

State of Illinois
Department of Children and Family Services

Annual Report for Illinois Licensed Adoption Agencies

Date: July 19, 2023

Name of Agency: Illinois Baptist Children's Home and Family Services

Corporate Address*: 949 County Road 1300 N

Carmi, IL 62821

Illinois DCFS

License/Provider ID number: 401813

Telephone: 618-382-4164

License Effective date: June 26, 2022 to June 26, 2026

The reporting period and answers to all questions for this report relate to the agency's most recent fiscal year. Specify the dates of your agency's fiscal year and reporting period for this report: 7/1/22-6/30/23

***If the agency operates satellite or branch offices, please attach a separate sheet listing complete addresses of all other offices.**

This report is to be completed by agencies providing adoption services and shall be filed with the Department of Children and Family Services and with the Illinois Attorney General's Office. In addition, each licensed agency that maintains a website shall provide this report on its website. The report shall be filed annually, no later than the 45th day following an adoption agency's license anniversary date. Failure to provide the annual report or disclose certain information required in the report may result in the suspension of an agency's license for a period of 90 days. Subsequent violations may result in a revocation of the license. [Rule 401.530]

This report applies only to the provision of adoption services and includes agencies providing foster care conversion services.

Question number 1 (A – M) pertains only to domestic and international agency-assisted adoption services, and home study services-only programs. Question number 1 (A-M) does not pertain to foster care conversion adoptions. Agencies that provide adoption services only through foster care conversions must answer questions 2 – 12, but need not answer question number 1.

Please respond to the following questions with a yes or no answer on the left and provide additional detail as requested:

No 1. **Non-identifying** information for the past year concerning adoption is attached:

Domestic Agency-Assisted Adoptions

- A. The number of adoptive families who have submitted an agency application but who are not yet licensed: 0
- B. The number of adoptive families who are licensed and awaiting domestic placement as of the agency's fiscal year end: 0
- C. The number of biological parents who the agency provided services to during the reporting period for domestic adoption: 4
- D. The number of children placed in adoptive homes during the year:
Adoptive parents/families who are Illinois Residents: 3
Adoptive parents/families who are non-Illinois Residents: 0

E. The number of adoptions initiated during the year:
Adoptive parents/families who are Illinois Residents: 3
Adoptive parents/families who are non-Illinois Residents: 0

F. The number of adoptions finalized during the year:
Adoptive parents/families who are Illinois Residents: 1
Adoptive parents/families who are non-Illinois Residents: 0

G. The number of adoptive placement disruptions: 0

H. The number of domestic adoption dissolutions this year: 0

International Adoptions (either by direct placements/referrals, or through home-study-services-only)

Check the boxes that apply to the intercountry adoption services the agency provides:

- Child referral/matching placement services;
- Adoption home study/post placement services (utilized by families who are working with another agency for their referral/match);
- None.

The number of adoptive families who have submitted an agency application but who are not yet approved or licensed: 0

The number of adoptive families who are licensed or approved and awaiting international placement: 7

The number of international adoptive placements made during the year: 0

List the countries with which you have accredited international adoption programs:

Our agency only provides home study and post-placement/post-adoption services for international adoptions and does not provide placements.

The number of international adoptions finalized this year in the U.S., specifying the countries of origin: 0

The number of finalizations in other countries, specifying the countries of origin:

1- Haiti

The number of international adoptive placement disruptions: 0

No 2. Has the agency:

- lost the right to provide adoption services in any state or country,
- had its license suspended for cause, or
- was the agency the subject of other sanctions by any court, governmental agency, or governmental regulatory body relating to the provision of adoption services?

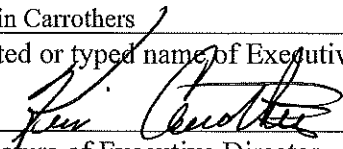
If the answer to any portion of this question is yes, attach a full and complete statement of explanation.

- No 3. During the past year, were any actions related to licensure initiated against the agency by a licensing or accrediting body?
If the answer is yes, attach a complete statement of explanation.
- No 4. During the past year, has the agency been a named party in any civil court actions in relation to the provision of foster care or adoption services?
If the answer is yes, attach a complete statement of explanation.
- No 5. Is the agency currently the subject of a pending investigation by federal or state authorities?
If the answer is yes, attach a complete statement of explanation.
- No 6. Were there any criminal charges, child abuse charges, malpractice complaints, or lawsuits related to the provision of adoption services against the agency or any of its employees, officers, or directors during the past year?
If the answer is yes, attach a complete statement of explanation and the basis or disposition of the actions.
- No 7. Was the agency found liable for any civil or administrative violation or found guilty of or pled guilty to any criminal or administrative violation that relates to the provision of adoption services under federal, state or foreign law?
If the answer is yes, attach a complete statement of explanation.
- No 8. Was any employee, officer or director of the agency found guilty of any crime or determined to have violated a civil law or administrative rule relating to the provision of adoption services under federal, state or foreign law?
If the answer is yes, attach a complete statement of explanation.
- No 9. Was any civil or administrative proceeding relating to adoption services instituted by the agency during the year (excluding uncontested adoption proceedings and proceedings filed pursuant to Section 12a of the Adoption Act)?
If the answer is yes, attach a complete statement of explanation.
- Yes 10. The agency's website address is: www.bchfs.com
- Yes 11. An audited financial statement for the prior fiscal year, including a general description of fees, wages, salaries and other compensation described in Rule 401.565(a), certified by an independent public accountant, is attached.
- Yes 12. This Annual Report with attachments and audited financial statement, certified by an independent public accountant, has been posted on the website listed in item 9.
- Yes 13. Effective August 15, 2005, Annual Reports are available upon request.

Information contained in this report is subject to the applicable confidentiality requirements of the Child Care Act and the Adoption Act.

I certify that the above statements are true and accurate, based on information available to me at this time.

Kevin Carrothers
Printed or typed name of Executive Director


Signature of Executive Director

7/20/23
Date

Mailing Instructions on the back

This report is to be mailed to the child welfare agency's A&I licensing Unit and the Illinois Attorney General's Office:

Illinois Attorney General
Charitable Trust Bureau
100 W. Randolph Street, 11th Floor
Chicago, IL 60601
312-814-2595 or 312-814-3000

DCFS Agency and Intuitional Licensing Units:

Cook County

A&I Licensing Unit
A&I Licensing Supervisor
1911 S. Indiana Ave. – 9th Fl.
Chicago, IL 60616

Northern Region

A&I Licensing Unit
A&I Licensing Supervisor
1619 W. Jefferson Street
Joliet, IL 60435

Central / Southern Region

A&I Licensing Unit
A&I Licensing Supervisor
1124 N. Walnut
Springfield, IL 62702

BAPTIST CHILDREN'S HOME AND FAMILY SERVICES
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Baptist Children's Home and Family Services
Carmi, Illinois

We have audited the accompanying financial statements of the Baptist Children's Home and Family Services (a nonprofit organization)(the Organization), which comprise the statement of financial position as of December 31, 2022 and, 2021 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 the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility

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

ATLAS CPAs & Advisors PLLC

Marion, Illinois
June 30, 2023

BAPTIST CHILDREN'S HOME AND FAMILY SERVICES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Cash | \$ 494,773 | \$ 259,048 |
| Contributions receivable, net | - | 1,485 |
| Accounts receivable, net | 19,045 | 49,540 |
| Other assets | 224 | 950 |
| Contributions receivable - Bequests, net | 1,232,191 | 80,000 |
| Prepaid expenses | 54,176 | 68,910 |
| Investments - Without designation, at fair value | 4,598,811 | 5,770,686 |
| Land, buildings and equipment, less accumulated depreciation | 1,664,419 | 1,811,523 |
| Charitable gift annuity assets | 12,718 | 18,143 |
| Contributions receivable - Charitable gift annuity, net | 8,659 | 9,514 |
| Investments - Designated, at fair value | 34,728 | 39,981 |
| Perpetual trust assets | 1,436,617 | 1,646,760 |
| | \$ 9,556,361 | \$ 9,756,540 |

LIABILITIES AND NET ASSETS

| | | |
|---|---------------------|---------------------|
| Accounts payable | \$ 56,831 | \$ 62,361 |
| Accrued liabilities | 18,595 | 20,440 |
| Estimated liability for future group medical insurance claims | 25,000 | 23,230 |
| Charitable gift annuity liability | 50,766 | 53,039 |
| Postretirement benefit obligation | 962,566 | 1,207,644 |
| Total Liabilities | 1,113,758 | 1,366,714 |
| Net Assets: | | |
| Net assets without donor restrictions: | | |
| Undesignated | 925,608 | 812,134 |
| Board designated | 447,345 | 220,425 |
| Quasi-endowment - Board Designated | 5,447,201 | 5,520,781 |
| Total Net Assets without Donor Restrictions | 6,820,154 | 6,553,340 |
| Net Assets with donor restrictions | 1,622,449 | 1,836,486 |
| Total Net Assets | 8,442,603 | 8,389,826 |
| Total Liabilities and Net Assets | \$ 9,556,361 | \$ 9,756,540 |

The accompanying notes are an integral part of the financial statements.

BAPTIST CHILDREN'S HOME AND FAMILY SERVICES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

| | 2022 | | | 2021 | | |
|---|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues, Gains, and Other Support: | | | | | | |
| Gifts and special offerings | \$ 2,290,265 | \$ 47,971 | \$ 2,338,236 | \$ 2,309,283 | \$ 54,810 | \$ 2,364,093 |
| Direct support | 17,974 | - | 17,974 | 32,089 | - | 32,089 |
| Bequests | 1,308,953 | - | 1,308,953 | 36,790 | - | 36,790 |
| Change in value of split interest agreements | (4,007) | - | (4,007) | 4,353 | - | 4,353 |
| Adoption fees | 44,700 | - | 44,700 | 72,496 | - | 72,496 |
| Counseling fees | 334,447 | - | 334,447 | 283,868 | - | 283,868 |
| Farm income | 55,510 | - | 55,510 | 55,510 | - | 55,510 |
| Grant revenue | 9,258 | - | 9,258 | 45,512 | - | 45,512 |
| Other income | 84,257 | - | 84,257 | 18,952 | - | 18,952 |
| PPP Loan Forgiveness | - | - | - | 344,124 | - | 344,124 |
| Investment income (net of expenses) | 52,366 | 3,826 | 56,192 | 110,360 | 3,902 | 114,262 |
| Royalty income | 44,295 | - | 44,295 | 65,908 | - | 65,908 |
| Net unrealized and realized gains (losses) on investments | (851,439) | (21,038) | (872,477) | 646,034 | (4,348) | 641,686 |
| Unrealized gains (losses) on perpetual trusts | - | (210,144) | (210,144) | - | 632,331 | 632,331 |
| Net assets released from restrictions: | | | | | | |
| Satisfaction of program and supporting service restrictions | 34,652 | (34,652) | - | 67,298 | (67,298) | - |
| Total Revenue, Gains, and Other Support | 3,421,231 | (214,037) | 3,207,194 | 4,092,576 | 619,396 | 4,711,972 |
| Expenses: | | | | | | |
| Program Services: | | | | | | |
| Residential Care | 937,893 | - | 937,893 | 1,204,256 | - | 1,204,256 |
| Maternity Center | 551,847 | - | 551,847 | 609,699 | - | 609,699 |
| Crisis Pregnancy Center | 209,590 | - | 209,590 | 272,102 | - | 272,102 |
| Metro-East Counseling Offices | 67,283 | - | 67,283 | 94,328 | - | 94,328 |
| Southeastern Illinois Counseling Offices | 204,199 | - | 204,199 | 163,070 | - | 163,070 |
| Central Illinois Counseling Offices | 192,107 | - | 192,107 | 172,674 | - | 172,674 |
| Total Program Services | 2,162,919 | - | 2,162,919 | 2,516,129 | - | 2,516,129 |
| Supporting Services: | | | | | | |
| General expenses | 200,807 | - | 200,807 | 207,396 | - | 207,396 |
| Administration | 577,888 | - | 577,888 | 493,249 | - | 493,249 |
| Fund raising | 326,337 | - | 326,337 | 348,039 | - | 348,039 |
| Total Supporting Services | 1,105,032 | - | 1,105,032 | 1,048,684 | - | 1,048,684 |
| Total Expenses | 3,267,951 | - | 3,267,951 | 3,564,813 | - | 3,564,813 |
| Change in net assets before postretirement related change: other than net periodic postretirement benefit cost | 153,280 | (214,037) | (60,757) | 527,763 | 619,396 | 1,147,159 |
| Postretirement related changes other than net periodic postretirement benefit cost | 113,534 | - | 113,534 | 367,817 | - | 367,817 |
| Change in net assets | 266,814 | (214,037) | 52,777 | 895,580 | 619,396 | 1,514,976 |
| Net assets, beginning of year | 6,553,340 | 1,836,486 | 8,389,826 | 5,657,760 | 1,217,090 | 6,874,850 |
| Net assets, end of year | \$ 6,820,154 | \$ 1,622,449 | \$ 8,442,603 | \$ 6,553,340 | \$ 1,836,486 | \$ 8,389,826 |

The accompanying notes are an integral part of the financial statements.

**BAPTIST CHILDREN'S HOME AND FAMILY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

| | Program Services | | | | | | Support Services | | | | | Total |
|--|-------------------|--|-------------------------------|------------------------------------|---|--|---------------------|---------------------|----------------------------|-------------------|---------------------|---------------------|
| | Residential Care | Maternity Adoption, and Foster Care | Crisis Pregnancy Center | Metro East Counseling Center | Southeastern Illinois Counseling Center | Central Illinois Counseling Center | Subtotal | General Expenses | Administration Expenses | Fund Raising | Subtotal | |
| Salaries, contractors, and consultants | \$ 449,408 | \$ 298,982 | \$ 115,767 | \$ 30,807 | \$ 150,533 | \$ 169,442 | \$ 1,214,939 | \$ - | \$ 328,398 | \$ 149,853 | \$ 478,251 | \$ 1,693,190 |
| Payroll taxes | 47,983 | 36,040 | 11,546 | 2,352 | 8,814 | 6,418 | 113,153 | - | 30,505 | 17,256 | 47,761 | 160,914 |
| Employee retirement and insurance | 197,873 | 67,894 | 38,405 | 8,059 | 30,272 | 5,606 | 348,109 | - | 90,296 | 20,681 | 110,977 | 459,086 |
| Promotion | 586 | 1,493 | 8,447 | 89 | 348 | 92 | 11,055 | - | 47 | 91,506 | 91,553 | 102,608 |
| Travel | 1,226 | 2,856 | 5,190 | 256 | 1,237 | 330 | 11,095 | 2,229 | 4,558 | 11,373 | 18,160 | 29,255 |
| Operating expenses | 76,506 | 38,902 | 4,482 | 1,073 | 100 | - | 121,063 | - | 300 | 8,197 | 8,497 | 129,560 |
| Activities program | 2,338 | - | - | - | - | - | 2,338 | - | - | - | - | 2,338 |
| Property tax and insurance | - | - | - | - | - | - | - | 92,178 | - | - | 92,178 | 92,178 |
| Other insurance | 23,780 | 11,132 | 3,062 | 1,477 | 1,477 | 1,477 | 42,405 | 61,698 | 4,391 | 6,247 | 72,336 | 114,741 |
| Professional services | 1,290 | - | - | 15,072 | - | - | 16,362 | 21,135 | - | - | 21,135 | 37,497 |
| Training | - | 549 | 611 | - | - | 214 | 1,374 | 1,274 | - | - | 1,274 | 2,648 |
| Professional development | 7,819 | 4,431 | 1,955 | - | 723 | - | 14,928 | - | 6,767 | 1,998 | 8,765 | 23,693 |
| Office expenses | 1,573 | 9,289 | 3,915 | 578 | 2,917 | 1,707 | 19,979 | 22,193 | 9,405 | 16,330 | 47,928 | 67,907 |
| Repairs and maintenance | 23,414 | 16,283 | 6,428 | - | - | - | 46,125 | - | 3,418 | - | 3,418 | 49,543 |
| License and fees | 314 | 338 | 1,062 | - | 65 | 65 | 1,844 | - | 642 | 402 | 1,044 | 2,888 |
| Utilities | 9,606 | 7,510 | 6,920 | 2,434 | 3,312 | 2,076 | 31,858 | - | 6,829 | 613 | 7,442 | 39,300 |
| Depreciation | 97,733 | 45,623 | 24,410 | - | - | - | 167,766 | 100 | 5,267 | 7,536 | 12,903 | 180,669 |
| Other | 2,719 | 487 | - | - | - | - | 3,206 | - | 81,017 | - | 81,017 | 84,223 |
| Computer expenses | 16,427 | 10,038 | 7,085 | 5,086 | 4,401 | 4,680 | 47,717 | - | 6,048 | 4,555 | 10,603 | 58,320 |
| Postretirement employee benefits | (22,702) | - | (29,695) | - | - | - | (52,397) | - | - | (10,210) | (10,210) | (62,607) |
| Total | <u>\$ 937,893</u> | <u>\$ 551,847</u> | <u>\$ 209,590</u> | <u>\$ 67,283</u> | <u>\$ 204,199</u> | <u>\$ 192,107</u> | <u>\$ 2,162,919</u> | <u>\$ 200,807</u> | <u>\$ 577,888</u> | <u>\$ 326,337</u> | <u>\$ 1,105,032</u> | <u>\$ 3,267,951</u> |

The accompanying notes are an integral part of the financial statements.

**BAPTIST CHILDREN'S HOME AND FAMILY SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Program Services | | | | | | Support Services | | | | | Total |
|--|---------------------|-------------------------------------|-------------------------|------------------------------|---|------------------------------------|---------------------|-------------------|-------------------------|-------------------|---------------------|---------------------|
| | Residential Care | Maternity Adoption, and Foster Care | Crisis Pregnancy Center | Metro East Counseling Center | Southeastern Illinois Counseling Center | Central Illinois Counseling Center | Subtotal | General Expenses | Administration Expenses | Fund Raising | Subtotal | |
| Salaries, contractors, and consultants | \$ 587,702 | \$ 320,016 | \$ 102,757 | \$ 58,974 | \$ 126,389 | \$ 147,227 | \$ 1,343,065 | \$ - | \$ 313,812 | \$ 161,668 | \$ 475,480 | \$ 1,818,545 |
| Payroll taxes | 61,559 | 34,586 | 12,701 | 6,932 | 5,850 | 6,643 | 128,271 | - | 28,714 | 19,499 | 48,213 | 176,484 |
| Employee retirement and insurance | 193,284 | 84,941 | 64,945 | 1,819 | 19,398 | 912 | 365,299 | 60,403 | 70,139 | 28,792 | 159,334 | 524,633 |
| Promotion | 2,377 | 1,984 | 13,709 | 112 | 429 | 101 | 18,712 | - | - | 77,335 | 77,335 | 96,047 |
| Travel | 3,969 | 4,325 | 3,244 | 442 | 1,018 | 1,617 | 14,615 | 799 | 10,462 | 10,889 | 22,150 | 36,765 |
| Operating expenses | 105,042 | 42,314 | 6,326 | - | - | - | 153,682 | - | - | - | - | 153,682 |
| Activites program | 14,089 | - | - | - | - | - | 14,089 | - | - | - | - | 14,089 |
| Property tax and insurance | - | - | - | - | - | - | - | 79,305 | - | - | 79,305 | 79,305 |
| Other insurance | 24,580 | 12,084 | 2,083 | 1,785 | 595 | 1,190 | 42,317 | 10,017 | 4,878 | 4,170 | 19,065 | 61,382 |
| Professional services | - | - | - | - | - | - | - | 20,250 | - | - | 20,250 | 20,250 |
| Training | - | 352 | 1,890 | - | - | - | 2,242 | - | - | - | - | 2,242 |
| Professional development | 11,830 | 6,929 | 9,862 | 345 | 49 | 369 | 29,384 | - | 12,844 | 1,745 | 14,589 | 43,973 |
| Office expenses | 4,656 | 7,177 | 6,446 | 66 | 890 | 561 | 19,796 | - | 10,301 | 10,436 | 20,737 | 40,533 |
| Rent expenses | - | - | - | 12,000 | - | 4,800 | 16,800 | - | - | - | - | 16,800 |
| Repairs and maintenance | 45,149 | 14,154 | 11,140 | - | - | - | 70,443 | - | 5,181 | - | 5,181 | 75,624 |
| License and fees | 3,429 | 1,809 | 645 | - | 50 | 123 | 6,056 | - | 22,300 | 378 | 22,678 | 28,734 |
| Utilities | 8,607 | 6,818 | 6,245 | 2,485 | 2,962 | 2,125 | 29,242 | - | 6,735 | 719 | 7,454 | 36,696 |
| Depreciation | 108,829 | 42,028 | 23,850 | - | - | - | 174,707 | 100 | 3,072 | 5,377 | 8,549 | 183,256 |
| Scholarships | - | - | - | - | - | - | - | 376 | - | - | 376 | 376 |
| Other | 928 | 290 | - | 1,168 | 1,018 | 1,306 | 4,710 | 36,146 | - | 11,513 | 47,659 | 52,369 |
| Computer expenses | 14,379 | 7,072 | 6,259 | 8,200 | 4,422 | 5,700 | 46,032 | - | 4,811 | 2,100 | 6,911 | 52,944 |
| Postretirement employee benefits | 13,847 | 22,820 | - | - | - | - | 36,667 | - | - | 13,418 | 13,418 | 50,086 |
| Total | \$ 1,204,256 | \$ 609,699 | \$ 272,102 | \$ 94,328 | \$ 163,070 | \$ 172,674 | \$ 2,516,129 | \$ 207,396 | \$ 493,249 | \$ 348,039 | \$ 1,048,684 | \$ 3,564,813 |

The accompanying notes are an integral part of the financial statements.

**BAPTIST CHILDREN'S HOME AND FAMILY SERVICES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Cash received from contributors | \$ 2,496,482 | \$ 2,506,186 |
| Cash received from services | 427,616 | 379,931 |
| Cash received from farm rental | 55,510 | 55,510 |
| Cash received from miscellaneous receipts | 427,431 | 408,423 |
| Interest and royalties received | 100,487 | 180,170 |
| Cash paid for program services | (2,084,872) | (2,371,770) |
| Cash paid for supporting services | (1,106,719) | (1,055,401) |
| | <u>315,935</u> | <u>103,049</u> |
| Net Cash Provided by Operating Activities | | |
| Cash Flows From Investing Activities: | | |
| Proceeds from the sale of investments | 4,932 | 1,186,677 |
| Purchase of investments | (51,577) | (916,813) |
| Purchase of land, building, and equipment | (33,565) | (146,735) |
| | <u>(80,210)</u> | <u>123,129</u> |
| Net Cash Provided (Used) by Investing Activities | | |
| Cash Flows From Financing Activities: | | |
| PPP Loan Forgiveness | - | (339,043) |
| | <u>-</u> | <u>(339,043)</u> |
| Net Cash Used by Financing Activities | | |
| Net increase (decrease) in cash and cash equivalents | 235,725 | (112,865) |
| Cash and cash equivalents at the beginning of year | 259,048 | 371,913 |
| | <u>259,048</u> | <u>259,048</u> |
| Cash and cash equivalents at end of year | <u>\$ 494,773</u> | <u>\$ 259,048</u> |
| Reconciliation of Change in Net Assets to Net Cash | | |
| Provided (Used) by Operating Activities: | | |
| Change in net assets | \$ 52,777 | \$ 1,514,976 |
| Adjustments to reconcile change in net assets to cash provided (used) by operating activities: | | |
| Depreciation | 180,669 | 183,256 |
| Net unrealized and realized gains on investments | 941,462 | (638,627) |
| Net unrealized and realized losses on split-interest agreements | 4,007 | (4,353) |
| Net unrealized and realized gains on perpetual trusts | 493,180 | (635,555) |
| Donated assets | - | (599) |
| (Increase) Decrease in accounts receivable | 30,495 | (8,522) |
| Increase in prepaid expenses | 14,733 | (1,407) |
| (Increase) Decrease in contributions receivable | 1,485 | 1,905 |
| (Increase) Decrease in contributions receivable - bequests | (1,152,191) | 104,000 |
| Increase (Decrease) in accounts payable | (5,530) | 7,242 |
| Increase (Decrease) in accrued liabilities | (1,843) | (13,890) |
| Increase in postretirement benefit liability | (245,078) | (398,257) |
| Increase (Decrease) in estimated liability for future group medical insurance claims | 1,770 | (7,120) |
| | <u>1,770</u> | <u>(7,120)</u> |
| Net Cash Provided by Operating Activities | <u>\$ 315,935</u> | <u>\$ 103,049</u> |

The accompanying notes are an integral part of the financial statements.

BAPTIST CHILDREN'S HOME AND FAMILY SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

1. NATURE AND PURPOSE OF OPERATIONS

Nature and purpose of operations. Baptist Children's Home and Family Services (Organization), a ministry affiliated with the Illinois Baptist State Association since 1918, provides Christ-centered services that protect, heal and restore children and families in crisis.

The Organization provides care to over 1,500 children and adults annually across Illinois. Abused, neglected and troubled teenagers are served at Baptist Children's Home in Carmi, Illinois; women experiencing a crisis pregnancy are cared for at Angels' Cove in Mount Vernon, Illinois; support and information about pregnancy, sexual health and life are provided by GraveHaven, in Mount Vernon, Illinois; infants and older children are cared for in adoptive homes and foster homes across Illinois; and children and adults receive outpatient counseling services through Pathways Counseling offices in Swansea, Maryville, Wood River, Carlinville, Litchfield, Vandalia, Salem, Harrisburg, Chatham, Effingham, Benton, McLeansboro, Mt. Vernon and Carmi, Illinois.

The Organization's primary funding sources are contributions from churches, individuals, and estate gifts. The services are marketed throughout the state.

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (Code), and is not a private foundation under Section 509(a) of the Code.

Coronavirus Disease (COVID-19). On January 3, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. The Organization may be adversely affected through governmental and business closures resulting in a reduction of labor demand or supplies shortages. The Organization will continue to monitor the situation surrounding COVID-19 and evaluate the impact it will have on future operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of presentation. These financial statements are intended to present the financial position, results of operations and cash flows of the Organization in conformity with accounting principles generally accepted in the United States of America.

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

Cash and cash equivalents. Cash and cash equivalents include cash on hand and deposits in banks. Cash equivalents also include, when applicable, short-term highly liquid securities that are both readily convertible to cash and have an original maturity of three months or less. The Organization maintains cash and cash equivalents in financial institutions which may, at times,

exceed federally insured limits. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments. Investments consist of funds placed with the Baptist Foundation of Illinois and the Southern Baptist Foundation (Pooled Funds) and are stated at fair value. Funds deposited in the Pooled Funds are invested in money market funds, equities, government bonds, and corporate bonds. The Pooled Funds allocate all interest and dividend income and unrealized gain or loss to the participant's deposit in the pool. Interest and dividend income and the realized and unrealized gain or loss on investments are reported in the statement of activities as unrestricted investment income unless a donor or law restricts its use temporarily or permanently. Donated investments are recorded at fair value on the date of donation and thereafter carried in accordance with the above provisions.

Land, building, equipment, and depreciation. The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Purchased fixed assets of \$2,000 or greater with a life expectancy of three or more years are carried at cost. Depreciation is computed using the straight-line method over the assets' estimated useful lives.

Split-Interest agreements. The Organization is the beneficiary of charitable gift annuities under which the assets funding the agreements were transferred to the Organization. Under these agreements, the Organization is to pay fixed amounts for specified periods of time to the donors. The assets received are recorded at fair market value in the financial statements. The annuity liabilities are recorded at the present value of expected future cash flows to be paid to the annuity beneficiaries. Discount rates used in calculating the present values of the annuity liabilities range from 3.2% to 6.8%, as established by the IRS. Present value calculations on some annuities are based upon single life expectancy, while others are based upon double life expectancy.

The Organization is the beneficiary of charitable gift annuities under which a third party maintains control of the donated assets. Under these agreements, the Organization will receive their portion of the donated assets upon the donor's death. A receivable has been recorded, at the present value of the estimated future distributions, in the financial statements. The discount rates used in calculating the present value range from 1.4% to 2.0%, as established by the IRS. The present value calculation is based upon double life expectancy.

Beneficial interest in perpetual trusts. The Organization is the beneficiary of perpetual trusts held by third parties, at fair value, under which income is received for unrestricted use. As of December 31, 2022 and 2021, the Organization's beneficial interest in perpetual trust assets was \$1,436,617 and \$1,646,760, respectively.

Sick and vacation pay. The Organization's policy is to recognize the cost of compensated absences when the employees are actually paid. Employees of the Organization are entitled to paid sick days, which may accumulate up to 90 days. There is no vesting in accumulated sick pay. Employees are also entitled to paid vacation, depending on length of service. Employees are encouraged to take vacations within the calendar year. However, when workload prohibits the taking of vacation, it may be carried over with manager approval. As of December 31, 2022 and 2021, the liability for unused vacation was \$2,019 and \$2,889, respectively.

Health care contingency. The Organization maintains a self-insurance program for its employees' health care costs. The Organization is liable for annual losses on claims up to \$25,000 per individual. The Organization has third-party insurance coverage for any annual losses in excess of such amounts. Self-insurance costs are accrued based on claims reported as of the statement of financial position date as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs were \$25,000 and \$23,230 as of December 31, 2022 and 2021, respectively.

Classes of net assets. The Board of Trustees reports information regarding its financial position and activities according to the following classes of net assets:

Net assets without donor restrictions are currently available at the discretion of the Organization's Board for use in operations, those designated for specific purposes based on the actions of the Organization's Board, including funds held for quasi-endowment.

Net assets with donor restrictions are those contributed with donor stipulations for specific operating purposes or programs, or those with time restrictions and those which represent permanent endowments and perpetual trusts where it is stipulated by donors that the principal remain in perpetuity and only the income is available as unrestricted or temporarily restricted, as per endowment agreements.

Revenues and expenses. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. Gifts and special offerings are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Volunteers have donated significant amounts of time in specific programs and solicitations. However, no amounts for these donated services have been reflected in the financial statements because these donations do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

All other revenue is recorded when earned.

Expenses are recorded when incurred. The costs of providing various program and supporting services have been presented on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Leases. In February 2016 the FASB issued ASU No. 2016 02, Leases (Topic 842). This new standard is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding

the leases. Leases with terms (as defined by the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

The Company determines if a contract is, or contains, a lease at inception or modification of the agreement. A contract is, or contains, a lease if there are identified assets and the right to control the use of an identified asset is conveyed for a period of time in exchange for consideration. Control over the use of the identified asset means that the lessee has both the right to obtain substantially all of the economic benefits from the use of the asset and the right to direct the use of the asset.

For leases with terms greater than a year, the Company records right-of-use ("ROU") assets and lease liabilities on the consolidated balance sheet, as measured on a discounted basis. For finance leases, the Company recognizes interest expense associated with the lease liability and depreciation expense associated with the ROU asset; for operating leases, the Company recognizes straight-line lease expense.

The Company will not recognize ROU assets or lease liabilities for leases with a term of 12 months or less. However, costs related to short-term leases with terms greater than one month, which the Company deems material, will be disclosed as a component of lease expenses when applicable.

Finance and operating lease ROU assets and liabilities are recognized based on the present value of future minimum lease payments over the expected lease term at commencement. As the implicit rate is not determinable in most of the Company's leases, management uses the Company's incremental borrowing rate in determining the present value of future payments. The expected lease terms include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such option. Lease expense for minimum lease payments is recognized on a straight-line basis over the expected lease term. The implementation of ASC 842 had no impact on the Organization's current year financial statements.

2. CURRENT ASSETS AND CURRENT LIABILITIES

The following is a summary of those assets and liabilities expected to be available for operations or to mature within one year of December 31:

| | <u>2022</u> | <u>2021</u> |
|---|--------------------|-------------------|
| <u>Current Assets:</u> | | |
| Cash | \$ 494,773 | \$ 259,048 |
| Contributions receivable, net | - | 1,485 |
| Accounts receivable, net | 19,045 | 49,540 |
| Other Assets | 224 | 950 |
| Contributions receivable - Bequests, net | 1,232,191 | 80,000 |
| Prepaid expenses | 54,176 | 68,910 |
| Investments, at fair value | 455,000 | 390,000 |
| Charitable gift annuity assets | 2,273 | 9,039 |
| Total Current Assets | <u>\$2,257,682</u> | <u>\$ 858,972</u> |
| <u>Current Liabilities:</u> | | |
| Accounts payable | \$ 56,831 | \$ 62,361 |
| Accrued liabilities | 18,595 | 20,440 |
| Estimated liability for future group medical insurance claims | 25,000 | 23,230 |
| Charitable gift annuity liability | 2,273 | 9,039 |
| Postretirement benefit obligation | 71,599 | 68,921 |
| Total Current Liabilities | <u>\$ 174,298</u> | <u>\$ 183,991</u> |
| Excess of Current Assets over Liabilities | <u>\$2,083,384</u> | <u>\$ 674,981</u> |

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are made up of the following:

| | |
|--|--------------------|
| Cash | \$ 494,773 |
| Contributions receivable, net | 4,084 |
| Accounts receivable, net | 54,176 |
| Contributions receivable - Bequests, net | 1,232,191 |
| Investments, at fair value | 455,000 |
| Charitable gift annuity assets | 2,273 |
| | <u>\$2,242,497</u> |

The Organization's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purpose and, therefore, is not available for general expenditures. As of December 31, 2022 and 2021 the Organization has quasi-endowment funds of \$5,447,201 and \$5,520,781, respectively. Although the Organization does not intend to spend from its quasi-endowment fund other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

4. INVESTMENTS

Investments consist of the following at December 31:

| | 2022 | 2021 |
|--|---------------------|---------------------|
| <u>Baptist Foundation of Illinois</u> | | |
| Equities | \$ 240,511 | \$ 112,327 |
| ETPs, Mutual, Closed-end, and Interval Funds | 237,517 | 210,943 |
| Corporate bonds | 12,974 | 30,455 |
| Municipal bonds | 477,030 | 614,606 |
| Cash & Cash Equivalent | 29,939 | 950 |
| | <u>\$ 997,971</u> | <u>\$ 969,281</u> |
| <u>Southern Baptist Foundation</u> | | |
| Money market accounts | \$ - | \$ 128,160 |
| Balanced fund | - | 37,044 |
| Equity fund | 2,781,900 | 3,778,871 |
| Flexible income fund | - | 41,119 |
| Income fund | 732,626 | 856,192 |
| | <u>\$ 3,514,526</u> | <u>\$ 4,841,386</u> |
| Total Investments | <u>\$ 4,512,497</u> | <u>\$ 5,810,667</u> |

Investments are held for the following purposes at December 31:

| | 2022 | | | |
|--|---------------------|--------------------|-----------------------------|-----------------------------|
| | Cost | Market Value | Gross Unrealized Gain | Gross Unrealized Loss |
| Investments: | | | | |
| Quasi-Endowment Fund | \$ 2,901,194 | \$3,514,526 | \$ - | \$ 822,792 |
| Quasi-Endowment Fund invested through | | | | |
| Baptist Foundation of Illinois | 1,027,690 | 977,971 | - | 121,309 |
| Donor Restricted Fund | 119,483 | 105,997 | - | 16,087 |
| Operations Reserve | 158 | 158 | - | - |
| Total Investments - Without Designation | <u>\$ 4,048,525</u> | <u>\$4,598,652</u> | <u>\$ -</u> | <u>\$ 960,188</u> |

| | 2022 | | | |
|--------------------------------|------------------|------------------|-----------------------------|-----------------------------|
| | Cost | Market Value | Gross Unrealized Gain | Gross Unrealized Loss |
| Investments - Designated: | | | | |
| Williams Scholarship Fund | \$ 35,982 | \$ 28,415 | \$ - | 4,229 |
| Heaton Education Fund | 7,995 | 6,313 | - | 940 |
| Total Investments - Designated | <u>\$ 43,977</u> | <u>\$ 34,728</u> | <u>\$ -</u> | <u>\$ 5,169</u> |

| | 2021 | | | |
|--|---------------------|---------------------|-----------------------|-----------------------|
| | Cost | Market Value | Gross Unrealized Gain | Gross Unrealized Loss |
| Investments: | | | | |
| Quasi-Endowment Fund | \$ 3,104,178 | \$ 4,527,382 | \$ 1,423,204 | \$ - |
| Quasi-Endowment Fund invested through | | | | |
| Baptist Foundation of Illinois | 1,050,409 | 1,122,000 | 71,591 | - |
| Donor Restricted Fund | 118,876 | 121,146 | 2,270 | - |
| Operations Reserve | 158 | 158 | 0 | - |
| Total Investments - Without Designation | <u>\$ 4,273,621</u> | <u>\$ 5,770,686</u> | <u>\$ 1,497,066</u> | <u>\$ -</u> |

| | 2021 | | | |
|-----------------------------------|------------------|------------------|-----------------------|-----------------------|
| | Cost | Market Value | Gross Unrealized Gain | Gross Unrealized Loss |
| Investments - Designated: | | | | |
| Williams Scholarship Fund | \$ 36,213 | \$ 32,713 | \$ - | \$ 3,500 |
| Heaton Education Fund | 8,046 | 7,268 | - | 778 |
| Total Investments - Designated | <u>\$ 44,259</u> | <u>\$ 39,981</u> | <u>\$ -</u> | <u>\$ 4,278</u> |

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31:

| | 2022 | | |
|---|----------------------------|-------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Interest income | \$ 52,366 | \$ 3,826 | \$ 56,192 |
| Net realized and unrealized gains (losses) | (851,439) | (21,038) | (872,477) |
| Royalty income | 44,295 | - | 44,295 |
| Total investment return | <u>\$ (754,778)</u> | <u>\$ (17,212)</u> | <u>\$ (771,990)</u> |

| | 2021 | | |
|---|----------------------------------|-------------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Interest income | \$ 110,360 | \$ 3,902 | \$ 114,262 |
| Net realized and unrealized gains (losses) | 646,034 | (4,348) | 641,686 |
| Royalty income | 65,908 | - | 65,908 |
| Total Investment Return | <u>\$ 822,302</u> | <u>\$ (446)</u> | <u>\$ 821,856</u> |

5. LAND, BUILDINGS AND EQUIPMENT

Fixed assets and accumulated depreciation are summarized as follows at December 31:

| | 2022 | 2021 |
|-------------------------------------|---------------------|---------------------|
| Land | \$ 77,545 | \$ 77,545 |
| Buildings and improvements | 4,090,544 | 4,062,715 |
| Equipment and furniture | 1,199,884 | 1,264,837 |
| Total | <u>5,367,973</u> | <u>5,405,097</u> |
| Accumulated depreciation | 3,703,554 | 3,593,574 |
| Land, Buildings and Equipment - Net | <u>\$ 1,664,419</u> | <u>\$ 1,811,523</u> |

Depreciation expense for the years ended December 31, 2022 and 2021 were \$180,669 and \$183,256 respectively.

6. LEASE OBLIGATION

The Organization is the lessee of office equipment and software under operating leases expiring in in 2023.

Minimum future rental payments under the non-cancelable operating lease are:

| | |
|--------------------------------------|---------------|
| 2023 | <u>\$ 624</u> |
| Total minimum future rental payments | <u>\$ 624</u> |

Lease expense totaled \$624 and \$624 for the years ending December 31, 2022 and 2021 respectively.

7. LEASED PROPERTY

The Organization leases 432 acres of farmland and agricultural buildings to a tenant under a lease which expires in 2025. At December 31, 2022 and 2021, the leased property was carried at a cost of \$86,277, with accumulated depreciation of \$77,107 and \$77,007, respectively. Rent is recorded as income over the term of the lease. The following is the minimum future rental of

the agricultural land and buildings under non-cancellable leases for the year ending December 31:

| | |
|------------------------------------|-------------------|
| 2023 | \$ 55,510 |
| 2024 | 55,510 |
| 2025 | 55,510 |
| Total minimum future rental income | <u>\$ 166,530</u> |

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022 and 2021 are restricted to:

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Maternity Center operations | \$ 49,353 | \$ 58,571 |
| Scholarships | 71,620 | 78,431 |
| Various donor restrictions | 30,131 | 12,742 |
| Investments held in perpetuity, the income from which is expendable to grant scholarships | 34,728 | 39,981 |
| Investments held in perpetual trusts, the income from which is expendable for general operations | <u>1,436,617</u> | <u>1,646,761</u> |
| Total | <u>\$ 1,622,449</u> | <u>\$ 1,836,486</u> |

9. RELEASE OF NET ASSETS WITH DONOR RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions for the year ended December 31:

| | 2022 | 2021 |
|---|------------------|------------------|
| Residential care | \$ 2,279 | \$ 33,124 |
| Maternity center operations | 16,645 | 29,482 |
| Crisis Pregnancy Center | 2,011 | 1,540 |
| Fundraising | - | 376 |
| Counseling | 10,717 | 2,776 |
| Scholarships | <u>3,000</u> | <u>-</u> |
| Satisfaction of program and supporting service restrictions | <u>\$ 34,652</u> | <u>\$ 67,298</u> |

10. RETIREMENT PROGRAM

The Organization maintains a retirement program with GuideStone Financial Resources of the Southern Baptist Convention. The plan covers all employees who are regularly scheduled to work at least 1,500 hours annually. Contributions to the plan are based upon years of service to the Organization. The contributions for the years ended December 31, 2022 and 2021 were \$77,262 and \$86,060, respectively.

11. CONTRIBUTIONS RECEIVABLE

Contributions receivable includes 2022 and 2021 contributions received in January, 2022 and 2021, respectively. The total contributions receivable at December 31, 2022 and 2021 were \$0 and \$1,485, respectively.

12. POSTRETIREMENT BENEFITS

The Organization has a policy regarding postretirement health care benefits, postretirement life insurance, and postretirement gifts at the expense of the Organization. FASB ASC 715-60 requires a reconciliation of the funded status of the plan. The December 31, 2022 and December 31, 2021 reconciliations are as follows:

| | 2022 | 2021 |
|---|-------------------|---------------------|
| Accumulated postretirement obligation | \$ 962,566 | \$ 1,207,644 |
| Plan assets at fair value | - | - |
| Funded status | 962,566 | 1,207,644 |
| Unrecognized prior service cost | - | - |
| Unrecognized net gain or (loss) | 607,400 | 493,866 |
| Accrued/(prepaid) postretirement benefit/cost | 1,569,966 | 1,701,510 |
| Other comprehensive income recognized | (607,400) | (493,866) |
| Net recognized cost | <u>\$ 962,566</u> | <u>\$ 1,207,644</u> |
| | | |
| Current liability | \$ 71,599 | \$ 68,921 |
| Noncurrent liability | 890,967 | 1,138,723 |

The accumulated postretirement benefit obligation (APBO) is the actuarial present value of all benefits attributed to service rendered prior to the valuation date, using a linear proration based on service rendered to date compared to service rendered to decrement, capped at full eligibility. It is calculated based on the projected unit cost method.

The fair value of the plan assets represents the market value of assets.

Prior service cost is the cost of retroactive benefits granted in a plan amendment. The unrecognized prior service cost is the portion of prior service cost that has not been recognized as a part of net periodic postretirement benefit cost. Amortization of the unrecognized prior service cost is required and shall be the unrecognized prior service cost divided by the average remaining service to full eligibility of the active participants who have not reached full eligibility and are expected to receive benefits under the plan.

Gains and losses are changes in the amount of either the APBO or plan assets resulting from experiences different from that assumed and from changes in assumptions. The unrecognized net gain or loss is the cumulative net gain or loss that has not been recognized as a part of net periodic postretirement benefit cost. Amortization of an unrecognized net gain or loss is included as a component of net periodic postretirement benefit cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 percent of the greater of the APBO or the plan assets at fair value. If amortization is required, the amortization shall be that excess divided by the average remaining service period of active participants expected to receive benefits under the plan.

The unrecognized transition obligation is that portion of the transition obligation or asset that has not been recognized either immediately or on a delayed basis as a part of net periodic postretirement cost, as an offset to certain gains, or as a part of accounting for the effects of a settlement or curtailment.

The transition obligation or asset at the date of initial application of SFAS No. 106 was calculated as the APBO minus the fair value of plan assets minus any accrued or prepaid postretirement benefit cost as of that time.

Since there are no plan assets currently being set aside exclusively for postretirement benefits other than pensions, benefits actually paid on behalf of retired participants can be considered the only contributions, which are paid on a pay-as-you-go basis.

The current liability is used principally to designate obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities. This classification is intended to include debts which arise from operations directly related to the operating cycle, such as accruals for wages, etc. The current liability classification is also intended to include obligations for items that are generally due on demand or will be due within one year from the balance sheet date (or during the operating cycle, if longer), even though liquidation may not be expected within that period. For purposes of postretirement benefit obligations, this usually consists of those benefits that are expected to be paid during the operating cycle.

The change in the post-retirement benefit obligation consists of the following at December 31, 2022:

| <u>Change in Accumulated Postretirement Benefit Obligation for 2022:</u> | |
|--|-------------------|
| December 31, 2021 Accumulated Postretirement Benefit Obligation | \$ 1,207,644 |
| + Service cost for 2022 | 8,874 |
| + Interest cost for 2022 | 32,158 |
| - Benefits paid for 2022 | (68,937) |
| - Change in discount rate assumption | (299,890) |
| + Change in other economic assumptions | 54,559 |
| - Change in demographic assumptions | 75 |
| - Actuarial loss | 28,083 |
| December 31, 2022 Accumulated Postretirement Benefit Obligation | <u>\$ 962,566</u> |

ASU 2018-14 will explicitly require an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. As such, note that the large discount rate gain of about \$300,000 was the result of the rate increasing from 2.72% to 5.20%. The other economic assumption loss of a little under \$55,000 was due to updating the health care cost trend rates to the 2022-2023 basis, while the demographic assumption loss of less than \$100 was the result of revising the disability table to the 2022 OASDI basis (see the *Methods and Assumptions* section for the details regarding these new parameters). Finally, the remaining actuarial loss of around \$28,000 was due to other plan experience; this included the miscellaneous net unfavorable census changes that differed from anticipated movement (not as many plan exits as expected for retiree health care, offset somewhat by excess exits in life and gift coverages), significantly reduced by the notably less than expected growth in health care premiums and the negligible impact of actual versus expected benefits paid (including interest timing adjustments).

Change in Plan Assets for 2022:

| | |
|---|-------------|
| December 31, 2021 plan assets at fair value | \$ - |
| + Contributions for 2022 | 68,937 |
| - Benefits paid for 2022 | (68,937) |
| + Actual return on assets for 2022 | - |
| December 31, 2022 plan assets at fair value | <u>\$ -</u> |

Change in Accrued Postretirement Benefit Cost for 2022:

| | |
|--|-----------------------|
| December 31, 2021 (Accrued) benefit cost | \$ (1,701,510) |
| + Net Benefit Income for 2022 | 62,607 |
| + Contributions for 2022 | 68,937 |
| December 31, 2022 (Accrued) benefit cost | <u>\$ (1,569,966)</u> |

Change in Accumulated Other Comprehensive Income for 2022:

| | |
|--|-------------------|
| December 31, 2021 Accumulated Other Comprehensive Income | \$ 493,866 |
| + Gain Recognized by Net Benefit Cost for 2022 | (103,639) |
| + New Unrecognized Gain for 2022 | 217,173 |
| December 31, 2022 Accumulated Other Comprehensive Income | <u>\$ 607,400</u> |

Change in Net Recognized Cost for 2022:

| | |
|---|---------------------|
| December 31, 2021 Net recognized cost | \$ (1,207,644) |
| + Net Benefit Income for 2022 | 62,607 |
| + Contributions for 2022 | 68,937 |
| + Other Comprehensive Income Recognized During 2022 | 113,534 |
| December 31, 2022 Net recognized cost | <u>\$ (962,566)</u> |

The net periodic postretirement benefit costs are broken into six separate components. The 2022 and projected 2023 net periodic postretirement benefit cost and the assumptions utilized in making the calculations are shown below:

| | 2022 | Projected 2023 |
|---|--------------------|--------------------|
| Service cost | \$ 8,874 | \$ 4,926 |
| Interest cost | 32,158 | 48,472 |
| Expected return on plan assets | - | - |
| Amortization of unrecognized prior service cost (Gain) or loss to the extent recognized | - | - |
| | (103,639) | (150,336) |
| Amortization of unrecognized transition obligation or (asset) at the date of initial application | - | - |
| Total Net Periodic Postretirement Benefit Cost | <u>\$ (62,607)</u> | <u>\$ (96,938)</u> |

The service cost is the actuarial present value of the benefits attributed to service during the fiscal year. It is what is customarily referred to as the normal cost and is calculated according to the projected unit cost method.

The interest cost represents the increase in the APBO due to the passage of time.

The expected return on plan assets is based on the fair value of plan assets and takes into account contributions and benefit payments.

| <u>Disclosure Assumptions:</u> | 2022 | 2021 |
|---|--|--|
| Discount rate | 5.20% | 2.72% |
| Salary scale | 3.00% | 3.00% |
| Expected long-term health care costs increase | | |
| Initial rate | | |
| - Pre-65 (Medical/Rx) | 7.40%/9.80% | 7.3%/8.4% |
| - 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 |
| Weighted average remaining service - active participants | 3.4 years | 3.6 years |
| Mortality basis | Pri-2012 | Pri-2012 |
| | Total Dataset (generational projection using MP-2021-GFR) | Total Dataset (generational projection using MP-2021-GFR) |

Information About Employer's Obligation as of December 31, 2022:

| | |
|--|-------------------|
| Accumulated postretirement benefit obligation for inactive participants | \$ 725,521 |
| Accumulated postretirement benefit obligation for active fully eligible participants | 210,709 |
| Accumulated postretirement benefit obligation for active participants other than active fully eligible participants | 26,336 |
| Plan assets at fair value | - |
| Accumulated Postretirement Benefit Obligation | <u>\$ 962,566</u> |

Projected benefit payments for each of the next five years and for the five years following December 31, 2024, in the aggregate, are as follows:

| <u>Fiscal Year</u> | <u>Expected Benefit Payments</u> |
|--------------------|--------------------------------------|
| 2023 | \$ 71,599 |
| 2024 | 68,681 |
| 2025 | 64,433 |
| 2026 | 65,079 |
| 2027 | 69,224 |
| 2028 - 2032 | <u>366,964</u> |
| | <u>\$ 705,980</u> |

13. FAIR VALUE MEASUREMENTS

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable.

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market- corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk or liquidity profile of the asset. The following list presents assets measured at fair value on a recurring basis at December 31, 2022 and 2021:

Cash and Cash Equivalents – The estimated fair value of cash and short-term obligations approximates carrying value because of the short maturity of those instruments.

Accounts Receivable – The carrying amount of accounts receivable in the balance sheet approximates fair value.

Investments – The Organization uses Net Asset Value (NAV) to determine the fair value of all underlying investments which (a) do not have a readily determinable fair value, and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The Organization's investments consist of two pooled funds that calculate NAV per share (or its equivalent) and use an investment strategy that includes long and short-term strategies. Underlying investments of the pooled funds include money market funds, equities, government bonds, and corporate bonds. These investments are reported at estimated fair value as measured by their net asset value as reported by the fund managers (Baptist Foundation of Illinois and Southern Baptist Foundation). The amount represents the Organization's proportionate interest in the capital of the invested funds. These funds have no lockup restrictions and are normally redeemable upon notice. There are no unfunded commitments and no redemption restrictions in place at year end. The Organization's investment in these funds were \$4,633,539 and \$5,810,666 as of December 31, 2022 and, 2021 respectively. These funds are excluded from the fair value hierarchy because they are measured at NAV.

Perpetual Trust Assets – The fair value of perpetual trust assets is determined by calculating the Organization's portion of the current investment fair value, which is Level 2 of the fair value hierarchy.

There have been no changes in the methodologies used during the years ended December 31, 2022 and 2021.

14. CONTRIBUTED FACILITIES

During the year ended December 31, 2022 and 2021, the Organization maintained counseling offices in various locations throughout the State of Illinois. The use of this office space was donated by various churches or associations. Contribution revenue of \$16,800 and rent expense of \$16,800 have been recorded in the financial statements as a result of these transactions for each of the years ended December 31, 2022 and 2021, respectively.

15. ENDOWMENT FUNDS

The Organization's endowment consists of two donor funds restricted for scholarships and quasi-endowment funds. Its endowment includes both donor restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified

as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making the determination to appropriate or accumulate donor restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the Organization and the donor restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of the Organization
- g. The investment policies of the Organization

Endowment net asset composition by type of funds as of 2022:

| | 2022 | | Total |
|------------------------|----------------------------------|-------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | |
| Donor restricted funds | \$ - | \$ 34,728 | \$ 34,728 |
| Board designated funds | 5,447,201 | - | 5,447,201 |
| Total funds | <u>\$5,447,201</u> | <u>\$ 34,728</u> | <u>\$ 5,481,929</u> |

Change in endowment net assets for the year ended December 31, 2022:

| | 2022 | | Total |
|--|----------------------------------|-------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | |
| Endowment net assets, beginning of year | <u>\$5,520,781</u> | <u>\$ 39,981</u> | <u>\$ 5,560,762</u> |
| Investment return: | | | |
| Investment income | 52,366 | 3,826 | 56,192 |
| Net losses (realized and unrealized) | <u>(851,439)</u> | <u>(21,038)</u> | <u>(872,477)</u> |
| Total investment return | <u>(799,073)</u> | <u>(17,212)</u> | <u>(816,285)</u> |
| Contributions | 838,656 | 17,212 | 855,868 |
| Amounts appropriated for expenditure | <u>\$ (113,163)</u> | <u>(5,253)</u> | <u>(118,416)</u> |
| | <u>(73,580)</u> | <u>(5,253)</u> | <u>(78,833)</u> |
| Endowment net assets, end of year | <u>\$5,447,201</u> | <u>\$ 34,728</u> | <u>\$ 5,481,929</u> |

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

| | 2021 | | |
|------------------------|----------------------------------|-------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor restricted funds | \$ - | \$ 39,981 | \$ 39,981 |
| Board designated funds | 5,520,781 | - | 5,520,781 |
| Total funds | <u>\$ 5,520,781</u> | <u>\$ 39,981</u> | <u>\$ 5,560,762</u> |

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

| | 2021 | | |
|--|----------------------------------|-------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | <u>\$ 4,999,760</u> | <u>\$ 41,887</u> | <u>\$ 5,041,647</u> |
| Investment return: | | | |
| Investment income | 114,706 | 1,216 | 115,922 |
| Net losses (realized and unrealized) | <u>642,976</u> | <u>(1,906)</u> | <u>641,070</u> |
| Total investment return | 757,682 | (690) | 756,992 |
| Contributions | 130,614 | - | 130,614 |
| Amounts appropriated for expenditure | <u>(367,275)</u> | <u>(1,216)</u> | <u>(368,491)</u> |
| | <u>521,021</u> | <u>(1,906)</u> | <u>519,115</u> |
| Endowment net assets, end of year | <u>\$ 5,520,781</u> | <u>\$ 39,981</u> | <u>\$ 5,560,762</u> |

Funds with Deficiencies:

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies as of December 31, 2022 and 2021.

Return Objectives and Risk Parameters:

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity as well as the quasi-endowment fund. The Organization expects its endowment funds, over time, to provide an

average rate of return between 5% and 9% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

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

The Organization has a policy of appropriating the distribution each year the interest income on the donor restricted funds and an annually approved amount for the quasi-endowment fund.

16. SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential disclosure through June 30, 2023, the date the financial statements were available to be issued. Management has determined that there are no events that have occurred subsequent to December 31, 2022 that would require disclosure.