 31, 2020:

Description	Interest Rate	Maturity	Issued	Balance
BFI Bond Issue 2013A	3.00%	5/8/33	\$ 252,000	\$ 248,000
BFI Bond Issue 2013D	3.00%	6/21/33	250,000	202,000
BFI Bond Issue 2013E	3.00%	8/21/33	541,000	393,000
BFI Bond Issue 2013H	3.00%	9/25/33	599,000	560,000
BFI Bond Issue 2013L	3.00%	12/19/33-12/20/33	381,000	366,800
BFI Bond Issue 2013M	3.00%	1/15/34	146,000	114,000
BFI Bond Issue 2013N	3.00%	2/4/34	100,000	100,000
BFI Bond Issue 2014B	3.00%	3/19/34	288,000	243,542
BFI Bond Issue 2014D	3.75%	3/19/34	70,000	53,999
BFI Bond Issue 2014E	3.25%	5/5/34	145,000	91,016
BFI Bond Issue 2014F	3.25%	9/4/34	357,000	353,000
BFI Bond Issue 2014G	3.25%	9/4/34	89,000	86,000
BFI Bond Issue 2014H	3.25%	12/15/34	175,490	205,000
BFI Bond Issue 2014I	3.25%	2/23/35	114,000	110,048
BFI Bond Issue 2015B	3.60%-4.25%	6/1/22	10,000	10,000
BFI Bond Issue 2015C	1.25%-4.25%	6/30/21-6/30/25	400,000	385,000
BFI Bond Issue 2015D	2.25%-4.25%	9/30/21-9/30/25	236,000	236,000
BFI Bond Issue 2015F	4.25%	12/1/21-12/1/25	200,000	200,000
BFI Bond Issue 2015G	1.25%-4.25%	11/30/21-11/30/25	273,000	224,000
BFI Bond Issue 2015I	3.40%.25%	1/15/21-1/15/25	295,000	285,000
BFI Bond Issue 2015J	3.60%-4.25%	12/31/23	34,000	34,000
BFI Bond Issue 2015L	3.60%-4.25%	1/15/21-3/31/23	85,000	85,000
BFI Bond Issue 2015U	4.25%	1/15/21	10,000	10,000
BFI Bond Issue 2016A	4.25%	2/1/21-7/8/22	405,000	372,000
BFI Bond Issue 2016B	4.25%	2/12/21-7/28/22	175,000	175,000

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**8. BONDS PAYABLE (Continued)**

Description	Interest Rate	Maturity	Issued	Balance
BFI Bond Issue 2016F	3.00%-4.25%	7/7/21-8/28/23	\$ 526,000	\$ 526,000
BFI Bond Issue 2016G	3.00%-4.25%	3/31/21	99,000	99,000
BFI Bond Issue 2016H	4.25%	5/31/21-5/31/24	29,000	29,000
BFI Bond Issue 2017A	2.25%-4.25%	2/28/21-11/1/25	58,000	58,000
BFI Bond Issue 2017B	3.60%-4.25%	4/11/21-4/11/24	105,000	93,000
BFI Bond Issue 2017D	4.25%	6/15/22	145,000	145,000
BFI Bond Issue 2017E	3.60%-4.25%	6/15/21-6/15/22	121,000	115,000
BFI Bond Issue 2017F	2.25%-4.25%	3/31/21-3/31/22	50,000	50,000
BFI Bond Issue 2017G	2.25%-4.25%	8/29/21-8/28/23	456,000	456,000
BFI Bond Issue 2017H	4.25%	7/5/22-1/28/24	116,000	116,000
BFI Bond Issue 2018A	3.00%-4.25%	4/19/21-4/19/23	75,000	75,000
BFI Bond Issue 2018B	3.60%-4.25%	5/4/21-5/4/23	376,000	266,000
BFI Bond Issue 2018C	3.60%-4.25%	5/23/22-6/22/25	303,000	303,000
BFI Bond Issue 2018D	4.25%	6/4/23	70,000	70,000
BFI Bond Issue 2019A	2.25%-4.25%	2/19/21-2/28/24	25,000	25,000
BFI Bond Issue 2019B	4.25%	6/20/24	71,000	71,000
BFI Bond Issue 2019D	4.25%	4/5/24	37,000	37,000
BFI Bond Issue 2019E	3.00%-4.25%	5/17/22-5/17/24	200,000	200,000
BFI Bond Issue 2019F	3.00%-4.25%	6/6/22-6/6/24	200,000	200,000
BFI Bond Issue 2019G	3.60%-4.25%	6/28/23-6/28/24	74,000	74,000
BFI Bond Issue 2019H	1.25%-4.25%	7/24/21-7/24/24	60,000	60,000
BFI Bond Issue 2019I	3.60%	7/24/23	15,000	15,000
BFI Bond Issue 2019J	3.00%-4.25%	9/23/21-9/23/25	125,000	125,000
BFI Bond Issue 2019L	4.25%	11/1/24	80,000	80,000
BFI Bond Issue 2020A	3.00%-4.25%	3/13/22-3/13/25	325,000	325,000
BFI Bond Issue 2020B	4.25%	6/30/25	50,000	50,000
			<u>\$9,421,490</u>	8,805,405
Reinvested interest on bonds payable				<u>20,810</u>
				<u>\$8,826,215</u>

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**8. BONDS PAYABLE (Continued)**

Each bond is tied to a loan issued by the Foundation to a church to help meet their construction needs. These loans are secured by a first position mortgage against church property. Underwriting for each loan is based upon a completed analysis that includes:

- A. Completed application with church budget documentation, insured values, personal inspection of the property, and personal interviews with church lay and ordained leadership.
- B. Analysis of financials to include a maximum of a 50% loan to value ratio of the loan.
- C. Analysis of financials to include ability to pay at a maximum of a 25% loan payment to unrestricted church income.
- D. Each loan is independently reviewed and approved by the investment committee of the Foundation.

Bonds from each issue were sold on a subscription basis and were sold in \$1,000 denominations. Sales were restricted to primarily Illinois Baptist Churches, IBSA institutions and individual members of Illinois Baptist Churches. Interest is paid semi-annually at a coupon rate as noted above. The maturity date of the 2013 and 2014 issue bonds is the loan closing date plus twenty years for each bond issue. Bonds are redeemable from the regular payment of principal as well as the pre-payment of principal. Redemptions from regularly scheduled principal payments occur on an annual basis, and the redemptions from pre-payment of principal occur on a quarterly basis. Bonds are called and redeemed in reverse order of their subscription, unless individual bondholders express a preference for early redemption. The 2015, 2016, 2017, 2018, 2019, 2020, and 2021 issue bonds are issued as one-year, two-year, three-year, four-year, and five-year bonds from the loan closing date for each bond issue.

Amounts presented in the schedule below are estimated bond maturity dates based on the year in which the bonds payable are scheduled to mature or the related loan receivable is scheduled to mature as of December 31, 2021:

<u>Year</u>	<u>Amount</u>
2022	\$ 1,431,528
2023	809,000
2024	967,000
2025	802,000
2026	1,281,000
Thereafter	<u>2,352,000</u>
	<u>\$ 7,642,528</u>

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**9. NET ASSETS WITHOUT DONOR RESTRICTIONS**

The Foundation has net assets without donor restrictions as follows:

	December 31,	
	<u>2021</u>	<u>2020</u>
Board-designated quasi endowment fund	\$ 273,874	\$ 374,526
Other undesignated	<u>(4,143)</u>	<u>54,115</u>
	<u>\$ 269,731</u>	<u>\$ 428,641</u>

**10. NET ASSETS WITH DONOR RESTRICTIONS**

The Foundation has net assets with donor restrictions as follows:

	December 31,	
	<u>2021</u>	<u>2020</u>
Beneficial interest in split interest agreements	\$ 31,929	\$ 42,757
BFI leadership vision fund	40,843	38,343
Scholarships and missions	25,490	-
Unexpended endowment income	1,638,941	1,468,457
Endowment funds	<u>1,986,093</u>	<u>1,986,093</u>
	<u>\$ 3,723,296</u>	<u>\$ 3,535,650</u>

**11. ENDOWMENT FUNDS**

The Foundation's endowment consists of approximately 40 individual funds established for scholarships and a variety of other purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (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.

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**11. ENDOWMENT FUNDS (Continued)**

Donor restricted amounts not retained in perpetuity are subject to appropriation by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulated donor- restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization 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 organization
7. The investment policies of the organization

Endowment net asset composition by type of fund as of December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted funds	\$ -	\$ 3,625,034	\$ 3,625,034
Board designated funds	<u>273,874</u>	<u>-</u>	<u>273,874</u>
Total funds	<u>\$ 273,874</u>	<u>\$ 3,625,034</u>	<u>\$ 3,898,908</u>

Changes in endowment net assets for the year ended December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets beginning of year	<u>\$ 374,526</u>	<u>\$ 3,454,550</u>	<u>\$ 3,829,076</u>
Investment return:			
Investment income	49,921	371,917	421,838
Investment management and custodial fees	<u>(3,135)</u>	<u>(36,002)</u>	<u>(39,137)</u>
Total investment return	46,786	335,915	382,701
Amounts appropriated for expenditure	<u>(147,438)</u>	<u>(165,431)</u>	<u>(312,869)</u>
	<u>(100,652)</u>	<u>170,484</u>	<u>69,832</u>
Endowment net assets, end of year	<u>\$ 273,874</u>	<u>\$ 3,625,034</u>	<u>\$ 3,898,908</u>

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**11. ENDOWMENT FUNDS (Continued)**

Endowment net asset composition by type of fund as of December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted funds	\$ -	\$ 3,454,550	\$ 3,454,550
Board designated funds	<u>374,526</u>	<u>-</u>	<u>374,526</u>
Total funds	<u>\$ 374,526</u>	<u>\$ 3,454,550</u>	<u>\$ 3,829,076</u>

Changes in endowment net assets for the year ended December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets beginning of year	\$ 388,897	\$ 3,205,765	\$ 3,594,662
Investment return:			
Investment income	172,632	442,169	614,801
Investment management and custodial fees	<u>(10,841)</u>	<u>(44,086)</u>	<u>(54,927)</u>
Total investment return	161,791	398,083	559,874
Amounts appropriated for expenditure	<u>(176,162)</u>	<u>(149,298)</u>	<u>(325,460)</u>
	<u>(14,371)</u>	<u>248,785</u>	<u>234,414</u>
Endowment net assets, end of year	<u>\$ 374,526</u>	<u>\$ 3,454,550</u>	<u>\$ 3,829,076</u>

Description of amounts classified as net assets with donor restrictions and net assets without donor restrictions (endowment only) are as follows:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA.	\$ 1,986,093	\$ 1,986,093
The portion of perpetual endowment funds subject to a time restriction under UPMIFA with purpose restrictions	1,638,941	1,468,457
Net assets without donor restrictions:		
Board designated endowments	<u>273,874</u>	<u>374,526</u>
	<u>\$ 3,898,908</u>	<u>\$ 3,829,076</u>

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**11. ENDOWMENT FUNDS (Continued)**

Endowment assets consist of the following:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Investments	\$ 3,467,224	\$ 3,587,109
Interest receivable	34,034	72,865
Loans receivable	<u>397,650</u>	<u>169,102</u>
	<u>\$ 3,898,908</u>	<u>\$ 3,829,076</u>

*Funds with Deficiencies:* From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Such endowments are often referred to as “underwater” endowments and are included in net assets with donor restriction. The Foundation allows spending from underwater endowments when necessary. In accordance with GAAP, there were no deficiencies of this nature as of December 31, 2021 and 2020.

*Return Objectives and Risk Parameters:* The Foundation has adopted investment and spending policies for endowment assets that attempt 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 Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a target yield of 5%, net of fees. Actual returns in any given year may vary from this amount.

*Strategies Employed for Achieving Objectives:* To satisfy its long-term rate-of-return objectives, the Foundation favors an investment strategy that emphasizes predictable income yield while seeking to preserve the historic value of the underlying asset lass.

*Spending Policy and How the Investment Objectives Related to Spending Policy:* In 2012, the Board established a spending policy of 3.2% of endowments, based on both total return and income yield. Distributions are calculated based on the average balance from the previous five quarters, multiplied by the approved endowment declaration. In October of 2021 the Foundation amended the spending policy and distributions are calculated based on the total return for 12 regressive quarters. Twice annually, the Investment Committee will recommend to the Board of Trustees the distribution rate for subsequent quarters following a meeting. During the last quarter of 2021 the Foundation distributed at 5% of endowments. This spending policy does not apply to endowments with prescribed distribution instructions as provided by the donor.

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**12. RETIREMENT PROGRAM**

The Foundation maintains a 403(b) retirement program with GuideStone Financial Resources of the Southern Baptist Convention. The plan covers all employees who work at least 1,500 hours annually. The Foundation also offered all full time employees a contribution to the employees traditional or Roth IRA. The Association contributes an amount equal to 10% of the eligible employee's compensation, as defined. The Foundation's contributions to the employees retirement program of choice were approximately \$22,000 and \$17,000 in the years ended December 31, 2021 and 2020, respectively.

**13. CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, marketable securities and loans receivable.

From time to time, cash deposits are in excess of FDIC insured limits; while management is mindful of the FDIC limits, they realize that cash balances generated in the ordinary course of business will generally exceed FDIC insured limits. At December 31, 2021 and 2020, the Foundation had cash on deposit with financial institutions that exceed federally insured limits by approximately \$316,000 and \$1,139,000, respectively. The Foundation has not experienced any losses on these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents. At December 31, 2021 and 2020, approximately \$35.9 million and \$29.4 million, respectively, of the Foundation's investment portfolio was held by the investment management firm of Charles Schwab and LPL Financial, respectively, through the Bank of Springfield. The Foundation has not experienced any losses on these accounts and does not believe it is exposed to any significant risk of loss related to these.

Concentrations of credit risk with respect to loans receivable are limited to a certain extent by the secured position of the Foundation and the number of organizations comprising the Foundation's loans receivable base. Loans made by the Foundation are secured by first mortgages and are limited to 50% of the aggregate cost or value of the property securing the loan. While the Foundation may be exposed to credit losses in the event of nonperformance by the above contracting parties, management believes the underlying assets of the loans are adequate to cover any such losses.

Bonds issued from the year 2015 to current year issuance are issued in \$1,000 units with maturity dates of one- year to five-years; however, the loans that the bonds are issued to fund have an average maturity of 20 years. A substantial portion of the bonds issued by the Foundation will mature within the next one to five years and the Foundation would have insufficient liquid assets to satisfy repayment of this amount. Management anticipates that a substantial portion of these bonds will be reinvested or rolled over into new bonds with the Foundation.

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**14. LOAN COMMITMENTS**

In the normal course of business, the Foundation makes commitments to extend loans to meet the financing needs of primarily Illinois Baptist State Association churches. At December 31, 2021 and 2020, the Foundation had outstanding commitments of approximately \$15,000 and \$17,000, respectively, to fund real estate mortgages.

Outstanding commitments are letters that outline the terms and conditions of the mortgage to be granted. The Foundation's exposure to credit loss, in the event of nonperformance by the churches to which it has extended commitments, is limited to the amount of the commitment. The Foundation controls the credit risk of its commitments through credit approvals, limits and monitoring procedures.

**15. RELATED PARTY TRANSACTIONS**

The Board of Trustees of the Foundation, Illinois Baptist State Association (IBSA) and Illinois Baptist Children's Home and Family Services (BCHFS) are elected annually from the association of messengers from Baptist Churches; therefore, these institutions are related parties.

The Foundation holds the following funds for related parties

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
<b>IBSA:</b>		
Assets held as trustee under permanent endowments	\$ 2,154,469	\$ 1,787,087
Assets held under custodial fund agreements	<u>5,644,621</u>	<u>6,209,686</u>
	<u>7,799,090</u>	<u>7,996,773</u>
<b>BCHFS:</b>		
Assets held as trustee under permanent endowments	\$ 576,434	\$ 445,004
Assets held under custodial fund agreements	<u>1,122,000</u>	<u>1,154,474</u>
	<u>1,698,434</u>	<u>1,599,478</u>
	<u>\$ 9,497,524</u>	<u>\$ 9,596,251</u>

As of December 31, 2021 and 2020, the Foundation had \$31,447 and \$21,848, respectively, due to IBSA related to direct operating and employee costs.

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**15. RELATED PARTY TRANSACTIONS (Continued)**

During the course of business, the Foundation often has related party transactions with its board members. Board members regularly invest in the Foundation as well as hold outstanding bonds payable. In addition, the Foundation's board members often serve on the boards or in key leadership positions of churches and other organizations that have transactions with the Foundation including custodial fund agreements, loans receivable and bonds payable. For the years ended December 31, 2021 and 2020, the Foundation received \$87,364 and \$9,162, respectively, of contributions from Board members. Management does not believe it has a significant concentration of risk related to these dealings since the mission of the Foundation is to serve IBSA institutions.

**16. FAIR VALUE MEASUREMENTS**

US GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. US GAAP requires the Foundation to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAV's are not included in Level 1, 2, or 3, but are separately reported.

Valuation Techniques

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended December 31, 2021 and 2020.

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**16. FAIR VALUE MEASUREMENTS (Continued)**

Valuation Techniques (Continued)

*Common stock, mutual funds, equity funds and exchange traded funds:* The fair values are based on quoted market prices.

*Limited partnerships:* Valued at the closing price reported in the active market in which the partnerships are traded.

*Corporate and municipal bonds:* The fair values of certain corporate bonds for which quoted market prices are not available are valued based on yields currently available on comparable securities of issuers with similar credit ratings. The fair value of municipal bonds is estimated using recently executed transactions, market price quotations and pricing models that factor in, where applicable, interest rates, bond- or credit-default swap spreads and volatility.

*Beneficial interest in split interest agreements:* Valued using the fair value of the assets held in the trust reported by the trustee as of December 31, 2021 and 2020. The Foundation considers the measurement of its beneficial interest in split interest agreements to be a Level 2 measurement within the hierarchy because the measurement is based on the unadjusted fair value of trust assets reported by the trustee and the Foundation will receive those assets in a future period.

*Real estate investment trusts:* Real estate investment trust (REIT) valuation is determined by the Board of Directors of the respective REIT, and is based on the estimated value of the REIT's assets less the estimated value of the REIT's liabilities, divided by the approximate number of shares outstanding on a fully diluted basis.

*Unit investment trust:* Unit investment trust (UIT) valuation is determined by the administrator of the fund and is based on the estimated value of the UIT's assets less the estimated value of the UIT's liabilities, divided by the approximate number of units outstanding.

*Southern Baptist Foundation (SBF) Pooled fund investments:* Pooled fund investments consist of five pooled funds at SBF which are not valued based upon quoted market prices. Underlying investments of the pooled funds include money market funds, equities, government bonds and corporate bonds. These investments are reported at estimated fair value as measured by their net asset value as reported by SBF. The amount represents the Foundation's proportionate interest in the capital of the invested funds.

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**16. FAIR VALUE MEASUREMENTS (Continued)**

Valuation Techniques (Continued)

*Louisiana Baptist Foundation (LBF) Pooled fund investments:* Pooled fund investments consist of one pooled fund at LBF which is not valued based upon quoted market prices. Underlying investments of the pooled fund include the LBF short term fund. These investments are reported at estimated fair value as measured by their net asset value as reported by LBF. The amount represents the Foundation's proportionate interest in the capital of the invested funds.

*Split interest agreements obligations:* Valued based on the present value of discounted expected cash flows and life expectancies. The present value was calculated using a discount rate of 1.4% - 5.4%. These are categorized as Level 2.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below presents the level within the fair value hierarchy at which assets and liabilities are measured at December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>ASSETS</b>				
Investments:				
Corporate bonds	\$ -	\$ 595,207	\$ -	\$ 595,207
Municipal bonds	-	17,320,914	-	17,320,914
Common stock	49,380	-	-	49,380
Equity funds	4,931,835	-	-	4,931,835
Exchange traded funds	5,541,582	-	-	5,541,582
Limited partnership interest	224,983	-	-	224,983
Beneficial interest in split interest agreements	-	109,460	-	109,460
	<u>10,747,780</u>	<u>18,025,581</u>	<u>-</u>	<u>28,773,361</u>

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**16. FAIR VALUE MEASUREMENTS (Continued)**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS (Continued)				
Trust assets:				
Corporate bonds	\$ -	\$ 78,079	\$ -	\$ 78,079
Municipal bonds	-	2,129,739	-	2,129,739
Common stock	651,260	-	-	651,260
Equity funds	919,371	-	-	919,371
Exchange traded funds	530,245	-	-	530,245
Limited partnership interest	<u>25,935</u>	<u>-</u>	<u>-</u>	<u>25,935</u>
	<u>2,126,811</u>	<u>2,207,818</u>	<u>-</u>	<u>4,334,629</u>
Total assets at fair value	<u>\$ 12,874,591</u>	<u>\$ 20,233,399</u>	<u>\$ -</u>	<u>\$ 33,107,990</u>
LIABILITIES				
Split interest agreements obligations	<u>\$ -</u>	<u>\$ 109,460</u>	<u>\$ -</u>	<u>\$ 109,460</u>
Investments at fair value (from table above):				\$ 33,107,990
Investments at cost:				
Cash held at Charles Schwab				268,042
Spring Bancorp Subordinated Debenture				3,750,000
Real estate				1,924,604
WatersEdge Ministry Services				
CBL investment certificates				2,163,856
Accrued interest				24,216
Investments at net asset value:				
Southern Baptist Foundation pooled funds				311,803
Louisiana Baptist Foundation pooled funds				2,812,458
Real estate investment trusts				2,285,896
Unit investment trust				<u>281,706</u>
Total investments, beneficial interest in split interest agreements and assets held in trust				<u>\$ 46,930,571</u>
Total investments, beneficial interest in split interest agreements and assets held in trust (per above)				\$ 46,930,571
Less:				
Assets held in trust				(6,602,909)
Beneficial interest in split interest agreements				<u>(109,460)</u>
Total investments (per Note 3)				<u>\$ 40,218,202</u>

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**16. FAIR VALUE MEASUREMENTS (Continued)**

The table below presents the level within the fair value hierarchy at which assets and liabilities are measured at December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>ASSETS</b>				
Investments:				
Corporate bonds	\$ -	\$ 604,565	\$ -	\$ 604,565
Municipal bonds	-	18,815,766	-	18,815,766
Common stock	91,111	-	-	91,111
Exchange traded funds	4,772,171	-	-	4,772,171
Limited partnership interest	174,301	-	-	174,301
Beneficial interest in split interest agreements	<u>-</u>	<u>128,348</u>	<u>-</u>	<u>128,348</u>
	<u>5,037,583</u>	<u>19,548,679</u>	<u>-</u>	<u>24,586,262</u>
Trust assets:				
Municipal bonds	-	1,909,163	-	1,909,163
Common stock	621,158	-	-	621,158
Exchange traded funds	963,931	-	-	963,931
Limited partnership interest	<u>21,644</u>	<u>-</u>	<u>-</u>	<u>21,644</u>
	<u>1,606,733</u>	<u>1,909,163</u>	<u>-</u>	<u>3,515,896</u>
Total assets at fair value	<u>\$ 6,644,316</u>	<u>\$ 21,457,842</u>	<u>\$ -</u>	<u>\$ 28,102,158</u>
<b>LIABILITIES</b>				
Split interest agreements obligations	<u>\$ -</u>	<u>\$ 128,348</u>	<u>\$ -</u>	<u>\$ 128,348</u>
Investments at fair value (from table above):				\$ 28,102,158
Investments at cost:				
Cash held at LPL Financial				1,067,502
Spring Bancorp Subordinated Debenture				3,750,000
Real estate				1,924,604
The Baptist Foundation of Oklahoma				
CBL investment certificates				2,319,496
Money market funds				780,789
Accrued interest				19,199
Investments at net asset value:				
Southern Baptist Foundation pooled funds				394,611
Real estate investment trust				<u>284,743</u>
Total investments, beneficial interest in split interest agreements and assets held in trust				<u>\$ 38,643,102</u>

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**16. FAIR VALUE MEASUREMENTS (Continued)**

Total investments, beneficial interest in split interest agreements and assets held in trust (per above)	\$ 38,643,102
Less:	
Assets held in trust	(5,445,100)
Beneficial interest in split interest agreements	(128,348)
Total investments (per Note 3)	<u>\$ 33,069,654</u>

Total assets were presented on the statements of financial position as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Investments held for endowment	\$ 3,467,224	\$ 3,587,109
Beneficial interest in split interest agreements	31,929	42,757
Assets held in trust and for others:		
Investments	36,750,978	29,482,545
Beneficial interest in split interest agreements	77,531	85,591
Assets held in trust	6,602,909	5,445,100
Total Assets	<u>\$ 46,930,571</u>	<u>\$38,643,102</u>

The Foundation uses Net Asset Value (NAV) to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The Foundation's investment in SBF and LBF Pooled fund investments consists of pooled funds that calculate NAV per share (or its equivalent) and use an investment strategy that includes long and short-term strategies. These funds have no lockup restrictions and are normally redeemable upon notice. There are no unfunded commitments and no redemption restrictions in place at year end. The Foundation's investment in these funds was \$3,017,269 and \$394,611 as of December 31, 2021 and 2020, respectively.

The Foundation's investment in real estate investment trusts consists of funds that calculate NAV per share based on management estimates. These funds are illiquid. There are no unfunded commitments in place at year end. The Foundation's investment in these funds was \$1,613,085 and \$0 as of December 31, 2021 and 2020, respectively.

The Foundation's investment in unit investment trusts consists of funds that calculate NAV per share based on management estimates. These funds are illiquid. There are no unfunded commitments in place at year end. The Foundation's investment in these funds was \$281,706 and \$0 as of December 31, 2021 and 2020, respectively.

**BAPTIST FOUNDATION OF ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**17. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 1,321	\$ 175,336
Accrued interest and other assets	66,237	106,347
Loans receivable – current portion	613,445	575,136
Beneficial interest in split interest agreements	31,929	42,757
Investments held for endowment	3,467,224	3,587,109
Total financial assets and liquidity resources available within one year	4,180,156	4,486,685
Board designated net assets	(273,874)	(374,526)
Net assets with donor restrictions	(3,723,296)	(3,535,650)
Financial assets available to meet cash needs for general use within one year	\$ 182,986	\$ 576,509

The Foundation’s endowment funds consist of donor-restricted endowments and funds designated by the board as endowments.

Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Foundation’s board designated endowment of \$273,874 is subject to the annual spending rate of 3.2% as described in Note 11. Although the Foundation does not intend to spend from the board-designated endowment (other than amounts appropriated for general expenditure as part of the Board’s annual budget approval and appropriation), these amounts could be made available if necessary. The Foundation’s reserve policy strives for a target level of twelve months of operating expenses available for the subsequent fiscal year. The reserve target is established during the Foundation’s annual budgeting process.