



P.O. Box 436389  
Louisville, KY 40253-6389  
502-489-3533  
<https://kybaptistfoundation.org>

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## Offering Circular

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**\$50,000,000**

*(Kentucky Baptist Foundation ("KBF") may issue up to this amount of its investment obligations (the "Great Commission Certificates") during the twelve (12)-month period ending July 31, 2026.)*

THESE SECURITIES MAY EITHER BE REGISTERED OR EXEMPT FROM REGISTRATION IN THE VARIOUS STATES OR JURISDICTIONS IN WHICH THEY ARE OFFERED OR SOLD BY THE ISSUER. THIS OFFERING CIRCULAR HAS BEEN FILED WITH THE SECURITIES ADMINISTRATORS IN SUCH STATES OR JURISDICTIONS THAT REQUIRE IT FOR REGISTRATION OR EXEMPTION.

THESE SECURITIES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 3(A)(4) OF THE FEDERAL SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS DOCUMENT AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THESE SECURITIES, OR APPROVED, DISAPPROVED, OR ENDORSED THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

**THIS OFFER IS SUBJECT TO CERTAIN RISK FACTORS DESCRIBED HEREIN BEGINNING ON PAGE 5.**

*The following Great Commission Certificates ("GCCs") are offered by KBF:*

**Demand Investments ("Demand GCCs")**

A Demand GCC with an interest rate that may be adjusted on a monthly basis and that permits additions of principal at any time and withdrawals upon at least thirty (30) days' advance request without any penalty or service fee. Minimum investment of Ten Thousand Dollars (\$10,000). See "Description of Great Commission Certificates" beginning on page 10 for more specific information on the GCCs offered as of the date of this Offering Circular. Each GCC term may not be available at all times, and interest rates may vary from time to time.

**INVESTMENTS OFFERED BY THE KENTUCKY BAPTIST FOUNDATION ARE NOT BANK DEPOSITS OR OBLIGATIONS AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION ("FDIC"), THE SECURITIES INVESTOR PROTECTION CORPORATION ("SIPC") OR ANY OTHER FEDERAL OR STATE AGENCY.**

**For current interest rates, please call KBF at 502-489-3533, or visit KBF's internet website, <https://kybaptistfoundation.org>.**

*This Offering Circular is dated August 1, 2025, and is to be used by Investors from August 1, 2025, through July 31, 2026.*

**IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE DISCLOSURES, MERITS AND RISKS INVOLVED.**

This offering is not underwritten, and no commission or discounts will be paid or provided by KBF in connection with the sale of GCCs. KBF will receive one hundred percent (100%) of the proceeds from the sale of the GCCs. KBF will bear all expenses, including securities registration fees, printing, mailing, accounting fees and attorney's fees, incurred in this offering, which is estimated to be approximately \$50,000. The aggregate amount of the GCCs being offered may be sold in any one or more of the offered categories. No sinking fund or trust indenture will be used by KBF in conjunction with the issuance of the GCCs. Investors must rely solely upon the financial condition of KBF for repayment of the GCCs. The GCCs are unsecured debts of KBF and are of equal priority with all other current indebtedness of KBF. KBF reserves the right to issue future obligations or obtain a line of credit secured by a first lien on its assets. KBF will not create, incur, or voluntarily permit any material lien upon any of its assets or otherwise incur material indebtedness having a prior claim to its assets or otherwise senior to the GCCs. The term "material," as used in this paragraph, shall mean an amount which exceeds ten percent (10%) of the tangible assets (total assets less intangible assets as defined by U.S. GAAP, as hereinafter defined) of KBF. The GCCs are non-negotiable and may be assigned only upon KBF's prior written consent.

**THE GREAT COMMISSION CERTIFICATES ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FDIC, THE SIPC, ANY STATE BANK OR INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE GREAT COMMISSION CERTIFICATES IS DEPENDENT UPON KBF'S FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW KBF'S FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE GREAT COMMISSION CERTIFICATES ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY, ANY OTHER PERSON OR ENTITY EXCEPT FOR KBF.**

**THE OFFER AND SALE OF THE GREAT COMMISSION CERTIFICATES IS LIMITED TO PERSONS (INCLUDING ENTITIES OR ARRANGEMENTS CONTROLLED BY, OWNED BY, OR EXISTING FOR THE BENEFIT OF SUCH PERSONS) WHO, PRIOR TO RECEIPT OF THIS OFFERING CIRCULAR, ARE MEMBERS OF COOPERATING AFFILIATED KENTUCKY BAPTIST CONVENTION ("KBC") CHURCHES ("LIMITED CLASS") OR, AT THE DISCRETION OF KBF'S BOARD OF DIRECTORS, SUCH OTHER PERSONS OR ENTITIES HAVING A REASONABLE ASSOCIATION OR AFFILIATION WITH THE LIMITED CLASS. KBF, IN ITS SOLE DISCRETION, MAY DETERMINE (I) THAT AN ENTITY OR PERSON IS NOT IN THE LIMITED CLASS, AND (II) THAT A PERSON OR ENTITY DOES NOT HAVE A REASONABLE ASSOCIATION OR AFFILIATION WITH THE LIMITED CLASS.**

**NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED ON AS HAVING BEEN MADE OR AUTHORIZED BY KBF.**

**THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT WITH KBF'S WRITTEN CONSENT AND AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.**

**INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF GCCS THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.**

#### **STATE SPECIFIC INFORMATION**

##### **KENTUCKY:**

**THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER KRS 292.400(9) OF THE KENTUCKY SECURITIES ACT.**

#### **FORWARD LOOKING STATEMENTS**

Investment in the securities to be issued by KBF involves certain risks. Prospective Investors are encouraged to review all the materials contained in this Offering Circular and to consult their own attorneys and financial advisors.

This Offering Circular includes "forward-looking statements" within the meaning of the federal and state securities laws. Statements about KBF and its expected financial position, business and financing plans are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking terminology such as

“believes,” “expects,” “may,” “will,” “should,” “seeks,” “pro forma,” “anticipates,” “intends,” “projects,” or other variations or comparable terminology, or by discussions of strategy or intentions. Forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks, uncertainties, and other factors. Accordingly, prospective Investors should not consider KBF’s forward-looking statements as predictions of future events or circumstances. A number of factors could cause KBF’s actual results, performance, achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by KBF’s forward-looking statements. These factors include, but are not limited to: changes in economic conditions in general and in KBF’s business; changes in prevailing interest rates and the availability of and terms of financing to fund KBF’s business; changes in KBF’s capital expenditure plans; and other factors discussed in this Offering Circular. Given these uncertainties, prospective Investors should not rely on KBF’s forward-looking statements in making an investment decision. KBF disclaims any obligation to update Investors on any factors that may affect the likelihood of realization of KBF’s expectations.

Prospective Investors should not place undue reliance on any forward-looking statements, which speak only as of the date made. Prospective Investors should understand that the factors discussed herein and under “Risk Factors” could affect KBF’s future results and performance. This could cause those results to differ materially from those expressed in the forward-looking statements.

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## Definitions

The terms defined below apply to all portions of this Offering Circular except the Financial Statements and the Notes to Financial Statements, which must be read in the context of the terms separately defined therein.

**GCC** – Demand unsecured debt obligation issued by KBF and offered herein. For a further description of the terms of the GCCs, see “Description of GCCs.”

**Demand GCCs** – See “Description of GCCs.”

**Invested Funds** – Funds of KBF invested as further described in the “Financing and Operational Activities” and “Investing Activities” sections.

**Investor (or Purchaser)** – Persons (including entities or arrangements controlled by, owned by, or existing for the benefit of such persons) who, prior to receipt of this Offering Circular, are members of cooperating affiliated Kentucky Baptist Convention (“KBC”) churches (“Limited Class”) or, at the discretion of KBF’s Board of Directors, such other persons or entities having a reasonable association or affiliation with the Limited Class. KBF, in its sole discretion, may determine (i) that an entity or person is not in the Limited Class, and (ii) that a person or entity does not have a reasonable association or affiliation with the Limited Class.

**KBC** - The Kentucky Baptist Convention.

**KBF** – The Kentucky Baptist Foundation, a Kentucky non-profit corporation.

**Ministry Activities** – Supporting, expanding, and advancing the religious, benevolent, charitable, educational, and missionary activities of KBF, including fostering, promoting, and supporting the missionary activities of KBF’s Gospel Impact Fund and which may include supporting church loan programs.

**Offering Circular** – This disclosure document as prepared by KBF.

**Purchaser** – See “Investor.”

**U.S. GAAP** – Generally Accepted Accounting Principles in the United States as established by the Financial Accounting Standards Board (“FASB”).

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## Summary of Offering

The following is a summary of KBF’s offering and contains only selected information. This summary does not contain all of the information that a potential Investor should consider before investing. The information provided in this summary should be read in conjunction with the detailed information contained in this Offering Circular, including KBF’s audited financial statements (the “Financial Statements”).

1. KBF may issue up to Fifty Million Dollars (\$50,000,000) of its GCCs during the twelve (12)-month period ending July 31, 2026. This amount may be issued in any one or more of the types of GCCs and may be issued in the state of Kentucky to the extent qualified for offer and sale in such jurisdiction.
2. KBF is a Kentucky non-profit corporation, exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and is organized and operated exclusively for religious and charitable purposes. KBF’s principal office is located in Louisville, Kentucky, and KBF is affiliated with the KBC.
3. KBF offers and sells GCCs to Investors to make funds available for Ministry Activities.
4. Interest payable on GCCs is taxable to the Investor in the year in which such interest is paid or credited.
5. KBF will use the proceeds from the sale of its GCCs to carry on Ministry Activities, and KBF may use a portion of the proceeds to support church loan programs. Any GCC proceeds not used for Ministry Activities or to support church loan programs will be invested pursuant to KBF’s investment policies. Any such Invested Funds invested

in readily marketable securities are subject to various market risks, which may result in losses if market values of investments decline.

6. Below is a summary of certain selected financial data with respect to KBF's operations as of August 31, 2024. This data has been compiled by management from KBF's audited financial statements, and it should be read in conjunction with the most recent audited financial statements of KBF, which are attached as Exhibit A. See "Selected Financial Data" for financial data from the last five (5) fiscal years.

As of August 31, 2024	
Cash	\$1,045,896
Investments	\$275,027,789
<b>Total Assets</b>	<b>\$277,850,745</b>
<b>Total Assets Held for Others</b>	<b>\$257,624,491</b>
<b>Outstanding GCCs</b>	
Other Obligations	-
GCCs Redeemed During Year	-
Accounts Payable and Accrued Expenses	\$115,419
Post-Retirement Benefit Obligation	\$458,454
<b>Total Liabilities</b>	<b>\$258,198,364</b>
<b>Total Net Assets</b>	<b>\$19,652,381</b>
Year Ended August 31, 2024	
<b>Total Change in Net Assets</b>	<b>\$4,908,044</b>

## Risk Factors

- Unsecured and Uninsured General Obligations.** The GCCs are general obligations of the Kentucky Baptist Foundation, a Kentucky non-profit corporation formed June 21, 1945. Investors are dependent solely upon the financial condition of KBF for repayment of principal and interest on the GCCs. The GCCs are unsecured and are not insured. Neither the KBC nor its other entities or affiliates are parties to this Offering Circular, nor do they have any liability or obligation to Investors regarding the GCCs, funds, or interest.
- No Sinking Fund or Trust Indenture.** No sinking fund or trust indenture has been or will be established. The absence of a sinking fund and trust indenture may adversely affect KBF's ability to repay principal and interest on the GCCs.
- Senior Secured Indebtedness.** KBF currently has no outstanding senior or secured debt. The GCCs are of equal priority with all other current indebtedness of KBF. However, KBF reserves the right to issue future obligations, or obtain a line of credit, secured by a first lien on its assets in an amount not to exceed ten percent (10%) of the tangible assets of KBF (total assets less intangible assets as defined by U.S. GAAP).
- No Public Market for GCCs.** No public market exists for the GCCs, and none will develop. Therefore, Investors should consider the purchase of a GCC as an investment for the full term of the GCC.
- No Guarantee of Future Offerings.** There can be no assurance that KBF will continue to offer and sell GCCs in the future. See "Financing and Operational Activities."
- Tax Consequences.** Investors will not receive a charitable deduction upon the purchase of a GCC, and interest paid or payable on the GCCs will be taxable as ordinary income to an Investor regardless of whether the interest is paid directly to the Investor or retained and compounded. If interest paid is below the Applicable Federal Rate of interest, the Internal Revenue Service may impute income up to the Applicable Federal Rate level. The Internal Revenue Service may exempt loans, including gift loans to charitable organizations, from the imputed interest rules if the amount does not exceed Two Hundred Fifty Thousand Dollars (\$250,000). See "Tax Aspects."
- Interest Rate Fluctuation.** Interest rates will fluctuate. Investors should be aware that if interest rates rise or fall, KBF is not obligated to redeem any GCC prior to the required advance notice. Further, if interest rates fall, in

order to reduce future interest obligations, KBF may exercise its right to call GCCs for redemption (see Risk Factor 16 below). Starting in March 2022, the Federal Reserve Board (“FRB”) began raising the target federal funds rate for the first time in three years and continued with multiple increases throughout 2022 and 2023. The FRB then held rates steady from July 2023 to September 2024, after which the FRB began a series of cuts to the target federal funds rate in each of September, November and December 2024. At its January, March, and May 2025 meetings, the FRB declined to institute another cut and held the rate steady, although the FRB may reduce rates again later in 2025. It is not possible to predict the pace and magnitude of changes in interest rates, or the impact rate changes will have on our results of operations.

8. **Investments Subject to Market Risks.** KBF’s GCCs are subject to various market risks, which may result in losses if market values of investments decline and could have an adverse impact upon KBF’s liquidity and its ability to repay its GCCs.
9. **Future Changes in Federal or State Laws.** Changes in federal laws or the laws of the various states in which KBF offers its GCCs may make it more difficult or costly for KBF to offer and sell GCCs in the future.
10. **GCC Repayment Ability.** KBF uses earnings from Invested Funds to pay interest and principal on GCCs (see “Use of Proceeds” on page 7). Future market conditions could affect KBF’s ability to repay GCCs.
11. **Other Investment Opportunities.** Other investment opportunities may yield a higher rate of return with less risk than the GCCs. This may adversely affect sales of the GCCs.
12. **Minimum Balances Required.** Investors may be required to maintain a minimum investment in each GCC. If the amount invested in a GCC falls below such minimum amount, the balance of such GCC may be fully redeemed without notice to the Investor or, in lieu of such full redemption, the interest rate may be reduced to the then current rate applicable to Demand GCCs. See “Description of GCCs” beginning on page 10.
13. **Interest Rate Policy and Payment Change.** KBF reserves the right to change the method by which interest is determined or the frequency with which interest is paid to the Investor or added to the GCCs. If KBF exercises its right to change the method by which interest is calculated or the frequency in which interest is paid on existing GCCs, the holders of such GCCs would receive written notification describing the changes and the method of determining rates of such GCCs. If upon receiving the notice, Investors wish to make a complete withdrawal, they may do so (without penalty) within thirty (30) days of receiving the notice. For the last payment of interest only, they may also be paid interest at the rates in effect for these GCCs during the preceding month, provided they notify KBF within this thirty (30) day period.
14. **KBF Solely Liable on GCCs.** The debts and liabilities of KBF, including the GCCs, are independent of the financial structure of any other person or entity. Therefore, Investors may not rely upon any person or entity other than KBF for payment of the GCCs when due.
15. **Early Withdrawal Penalties.** KBF is not required to redeem any GCC prior to the required advance notice. In the event KBF agrees, in its sole discretion, to redeem a GCC prior to the required advance notice, early withdrawal penalties may be applied. See “Demand GCCs” on page 10.
16. **Ability to Call GCCs.** KBF has the right to call GCCs for redemption at any time upon thirty (30) days’ written notice. In such event, interest will be paid to the date of redemption.
17. **Limitation on Transferability.** The GCCs are non-negotiable and may be assigned or transferred only upon KBF’s written consent. In addition, conditions on the transfer of the GCCs may be imposed under the securities laws of certain states.
18. **Unclaimed Property.** KBF identifies potential unclaimed property if KBF receives undeliverable mail with no forwarding address pertaining to a GCC or if an Investor ceases to communicate with KBF pertaining to a GCC. KBF tracks and monitors such a dormant account. However, the GCC will continue to accrue interest until it is redeemed or until it is disposed of by KBF pursuant to applicable state unclaimed property laws.

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## The Offering

KBF may issue up to Fifty Million Dollars (\$50,000,000) of its GCCs during the twelve (12)-month period ending July 31, 2026. This amount may be issued in any one or more of the types of GCCs and may be issued in the state of Kentucky to the extent qualified for offer and sale in such jurisdiction.

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## History and Operations

### History of the Kentucky Baptist Foundation

The mission of KBF is to guide churches, institutions, and individuals in funding the “Great Commission” through investments, endowments, and legacy giving, and KBF’s vision is to promote a spirit of generosity that encourages Kentucky Baptists to change the world for Christ. Established in 1945, KBF has grown to nearly \$294 million in assets as of June 30, 2025. KBF is governed by a sixteen (16) member Board of Directors. It is operated by staff at its office in Louisville, KY. Since its inception, KBF has greatly expanded its services to individuals, churches, and others seeking competent fiscal management of their funds and acts as the trust agency of the KBC pursuant to an Amended and Restated Covenant Agreement between KBF and KBC, last amended on November 16, 2016.

### The Kentucky Baptist Foundation

The name of the issuer is the Kentucky Baptist Foundation. Its principal address is P.O. Box 436389, Louisville, KY 40253-6389. Its street address is 13420 Eastpoint Centre Drive, Louisville, KY 40223.

KBF was incorporated as a Kentucky non-profit corporation on June 21, 1945. KBF is exempt from taxation under Section 501(c)(3) of the Code and is organized and operated exclusively for religious and charitable purposes. No part of the net earnings of KBF inures to the benefit of any person or individual. KBF, as a non-profit corporation, does not have any shareholders.

The management and affairs of KBF are conducted by its Board of Directors, consisting of sixteen (16) directors, plus the Executive Director-Treasurer of the KBC who serves as an ex-officio non-voting director of KBF. All members of the Board of Directors must be members in good standing of a Kentucky Baptist church for at least one (1) year. The day-to-day operations of KBF are carried out under the supervision of the President and Chief Executive Officer of KBF. The voting directors of KBF serve for terms of four (4) years.

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## Use of Proceeds

KBF will use the proceeds from the sale of its GCCs to carry on Ministry Activities as follows:

1. develop, manage, and distribute financial resources for the promotion, fostering and support of the mission and ministry efforts and activities of Kentucky Baptists, KBC and KBF;
2. increase the impact of KBF’s Gospel Impact Fund to provide resources to churches, institutions, and agencies to meet physical and spiritual needs that will further the gospel of Jesus Christ and support various Baptist mission projects;
3. invest any GCC proceeds not used as described above pursuant to KBF’s investment policies. See “Financing and Operational Activities;” and
4. have the option to use a portion of GCC proceeds to support church loan programs.

It is anticipated that all operating expenses will be charged against KBF’s net assets without donor restrictions and not against GCC proceeds, although the cash flow from GCC proceeds may, in fact, be used for operating expenses to the extent that cash flow from other sources is insufficient. It is anticipated that all interest and principal due on GCCs will be charged against KBF’s assets exclusive of new GCC proceeds, although the cash flow from new GCC proceeds may, in fact, be used to repay interest and principal due on GCCs to the extent that cash flow from other sources is insufficient.

The amount of proceeds actually used for each of these purposes will vary depending upon a number of factors, including the amount of GCCs sold to new Investors, and the amount of GCCs redeemed or renewed at any given time by existing Investors. KBF anticipates that its operating expenses will represent less than 4% of the aggregate offering amount (based on KBF's 2024 budget) and that new GCC proceeds will not be needed (except on a "cash flow" basis) for operating expenses or to repay interest and principal due on GCCs. Accordingly, KBF anticipates that new GCC proceeds will be used for the purpose of supporting Ministry Activities, with surplus funds being invested in accordance with KBF's investment policies. However, there is no guarantee that the anticipated results will occur.

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## Financing and Operational Activities

KBF's means of generating funds for its Ministry Activities is through the sale of GCCs, earnings from Invested Funds, management or administrative fees, and contributions from Kentucky Baptists.

Pursuant to a Financial and Services Agreement with the KBC, the KBC provides KBF an allocation of funds for operations in amounts determined by the Mission Board of the KBC. KBF received such allocations totaling \$301,840 and \$297,036 from the KBC and \$4,350 and \$3,054 from the Impact Kentucky (formerly Restricted Kentucky Only) funds for the years ended August 31, 2024, and 2023, respectively. KBF leases office space from the KBC in Louisville, KY.

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## Investing Activities

KBF maintains a significant investment portfolio in relation to its service as an agent for third parties for agency accounts and as a custodian of trust. KBF holds these investments as restricted investments separately from the GCCs. In addition, KBF invests a portion of the proceeds from the sale of GCCs in accordance with its policy of maintaining reasonable liquidity and investing funds pending their use for Ministry Activities. These Investments consist primarily of securities from which further income is generated for KBF's operations.

KBF engages with PNC Bank, N.A. in the fiduciary stewardship of KBF's investments. PNC Bank, established in 1845 and headquartered in Pittsburgh, Pennsylvania, serves a broad range of clients including individual customers, small businesses, and large institutions. PNC Bank collaborates with foundations like KBF to develop robust investment strategies that align with client objectives and produce significant positive outcomes. PNC Bank is an SEC Registered Investment Advisor and acts as the Chief Investment Officer for KBF. PNC Bank is responsible for manager selection, ongoing monitoring, and termination. PNC Bank or KBF may change any or all investment managers at any time without notice to participants. The KBF Board of Directors and/or Investment Committee oversee the investment policy and reviews investment transactions on a quarterly basis. The KBF President has the responsibility of implementing the policy.

Below is a summary of KBF's cash and Invested Funds as of August 31, 2024 (see Note 3 to the Financial Statements):

Type of Investment	August 31, 2024	% of Total
<b>Cash</b>	\$1,045,896	0.38%
<b>Invested funds (and retiree benefits trust)</b>		
<b>Money market fund</b>	\$12,214,229	4.41%
<b>Common stocks</b>	\$163,691,439	59.11%
<b>U.S. Government and agency securities</b>	\$17,024,523	6.15%
<b>Corporate bonds and notes</b>	\$12,011,198	4.34%
<b>Asset backed securities</b>	\$1,673,151	0.60%
<b>Mutual funds</b>	\$57,914,836	20.91%
<b>Exchange traded funds</b>	\$11,163,843	4.03%
<b>Private equity investments</b>	\$205,633	0.07%
<b>Total</b>	\$276,944,748	100.00%

For the years ended August 31, 2024, and 2023, respectively, KBF's investment return consisted of interest and dividends of \$1,840,564 and \$1,448,712. For the years ended August 31, 2024, and 2023, respectively, KBF recorded net realized and unrealized gain and (loss) on certain Invested Funds of \$3,285,630 and \$852,075.

## Selected Financial Data

Below is a summary in tabular form of certain selected financial data with respect to KBF's operations as of August 31, 2024. This data has been compiled by management from KBF's audited financial statements, and it should be read in conjunction with the most recent audited financial statements of KBF (including the Notes thereto), which are attached as Exhibit A. The financial statements as of and for the year ended August 31, 2024, have been audited by Deming, Malone, Livesay & Ostroff, independent accountants, as stated in their report appearing herein. The financial statements as of and for the years ended August 31, 2023, August 31, 2022, August 31, 2021, and August 31, 2020 were also audited by Deming, Malone, Livesay & Ostroff.

The following table sets forth a summary of KBF's operations and selected financial data for each of the five most recent fiscal years. This data has been compiled from KBF's audited financial statements. This data should be read in conjunction with the current audited financial statements, which are attached as Exhibit A.

	As of August 31				
	2024	2023	2022	2021	2020
<b>Cash</b>	\$1,045,896	\$1,158,147	\$876,699	\$771,177	\$708,633
<b>Investments</b>	\$275,027,789	\$240,876,151	\$219,954,901	\$257,288,826	\$218,519,426
<b>Total Assets</b>	\$277,850,745	\$243,643,840	\$222,232,484	\$259,737,665	\$220,667,279
<b>Total Assets Held for Others</b>	\$257,624,491	\$228,321,553	\$209,567,930	\$244,243,599	\$207,311,783
<b>Outstanding GCCS</b>					
<b>Other Obligations</b>	-	-	-	-	-
<b>GCCs Redeemed During Year</b>	-	-	-	-	-
<b>Accounts Payable and Accrued Expenses</b>	\$115,419	\$108,274	\$76,423	\$94,186	\$194,420
<b>Post-Retirement Benefit Obligation</b>	\$458,454	\$469,676	\$477,847	\$685,965	\$675,970
<b>Total Liabilities</b>	\$258,198,364	\$228,899,503	\$210,122,200	\$245,023,750	\$208,182,173
<b>Total Net Assets</b>	\$19,652,381	\$14,744,337	\$12,110,284	\$14,713,915	\$12,485,106
	Year Ended August 31				
<b>Total Change in Net Assets</b>	\$4,908,044	\$2,634,053	\$(2,603,631)	\$2,228,809	\$1,225,981

## Management Discussion and Analysis

The senior leadership team of KBF, consisting of KBF's executive officers, reviews KBF's overall financial position monthly. KBF's operating philosophy is to maintain a position of liquidity sufficient to provide for operating cash requirements, a capital position sufficient to support its financial position and operations, and a margin of assets over liabilities. KBF's Board of Directors may modify existing procedures or implement new procedures to enable KBF to operate under changing economic conditions.

For the years ended August 31, 2024, and 2023, respectively, KBF had total assets of \$277,850,745 and \$243,643,840. Total net assets without donor restrictions totaled \$8,308,095 in 2024 and \$4,838,525 in 2023. Total net assets with donor restrictions totaled \$11,344,286 in 2024 and \$9,905,812 in 2023. KBF experienced a positive change in net assets of \$4,908,044 in 2024 and \$2,634,053 in 2023, but experienced a negative change in net assets of \$(2,603,631) in 2022. KBF has experienced a positive change in net assets for four (4) out of the last five (5) fiscal years. For the years ended August 31, 2024, and 2023, respectively, Net Cash Provided by Operating Activities was \$1,488,811 and \$1,661,416.

As of August 31, 2024, KBF's net assets as a percentage of its total assets were 7.1%, determined as follows:

August 31, 2024	
Net Assets	\$19,652,381
Total Assets	\$277,850,745
Net Assets Percentage of Total Assets	7.1%

## Description of GCCs

*Investments offered by the Kentucky Baptist Foundation are not bank deposits or obligations and are not insured by the FDIC, the SIPC or any other federal or state agency.*

KBF may issue up to Fifty Million Dollars (\$50,000,000) of its Great Commission Certificates during the twelve (12)-month period ending July 31, 2026. This amount may be issued in any one or more of the types of GCCs and may be issued in the state of Kentucky to the extent qualified for offer and sale in such jurisdiction. GCCs will be offered to eligible Investors and must be purchased in minimum face amounts of Ten Thousand Dollars (\$10,000). The terms of any GCCs purchased pursuant to this Offering Circular will remain as described in this Offering Circular. However, no assurance can be given that the terms of any GCCs offered in future issues will remain the same as those described herein.

**Demand Investments ("Demand GCCs")** – A Demand GCC with an interest rate that may be adjusted on a monthly basis, and which permits additions of principal at any time and withdrawals upon at least thirty (30) days' advance notice without penalty or service fee. Minimum investment of Ten Thousand Dollars (\$10,000).

Interest rates are set effective as of the first day of each month, and interest rates quoted are annualized rates.

KBF will accept payment for GCCs in the form of personal check, cashier's check, money order or electronic funds transfer. KBF offers no financing terms. The GCCs offered and issued by KBF are issued as uncertificated securities (i.e., in book-entry form), and the right of Investor(s) in such GCCs will be reflected upon the books and records of KBF. The terms and conditions of GCCs will be construed under and governed by Kentucky law. The Investor will receive a periodic statement indicating the balance of a particular investment including any additions, withdrawals and any interest credited, withdrawn, or accumulated.

### Interest

GCCs will bear interest at a rate that is determined from time to time in accordance with the then current policies of KBF. The interest rate on a Demand GCC may be adjusted monthly. See "Demand GCCs" below. KBF will review certain factors, such as investment gap analysis, cash flow needs and the current policy of the Federal Reserve, before establishing each month's rate of interest. KBF will provide potential and existing Investors with current interest rates on GCCs along with this Offering Circular and, at any other time, upon request.

KBF reserves the right to change the method by which interest is determined or the frequency with which interest is paid to the Investor or added to the GCCs. If KBF exercises its right to change the method by which interest is calculated or the frequency in which interest is paid on existing GCCs, the holders of such GCCs will receive written notification describing the changes and the method of determining rates of such GCCs. If upon receiving the notice, Investors wish to make a complete withdrawal, they may do so within thirty (30) days of receiving the notice. For the last payment of interest only, they may also be paid interest at the rates in effect for these GCCs during the preceding month, provided they notify KBF within this thirty (30)-day period.

KBF will establish interest rates on a monthly basis for Demand GCCs.

### Demand GCCs

Investors may invest in Demand GCCs on any business day. Demand GCCs pay interest at an adjustable interest rate that may be adjusted on the first day of each month. An initial investment of Ten Thousand Dollars (\$10,000) is required to open a Demand GCC. Additions of principal in minimum amounts of One Thousand Dollars (\$1,000) may be made to Demand GCCs at any time. Withdrawals from Demand GCCs may be made upon at least thirty (30) days' advance notice without any penalty or service fee; provided, however, KBF reserves the right to increase the Investor advance notice

requirement to provide up to sixty (60) days prior written notice of any intended withdrawal. Funds shall be distributed within ten (10) business days from delivery of the written notification by the Investor to KBF.

### KBF's Early Redemption Right

KBF has the right to call GCCs for redemption at any time upon thirty (30) days' written notice. In such event, interest will be paid to the date of redemption. In addition, in the event that the balance of a GCC would, upon a withdrawal or partial redemption, fall below \$10,000, the balance of such GCC may be fully redeemed without notice to the Investor.

### Unsecured General Obligation Status of GCCs

The GCCs are unsecured and of equal priority with all other current indebtedness of KBF. KBF reserves the right to issue future obligations, or obtain a line of credit, secured by a first lien on its assets in an amount not to exceed ten percent (10%) of the tangible assets of KBF (total assets less intangible assets as defined by U.S. GAAP). To the extent that KBF incurs any senior secured indebtedness, then repayment of such line of credit or indebtedness will have priority in KBF's assets over all other unsecured creditors of KBF, including Investors.

### Additional Information

KBF reserves the right at any time to discontinue offering any of the GCCs described herein without the need to supplement this Offering Circular. KBF also reserves the right at any time to offer additional GCCs having terms different than the terms of the GCCs described in this Offering Circular. The GCCs are non-negotiable and may be assigned or transferred only upon KBF's written consent.

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## Plan of Distribution

The primary means for marketing the GCCs will be through promotional brochures and Offering Circulars distributed to churches and individual members of churches in Kentucky. Promotional materials will also be published on KBF's website (<https://kybaptistfoundation.org>) and various social media sites. KBF will make the Offering Circular and purchase application form available by e-mail. In addition, promotional materials may be distributed at church conferences, national and regional meetings, retreats, and seminars. A representative for KBF may discuss the nature and purpose of KBF's work at national or regional meetings or at church services or gatherings. Each Investor will be provided a copy of the Offering Circular prior to the Investor's purchase of GCCs. No offers to purchase will be accepted prior to the time that an Investor has executed a purchase application form acknowledging that he or she received a current Offering Circular. All sales are made by Directors, officers, and/or employees of KBF. No underwriting or selling agreements exist, and no direct or indirect remuneration will be paid to any person in connection with the offer and sale of GCCs. GCCs will be offered and sold only to Investors.

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## Tax Aspects

Investors will not receive a charitable deduction upon the purchase of a GCC. The interest payable on the GCCs will be taxable as ordinary income to the Investor in the year it is paid or accrued, regardless of whether it is actually paid out to the Investor. If interest is accrued over the life of the GCC and paid at the maturity date, the Investor must report such interest as income on their federal and state income tax returns as it accrues. Transferability of the GCCs is limited, and it is unlikely that there would be a sale or exchange of a GCC. Upon a sale or exchange, the Investor would generally report as either a short-term or long-term gain or loss depending upon the length of time held, the gain or loss being equal to the difference between the amount the Investor paid for the GCC and the amount the Investor received upon sale or exchange of the GCC, less accrued interest. Investors who hold GCCs until their maturity will not be taxed on the return of the principal purchase price or on previously accrued and taxed interest. Any excess will be interest income taxable in the year of maturity.

An individual Investor (or a husband and wife together) who has (have) invested more than Two Hundred Fifty Thousand Dollars (\$250,000) in aggregate with or to KBF may be deemed to receive additional taxable interest under Section 7872 of the Code. Such Investors should consult their tax advisors to be informed of the special income tax rules applicable to loans and investments, in the aggregate, greater than Two Hundred Fifty Thousand Dollars (\$250,000).

KBF will notify Investors of interest earned on GCCs by sending them IRS Form 1099 by January 31st of each year. Investors who do not provide KBF with their correct social security number or Federal tax identification number will be subject to backup withholding of twenty-four percent (24%) on interest earned as required by law.

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## Litigation and Other Material Transactions

The Board of Directors and management of KBF are not aware of any action, proceeding, inquiry, or investigation at law or in equity, before any court or public agency, board or body pending or, to the knowledge of KBF, threatened against it (i) affecting the existence of KBF, (ii) seeking to prohibit, restrain or enjoin the issuance and sale of GCCs, (iii) in any way contesting or affecting the validity or enforceability of the GCCs, or (iv) in which an adverse determination would have an adverse material impact on KBF. Furthermore, the Board of Directors and management of KBF are not aware of any actual or threatened litigation involving any Director or officer of KBF pertaining to their duties as a Director or officer of KBF.

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## Material Affiliated/Related Party Transactions

Pursuant to a Financial and Services Agreement with the KBC, the KBC provides KBF an allocation of funds for operations in amounts determined by the Mission Board of the KBC. KBF received such allocations totaling \$301,840 and \$297,036 from the KBC and \$4,350 and \$3,054 from the Impact Kentucky (formerly Restricted Kentucky Only) funds for the years ended August 31, 2024, and 2023, respectively. See Note 7 to the Financial Statements.

KBF leases office space from KBC pursuant to a lease agreement. The lease term is one year and renews annually for a one-year period; however, either party may terminate the lease by providing a six-month notice. KBF paid rent to KBC in the amount of \$26,000 for each of the years ended August 31, 2024, and 2023.

Except as otherwise disclosed in this Offering Circular, there have been no material transactions between KBF and any Director or officer of KBF, or any other entity with which a Director or officer of KBF is affiliated, during the three-year period immediately preceding the date of this Offering Circular. Any future transaction between KBF and a Director or officer of KBF, or any other entity with which a Director or officer of KBF is affiliated, will be made and entered into on terms no less favorable to KBF than those that KBF could obtain with an unaffiliated third party. With respect to any future affiliated transaction, a majority of KBF's independent, disinterested Directors must approve such affiliated transaction.

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## Management

### Organizational Structure

KBF is a non-profit corporation, incorporated in the State of Kentucky on June 21, 1945. KBF serves as the trust agency of the KBC pursuant to an Amended and Restated Covenant Agreement between KBF and KBC, last amended on November 16, 2016. See "History and Operations" on page 7 for a detailed description of the relationship between KBF and KBC, and other organizational details.

### Directors and Officers

As described in "History and Operations" on page 7, the management affairs of KBF are conducted by its Board of Directors consisting of sixteen (16) Directors, plus the Executive Director-Treasurer of the KBC who serves as an ex-officio non-voting Director of KBF. All members of the Board of Directors must be members in good standing of a Kentucky Baptist church for at least one (1) year. The KBF President provides two (2) names for each voting Director vacancy to the Committee on Nominations of the KBC. The KBC Committee on Nominations may choose from the names provided, but the Committee on Nominations may confer with the KBF President if other nominations are desired. The KBC Committee on Nominations submits to the annual meeting of the KBC one nomination to fill each vacancy in the Board of Directors of KBF, and voting Directors are elected by the messengers at the KBC annual meeting in accordance with the Constitution and By-Laws of the KBC and the Articles of KBF. Each KBF Director is elected to serve a four (4)-year term. Directors are divided into groups of four Directors, with each group being elected in succeeding years. The day-to-day

operations of KBF are carried out under supervision of the President and Chief Executive Officer of KBF. The Board of Directors of KBF nominates the President of KBF, and the Mission Board of the KBC elects the President by a majority vote.

The following persons presently serve as the members of the Board of Directors, and/or as officers of KBF, as designated:

### KBF Officers

#### **French B. Harmon, Ph.D.**

Dr. French B. Harmon serves as the President and CEO and the Treasurer of the Kentucky Baptist Foundation, bringing a wealth of experience from both pastoral roles and nonprofit leadership. He previously held the position of Senior Pastor at First Baptist Church in Somerset, Kentucky, and has taught leadership studies at the University of the Cumberlands. Dr. Harmon holds degrees from Marshall University, University of Louisville, and The Southern Baptist Theological Seminary, with certificates in nonprofit leadership from prestigious institutions including Harvard University. He actively contributes to the community, having served on multiple boards and received accolades such as the Diversity Award from Somerset Community College.

#### **Kim Fulkerson**

Kim Fulkerson is the Chief Operating Officer at the Kentucky Baptist Foundation, where she leverages over 31 years of experience in accounting and operations management to enhance client services. She oversees daily administrative functions and manages the Foundation’s accounting department. Fulkerson holds a B.S. in Accounting from the University of Kentucky and has extensive experience in public accounting, specializing in serving nonprofit and small business clients.

#### **Austin Wilkerson, J.D.**

Austin Wilkerson, General Counsel and Assistant Secretary for the Kentucky Baptist Foundation, provides legal and financial guidance to the KBF with a focus on Kingdom-oriented goals. He earned his B.S. in International Business from Oral Roberts University and his J.D. from Regent University School of Law. Prior to joining KBF, Austin ran his own legal practice and has a rich background that includes pastoral work and education. He is a member of the Texas and Kentucky State Bars and actively supports adoption and child welfare initiatives through various board roles.

### KBF Board of Directors

Name	Position/Occupation	Location	Term Ends
<b>Thomas L. Adkisson</b>	CPA	Shelbyville, KY	2027
<b>J. Lowell Ashby</b>	VP Church Financial Services	Shelbyville, KY	2026
<b>Bryan H. Beauman</b>	Attorney	Lexington, KY	2025
<b>Cohen Copley</b>	Associational Missions Strategist	Henderson, KY	2027
<b>Melinda Correll</b>	Real Estate Developer	Somerset, KY	2027
<b>G.J. Farmer</b>	Pastor	Somerset, KY	2028
<b>Joyce Hamberg</b>	Educator (retired)	Southgate, KY	2028
<b>Paul Hoffman (Vice Chairperson)</b>	Business Owner	Somerset, KY	2027
<b>Kevin B. Kimes (Secretary)</b>	Pastor	Eminence, KY	2025
<b>J. Michael Melloan</b>	Auctioneer/Real Estate (retired)	Elizabethtown, KY	2028
<b>Paul D. Nunn</b>	CPA (retired)	Prestonsburg, KY	2026
<b>D. Michael Richey</b>	Philanthropy (retired)	Lawrenceburg, KY	2026
<b>Robert W. Scott</b>	Information Technology (retired)	Lexington, KY	2026
<b>John Mark Toby</b>	Associational Mission Strategist	Scottsville, KY	2025
<b>Dean A. Warren (Chairperson)</b>	Financial Representative	Bowling Green, KY	2028
<b>Marc C. Whitt</b>	Director of Media	Richmond, KY	2025
<b>Todd Gray (Ex Officio/Non-voting)</b>	KBC Executive Director/Treasurer	-	-

### Remuneration

No member of the Board of Directors receives any compensation for being a Director. KBF reimburses its Directors for actual expenses incurred in attending the Directors’ meetings.

Proceeds from the sale of GCCs to Investors pursuant to this Offering Circular will accrue in a separately accounted for fund within KBF (the “GCC Fund”). As such, the aggregate remuneration figures reflected below have been allocated based on the proportion of work that is anticipated to be performed by KBF officers for the GCC Fund in proportion to the total work performed by the officers in relation to the total assets under management, in compliance with the NASAA SOP. The following table sets forth the proportionate amount of anticipated annual direct and indirect remuneration of all officers, in aggregate, related to work to be performed for the GCC Fund using figures as of the end of fiscal year 2024:

	Salary, Housing Allowance, & Bonus	Retirement	Other Benefits	Total
<b>Officers (in Aggregate)</b>	\$92,002	\$7,868	\$11,481	\$111,351

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## Financial Statements

The audited financial statements included herein are the Statements of Financial Position as of August 31, 2024, 2023, and 2022, the related Statements of Activities, Statements of Functional Expenses, and Statements of Cash Flows for the years ended August 31, 2024, 2023, and 2022, and the related Notes to the Financial Statements.

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## Investor Reports

KBF’s current audited financial statements will be mailed (or delivered electronically) within one hundred twenty (120) days of the end of its last fiscal year and upon written request.

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## Independent Accountants

KBF’s Statements of Financial Position as of August 31, 2024, and 2023 and the related Statements of Activities, Statements of Functional Expenses, and Statements of Cash Flows for the years ended August 31, 2024, and 2023 have been audited by Deming, Malone, Livesay & Ostroff, P.S.C., independent accountants, as stated in their report appearing herein.

Deming, Malone, Livesay & Ostroff, P.S.C., independent accountants, has not been engaged to perform and has not performed, since the date of its report included herein any procedures on the financial statements addressed in that report. Deming, Malone, Livesay & Ostroff, P.S.C. has not performed any procedures related to this offering document.

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**KENTUCKY BAPTIST FOUNDATION**

**FINANCIAL STATEMENTS**

**Years Ended August 31, 2024 and 2023**

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## **Independent Auditors' Report**

To the Board of Directors  
Kentucky Baptist Foundation  
Louisville, Kentucky

### **Opinion**

We have audited the accompanying financial statements of Kentucky Baptist Foundation (the Foundation), which comprise the statements of financial position as of August 31, 2024 and 2023, 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 Kentucky Baptist Foundation as of August 31, 2024 and 2023, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kentucky Baptist Foundation 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 Kentucky Baptist Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditors' 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 auditors' 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 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 Kentucky Baptist Foundation's 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 Kentucky Baptist Foundation's 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.

*Deming, Malone, Lussary & Ostrhoff*

Louisville, Kentucky  
October 17, 2024

By: *Christine N. Koenig*  
Christine N. Koenig, Audit Director

**KENTUCKY BAPTIST FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

August 31, 2024 and 2023

<b>Assets</b>	2024	2023
Cash	\$ 1,045,896	\$ 1,158,147
Investments	275,027,789	240,876,151
Retiree benefits trust	871,063	756,082
Accrued investment income	648,850	617,731
Other assets	257,147	235,729
<b>Total assets</b>	<b>\$ 277,850,745</b>	<b>\$ 243,643,840</b>
 <b>Liabilities</b>		
Assets held for others:		
Agency accounts	\$ 154,426,933	\$ 137,064,827
Perpetual accounts	97,566,051	86,196,195
Annuities/remainder trusts	5,631,507	5,060,531
Total assets held for others	257,624,491	228,321,553
Accounts payable and accrued expenses	115,419	108,274
Post-retirement benefit obligation	458,454	469,676
<b>Total liabilities</b>	<b>258,198,364</b>	<b>228,899,503</b>
 <b>Net Assets</b>		
Without donor restrictions:		
Undesignated	848,367	922,339
Board designated	5,848,487	3,395,001
	6,696,854	4,317,340
Donor advised and other funds	1,611,241	521,185
Total net assets without donor restrictions	8,308,095	4,838,525
With donor restrictions	11,344,286	9,905,812
<b>Total net assets</b>	<b>19,652,381</b>	<b>14,744,337</b>
 <b>Total liabilities and net assets</b>	 <b>\$ 277,850,745</b>	 <b>\$ 243,643,840</b>

See Notes to Financial Statements.

**KENTUCKY BAPTIST FOUNDATION**

**STATEMENTS OF ACTIVITIES**  
Years Ended August 31, 2024 and 2023

	2024				
	Without Donor Restrictions			With Donor Restrictions	Total
	Operating and Other Activities	Donor Advised and Other Funds	Total		
<b>Operating Activities</b>					
Revenues:					
Management fees	\$ 1,401,433		\$ 1,401,433		\$ 1,401,433
Allocation from Kentucky Baptist Convention and Restricted KY Only	306,190		306,190		306,190
Contributions and other income	134,891		134,891	\$ 21,482	156,373
Interest and dividends	<u>281,715</u>		<u>281,715</u>		<u>281,715</u>
<b>Total operating revenues</b>	<u>2,124,229</u>		<u>2,124,229</u>	21,482	<u>2,145,711</u>
Expenses:					
Program	1,354,761		1,354,761		1,354,761
General and administrative	<u>132,018</u>		<u>132,018</u>		<u>132,018</u>
<b>Total operating expenses</b>	<u>1,486,779</u>		<u>1,486,779</u>		<u>1,486,779</u>
Increase in net assets from operations	<u>637,450</u>		<u>637,450</u>	<u>21,482</u>	<u>658,932</u>
<b>Investment and Other Activities</b>					
Contributions		\$ 1,077,343	1,077,343		1,077,343
Change in beneficial interest				112,733	112,733
Distributions to beneficiaries	(1,294,270)	(256,710)	(1,550,980)		(1,550,980)
Net investment return:					
Interest and dividends	1,267,720	61,965	1,329,685	229,164	1,558,849
Realized gains (losses)	(114,306)	6,022	(108,284)	223,574	115,290
Unrealized gains	1,985,227	43,840	2,029,067	1,141,273	3,170,340
Investment management fees	<u>(131,892)</u>	<u>(14,114)</u>	<u>(146,006)</u>	<u>(88,457)</u>	<u>(234,463)</u>
	3,006,749	97,713	3,104,462	1,505,554	4,610,016
Net assets released from restrictions:					
Satisfaction of purpose	<u>29,585</u>	<u>171,710</u>	<u>201,295</u>	<u>(201,295)</u>	
Change in net assets from investment and other activities	<u>1,742,064</u>	<u>1,090,056</u>	<u>2,832,120</u>	<u>1,416,992</u>	<u>4,249,112</u>
<b>Change in total net assets</b>	2,379,514	1,090,056	3,469,570	1,438,474	4,908,044
Net assets at beginning of year	<u>4,317,340</u>	<u>521,185</u>	<u>4,838,525</u>	<u>9,905,812</u>	<u>14,744,337</u>
Net assets at end of year	<u>\$ 6,696,854</u>	<u>\$ 1,611,241</u>	<u>\$ 8,308,095</u>	<u>\$ 11,344,286</u>	<u>\$ 19,652,381</u>

See Notes to Financial Statements.

2023

Without Donor Restrictions				
Operating and Other Activities	Donor Advised and Other Funds	Total	With Donor Restrictions	Total
\$ 1,277,465		\$ 1,277,465		\$ 1,277,465
300,090		300,090		300,090
1,182,303		1,182,303		1,182,303
<u>470,471</u>		<u>470,471</u>		<u>470,471</u>
3,230,329		3,230,329		3,230,329
1,166,165		1,166,165		1,166,165
<u>114,293</u>		<u>114,293</u>		<u>114,293</u>
1,280,458		1,280,458		1,280,458
<u>1,949,871</u>		<u>1,949,871</u>		<u>1,949,871</u>
	\$ 301,327	301,327	\$ 3,045	304,372
			30,139	30,139
(888,685)	(395,786)	(1,284,471)		(1,284,471)
749,864	16,210	766,074	212,167	978,241
66,159	(1,619)	64,540	(764)	63,776
283,865	20,659	304,524	483,775	788,299
<u>(111,439)</u>	<u>(5,900)</u>	<u>(117,339)</u>	<u>(78,835)</u>	<u>(196,174)</u>
988,449	29,350	1,017,799	616,343	1,634,142
<u>42,450</u>	<u>118,486</u>	<u>160,936</u>	<u>(160,936)</u>	
142,214	53,377	195,591	488,591	684,182
2,092,085	53,377	2,145,462	488,591	2,634,053
<u>2,225,255</u>	<u>467,808</u>	<u>2,693,063</u>	<u>9,417,221</u>	<u>12,110,284</u>
<u>\$ 4,317,340</u>	<u>\$ 521,185</u>	<u>\$ 4,838,525</u>	<u>\$ 9,905,812</u>	<u>\$ 14,744,337</u>

**KENTUCKY BAPTIST FOUNDATION**

**STATEMENTS OF FUNCTIONAL EXPENSES**

Years Ended August 31, 2024 and 2023

	2024			2023		
	Program	General and Administrative	Total	Program	General and Administrative	Total
Salaries and wages	\$ 735,101	\$ 81,678	\$ 816,779	\$ 631,789	\$ 70,199	\$ 701,988
Payroll taxes	25,676	2,853	28,529	20,378	2,264	22,642
Employee benefits	177,367	19,707	197,074	160,763	17,863	178,626
Post retirement benefits	11,942	1,329	13,271	14,734	1,637	16,371
Professional fees	62,948	6,994	69,942	42,842	4,760	47,602
Promotion	118,884		118,884	89,474		89,474
Travel	45,960	2,419	48,379	48,899	2,574	51,473
Training and meetings	31,489	3,499	34,988	7,625	847	8,472
Office	30,346	3,372	33,718	41,170	4,574	45,744
Occupancy	23,801	4,200	28,001	22,000	3,882	25,882
Information technology	19,930	2,214	22,144	19,508	2,168	21,676
Insurance	47,961	2,524	50,485	47,488	2,499	49,987
Depreciation	23,356	1,229	24,585	19,495	1,026	20,521
	<u>\$ 1,354,761</u>	<u>\$ 132,018</u>	<u>\$1,486,779</u>	<u>\$ 1,166,165</u>	<u>\$ 114,293</u>	<u>\$ 1,280,458</u>

See Notes to Financial Statements.

**KENTUCKY BAPTIST FOUNDATION**

**STATEMENTS OF CASH FLOWS**

Years Ended August 31, 2024 and 2023

	2024	2023
<b>Cash Flows from Operating Activities</b>		
Cash received from donors	\$ 1,233,716	\$ 1,485,175
Cash received from Kentucky Baptist Convention	306,190	300,090
Cash received for services	1,401,433	1,277,465
Investment income received	1,809,445	1,305,736
Cash paid to employees, vendors and service providers	(1,710,993)	(1,422,579)
Cash paid to beneficiaries	(1,550,980)	(1,284,471)
<b>Net cash provided by operating activities</b>	1,488,811	1,661,416
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(113,465,604)	(133,017,980)
Sales and maturities of investments	112,657,252	124,010,175
Purchases of property and equipment	(35,210)	(68,883)
<b>Net cash used in investing activities</b>	(843,562)	(9,076,688)
<b>Cash Flows from Financing Activities</b>		
Cash received - assets held for others - agency accounts	11,323,797	21,344,378
Cash disbursed - assets held for others - agency accounts	(10,529,178)	(12,368,718)
Cash received - assets held for others - perpetual accounts	1,400,272	1,489,189
Cash disbursed - assets held for others - perpetual accounts	(2,784,828)	(2,694,534)
Cash received - assets held for others - annuities/remainder trusts	177,745	289,547
Cash disbursed - assets held for others - annuities/remainder trusts	(345,308)	(364,642)
Contributions restricted for permanent investment		1,500
<b>Net cash (used in) provided by financing activities</b>	(757,500)	7,696,720
<b>Net change in cash</b>	(112,251)	281,448
Cash at beginning of year	1,158,147	876,699
Cash at end of year	\$ 1,045,896	\$ 1,158,147

See Notes to Financial Statements.

	<u>2024</u>	<u>2023</u>
<b>Reconciliation of Change in Total Net Assets to Net Cash Provided by Operating Activities</b>		
<b>Change in total net assets</b>	<u>\$ 4,908,044</u>	<u>\$ 2,634,053</u>
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation	24,585	20,521
Change in beneficial interest	(112,733)	(30,139)
Post-retirement benefit adjustment	13,269	16,371
Contributions restricted for permanent investment		(1,500)
Realized gains on investments	(115,290)	(63,776)
Unrealized gains on investments	(3,170,340)	(788,299)
Changes in assets and liabilities:		
Decrease (increase) in:		
Accrued investment income	(31,119)	(142,976)
Other assets	(10,259)	9,852
Increase (decrease) in:		
Accounts payable and accrued expenses	7,145	31,851
Post-retirement benefit obligation	<u>(24,491)</u>	<u>(24,542)</u>
Total adjustments	<u>(3,419,233)</u>	<u>(972,637)</u>
<b>Net cash provided by operating activities</b>	<u>\$ 1,488,811</u>	<u>\$ 1,661,416</u>

## KENTUCKY BAPTIST FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

#### Note 1. Organization and Summary of Significant Accounting Policies

##### **Organization:**

The Kentucky Baptist Foundation (the Foundation) is a Kentucky not-for-profit corporation formed to receive and administer funds for the benefit of (a) the churches, associations, institutions, agencies and enterprises fostered by, having the official sanction of, or supported by the Kentucky Baptist Convention; (b) Baptist organizations whose purposes are not in conflict with Kentucky Baptist Convention causes; and (c) other 501(c)(3) organizations whose purposes are not in conflict with Kentucky Baptist Convention causes.

The Foundation provides Christian estate stewardship consultation to the members of the Kentucky Baptist churches and conducts estate and charitable gift planning seminars in the churches to encourage the members to make permanent gifts for the advancement and development of financial support for the causes and purposes described in the preceding paragraph.

##### **Summary of significant accounting policies:**

This summary of significant accounting policies of the Foundation is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

##### **Basis of presentation:**

The Foundation's financial statements include the classification of resources into two separate classes of net assets, as follows:

**Net assets without donor restrictions:** Net assets which are free of donor-imposed restrictions. Included in net assets without donor restrictions are donor advised funds for which donors may make recommendations to the Board of Directors with respect to the distribution of the income and/or principal for an agreed upon period of time. The Board of Directors has complete discretion on whether to accept or reject the donor's recommendation. Also in net assets without donor restrictions, are net assets designated by the Board of Directors for retiree benefits and other Foundation operational support.

## NOTES TO FINANCIAL STATEMENTS

**Net assets with donor restrictions:** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. This classification of net assets also includes unexpended net realized and unrealized gains on endowment funds, the income on which has been donor restricted. The Foundation's policy is to reinvest such earnings for future growth and to use these earnings in accordance with donor stipulations as to the original gift corpus. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounting principles generally accepted in the United States of America establish reporting standards for transactions in which assets are transferred to a not-for-profit organization that agrees to use those assets on behalf of another entity that is specified by the transferor. The standards provide that a recipient organization (the Foundation) that accepts assets from a transferor and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both, to a specified beneficiary is not a donee and the transaction is not a contribution to the recipient organization (the Foundation). The Foundation recognizes its liability to the specified beneficiary concurrent with its recognition of cash or other financial assets received from the transferor.

### **Cash and cash equivalents:**

For purposes of the statements of cash flows, the Foundation considers cash and investments with original maturities of three months or less to be cash and cash equivalents, excluding those amounts held as part of the investment portfolio.

### **Investments and investment income:**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Investments in equity securities with readily determinable fair values, investments in debt securities, mutual funds, and exchange traded funds are stated at fair value as determined by quoted fair values at the statement of financial position date. Investments in asset-backed securities are stated at fair value determined by quoted fair values, if available. If a quoted fair value is not available, fair value is determined using quoted fair values for similar securities.

Investments in private equity funds are stated at fair value. In determining fair value of private equity funds, the Foundation utilizes the value as determined by the investment fund manager as reasonably determined based on the Foundation's capital balance. However, because of the inherent uncertainty of valuation, the estimated value may differ significantly from the value that would have been used had a ready market for the investment existed, and the difference could be material.

## NOTES TO FINANCIAL STATEMENTS

Investment income is allocated to accounts monthly based on the number of units held by each account. Interest and dividends included in operating activities on the statements of activities are earnings on unrestricted operating funds of the Foundation. All other investment return is considered non-operating. Net investment return reported in the statements of activities consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses and other deductions.

### **Financial instruments:**

Financial instruments other than investments include cash, other assets, accounts payable, and accrued expenses. As of August 31, 2024 and 2023, none of these assets and liabilities were required to be reported at fair value on a recurring basis. Carrying values of non-derivative financial instruments, including cash, other assets, accounts payable, and accrued expenses, approximate their fair values due to the short term nature of these financial instruments. There were no changes in methods or assumptions during the years ended August 31, 2024 or 2023.

### **Property and equipment:**

The Foundation's policy is to capitalize asset purchases exceeding \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Property and equipment are stated at cost at the date of acquisition. Property and equipment, net of accumulated depreciation, totaling \$110,475 and \$99,850 as of August 31, 2024 and 2023, respectively, are included in other assets on the statements of financial position.

### **Compensated absences:**

Compensated absences for sick pay have not been accrued since they cannot be reasonably estimated. The Foundation's policy is to recognize these costs when actually paid to employees.

### **Revenue and revenue recognition:**

Management fees are accounted for as reciprocal exchange transactions. Investment management oversight is a single performance obligation. Management fees are recognized over time using the input method as the services are provided. The management fee is calculated and paid per terms of the Investment Agreement and Schedule of Fees, based upon the monthly market values of each sub-account. Fees are withdrawn directly from the principal or income of the sub-accounts. Management fees are subject to fluctuation based on overall market volatility and deposits and withdrawals by account holders.

## NOTES TO FINANCIAL STATEMENTS

### **Contributions:**

Contributions are recognized when cash, securities, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. All unconditional promises to give are considered to be available for unrestricted use unless specifically restricted by the donor.

### **Leases:**

The Foundation evaluates contracts at inception and when terms of an existing contract are changed to determine if an arrangement is or contains a lease. Operating leases with a duration longer than twelve months and finance leases are recorded as lease right-of-use (ROU) assets and lease liabilities on the statements of financial position. Short-term leases (leases with an initial term of twelve months or less that do not contain a purchase option that is likely to be exercised) are not recorded on the statements of financial position. The Foundation has no operating leases with a duration over 12 months or finance leases.

### **Income taxes:**

Kentucky Baptist Foundation is a not-for-profit organization described under Section 501(c)(3) of the Internal Revenue Code (the Code). The Foundation is exempt from federal, state and local income taxes under Section 501(a) of the Code and has been classified as a church affiliated organization. Therefore, the Foundation does not file an informational tax return in the federal, state or local jurisdictions. However, income from certain activities not directly related to the Foundation's tax-exempt status may be subject to taxation as unrelated business income.

As of August 31, 2024 and 2023, the Foundation did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the tax years then ended.

### **Functional expense classifications:**

The statements of activities report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied, including on the basis of estimates of time and effort. The statements of functional expenses for the years ended August 31, 2024 and 2023 present the natural classification of detail of expenses by function.

## NOTES TO FINANCIAL STATEMENTS

### Use of estimates:

Financial statements prepared in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

### Subsequent events:

Subsequent events have been evaluated through October 17, 2024, which is the date the financial statements were available to be issued.

### Note 2. Liquidity and Availability

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

At August 31, 2024, the Foundation has \$6,127,784 of financial assets available, consisting of cash of \$1,045,896 and revocable investment funds of \$5,081,888.

At August 31, 2023, the Foundation has \$3,387,093 of financial assets available, consisting of cash of \$1,158,147 and revocable investment funds of \$2,728,946.

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the respective statement of financial position date.

The Foundation manages its liquidity and reserves following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs.

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Investments and Fair Value Measurements

Investments at August 31, 2024 and 2023 are summarized by investment funds as follows (at fair value):

	<u>2024</u>	<u>2023</u>
Cash equivalent fund/designated assets:		
Money market funds	\$ 2,073,740	\$ 930,086
U.S. Government and agency securities		396,352
Common stocks	<u>6</u>	<u>9</u>
Total cash equivalent fund/designated assets	<u>2,073,746</u>	<u>1,326,447</u>
Fixed income fund:		
U.S. Government and agency securities	17,024,523	13,186,087
Corporate bonds and notes	12,011,198	9,756,724
Asset backed securities	1,673,151	329,099
Mutual funds	46,736,194	47,834,606
Money market funds	<u>5,220,576</u>	<u>2,227,823</u>
Total fixed income fund	<u>82,665,642</u>	<u>73,334,339</u>
Equity fund:		
Common stocks	157,439,674	130,142,020
Mutual funds	276,289	7,128,238
Exchange traded funds	329,383	219,901
Money market funds	<u>1,198,712</u>	<u>2,608,304</u>
Total equity fund	<u>159,244,058</u>	<u>140,098,463</u>
Private equity fund:		
Private equity investments	205,633	238,273
Money market funds	<u>4,597</u>	<u>4,662</u>
Total private equity fund	<u>210,230</u>	<u>242,935</u>
Short-term fund:		
Cash		500,000
Common stocks	6,251,759	4,981,178
Exchange traded funds	10,834,459	3,694,146
Money market funds	3,716,604	8,769,428
Mutual funds	<u>10,902,354</u>	<u>8,685,297</u>
Total short term fund	<u>31,705,176</u>	<u>26,630,049</u>
Total investments and retiree benefits trust	<u>\$275,898,852</u>	<u>\$241,632,233</u>
Per the statements of financial position:		
Investments	\$275,027,789	\$240,876,151
Retiree benefits trust	<u>871,063</u>	<u>756,082</u>
	<u>\$275,898,852</u>	<u>\$241,632,233</u>

## NOTES TO FINANCIAL STATEMENTS

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based on significant unobservable inputs.

Fair value of investments by investment level as of August 31, 2024 and 2023 are as follows:

	2024			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 12,214,229			\$ 12,214,229
Common stocks	163,691,439			163,691,439
U.S. Government and agency securities	8,015,447	\$ 9,009,076		17,024,523
Corporate bonds and notes		12,011,198		12,011,198
Asset backed securities		1,673,151		1,673,151
Mutual funds	57,914,837			57,914,836
Exchange traded funds	11,163,842			11,163,843
Private equity investments			\$205,633	205,633
Total investments and retiree benefits trust	\$252,999,794	\$22,693,425	\$205,633	\$275,898,852
	2023			Total
	Level 1	Level 2	Level 3	
Cash	\$ 500,000			\$ 500,000
Money market funds	14,540,303			14,540,303
Common stocks	135,123,207			135,123,207
U.S. Government and agency securities	5,935,410	\$ 7,647,029		13,582,439
Corporate bonds and notes		9,756,724		9,756,724
Asset backed securities		329,099		329,099
Mutual funds	63,648,141			63,648,141
Exchange traded funds	3,914,047			3,914,047
Private equity investments			\$238,273	238,273
Total investments and retiree benefits trust	\$223,661,108	\$17,732,852	\$238,273	\$241,632,233

There was no purchase or sales activity of the Level 3 assets during the years ended August 31, 2024 and 2023.

## NOTES TO FINANCIAL STATEMENTS

The Private Equity Fund includes investments valued at \$205,633 and \$238,273 at August 31, 2024 and 2023, respectively, which is approximately 0.1% of total investments as of August 31, 2024 and 2023.

Redemptions are not permitted from the Private Equity Fund. The Foundation has committed to additional investments of \$328,000 in the Private Equity Fund.

### Note 4. Endowment Funds

The Foundation's endowment consists of various individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds for which the donors have authorized the Board of Directors to select the benefiting organizations (donor-restricted endowment funds), and funds designated by the Board of Directors to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowment fund composition by net asset classification and changes for the years ended August 31, 2024 and 2023 are as follows:

	2024		
	Without Donor Restrictions - Board <u>Designated</u>	With Donor Restrictions	<u>Total</u>
Endowment funds, beginning of year	\$3,395,001	\$ 9,876,039	\$13,271,040
Additions and contributions	546,885	21,482	568,367
Change in beneficial interest		112,733	112,733
Net investment return	1,906,601	1,504,346	3,410,947
Net assets released from restrictions	<u>                    </u>	<u>(201,295)</u>	<u>(201,295)</u>
Endowment funds, end of year	<u>\$5,848,487</u>	<u>\$11,313,305</u>	<u>\$17,161,792</u>

## NOTES TO FINANCIAL STATEMENTS

	2023		
	Without Donor Restrictions - Board <u>Designated</u>	With Donor Restrictions <u>Restrictions</u>	<u>Total</u>
Endowment funds, beginning of year	\$1,604,877	\$9,389,958	\$10,994,835
Additions and contributions	1,258,599	1,500	1,260,099
Change in beneficial interest		30,139	30,139
Net investment return	531,525	615,378	1,146,903
Net assets released from restrictions	_____	<u>(160,936)</u>	<u>(160,936)</u>
Endowment funds, end of year	<u>\$3,395,001</u>	<u>\$9,876,039</u>	<u>\$13,271,040</u>

### Interpretation of Relevant Law:

The Board of the Foundation has interpreted the Kentucky Uniform Prudent Management of Institutional Funds Act (UPMIFA) (KRS 273.605-273.645) 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 held in perpetuity: (a) the original value of the initial gift to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) each accumulation made pursuant to a direction in the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of each donor-restricted endowment fund that is not classified as net assets with donor restrictions held in perpetuity is classified as net assets with donor restrictions for specified purposes until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The standard of prudence requires the Foundation to invest the funds in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. 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 various funds; (2) the purposes of the donor-restricted endowment funds; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investment; (6) other resources of the beneficiary-organizations of each donor-restricted endowment fund; and (7) the Foundation's investment policies.

## NOTES TO FINANCIAL STATEMENTS

### **Return Objectives and Risk Parameters and Strategies:**

The Board of Directors has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs and ministries supported by the various individual endowment funds, while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed income securities and alternative strategies, intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual spending formula distribution while growing the funds. Investment assets and allocation among asset classes and strategies are managed in a manner that will not expose the endowment funds to unacceptable levels of risk.

### **Spending Policy and How the Investment Objectives Relate to Spending Policy:**

The Foundation has had a spending policy of appropriating for distribution each year 3.5 percent of the average fair value of the prior 16 quarters through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered: (1) the expected long-term returns on its investments, (2) the possible effects of inflation, and (3) the nature and duration of the individual endowment funds, all of which must be maintained in perpetuity because of donor restrictions.

Notwithstanding the foregoing, in any fiscal year in which the market value of an individual endowment fund is less than its book value, the Foundation does not appropriate the spending policy amount but instead appropriates only the net income (dividends and interest less expenses) generated by the account during such fiscal year. This exception to the general spending policy is also consistent with the Foundation's objective to provide real inflation-adjusted growth through investment return to its endowment.

### **Note 5. Assets Held for Others**

The Foundation recognizes a liability for financial assets held for third parties (resource providers) where the Foundation is acting in an agency capacity (agency accounts). Under such agreements, the Foundation invests the assets and distributes the assets and earnings thereon as directed by the resource providers. The resource providers may withdraw all or part of the assets at their discretion.

The Foundation also recognizes a liability for financial assets accepted from donors (resource providers) who direct the return on investment of those assets be transferred to a specified beneficiary or beneficiaries (perpetual accounts). The resource providers have directed that the assets be invested in perpetuity and only the investment earnings be available for distribution.

## NOTES TO FINANCIAL STATEMENTS

The Foundation also recognizes a liability for financial assets accepted from donors (resource providers) who retain for themselves and/or other non-charitable beneficiaries the right to receive a designated cash flow for life or a term of years and who direct the remainder, or return on the investment of the remainder, at the end of the term be transferred to a specified beneficiary or beneficiaries (annuities/remainder trusts). The resource provider may not withdraw all or any part of these assets.

The following is a summary of activity in assets held for others during the years ended August 31:

	2024			
	<u>Agency</u>	<u>Perpetual</u>	<u>Annuities/ Remainder Trusts</u>	<u>Total</u>
Balance at beginning of year	\$137,064,827	\$ 86,196,195	\$ 5,060,531	\$228,321,553
Additions:				
Net investment return:				
Interest and dividends	4,290,593	2,476,217	141,894	6,908,704
Realized and unrealized net investment gains	16,567,487	12,754,412	738,539	30,060,438
Investment management fees	<u>(679,988)</u>	<u>(1,162,794)</u>	<u>(64,969)</u>	<u>(1,907,751)</u>
Net investment return	20,178,092	14,067,835	815,464	35,061,391
Cash and securities deposited with the Foundation	<u>7,702,949</u>	<u>86,849</u>	<u>100,820</u>	<u>7,890,618</u>
Total additions	<u>27,881,041</u>	<u>14,154,684</u>	<u>916,284</u>	<u>42,952,009</u>
Deductions:				
Distributions to beneficiaries	(4,888,846)	(2,773,200)	(335,408)	(7,997,454)
Withdrawals	(5,592,171)			(5,592,171)
Legal, taxes, and professional services	<u>(48,161)</u>	<u>(1,385)</u>	<u>(9,900)</u>	<u>(59,446)</u>
Total deductions	<u>(10,529,178)</u>	<u>(2,774,585)</u>	<u>(345,308)</u>	<u>(13,649,071)</u>
Transfers	<u>10,243</u>	<u>(10,243)</u>		
Net change	<u>17,362,106</u>	<u>11,369,856</u>	<u>570,976</u>	<u>29,302,938</u>
Balance at end of year	<u>\$154,426,933</u>	<u>\$ 97,566,051</u>	<u>\$ 5,631,507</u>	<u>\$257,624,491</u>

## NOTES TO FINANCIAL STATEMENTS

	2023			
	<u>Agency</u>	<u>Perpetual</u>	<u>Annuities/ Remainder Trusts</u>	<u>Total</u>
Balance at beginning of year	\$122,078,624	\$ 82,624,767	\$ 4,864,539	\$209,567,930
Additions:				
Net investment return:				
Interest and dividends	3,792,471	2,322,655	136,113	6,251,239
Realized and unrealized net investment gains	6,010,543	4,776,774	271,087	11,058,404
Investment management fees	<u>(646,639)</u>	<u>(1,079,476)</u>	<u>(61,549)</u>	<u>(1,787,664)</u>
Net investment return	9,156,375	6,019,953	345,651	15,521,979
Cash and securities deposited with the Foundation	<u>18,312,867</u>	<u>87,040</u>	<u>259,631</u>	<u>18,659,538</u>
Total additions	<u>27,469,242</u>	<u>6,106,993</u>	<u>605,282</u>	<u>34,181,517</u>
Deductions:				
Distributions to beneficiaries	(5,429,473)	(2,693,254)	(354,742)	(8,477,469)
Withdrawals	(6,897,701)			(6,897,701)
Legal, taxes, and professional services	<u>(41,544)</u>	<u>(1,280)</u>	<u>(9,900)</u>	<u>(52,724)</u>
Total deductions	<u>(12,368,718)</u>	<u>(2,694,534)</u>	<u>(364,642)</u>	<u>(15,427,894)</u>
Transfers	<u>(114,321)</u>	<u>158,969</u>	<u>(44,648)</u>	<u>          </u>
Net change	<u>14,986,203</u>	<u>3,571,428</u>	<u>195,992</u>	<u>18,753,623</u>
Balance at end of year	<u>\$137,064,827</u>	<u>\$ 86,196,195</u>	<u>\$ 5,060,531</u>	<u>\$228,321,553</u>

### Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following at August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for a specified purpose:		
Held for investment, primarily for scholarships and to support various Baptist causes	\$ 6,328,896	\$ 5,188,775
Held in perpetuity	<u>5,015,390</u>	<u>4,717,037</u>
	<u>\$ 11,344,286</u>	<u>\$ 9,905,812</u>

## NOTES TO FINANCIAL STATEMENTS

### **Note 7. Transactions with Kentucky Baptist Convention**

The Foundation has entered into a Covenant Agreement with the Kentucky Baptist Convention (the Convention) whereby the Foundation's Board of Directors is elected by the Convention.

The Foundation has also entered into a Financial and Services Agreement with the Convention whereby the Convention will provide the Foundation with an allocation of funds for operations in amounts determined by the Mission Board of the Kentucky Baptist Convention. The Foundation received allocations totaling \$301,840 and \$297,036 from the Convention and Restricted Kentucky Only funds of \$4,350 and \$3,054 for the years ended August 31, 2024 and 2023, respectively.

The Foundation leases office space from the Convention under an annual lease agreement. The lease renews annually for a one year period; however, either party may terminate the lease by providing a six month notice. Rent paid to the Convention was approximately \$28,000 and \$26,000 for the years ended August 31, 2024 and 2023, respectively.

### **Note 8. Post-Retirement Benefits**

The Foundation has a policy to provide post-retirement health care benefits for retirees. The Foundation will provide post-retirement health care benefits to all active participants hired prior to June 1, 2004 and remain employed with the Foundation until disability or retirement (age 55 or above) and have at least twenty years of active service with the Foundation. The post-retirement health care benefit is 100% of post-retirement health care cost for the participant and their eligible dependents for the remainder of the participant's life. The Foundation does not pay Medicare premiums.

The Foundation also has a policy to provide post-retirement life insurance benefits. The Foundation will provide post-retirement life insurance benefits to all active participants provided they remain employed at the Foundation until disability or retirement (age 55 or above) and have at least twenty years of active service with the Foundation. The post-retirement life insurance benefit provided is 100% of the post-retirement life insurance cost for the participant for the remainder of his or her life.

The Foundation also has a policy of providing retirement gifts for retirees. The Foundation will provide a retirement gift to all active participants provided they remain employed at the Foundation until disability or retirement (age 55 or above). The retirement gift provided by the Foundation is equal to one month's salary for retirees with up to 9 years of active years of service, or one month's salary plus \$500 for retirees with 10 or more years of active service.

The plan is unfunded; however, the Foundation has established an irrevocable grantor trust to hold funds to satisfy this liability. The trust balance of \$871,063 and \$756,082 as of August 31, 2024 and 2023, respectively, is included as retiree benefits trust on the statements of financial position.

## NOTES TO FINANCIAL STATEMENTS

The following sets forth the plan's funded status and amounts recognized in the financial statements as of and for the years ended August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Accumulated post-retirement benefit obligation	\$(458,454)	\$(469,676)
Plan assets at fair value	<u>                    </u>	<u>                    </u>
<b>Unfunded status</b>	<u><b>\$(458,454)</b></u>	<u><b>\$(469,676)</b></u>
<b>Post-retirement benefit obligation recognized in the statements of financial position</b>	<b>\$(458,454)</b>	<b>\$(469,676)</b>
Consists of the following:		
Obligations for inactive participants	312,848	334,348
Obligation for active participants	145,606	135,328
Employer contributions	\$24,491	\$24,542
Benefits paid	(24,491)	(24,542)

### Amounts Recognized in Change in Net Assets Without Donor Restrictions

<u>Net Periodic Benefit Cost</u>		
Service cost	\$ 1,599	\$ 1,071
Interest cost	<u>24,166</u>	<u>21,065</u>
Net periodic benefit cost	25,765	22,136
Change in amounts not yet in net periodic benefit cost:		
New unrecognized gain	<u>(12,496)</u>	<u>(5,765)</u>
Total recognized in change in net assets without donor restrictions	<u><b>\$(13,269)</b></u>	<u><b>\$(16,371)</b></u>

### Amounts Recognized in Change in Net Assets Without Donor Restrictions Not Yet Included in Net Periodic Benefit Cost

Unrealized net gain	<u><b>\$(160,017)</b></u>	<u><b>\$(164,858)</b></u>
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There is no amortization of unrecognized prior service cost and net loss that will be amortized into net periodic benefit cost over the next fiscal year.

Significant changes in the post-retirement benefit obligation include a discount rate loss of \$14,000 resulting from the decrease in the discount rate; an economic assumption gain of \$1,000 due to the health care cost trend rates update offset by the initial salary scale increase; and an actuarial gain of \$25,000 resulting from other plan experience including variance in health care premiums, life premiums, and projected benefits paid.

## NOTES TO FINANCIAL STATEMENTS

### Assumptions

The Foundation uses an August 31 measurement date for the plan. Assumptions utilized in the actuarial valuation are as follows:

	<u>2024</u>	<u>2023</u>
Discount rates	5.00%	5.37%
Expected long-term healthcare cost increase:		
Initial rate:		
Pre-65 (Medical/Rx)	6.80%/9.90%	7.40%/9.80%
Post-65 (Medical/Rx)	4.40%/6.60%	4.30%/7.50%
Ultimate rate:		
Pre-65 (Medical/Rx)	4.37%/4.87%	4.37%/4.87%
Post-65 (Medical/Rx)	4.40%/4.87%	4.30%/4.87%
Time to ultimate rate	8 years	8 years
Average remaining service	6.3 years	6.8 years
Mortality Basis	Pri-2012 Total Dataset	Pri-2012 Total Dataset

The assumed health care cost trend rates for the next year used to measure the expected cost of benefits covered by the plan are as follows:

	<u>2024</u>		
	<u>Low</u>	<u>Base</u>	<u>High</u>
Initial rate	-1%	7.45%/5.83%	+1%
Ultimate rate	-1%	4.49%/4.72%	+1%
Time to ultimate rate	8 years	8 years	8 years
	<u>2023</u>		
	<u>Low</u>	<u>Base</u>	<u>High</u>
Initial rate	-1%	7.88%/6.38%	+1%
Ultimate rate	-1%	4.48%/4.69%	+1%
Time to ultimate rate	8 years	8 years	8 years

### Cash Flows

The Foundation expects to contribute \$28,045 to the plan during the year ended August 31, 2024. The benefits expected to be paid in each of the next five years and the aggregate amount of benefits expected to be paid in the subsequent five years are as follows:

2024 – 2025	\$ 40,325
2025 – 2026	34,089
2026 – 2027	43,882
2027 – 2028	34,806
2028 – 2029	35,913
2029 – 2034	176,983

## NOTES TO FINANCIAL STATEMENTS

The amounts recognized in change in net assets without donor restrictions for the post retirement benefit obligations are included in program, general and administrative expenses and distributions to beneficiaries on the statements of activities for the years ended August 31, 2024 and 2023.

### **Note 9. Employee Benefit Plan**

The Foundation participates in a 403(b)(9) Retirement Plan, a defined contribution pension plan, administered by GuideStone Financial Resources of the Southern Baptist Convention. This plan covers all full-time employees. The Foundation's contribution to the plan, based on a percentage of employees' gross salaries, was approximately \$71,000 and \$62,000, respectively, for the years ended August 31, 2024 and 2023.

### **Note 10. Concentration of Credit Risk**

The Foundation maintains its cash accounts at a financial institution whose accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2024, uninsured cash balances were approximately \$809,000. The Foundation believes the cash is held by a financial institution with sufficient size to provide financial security of the uninsured balance.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. It is reasonably possible that changes in the values of investments could occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

### **Note 11. Great Commission Certificates**

In August 2024, the Foundation was approved to issue, in the state of Kentucky, up to \$50 million in demand investments, known as Great Commission Certificates (GCCs). The Foundation will sell GCCs to individual investors to make funds available for ministry activities. No GCCs were issued or outstanding at August 31, 2024.

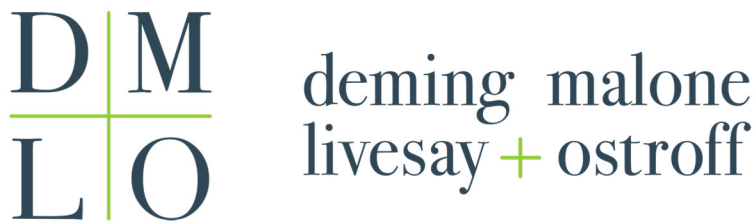
**KENTUCKY BAPTIST FOUNDATION**

**FINANCIAL STATEMENTS**

**Years Ended August 31, 2023 and 2022**

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## **Independent Auditors' Report**

To the Board of Directors  
Kentucky Baptist Foundation  
Louisville, Kentucky

### **Opinion**

We have audited the accompanying financial statements of Kentucky Baptist Foundation (the Foundation), which comprise the statements of financial position as of August 31, 2023 and 2022, 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 Kentucky Baptist Foundation as of August 31, 2023 and 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kentucky Baptist Foundation 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 Kentucky Baptist Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditors' 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 auditors' 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 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 Kentucky Baptist Foundation's 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 Kentucky Baptist Foundation's 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.

*Deming, Malone, Lussary & Ostroff*

Louisville, Kentucky  
October 19, 2023

By: *Christine N. Koenig*  
Christine N. Koenig, Audit Director

## KENTUCKY BAPTIST FOUNDATION

### STATEMENTS OF FINANCIAL POSITION

August 31, 2023 and 2022

<b>Assets</b>	<u>2023</u>	<u>2022</u>
Cash	\$ 1,158,147	\$ 876,699
Investments	240,876,151	219,954,901
Retiree benefits trust	756,082	729,605
Accrued investment income	617,731	474,755
Other assets	<u>235,729</u>	<u>196,524</u>
<b>Total assets</b>	<b><u>\$ 243,643,840</u></b>	<b><u>\$ 222,232,484</u></b>
 <b>Liabilities</b>		
Assets held for others:		
Agency accounts	\$ 137,064,827	\$ 122,078,624
Perpetual accounts	86,196,195	82,624,767
Annuities/remainder trusts	<u>5,060,531</u>	<u>4,864,539</u>
Total assets held for others	228,321,553	209,567,930
Accounts payable and accrued expenses	108,274	76,423
Post-retirement benefit obligation	<u>469,676</u>	<u>477,847</u>
<b>Total liabilities</b>	<b><u>228,899,503</u></b>	<b><u>210,122,200</u></b>
 <b>Net Assets</b>		
Without donor restrictions:		
Undesignated	922,339	620,378
Board designated	<u>3,395,001</u>	<u>1,604,877</u>
	4,317,340	2,225,255
Donor advised and other funds	<u>521,185</u>	<u>467,808</u>
Total net assets without donor restrictions	4,838,525	2,693,063
With donor restrictions	<u>9,905,812</u>	<u>9,417,221</u>
<b>Total net assets</b>	<b><u>14,744,337</u></b>	<b><u>12,110,284</u></b>
 <b>Total liabilities and net assets</b>	 <b><u>\$ 243,643,840</u></b>	 <b><u>\$ 222,232,484</u></b>

See Notes to Financial Statements.

**KENTUCKY BAPTIST FOUNDATION**

**STATEMENTS OF ACTIVITIES**  
Years Ended August 31, 2023 and 2022

	2023				
	Without Donor Restrictions			With Donor Restrictions	Total
	Operating and Other Activities	Donor Advised and Other Funds	Total		
<b>Operating Activities</b>					
Revenues:					
Management fees	\$ 1,277,465		\$ 1,277,465		\$ 1,277,465
Allocation from Kentucky Baptist Convention and Restricted KY Only	300,090		300,090		300,090
Contributions and other income	1,182,303		1,182,303		1,182,303
Interest and dividends	<u>1,220,335</u>		<u>1,220,335</u>		<u>1,220,335</u>
<b>Total operating revenues</b>	3,980,193		3,980,193		3,980,193
Expenses:					
Program	1,166,165		1,166,165		1,166,165
General and administrative	<u>114,293</u>		<u>114,293</u>		<u>114,293</u>
<b>Total operating expenses</b>	<u>1,280,458</u>		<u>1,280,458</u>		<u>1,280,458</u>
Increase in net assets from operations	<u>2,699,735</u>		<u>2,699,735</u>		<u>2,699,735</u>
<b>Investment and Other Activities</b>					
Contributions		\$ 301,327	301,327	\$ 3,045	304,372
Change in beneficial interest				30,139	30,139
Distributions to beneficiaries	(888,685)	(395,786)	(1,284,471)		(1,284,471)
Net investment return:					
Interest and dividends		16,210	16,210	212,167	228,377
Realized and unrealized gains (losses)	350,024	19,040	369,064	483,011	852,075
Legal, taxes, and professional services					
Investment management fees	<u>(111,439)</u>	<u>(5,900)</u>	<u>(117,339)</u>	<u>(78,835)</u>	<u>(196,174)</u>
	238,585	29,350	267,935	616,343	884,278
Net assets released from restrictions:					
Satisfaction of purpose	<u>42,450</u>	<u>118,486</u>	<u>160,936</u>	<u>(160,936)</u>	
Change in net assets from investment and other activities	<u>(607,650)</u>	<u>53,377</u>	<u>(554,273)</u>	<u>488,591</u>	<u>(65,682)</u>
<b>Change in total net assets before pension related changes other than net periodic benefit cost</b>	2,092,085	53,377	2,145,462	488,591	2,634,053
Pension related changes other than net periodic benefit cost					
<b>Change in total net assets</b>	2,092,085	53,377	2,145,462	488,591	2,634,053
Net assets at beginning of year	<u>2,225,255</u>	<u>467,808</u>	<u>2,693,063</u>	<u>9,417,221</u>	<u>12,110,284</u>
Net assets at end of year	<u>\$ 4,317,340</u>	<u>\$ 521,185</u>	<u>\$ 4,838,525</u>	<u>\$ 9,905,812</u>	<u>\$ 14,744,337</u>

See Notes to Financial Statements.

2022

Without Donor Restrictions				
Operating and Other Activities	Donor Advised and Other Funds	Total	With Donor Restrictions	Total
\$ 708,794		\$ 708,794		\$ 708,794
323,839		323,839		323,839
45,250		45,250		45,250
<u>423,945</u>		<u>423,945</u>		<u>423,945</u>
1,501,828		1,501,828		1,501,828
972,730		972,730		972,730
<u>95,934</u>		<u>95,934</u>		<u>95,934</u>
<u>1,068,664</u>		<u>1,068,664</u>		<u>1,068,664</u>
<u>433,164</u>		<u>433,164</u>		<u>433,164</u>
	\$ 244,502	244,502	\$ 728,541	973,043
			(148,720)	(148,720)
(323,570)	(468,015)	(791,585)		(791,585)
	6,963	6,963	210,678	217,641
(1,483,609)	(63,567)	(1,547,176)	(1,745,052)	(3,292,228)
			(72,832)	(72,832)
<u>(57,946)</u>	<u>(2,448)</u>	<u>(60,394)</u>	<u>(63,903)</u>	<u>(124,297)</u>
(1,541,555)	(59,052)	(1,600,607)	(1,671,109)	(3,271,716)
<u>28,000</u>	<u>121,637</u>	<u>149,637</u>	<u>(149,637)</u>	
<u>(1,837,125)</u>	<u>(160,928)</u>	<u>(1,998,053)</u>	<u>(1,240,925)</u>	<u>(3,238,978)</u>
(1,403,961)	(160,928)	(1,564,889)	(1,240,925)	(2,805,814)
<u>202,183</u>		<u>202,183</u>		<u>202,183</u>
(1,201,778)	(160,928)	(1,362,706)	(1,240,925)	(2,603,631)
<u>3,427,033</u>	<u>628,736</u>	<u>4,055,769</u>	<u>10,658,146</u>	<u>14,713,915</u>
<u>\$ 2,225,255</u>	<u>\$ 467,808</u>	<u>\$ 2,693,063</u>	<u>\$ 9,417,221</u>	<u>\$ 12,110,284</u>

**KENTUCKY BAPTIST FOUNDATION**

**STATEMENTS OF FUNCTIONAL EXPENSES**

Years Ended August 31, 2023 and 2022

	2023			2022		
	Program	General and Administrative	Total	Program	General and Administrative	Total
Salaries and wages	\$ 631,789	\$ 70,199	\$ 701,988	\$ 507,780	\$ 56,420	\$ 564,200
Payroll taxes	20,378	2,264	22,642	15,354	1,706	17,060
Employee benefits	160,763	17,863	178,626	153,205	17,023	170,228
Post retirement benefits	14,734	1,637	16,371	16,232	1,803	18,035
Professional fees	42,842	4,760	47,602	53,823	5,980	59,803
Promotion	89,474		89,474	82,041		82,041
Travel	48,899	2,574	51,473	21,935	1,154	23,089
Training and meetings	7,625	847	8,472	10,814	1,202	12,016
Office	41,170	4,574	45,744	23,873	2,652	26,525
Occupancy	22,000	3,882	25,882	22,000	3,882	25,882
Information technology	19,508	2,168	21,676	11,216	1,246	12,462
Insurance	47,488	2,499	49,987	45,793	2,410	48,203
Depreciation	19,495	1,026	20,521	8,664	456	9,120
	<u>\$ 1,166,165</u>	<u>\$ 114,293</u>	<u>\$1,280,458</u>	<u>\$ 972,730</u>	<u>\$ 95,934</u>	<u>\$ 1,068,664</u>

See Notes to Financial Statements.

**KENTUCKY BAPTIST FOUNDATION**

**STATEMENTS OF CASH FLOWS**

Years Ended August 31, 2023 and 2022

	2023	2022
<b>Cash Flows from Operating Activities</b>		
Cash received from donors	\$ 1,485,175	\$ 664,181
Cash received from Kentucky Baptist Convention	300,090	323,839
Cash received for services	1,277,465	708,794
Investment income received	1,305,736	568,710
Cash paid to employees, vendors and service providers	(1,422,579)	(1,112,366)
Cash paid to beneficiaries	(1,284,471)	(791,585)
<b>Net cash provided by operating activities</b>	<b>1,661,416</b>	<b>361,573</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(133,017,980)	(132,903,643)
Sales and maturities of investments	124,010,175	125,411,994
Purchases of property and equipment	(68,883)	
<b>Net cash used in investing activities</b>	<b>(9,076,688)</b>	<b>(7,491,649)</b>
<b>Cash Flows from Financing Activities</b>		
Cash received - assets held for others - agency accounts	21,344,378	17,869,828
Cash disbursed - assets held for others - agency accounts	(12,368,718)	(8,881,515)
Cash received - assets held for others - perpetual accounts	1,489,189	2,000,631
Cash disbursed - assets held for others - perpetual accounts	(2,694,534)	(3,806,749)
Cash received - assets held for others - annuities/remainder trusts	289,547	212,767
Cash disbursed - assets held for others - annuities/remainder trusts	(364,642)	(513,476)
Contributions restricted for permanent investment	1,500	354,112
<b>Net cash provided by financing activities</b>	<b>7,696,720</b>	<b>7,235,598</b>
<b>Net change in cash</b>	<b>281,448</b>	<b>105,522</b>
Cash at beginning of year	876,699	771,177
Cash at end of year	<b>\$ 1,158,147</b>	<b>\$ 876,699</b>

See Notes to Financial Statements.

	<u>2023</u>	<u>2022</u>
<b>Reconciliation of Change in Total Net Assets to Net Cash Provided by Operating Activities</b>		
<b>Change in total net assets</b>	<u>\$ 2,634,053</u>	<u>\$ (2,603,631)</u>
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation	20,521	9,120
Change in beneficial interest	(30,139)	148,720
Post-retirement benefit adjustment	16,371	(184,148)
Contributions restricted for permanent investment	(1,500)	(354,112)
Realized and unrealized (gains) losses on investments	(852,075)	3,292,228
Changes in assets and liabilities:		
Decrease (increase) in:		
Accrued investment income	(142,976)	(72,876)
Other assets	9,852	168,005
Increase (decrease) in:		
Accounts payable and accrued expenses	31,851	(17,763)
Post-retirement benefit obligation	<u>(24,542)</u>	<u>(23,970)</u>
Total adjustments	<u>(972,637)</u>	<u>2,965,204</u>
<b>Net cash provided by operating activities</b>	<u>\$ 1,661,416</u>	<u>\$ 361,573</u>

## KENTUCKY BAPTIST FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

#### Note 1. Organization and Summary of Significant Accounting Policies

##### **Organization:**

The Kentucky Baptist Foundation (the Foundation) is a Kentucky not-for-profit corporation formed to receive and administer funds for the benefit of (a) the churches, associations, institutions, agencies and enterprises fostered by, having the official sanction of, or supported by the Kentucky Baptist Convention; (b) Baptist organizations whose purposes are not in conflict with Kentucky Baptist Convention causes; and (c) other 501(c)(3) organizations whose purposes are not in conflict with Kentucky Baptist Convention causes.

The Foundation provides Christian estate stewardship consultation to the members of the Kentucky Baptist churches and conducts estate and charitable gift planning seminars in the churches to encourage the members to make permanent gifts for the advancement and development of financial support for the causes and purposes described in the preceding paragraph.

##### **Summary of significant accounting policies:**

This summary of significant accounting policies of the Foundation is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

##### **Basis of presentation:**

The Foundation's financial statements include the classification of resources into two separate classes of net assets, as follows:

**Net assets without donor restrictions:** Net assets which are free of donor-imposed restrictions. Included in net assets without donor restrictions are donor advised funds for which donors may make recommendations to the Board of Directors with respect to the distribution of the income and/or principal for an agreed upon period of time. The Board of Directors has complete discretion on whether to accept or reject the donor's recommendation. Also in net assets without donor restrictions, are net assets designated by the Board of Directors for retiree benefits and other Foundation operational support.

## NOTES TO FINANCIAL STATEMENTS

**Net assets with donor restrictions:** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. This classification of net assets also includes unexpended net realized and unrealized gains on endowment funds, the income on which has been donor restricted. The Foundation's policy is to reinvest such earnings for future growth and to use these earnings in accordance with donor stipulations as to the original gift corpus. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounting principles generally accepted in the United States of America establish reporting standards for transactions in which assets are transferred to a not-for-profit organization that agrees to use those assets on behalf of another entity that is specified by the transferor. The standards provide that a recipient organization (the Foundation) that accepts assets from a transferor and agrees to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both, to a specified beneficiary is not a donee and the transaction is not a contribution to the recipient organization (the Foundation). The Foundation recognizes its liability to the specified beneficiary concurrent with its recognition of cash or other financial assets received from the transferor.

### **Cash and cash equivalents:**

For purposes of the statements of cash flows, the Foundation considers cash and investments with original maturities of three months or less to be cash and cash equivalents, excluding those amounts held as part of the investment portfolio.

### **Investments and investment income:**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Investments in equity securities with readily determinable fair values, investments in debt securities, mutual funds, and exchange traded funds are stated at fair value as determined by quoted fair values at the statement of financial position date. Investments in asset-backed securities are stated at fair value determined by quoted fair values, if available. If a quoted fair value is not available, fair value is determined using quoted fair values for similar securities.

Investments in private equity funds are stated at fair value. In determining fair value of private equity funds, the Foundation utilizes the value as determined by the investment fund manager as reasonably determined based on the Foundation's capital balance. However, because of the inherent uncertainty of valuation, the estimated value may differ significantly from the value that would have been used had a ready market for the investment existed, and the difference could be material.

## NOTES TO FINANCIAL STATEMENTS

Investment income is allocated to accounts monthly based on the number of units held by each account. Interest and dividends included in operating activities on the statements of activities are earnings on unrestricted operating funds of the Foundation. All other investment return is considered non-operating. Net investment return reported in the statements of activities consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses and other deductions.

### **Financial instruments:**

Financial instruments other than investments include cash, other assets, accounts payable, and accrued expenses. As of August 31, 2023 and 2022, none of these assets and liabilities were required to be reported at fair value on a recurring basis. Carrying values of non-derivative financial instruments, including cash, other assets, accounts payable, and accrued expenses, approximate their fair values due to the short term nature of these financial instruments. There were no changes in methods or assumptions during the years ended August 31, 2023 or 2022.

### **Property and equipment:**

The Foundation's policy is to capitalize asset purchases exceeding \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Property and equipment are stated at cost at the date of acquisition. Property and equipment, net of accumulated depreciation, totaling \$99,850 and \$51,489 as of August 31, 2023 and 2022, respectively, are included in other assets on the statements of financial position.

### **Compensated absences:**

Compensated absences for sick pay have not been accrued since they cannot be reasonably estimated. The Foundation's policy is to recognize these costs when actually paid to employees.

### **Revenue and revenue recognition:**

Management fees are accounted for as reciprocal exchange transactions. Investment management oversight is a single performance obligation. Management fees are recognized over time using the input method as the services are provided. The management fee is calculated and paid per terms of the Investment Agreement and Schedule of Fees, based upon the monthly market values of each sub-account. Fees are withdrawn directly from the principal or income of the sub-accounts. Management fees are subject to fluctuation based on overall market volatility and deposits and withdrawals by account holders.

## NOTES TO FINANCIAL STATEMENTS

### **Contributions:**

Contributions are recognized when cash, securities, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. All unconditional promises to give are considered to be available for unrestricted use unless specifically restricted by the donor.

### **Leases:**

The Foundation evaluates contracts at inception and when terms of an existing contract are changed to determine if an arrangement is or contains a lease. Operating leases with a duration longer than twelve months and finance leases are recorded as lease right-of-use (ROU) assets and lease liabilities on the statements of financial position. Short-term leases (leases with an initial term of twelve months or less that do not contain a purchase option that is likely to be exercised) are not recorded on the statements of financial position. The Foundation has no operating leases with a duration over 12 months or finance leases.

### **Income taxes:**

Kentucky Baptist Foundation is a not-for-profit organization described under Section 501(c)(3) of the Internal Revenue Code (the Code). The Foundation is exempt from federal, state and local income taxes under Section 501(a) of the Code and has been classified as a church affiliated organization. Therefore, the Foundation does not file an informational tax return in the federal, state or local jurisdictions. However, income from certain activities not directly related to the Foundation's tax-exempt status may be subject to taxation as unrelated business income.

As of August 31, 2023 and 2022, the Foundation did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the tax years then ended.

### **Functional expense classifications:**

The statements of activities report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied, including on the basis of estimates of time and effort. The statements of functional expenses for the years ended August 31, 2023 and 2022 present the natural classification of detail of expenses by function.

## NOTES TO FINANCIAL STATEMENTS

### Use of estimates:

Financial statements prepared in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

### Accounting pronouncements adopted:

Effective September 1, 2022, the Foundation adopted FASB ASC 842, *Leases*. FASB 842 supersedes the lease requirements in FASB 840. The new standard establishes a ROU model that requires a lessee to record an ROU asset and a lease liability on the statement of financial position for most leases and to provide enhanced disclosures. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities.

The Foundation adopted FASB ASC 842, with a date of initial application of September 1, 2022, by applying the modified retrospective transition approach and using the additional and optional transition method provided by ASU No. 2018-11, *Leases (Topic 842) Targeted Improvements*. The Foundation did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to net assets as of September 1, 2022 was necessary. No cumulative effect adjustment to net assets as of September 1, 2022 was necessary.

The Foundation elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The Foundation also elected other practical expedients. For lease agreements with lease and non-lease components, the Foundation elected to account for lease and non-lease components as a single lease component. For lease agreements twelve months or less, the Foundation elected not to record a ROU asset or liability.

FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the year ended August 31, 2023. The Foundation does not have any leases that are considered to be long-term leases. See Note 7.

## NOTES TO FINANCIAL STATEMENTS

### **Subsequent events:**

Subsequent events have been evaluated through October 19, 2023, which is the date the financial statements were available to be issued.

### **Note 2. Liquidity and Availability**

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

At August 31, 2023, the Foundation has \$3,387,093 of financial assets available, consisting of cash of \$1,158,147 and revocable investment funds of \$2,728,946.

At August 31, 2022, the Foundation has \$1,833,836 of financial assets available, consisting of cash of \$876,699 and revocable investment funds of \$957,137.

None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the respective statement of financial position date.

The Foundation manages its liquidity and reserves following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs.

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Investments and Fair Value Measurements

Investments at August 31, 2023 and 2022 are summarized by investment funds as follows (at fair value):

	<u>2023</u>	<u>2022</u>
Cash equivalent fund/designated assets:		
Money market funds	\$ 930,086	\$ 837,922
U.S. Government and agency securities	396,352	
Common stocks	<u>9</u>	<u>9</u>
Total cash equivalent fund/designated assets	<u>1,326,447</u>	<u>837,931</u>
Fixed income fund:		
U.S. Government and agency securities	13,186,087	12,015,654
Corporate bonds and notes	9,756,724	9,262,833
Asset backed securities	329,099	451,271
Mutual funds	47,834,606	54,600,326
Money market funds	<u>2,227,823</u>	<u>126,408</u>
Total fixed income fund	<u>73,334,339</u>	<u>76,456,492</u>
Equity fund:		
Common stocks	130,142,020	109,474,479
Mutual funds	7,128,238	9,574,284
Exchange traded funds	219,901	6,875,288
Money market funds	<u>2,608,304</u>	<u>1,722,700</u>
Total equity fund	<u>140,098,463</u>	<u>127,646,751</u>
Private equity fund:		
Private equity investments	238,273	243,210
Money market funds	<u>4,662</u>	<u>4,671</u>
Total private equity fund	<u>242,935</u>	<u>247,881</u>
Short-term fund:		
Cash	500,000	
Common stocks	4,981,178	
Exchange traded funds	3,694,146	3,407,069
Money market funds	8,769,428	786,412
Mutual funds	<u>8,685,297</u>	<u>11,301,970</u>
Total short term fund	<u>26,630,049</u>	<u>15,495,451</u>
Total investments and retiree benefits trust	<u>\$241,632,233</u>	<u>\$220,684,506</u>
Per the statements of financial position:		
Investments	\$240,876,151	\$219,954,901
Retiree benefits trust	<u>756,082</u>	<u>729,605</u>
	<u>\$241,632,233</u>	<u>\$220,684,506</u>

## NOTES TO FINANCIAL STATEMENTS

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based on significant unobservable inputs.

Fair value of investments by investment level as of August 31, 2023 and 2022 are as follows:

	2023			
	Level 1	Level 2	Level 3	Total
Cash	\$ 500,000			\$ 500,000
Money market funds	14,540,303			14,540,303
Common stocks	135,123,207			135,123,207
U.S. Government and agency securities	5,935,410	\$ 7,647,029		13,582,439
Corporate bonds and notes		9,756,724		9,756,724
Asset backed securities		329,099		329,099
Mutual funds	63,648,141			63,648,141
Exchange traded funds	3,914,047			3,914,047
Private equity investments			\$238,273	238,273
Total investments and retiree benefits trust	\$223,661,108	\$17,732,852	\$238,273	\$241,632,233
	2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 3,478,113			\$ 3,478,113
Common stocks	109,474,488			109,474,488
U.S. Government and agency securities	5,999,660	\$ 6,015,994		12,015,654
Corporate bonds and notes		9,262,833		9,262,833
Asset backed securities		451,271		451,271
Mutual funds	75,476,580			75,476,580
Exchange traded funds	10,282,357			10,282,357
Private equity investments			\$243,210	243,210
Total investments and retiree benefits trust	\$204,711,198	\$15,730,098	\$243,210	\$220,684,506

The following table sets forth a summary of activity of the Level 3 assets for the years ended August 31, 2023 and 2022:

	2023	2022
Private equity fund:		
Purchases	\$ -	\$ 16,487
Sales	-	205,007

## NOTES TO FINANCIAL STATEMENTS

The Private Equity Fund includes investments valued at \$238,273 and \$243,210 at August 31, 2023 and 2022, respectively, which is approximately 0.1% of total investments as of August 31, 2023 and 2022.

Redemptions are not permitted from the Private Equity Fund. The Foundation has committed to additional investments of \$328,000 in the Private Equity Fund.

### Note 4. Endowment Funds

The Foundation's endowment consists of various individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds for which the donors have authorized the Board of Directors to select the benefiting organizations (donor-restricted endowment funds), and funds designated by the Board of Directors to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowment fund composition by net asset classification and changes for the years ended August 31, 2023 and 2022 are as follows:

	2023		
	Without Donor Restrictions - Board <u>Designated</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment funds, beginning of year	\$1,604,877	\$9,389,958	\$10,994,835
Contributions	1,258,599	1,500	1,260,099
Change in beneficial interest		30,139	30,139
Net investment return	531,525	615,378	1,146,903
Net assets released from restrictions	<u>                    </u>	<u>(160,936)</u>	<u>(160,936)</u>
Endowment funds, end of year	<u>\$3,395,001</u>	<u>\$9,876,039</u>	<u>\$13,271,040</u>

## NOTES TO FINANCIAL STATEMENTS

	2022		
	Without Donor Restrictions - Board <u>Designated</u>	With Donor Restrictions <u>Restrictions</u>	<u>Total</u>
Endowment funds, beginning of year	\$2,953,865	\$10,603,568	\$13,557,433
Contributions		728,541	728,541
Change in beneficial interest		(148,720)	(148,720)
Net investment return	(1,132,828)	(1,671,794)	(2,804,622)
Transfers	(216,160)		(216,160)
Net assets released from restrictions	_____	(121,637)	(121,637)
Endowment funds, end of year	<u>\$1,604,877</u>	<u>\$ 9,389,958</u>	<u>\$10,994,835</u>

### **Interpretation of Relevant Law:**

The Board of the Foundation has interpreted the Kentucky Uniform Prudent Management of Institutional Funds Act (UPMIFA) (KRS 273.605-273.645) 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 held in perpetuity: (a) the original value of the initial gift to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) each accumulation made pursuant to a direction in the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of each donor-restricted endowment fund that is not classified as net assets with donor restrictions held in perpetuity is classified as net assets with donor restrictions for specified purposes until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The standard of prudence requires the Foundation to invest the funds in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. 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 various funds; (2) the purposes of the donor-restricted endowment funds; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investment; (6) other resources of the beneficiary-organizations of each donor-restricted endowment fund; and (7) the Foundation's investment policies.

## NOTES TO FINANCIAL STATEMENTS

### **Return Objectives and Risk Parameters and Strategies:**

The Board of Directors has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs and ministries supported by the various individual endowment funds, while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed income securities and alternative strategies, intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual spending formula distribution while growing the funds. Investment assets and allocation among asset classes and strategies are managed in a manner that will not expose the endowment funds to unacceptable levels of risk.

### **Spending Policy and How the Investment Objectives Relate to Spending Policy:**

The Foundation has had a spending policy of appropriating for distribution each year 3.5 percent of the average fair value of the prior 16 quarters through the fiscal year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered: (1) the expected long-term returns on its investments, (2) the possible effects of inflation, and (3) the nature and duration of the individual endowment funds, all of which must be maintained in perpetuity because of donor restrictions.

Notwithstanding the foregoing, in any fiscal year in which the market value of an individual endowment fund is less than its book value, the Foundation does not appropriate the spending policy amount but instead appropriates only the net income (dividends and interest less expenses) generated by the account during such fiscal year. This exception to the general spending policy is also consistent with the Foundation's objective to provide real inflation-adjusted growth through investment return to its endowment.

### **Note 5. Assets Held for Others**

The Foundation recognizes a liability for financial assets held for third parties (resource providers) where the Foundation is acting in an agency capacity (agency accounts). Under such agreements, the Foundation invests the assets and distributes the assets and earnings thereon as directed by the resource providers. The resource providers may withdraw all or part of the assets at their discretion.

The Foundation also recognizes a liability for financial assets accepted from donors (resource providers) who direct the return on investment of those assets be transferred to a specified beneficiary or beneficiaries (perpetual accounts). The resource providers have directed that the assets be invested in perpetuity and only the investment earnings be available for distribution.

## NOTES TO FINANCIAL STATEMENTS

The Foundation also recognizes a liability for financial assets accepted from donors (resource providers) who retain for themselves and/or other non-charitable beneficiaries the right to receive a designated cash flow for life or a term of years and who direct the remainder, or return on the investment of the remainder, at the end of the term be transferred to a specified beneficiary or beneficiaries (annuities/remainder trusts). The resource provider may not withdraw all or any part of these assets.

The following is a summary of activity in assets held for others during the years ended August 31:

	2023			
	Agency	Perpetual	Annuities/ Remainder Trusts	Total
Balance at beginning of year	\$122,078,624	\$ 82,624,767	\$ 4,864,539	\$209,567,930
Additions:				
Net investment return:				
Interest and dividends	3,792,471	2,322,655	136,113	6,251,239
Realized and unrealized net investment gains	6,010,543	4,776,774	271,087	11,058,404
Investment management fees	<u>(646,639)</u>	<u>(1,079,476)</u>	<u>(61,549)</u>	<u>(1,787,664)</u>
Net investment return	9,156,375	6,019,953	345,651	15,521,979
Cash and securities deposited with the Foundation	<u>18,312,867</u>	<u>87,040</u>	<u>259,631</u>	<u>18,659,538</u>
Total additions	<u>27,469,242</u>	<u>6,106,993</u>	<u>605,282</u>	<u>34,181,517</u>
Deductions:				
Distributions to beneficiaries	(5,429,473)	(2,693,254)	(354,742)	(8,477,469)
Withdrawals	(6,897,701)			(6,897,701)
Legal, taxes, and professional services	<u>(41,544)</u>	<u>(1,280)</u>	<u>(9,900)</u>	<u>(52,724)</u>
Total deductions	<u>(12,368,718)</u>	<u>(2,694,534)</u>	<u>(364,642)</u>	<u>(15,427,894)</u>
Transfers	<u>(114,321)</u>	<u>158,969</u>	<u>(44,648)</u>	<u>                  </u>
Net change	<u>14,986,203</u>	<u>3,571,428</u>	<u>195,992</u>	<u>18,753,623</u>
Balance at end of year	<u>\$137,064,827</u>	<u>\$ 86,196,195</u>	<u>\$ 5,060,531</u>	<u>\$228,321,553</u>

## NOTES TO FINANCIAL STATEMENTS

	2022			
	<u>Agency</u>	<u>Perpetual</u>	<u>Annuities/ Remainder Trusts</u>	<u>Total</u>
Balance at beginning of year	\$135,705,053	\$102,333,501	\$6,205,045	\$244,243,599
Additions (losses):				
Net investment return:				
Interest and dividends	2,631,206	2,098,744	114,250	4,844,200
Realized and unrealized net investment losses	(22,614,742)	(17,902,618)	(1,039,798)	(41,557,158)
Investment management fees	<u>(571,822)</u>	<u>(657,214)</u>	<u>(33,561)</u>	<u>(1,262,597)</u>
Net investment return	(20,555,358)	(16,461,088)	(959,109)	(37,975,555)
Cash and securities deposited with the Foundation	<u>15,801,772</u>	<u>544,034</u>	<u>155,820</u>	<u>16,501,626</u>
Total additions (losses)	<u>(4,753,586)</u>	<u>(15,917,054)</u>	<u>(803,289)</u>	<u>(21,473,929)</u>
Deductions:				
Distributions to beneficiaries	(3,623,697)	(3,683,127)	(503,419)	(7,810,243)
Withdrawals	(5,207,094)			(5,207,094)
Legal, taxes, and professional services	<u>(50,724)</u>	<u>(123,622)</u>	<u>(10,057)</u>	<u>(184,403)</u>
Total deductions	<u>(8,881,515)</u>	<u>(3,806,749)</u>	<u>(513,476)</u>	<u>(13,201,740)</u>
Transfers	<u>8,672</u>	<u>15,069</u>	<u>(23,741)</u>	<u>          </u>
Net change	<u>(13,626,429)</u>	<u>(19,708,734)</u>	<u>(1,340,506)</u>	<u>(34,675,669)</u>
Balance at end of year	<u>\$122,078,624</u>	<u>\$ 82,624,767</u>	<u>\$ 4,864,539</u>	<u>\$209,567,930</u>

### Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following at August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for a specified purpose:		
Held for investment, primarily for scholarships and to support various Baptist causes	\$ 5,188,775	\$ 4,808,185
Held in perpetuity	<u>4,717,037</u>	<u>4,609,036</u>
	<u>\$ 9,905,812</u>	<u>\$ 9,417,221</u>

## NOTES TO FINANCIAL STATEMENTS

### **Note 7. Transactions with Kentucky Baptist Convention**

The Foundation has entered into a Covenant Agreement with the Kentucky Baptist Convention (the Convention) whereby the Foundation's Board of Directors is elected by the Convention.

The Foundation has also entered into a Financial and Services Agreement with the Convention whereby the Convention will provide the Foundation with an allocation of funds for operations in amounts determined by the Mission Board of the Kentucky Baptist Convention. The Foundation received allocations totaling \$297,036 and \$300,904 from the Convention and Restricted Kentucky Only funds of \$3,054 and \$2,935 for the years ended August 31, 2023 and 2022, respectively. During 2022, the Foundation also received a one-time grant of \$20,000 from the Convention as a year end funds distribution.

The Foundation leases office space from the Convention under an annual lease agreement. The lease renews annually for a one year period; however, either party may terminate the lease by providing a six month notice. Rent paid to the Convention was approximately \$26,000 for each of the years ended August 31, 2023 and 2022.

### **Note 8. Post-Retirement Benefits**

The Foundation has a policy to provide post-retirement health care benefits for retirees. The Foundation will provide post-retirement health care benefits to all active participants hired prior to June 1, 2004 and remain employed with the Foundation until disability or retirement (age 55 or above) and have at least twenty years of active service with the Foundation. The post-retirement health care benefit is 100% of post-retirement health care cost for the participant and their eligible dependents for the remainder of the participant's life. The Foundation does not pay Medicare premiums.

The Foundation also has a policy to provide post-retirement life insurance benefits. The Foundation will provide post-retirement life insurance benefits to all active participants provided they remain employed at the Foundation until disability or retirement (age 55 or above) and have at least twenty years of active service with the Foundation. The post-retirement life insurance benefit provided is 100% of the post-retirement life insurance cost for the participant for the remainder of his or her life.

The Foundation also has a policy of providing retirement gifts for retirees. The Foundation will provide a retirement gift to all active participants provided they remain employed at the Foundation until disability or retirement (age 55 or above). The retirement gift provided by the Foundation is equal to one month's salary for retirees with up to 9 years of active years of service, or one month's salary plus \$500 for retirees with 10 or more years of active service.

The plan is unfunded; however, the Foundation has established an irrevocable grantor trust to hold funds to satisfy this liability. The trust balance of \$756,082 and \$729,605 as of August 31, 2023 and 2022, respectively, is included as retiree benefits trust on the statements of financial position.

## NOTES TO FINANCIAL STATEMENTS

The following sets forth the plan's funded status and amounts recognized in the financial statements as of and for the years ended August 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Accumulated post-retirement benefit obligation	\$(469,676)	\$(477,847)
Plan assets at fair value	<u>                    </u>	<u>                    </u>
<b>Unfunded status</b>	<u><b>\$(469,676)</b></u>	<u><b>\$(477,847)</b></u>
<b>Post-retirement benefit obligation recognized in the statements of financial position</b>	<b>\$(469,676)</b>	<b>\$(477,847)</b>
Consists of the following:		
Obligations for inactive participants	334,348	348,511
Obligation for active participants	135,328	129,336
Employer contributions	\$24,542	\$23,970
Benefits paid	(24,542)	(23,970)

### Amounts Recognized in Change in Net Assets Without Donor Restrictions

<u>Net Periodic Benefit Cost</u>		
Service cost	\$ 1,071	\$ 1,125
Interest cost	<u>21,065</u>	<u>16,910</u>
Net periodic benefit cost	22,136	18,035
Change in amounts not yet in net periodic benefit cost:		
New unrecognized (gain) loss	<u>(5,765)</u>	<u>202,183</u>
Total recognized in change in net assets without donor restrictions	<u><b>\$(16,371)</b></u>	<u><b>\$(184,148)</b></u>

### Amounts Recognized in Change in Net Assets Without Donor Restrictions Not Yet Included in Net Periodic Benefit Cost

Unrealized net gain	<u><b>\$(164,858)</b></u>	<u><b>\$(181,355)</b></u>
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There is no amortization of unrecognized prior service cost and net loss that will be amortized into net periodic benefit cost over the next fiscal year.

Significant changes in the post-retirement benefit obligation include a discount rate gain of \$35,000 resulting from the increase in the discount rate; an economic assumption loss of \$19,000 due to the health care cost trend rate update; and an actuarial loss \$11,000 resulting from plan experience.

## NOTES TO FINANCIAL STATEMENTS

### Assumptions

The Foundation uses an August 31 measurement date for the plan. Assumptions utilized in the actuarial valuation are as follows:

	<u>2023</u>	<u>2022</u>
Discount rates	5.37%	4.56%
Expected long-term healthcare cost increase:		
Initial rate:		
Pre-65 (Medical/Rx)	7.40%/9.80%	7.30%/8.40%
Post-65 (Medical/Rx)	4.30%/7.50%	3.80%/6.50%
Ultimate rate:		
Pre-65 (Medical/Rx)	4.37%/4.87%	4.40%/4.90%
Post-65 (Medical/Rx)	4.30%/4.87%	3.80%/4.90%
Time to ultimate rate	8 years	8 years
Average remaining service	6.8 years	6.0 years
Mortality Basis	Pri-2012 Total Dataset	Pri-2012 Total Dataset

The assumed health care cost trend rates for the next year used to measure the expected cost of benefits covered by the plan are as follows:

	2023		
	<u>Low</u>	<u>Base</u>	<u>High</u>
Initial rate	-1%	7.88%/6.38%	+1%
Ultimate rate	-1%	4.48%/4.69%	+1%
Time to ultimate rate	8 years	8 years	8 years
	2022		
	<u>Low</u>	<u>Base</u>	<u>High</u>
Initial rate	-1%	7.52%/5.56%	+1%
Ultimate rate	-1%	4.51%/4.55%	+1%
Time to ultimate rate	8 years	8 years	8 years

### Cash Flows

The Foundation expects to contribute \$27,379 to the plan during the year ended August 31, 2023. The benefits expected to be paid in each of the next five years and the aggregate amount of benefits expected to be paid in the subsequent five years are as follows:

2023 – 2024	\$ 43,101
2024 – 2025	33,256
2025 – 2026	33,540
2026 – 2027	39,632
2027 – 2028	34,785
2028 – 2033	184,775

## NOTES TO FINANCIAL STATEMENTS

The amounts recognized in change in net assets without donor restrictions for the post retirement benefit obligations are included in program, general and administrative expenses and distributions to beneficiaries on the statements of activities for the years ended August 31, 2023 and 2022.

### **Note 9. Employee Benefit Plan**

The Foundation participates in a 403(b)(9) Retirement Plan, a defined contribution pension plan, administered by GuideStone Financial Resources of the Southern Baptist Convention. This plan covers all full-time employees. The Foundation's contribution to the plan, based on a percentage of employees' gross salaries, was approximately \$62,000 and \$48,000, respectively, for the years ended August 31, 2023 and 2022.

### **Note 10. Concentration of Credit Risk**

The Foundation maintains its cash accounts at a financial institution whose accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2023, uninsured cash balances were approximately \$1,430,000. The Foundation believes the cash is held by a financial institution with sufficient size to provide financial security of the uninsured balance.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. It is reasonably possible that changes in the values of investments could occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.