

BAPTIST COMMUNITY MINISTRIES

Audits of Consolidated Financial Statements

September 30, 2021 with Comparative
Totals for September 30, 2020



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Independent Auditor's Report

To the Board of Trustees
Baptist Community Ministries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Baptist Community Ministries, which comprise the consolidated statement of financial position as of September 30, 2021, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Baptist Community Ministries as of September 30, 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.

Report on Summarized Comparative Information

We have previously audited Baptist Community Ministries' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 17, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Metairie, LA
February 17, 2022

BAPTIST COMMUNITY MINISTRIES
Consolidated Statement of Financial Position
As of September 30, 2021
With Comparative Totals as of September 30, 2020
(In Thousands)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 6,608	\$ 93	\$ 6,701	\$ 2,626
Accounts Receivable	132	-	132	76
Prepaid Expenses	336	-	336	241
Total Current Assets	7,076	93	7,169	2,943
Investments, at Market Value	353,587	28,115	381,702	329,444
Fixed Assets, Net	5,147	-	5,147	111
Total Assets	\$ 365,810	\$ 28,208	\$ 394,018	\$ 332,498
Liabilities and Net Assets				
Current Liabilities				
Accounts Payable and Accrued Expenses	\$ 904	\$ 1	\$ 905	\$ 699
Grants Payable	1,816	-	1,816	1,640
Other Accrued Liabilities	21	-	21	58
Total Current Liabilities	2,741	1	2,742	2,397
Long-Term Liabilities				
Distribution Payable to Former Member	290	-	290	290
Other Long-Term Liabilities	157	-	157	178
Total Long-Term Liabilities	447	-	447	468
Total Liabilities	3,188	1	3,189	2,865
Net Assets	362,622	28,207	390,829	329,633
Total Liabilities and Net Assets	\$ 365,810	\$ 28,208	\$ 394,018	\$ 332,498

The accompanying notes are an integral part of these consolidated financial statements.

BAPTIST COMMUNITY MINISTRIES
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2021
With Comparative Totals for the Year Ended September 30, 2020
(In Thousands)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue, Support, and Gains				
Net Investment Return	\$ 73,198	\$ 5,108	\$ 78,306	\$ 29,682
Grants	-	-	-	157
Gifts and Pledges	97	-	97	27
Other Income	224	-	224	92
Net Assets Released from Restrictions	1,154	(1,154)	-	-
Total Revenue, Support, and Gains	74,673	3,954	78,627	29,958
Grants and Expenses				
Grants	12,034	-	12,034	11,335
Personnel Costs	4,030	-	4,030	4,050
Occupancy Costs	471	-	471	304
Operating Costs	584	-	584	537
Professional Fees	259	-	259	212
Depreciation and Amortization	50	-	50	30
Total Grants and Expenses	17,428	-	17,428	16,468
Increase in Net Assets Before (Loss)				
Gain from Discontinued Operations	57,245	3,954	61,199	13,490
(Loss) Gain from Discontinued Operations	(3)	-	(3)	131
Increase in Net Assets	57,242	3,954	61,196	13,621
Net Assets, Beginning of Year	305,380	24,253	329,633	316,012
Net Assets, End of Year	\$ 362,622	\$ 28,207	\$ 390,829	\$ 329,633

The accompanying notes are an integral part of these consolidated financial statements.

BAPTIST COMMUNITY MINISTRIES
Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2021
(In Thousands)

	<u>Program Services</u>			<u>Supporting Services</u>			2021 Total Expenses
	Grantmaking	Charitable Services	Total Program Services	Fund Development	General and Administrative	Total Supporting Services	
Grants	\$ 12,034	\$ -	\$ 12,034	\$ -	\$ -	\$ -	\$ 12,034
Personnel Costs	943	1,906	2,849	134	1,047	1,181	4,030
Occupancy Costs	178	82	260	3	208	211	471
Operating Costs	82	136	218	172	194	366	584
Professional Fees	37	-	37	-	222	222	259
Depreciation and Amortization	-	-	-	-	50	50	50
Total	\$ 13,274	\$ 2,124	\$ 15,398	\$ 309	\$ 1,721	\$ 2,030	\$ 17,428

The accompanying notes are an integral part of these consolidated financial statements.

BAPTIST COMMUNITY MINISTRIES
Consolidated Statement of Cash Flows
For the Year Ended September 30, 2021
With Comparative Totals for the Year Ended September 30, 2020
(In Thousands)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Cash Flows from Operating Activities				
Increase in Net Assets	\$ 57,242	\$ 3,954	\$ 61,196	\$ 13,621
Adjustments to Reconcile Increase in Net Assets to Net Cash Used in Operating Activities				
Depreciation and Amortization	50	-	50	30
Net Realized and Unrealized Gains on Investments	(72,043)	(4,694)	(76,737)	(26,199)
(Increase) Decrease in:				
Accounts Receivable	(56)	-	(56)	4
Prepaid Expenses	(95)	-	(95)	(7)
Increase (Decrease) in:				
Accounts Payable and Accrued Expenses	209	(3)	206	421
Grants Payable	176	-	176	81
Other Accrued Liabilities and Long-Term Liabilities	(58)	-	(58)	(49)
Net Cash Used in Operating Activities	(14,575)	(743)	(15,318)	(12,098)
Cash Flows from Investing Activities				
Purchases of Investments	(19,584)	-	(19,584)	(46,717)
Proceeds from Sales of Investments	43,321	742	44,063	55,481
Purchases of Fixed Assets	(5,086)	-	(5,086)	(29)
Net Cash Provided by Investing Activities	18,651	742	19,393	8,735
Net Increase (Decrease) in Cash and Cash Equivalents	4,076	(1)	4,075	(3,363)
Cash and Cash Equivalents, Beginning of Year	2,532	94	2,626	5,989
Cash and Cash Equivalents, End of Year	\$ 6,608	\$ 93	\$ 6,701	\$ 2,626

The accompanying notes are an integral part of these consolidated financial statements.

BAPTIST COMMUNITY MINISTRIES

Notes to Consolidated Financial Statements

Note 1. Organization

The consolidated financial statements for Baptist Community Ministries (BCM) include the accounts of BCM and the C.E. McFarland and D.A. McFarland Trusts (the McFarland Trusts).

BCM is a private foundation organized under Section 509(a) of the Internal Revenue Code (IRC). BCM makes grants to qualifying charitable organizations in the five-parish river region, including Orleans and the four surrounding parishes. BCM's funding interests are primarily in the fields of health, education, and public safety.

Chaplaincy Services provides pastoral care in health care, criminal justice, and senior care facilities. Additionally, Congregational Wellness trains nurses and lay persons and supports wellness programs in congregations in the Greater New Orleans area. Together Chaplaincy Services and Congregational Wellness comprise the direct charitable service activities of BCM (Charitable Services).

The McFarland Trusts were established under the wills of C.E. McFarland and D.A. McFarland to provide endowment funds for BCM. BCM is the designated Trustee for both of the McFarland Trusts. The McFarland Trusts are private foundations within the meaning of Section 509(a) of the IRC.

Program Services include Grantmaking and Charitable Services. Grantmaking consists of awarding grants to qualified organizations within BCM's areas of funding interest and direct internal expenses incurred. Charitable Services consists of direct expenses to conduct Chaplaincy Services and Congregational Wellness programs as described above.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements of BCM have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and they include all significant receivables, payables, and other liabilities.

Basis of Presentation

Because of common ownership and control, the accompanying financial statements include the consolidated accounts of BCM and the McFarland Trusts. All significant intercompany transactions and accounts are eliminated. For the year ended September 30, 2021, there are no significant transactions among BCM and the McFarland Trusts which require elimination.

BAPTIST COMMUNITY MINISTRIES

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The fiscal year 2021 consolidated financial statements presentation is in accordance with the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Accordingly, BCM reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and are not subject to donor-imposed restrictions.

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. For BCM, these primarily consist of net assets that are available to fund direct charitable services. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. For BCM, these consist substantially of the McFarland Trusts, Nippert and Andrew Stewart endowment funds. The income from these trusts is used to support direct charitable services. 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. See Notes 7 and 8 for further disclosure of net assets with donor restrictions and releases of net assets with donor restrictions.

The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with BCM's consolidated financial statements for the year ended September 30, 2020, from which the summarized information was derived.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated 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

BCM considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

BAPTIST COMMUNITY MINISTRIES

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Investments

BCM carries investments at fair value in accordance with the *Not-for-Profit Entities* Topic of the FASB ASC. Investments in equity securities are primarily publicly traded and are generally valued based upon the final sale prices as quoted on the primary exchange. Fixed income securities are generally valued based upon quoted market prices from brokers and dealers, which represent fair value. Investments also include an allocation to the asset class commonly referred to as alternative investments with net asset value (NAV) investments in private equity and real estate funds. BCM has significant transparency into the underlying positions of the private equity and real estate funds. BCM cannot independently assess the value of these underlying positions through a public exchange or over the counter market. These investments are structured as limited liability corporations and are reported at NAV which approximates fair value.

BCM follows the concept of the “practical expedient” under U.S. GAAP. The practical expedient is an acceptable method under U.S. GAAP to determine the fair value of certain NAV investments (a) that do not have a readily determinable fair value predicated upon a public market, and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company under U.S. GAAP. As such, NAV investments are presented in the accompanying consolidated financial statements at fair value, as determined by BCM. Such fair value generally represents BCM’s proportionate share of the net assets of the NAV investment as reported by the investment managers or general partners. Accordingly, the fair value of NAV investments is generally increased by additional contributions and BCM’s share of net earnings from the NAV investments and decreased by distributions and BCM’s share of net losses from the NAV investments.

BCM believes that the carrying amount of its NAV investments is a reasonable estimate of fair value as of September 30, 2021 and 2020. Because these investments are not readily marketable, the estimated value is subject to uncertainty. Therefore, results may differ from the value that would have been used had a ready market for the investment existed and such differences could be material.

Fair Value Measurement

BCM follows the provisions of the *Fair Value Measurement* Topic of the FASB ASC. Accordingly, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The *Fair Value Measurement* Topic establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those which market participants would use in pricing the investment based on the best information available in the circumstances.

BAPTIST COMMUNITY MINISTRIES

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Fair Value Measurement (Continued)

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical investments that BCM has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices, which are observable for the investment either directly or indirectly; including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable and includes situations where there is little, if any, market activity for the investment.

Inputs are used in applying the various valuation techniques and refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. BCM considers observable data to be market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the fair value hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to BCM's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets are classified as Level 1 and generally include active listed equities and certain fixed income investments. BCM does not adjust the quoted price for such instruments.

Investments traded in markets that are not considered to be active under the accounting definition, but are valued on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified as Level 2. Such inputs may include model-based valuation techniques. These investments include certain U.S. government and sovereign obligations, government agency obligations, and investment grade corporate bonds.

Fixed Assets, Net

Land, building, equipment, furniture and fixtures, leasehold improvements, and construction in process are carried at cost. Management's threshold for capitalization is \$1,000. Depreciation is calculated using the straight-line method at rates based on the estimated useful lives of the assets. The estimated useful life of equipment is three years, ten years for furniture and fixtures, and forty years for building. Amortization of leasehold improvements is calculated using the straight-line method at rates based on the lesser of the lease term or the estimated useful lives of the assets.

BAPTIST COMMUNITY MINISTRIES

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

BCM reviews long-lived assets, including property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the assets and its fair value are less than the carrying amount of that asset. BCM has not recognized any impairment of long-lived assets during the years ended September 30, 2021 and 2020.

Net Investment Return

Investment return includes interest income, dividends, net realized and unrealized gains and losses on investments, net of expenses, including custodial fees, investment advisory, and management fees, federal excise taxes, and unrelated business income taxes related to the investments.

Grants

The Board of Trustees approves the issuance of grant contracts. Grants are recorded when a Grant Award Agreement is executed by the grantee and BCM.

BCM and the McFarland Trusts are subject to the distribution requirements of IRC Section 4942 and, accordingly, must distribute grants that, together with certain related expenses, equal 5% of the average market value of their noncharitable-use assets held during the year, as defined by the IRC, within one year after the end of each year. BCM and the McFarland Trusts met or exceeded their distribution requirements during both fiscal years 2021 and 2020.

Gifts, Pledges, and Bequests

Unconditional promises to give are recognized as revenues in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Income Tax

The Internal Revenue Service has determined that both BCM and the McFarland Trusts are exempt from federal income tax under Section 501(c)(3) of the IRC. These entities are private foundations and are subject to certain taxes on their net investment return.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. BCM and the McFarland Trusts believe that they have appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the consolidated financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

BAPTIST COMMUNITY MINISTRIES

Notes to Consolidated Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as finance or operating. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. In June 2020, the FASB issued ASU 2020-05 which defers the effective date of ASU 2016-02 to annual periods beginning after December 15, 2021. Management does not anticipate any material impact of adopting ASU 2016-02 on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard addresses measurement of contributed nonfinancial assets recognized by not-for-profit organizations and enhances disclosures with respect to these contributions. The ASU will be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. Management is currently evaluating the impact ASU 2020-07 will have on its financial statements.

Adoption of New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. BCM has undertaken a comprehensive analysis of the impact of the new standard based on a review of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognized could differ under ASU 2014-09. Since no material revenue streams of BCM are derived from contracts with customers, the adoption of ASU 2014-09 has had no material impact on BCM's consolidated financial statements as a whole, and no additional disclosures relating to contracts with customers were required.

BAPTIST COMMUNITY MINISTRIES

Notes to Consolidated Financial Statements

Note 3. Liquidity and Availability

BCM regularly monitors liquidity required to meet its operating needs and other contractual commitments. BCM manages its cash available to meet general expenditures using the following:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance of sustainability.

Assets not available to meet general expenditures within one year of the consolidated statement of financial position date include amounts with lock up provisions (Note 5) and assets restricted in perpetuity (See Note 7).

The following table reflects BCM's financial assets available to meet general expenditures within one year of the consolidated statement of financial position as of September 30, 2021 and 2020 (dollars in thousands).

	2021	2020
Cash and Cash Equivalents	\$ 6,701	\$ 2,626
Accounts Receivable	132	76
Investments	381,702	329,444
Less: Investments with Lock Up Provisions	(35,239)	(20,684)
Less: Investments Restricted in Perpetuity	(15,106)	(15,106)
Total	\$ 338,190	\$ 296,356

Note 4. Discontinued Operations

BCM was previously involved in the operation and support of Mercy Baptist Medical Center (MBMC), which operated acute health care facilities located in New Orleans, Louisiana. MBMC was created on February 1, 1994, upon completion of the merger of Southern Baptist Hospital (SBH) and Mercy Hospital of New Orleans. MBMC was sold to NME Hospitals, Inc. on August 22, 1995. BCM received cash proceeds of approximately \$205 million from the sale and retained certain assets and liabilities as part of the transaction. St. John's Place of New Orleans, Inc. (SJP), an affiliate of Sisters of Mercy Health System-St. Louis, withdrew as a member of BCM on December 15, 1995. SJP's share of the net assets from discontinued operations (35%) is being distributed to SJP over time by BCM.

BAPTIST COMMUNITY MINISTRIES

Notes to Consolidated Financial Statements

Note 4. Discontinued Operations (Continued)

Distributions to SJP have been made over time as the liabilities were settled. Through September 30, 2021, BCM has distributed \$67.9 million to SJP. BCM has also accrued the estimated final amount due to SJP (\$290,000 as a long-term liability) in the accompanying consolidated statement of financial position. The liabilities from discontinued operations are based on estimates that, in some cases, may take several years to finally settle.

Gain or loss from discontinued operations in the consolidated statement of activities and changes in net assets is comprised primarily of net investment return earned on cash and investments that are being held to pay the retained liabilities, any adjustments to estimated amounts payable on the retained liabilities, and accruals for estimated distributions due to SJP related to these amounts.

Note 5. Investments

Investments held as of September 30, 2021 and 2020 are summarized below (dollars in thousands):

	2021			2020
	BCM	McFarland Trusts	Total	
Equities				
Large Cap	\$ 136,717	\$ -	\$ 136,717	\$ 126,910
Small/Mid Cap	42,382	-	42,382	31,937
Stock Index Fund	-	16,296	16,296	13,100
Developed Markets Index Fund	-	2,501	2,501	2,027
Emerging Markets	-	1,339	1,339	1,155
International	55,618	-	55,618	45,228
Fixed Income Exchange Traded Fund	-	6,305	6,305	6,482
Real Estate	-	1,230	1,230	955
Total Equities	234,717	27,671	262,388	227,794
Fixed Income	58,530	-	58,530	58,814
Alternative Investments				
Private Equity	35,239	-	35,239	20,684
Real Estate	25,545	-	25,545	22,152
Total Alternative Investments	60,784	-	60,784	42,836
Total Investments	\$ 354,031	\$ 27,671	\$ 381,702	\$ 329,444

BCM has engaged the services of a professional investment consultant and investment managers to actively manage its investment portfolios. Managers are required to manage their portfolios in accordance with investment guidelines approved by the Board of Trustees.

BAPTIST COMMUNITY MINISTRIES

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

The classification of investments by level within the valuation hierarchy as of September 30, 2021 and 2020 are as follows (dollars in thousands):

September 30, 2021	Level 1	Level 2	Level 3	NAV	Total
Equities					
Large Cap	\$ -	\$ 136,717	\$ -	\$ -	\$ 136,717
Small/Mid Cap	18,184	24,198	-	-	42,382
Stock Index Fund	16,296	-	-	-	16,296
Developed Markets Index Fund	2,501	-	-	-	2,501
Emerging Markets	1,339	-	-	-	1,339
International	55,618	-	-	-	55,618
Fixed Income Exchange Traded Fund	6,305	-	-	-	6,305
Real Estate	1,230	-	-	-	1,230
Total Equities	101,473	160,915	-	-	262,388
Fixed Income	24,812	33,718	-	-	58,530
Alternative Investments ^(a)					
Private Equity	-	-	-	35,239	35,239
Real Estate	-	-	-	25,545	25,545
Total Alternative Investments	-	-	-	60,784	60,784
Total Investments	\$ 126,285	\$ 194,633	\$ -	\$ 60,784	\$ 381,702
<hr/>					
September 30, 2020	Level 1	Level 2	Level 3	NAV	Total
Equities					
Large Cap	\$ -	\$ 126,910	\$ -	\$ -	\$ 126,910
Small/Mid Cap	14,178	17,759	-	-	31,937
Stock Index Fund	13,100	-	-	-	13,100
Developed Markets Index Fund	2,027	-	-	-	2,027
Emerging Markets	1,155	-	-	-	1,155
International	45,228	-	-	-	45,228
Fixed Income Exchange Traded Fund	6,482	-	-	-	6,482
Real Estate	955	-	-	-	955
Total Equities	83,125	144,669	-	-	227,794
Fixed Income	28,756	30,058	-	-	58,814
Alternative Investments ^(a)					
Private Equity	-	-	-	20,684	20,684
Real Estate	-	-	-	22,152	22,152
Total Alternative Investments	-	-	-	42,836	42,836
Total Investments	\$ 111,881	\$ 174,727	\$ -	\$ 42,836	\$ 329,444

(a) In accordance with Subtopic 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statement of financial position.

BAPTIST COMMUNITY MINISTRIES

Notes to Consolidated Financial Statements

Note 5. Investments (Continued)

The following table lists investments in other investment companies as of September 30, 2021 that have been valued using the NAV as a practical expedient, classified by major investment category:

Category of Investment	Investment Strategy and Structure	Number of Investments	Fair Value Using NAV (in thousands)	Unfunded Commitments (in thousands)	Remaining Life	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End
Private Equity	Investments in the equity and credit of primarily private companies through private partnerships and holding companies. Benchmark is the global stock markets (as measured by the MCSI World Index).	14	\$ 35,239	\$ 16,611	2 to 10 years	Original terms range between four to six years with five additional one-year periods at the discretion of the Manager. Redemption not permitted during the life of the fund. Distributions may be made at the discretion of the general partners.	Not applicable - no redemption ability.	Not applicable - no redemption ability.
Real Estate Limited Partnership	Investments in real estate assets.	1	12,736	-	Open Ended	90 days written notice.	Value as of the last day of the calendar quarter immediately preceding the redemption date subject to the extent as liquid assets permit.	Value as of the last day of the calendar quarter immediately preceding the redemption date subject to the extent as liquid assets permit.
Real Estate Investment Trust	Investments in real estate assets.	1	12,809	-	Open Ended	90 days written notice.	The Limited Partner may revoke a Redemption Notice with 15 days' prior written notice of such revocation the receipt of which has been acknowledged by the General Partner.	The Limited Partner may revoke a Redemption Notice with 15 days' prior written notice of such revocation the receipt of which has been acknowledged by the General Partner.
			<u>\$ 60,784</u>	<u>\$ 16,611</u>				

Note 6. Grants Payable

Amounts that are currently obligated under contract as grants payable totaled approximately \$1.8 million as of September 30, 2021 and \$1.6 million as of September 30, 2020.

Probable future funding commitments under grants which are to be disbursed over multiple years, pending continued satisfactory achievement of stated program objectives by grantee organizations totaled \$7.8 million as of September 30, 2021.

BAPTIST COMMUNITY MINISTRIES

Notes to Consolidated Financial Statements

Note 7. Net Assets With Donor Restrictions

At September 30, 2021 and 2020, net assets with donor restrictions totaled \$28.2 million and \$24.3 million, respectively.

Net assets with donor-imposed restrictions temporary in nature are available for the following purposes (dollars in thousands):

	2021	2020
Distributions to BCM for Direct Charitable Services	\$ 13,101	\$ 9,147
Total	\$ 13,101	\$ 9,147

Net assets with donor-imposed restrictions that are perpetual in nature consist of the following endowment fund assets to be held indefinitely (dollars in thousands):

	2021	2020
D.A. McFarland Trust	\$ 12,466	\$ 12,466
C.E. McFarland Trust	2,196	2,196
Andrew Stewart	369	369
Nippert	75	75
Total	\$ 15,106	\$ 15,106

Note 8. Releases of Net Assets With Donor Restrictions

Net assets were released from restrictions by incurring expenses satisfying the following restricted purposes (dollars in thousands):

Restrictions Accomplished	2021	2020
Distributions to BCM for Direct Charitable Services	\$ 1,154	\$ 1,116
Total	\$ 1,154	\$ 1,116

BAPTIST COMMUNITY MINISTRIES

Notes to Consolidated Financial Statements

Note 9. Leases

On August 18, 2006, BCM entered into a lease agreement for office space on the 29th floor of 400 Poydras Street which was originally set to expire on February 28, 2017. On July 26, 2016, the lease was extended through May 31, 2027. In August 2021, BCM gave notice they intended to terminate the lease, effective May 31, 2022. A second amendment to the lease was signed in January 2022, extending the lease through December 30, 2022. Rental expenses on this lease were approximately \$130,000 during fiscal year 2021 and \$127,000 during fiscal year 2020. The future minimum payments required under this lease are approximately \$135,000 and \$36,000 for the years ending September 30, 2022 and 2023, respectively.

On July 22, 2016, BCM entered into a lease agreement for office space at 2222 Lakeshore Drive which expired on September 30, 2021. Rental expenses on this lease were approximately \$62,000 during fiscal years 2021 and 2020.

Note 10. Retirement Plans

Since August 22, 1995, BCM has offered a qualified tax-deferred plan to eligible employees. Employer discretionary contributions for eligible employees are based on 5% of wages plus an additional 5% of wages in excess of the Social Security wage base. In addition, BCM makes matching contributions up to 75% of the first 4% of wages contributed by eligible employees on a salary reduction basis under Section 401(k) of the IRC. Fidelity Investments was appointed as the third-party administrator and trustee of the 401(k) Plan. Total employer contributions were approximately \$192,000 and \$212,000 in fiscal years 2021 and 2020, respectively.

A former executive participated in a deferred compensation plan under Section 457 of the IRC. The plan was provided for in the terms of an employment agreement. The plan was unfunded. BCM recorded a liability to reserve the future distributions to be paid under the plan. As of September 30, 2020, the amount due was approximately \$37,000 due within a year. During the year ended September 30, 2021, the final payment of \$37,000 had been disbursed.

Note 11. Functional Expense Allocation

The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Those expenses which cannot be specifically identified by function type are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are occupancy expenses, which are allocated to functions based upon headcount.

BAPTIST COMMUNITY MINISTRIES

Notes to Consolidated Financial Statements

Note 12. Fair Value of Financial Instruments

The following disclosure is made in accordance with the *Fair Value Measurement* Topic of the FASB ASC. Financial instruments are defined as cash and contractual rights and obligations that require settlement, directly, or indirectly, in cash.

Listed below are the carrying amounts of financial instruments which approximate fair value (in thousands):

	September 30, 2021		September 30, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	<i>(In Thousands)</i>			
Financial Assets				
Cash and Cash Equivalents	\$ 6,701	\$ 6,701	\$ 2,626	\$ 2,626
Accounts Receivable	132	132	76	76
Prepaid Expenses	336	336	241	241
Investments	381,702	381,702	329,444	329,444
Financial Liabilities				
Accounts Payable and Accrued Expenses	\$ 905	\$ 905	\$ 699	\$ 699
Grants Payable	1,816	1,816	1,640	1,640
Other Accrued Liabilities	21	21	58	58
Distribution Payable to Former Member	290	290	290	290
Other Long-Term Liabilities	157	157	178	178

Note 13. Concentration of Credit Risk

The financial instruments that potentially subject BCM to a concentration of credit risk consist primarily of cash deposits and investments. BCM's policy is to maintain balances below the U.S. Federal Deposit Insurance Corporation limit. BCM maintains its cash accounts in one commercial bank. The amount on deposit at September 30, 2021 and 2020, exceeded the insurance limits of the Federal Deposit Insurance Corporation by approximately \$298,000 and \$305,000, respectively. BCM has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash. Investments are subject to market risk which may result in losses.

BAPTIST COMMUNITY MINISTRIES

Notes to Consolidated Financial Statements

Note 14. Risks and Uncertainties

On January 30, 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. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which BCM operates.

During the year ended September 30, 2020, BCM disbursed multiple emergency COVID-19 grants while also having an increase in grant forfeitures due to program holds and uncertainty. In March of 2020, BCM transitioned to remote work for most employees in response to COVID-19. Employees continue to primarily work remotely with in-person meetings when necessary. It is unknown how long these and any other adverse conditions associated with the coronavirus will last and what the complete financial effect will be to BCM.

Note 15. Employment Agreement

On July 1, 2016, BCM entered into an employment agreement with the President and Chief Executive Officer (CEO) of BCM. In August 2020, BCM entered into a transition agreement with the then current President and CEO. In August 2020, BCM also entered into a consulting agreement with a current BCM trustee to serve as Acting President and CEO. That agreement ended September 30, 2021. BCM hired an executive search firm and is actively searching for a new President and CEO.

Note 16. Fixed Assets, Net

At September 30, 2021 and 2020, fixed assets consisted of the following (dollars in thousands):

	2021	2020
Land	\$ 3,680	\$ -
Building	1,352	-
Equipment	414	393
Furniture and Fixtures	311	311
Leasehold Improvements	154	154
Construction in Process	32	-
Less: Accumulated Depreciation	(796)	(747)
Fixed Assets, Net	\$ 5,147	\$ 111

Depreciation expense totaled approximately \$50,000 and \$30,000 for the years ended September 30, 2021 and September 30, 2020, respectively.

BAPTIST COMMUNITY MINISTRIES

Notes to Consolidated Financial Statements

Note 17. Endowments

BCM's endowments consist of four donor-restricted individual funds established for supporting operations/programs. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In the past, BCM received contributions which were subject to specific restrictions which were imposed by the donors. BCM believes these contributions have been recorded in accordance with the documents governing these contributions. Additionally, BCM receives gifts, bequests, and contributions whose use is not restricted by the donor. The Board of Trustees of BCM has the ability to distribute such gifts as the Board, in its sole discretion, shall determine. As a result, all contributions not classified as with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

The *Not-for-Profit Entities* Topic of the FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This Topic also requires additional disclosures about an organization's endowment funds.

The Board of Trustees has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, BCM classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by BCM in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, BCM 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 investments, (6) other resources of BCM, and (7) BCM's investment policies.

Endowment Investment and Spending Policies: BCM has adopted investment and spending policies, approved by the Board of Trustees, 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 these endowment assets over the long term. BCM's spending and investment policies work together to achieve this objective.

BAPTIST COMMUNITY MINISTRIES

Notes to Consolidated Financial Statements

Note 17. Endowments (Continued)

The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is five percent (5%) plus inflation, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate of return objectives, BCM 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). BCM targets a diversified asset allocation that places an emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk parameters. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The spending policy calculates the amount of money annually distributed from BCM's various endowed funds. The current spending policy is to distribute an amount equal to 5% of the prior years' average of the fair market value of the endowment funds. Accordingly, over the long-term, BCM expects its current spending policy to allow its endowment assets to grow at the rate of inflation annually. This is consistent with BCM's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of September 30, 2021 and 2020 was as follows (dollars in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
September 30, 2021			
Donor-Restricted Endowments	\$ -	\$ 28,207	\$ 28,207
Total	\$ -	\$ 28,207	\$ 28,207
	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
September 30, 2020			
Donor-Restricted Endowments	\$ -	\$ 24,253	\$ 24,253
Total	\$ -	\$ 24,253	\$ 24,253

BAPTIST COMMUNITY MINISTRIES

Notes to Consolidated Financial Statements

Note 17. Endowments (Continued)

Changes in endowment net assets for the year ended September 30, 2021 are as follows (dollars in thousands):

September 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment Net Assets, Beginning of Year	\$ -	\$ 24,253	\$ 24,253
Net Investment Return	-	5,108	5,108
Distributions	-	(1,154)	(1,154)
Endowment Net Assets, End of Year	\$ -	\$ 28,207	\$ 28,207

Changes in endowment net assets for the year ended September 30, 2020 are as follows (dollars in thousands):

September 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total Net Endowment Assets
Endowment Net Assets, Beginning of Year	\$ -	\$ 23,235	\$ 23,235
Net Investment Return	-	2,134	2,134
Distributions	-	(1,116)	(1,116)
Endowment Net Assets, End of Year	\$ -	\$ 24,253	\$ 24,253

Note 18. Related-Party Transactions

Various board members of BCM also volunteer and serve as board members of other charitable organizations that may occasionally receive funding from BCM. Total funding provided to these organizations for the years ended September 30, 2021 and 2020 was approximately \$3,852,000 and \$2,712,000, respectively. As of September 30, 2021 and 2020, amounts payable related to these grants totaled approximately \$99,000 and \$115,000, respectively, and are included in grants payable on the consolidated statements of financial position.

Additionally, in July 2016, BCM entered into a lease agreement for office space with an organization that shares at least one board member with BCM. See Note 9 for further disclosure of the lease.

BAPTIST COMMUNITY MINISTRIES

Notes to Consolidated Financial Statements

Note 19. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, February 17, 2022 and determined that one event occurred that requires disclosure:

On January 4, 2022 an amendment to the 400 Poydras Lease was executed and terminated the current amended lease agreement effective May 31, 2022 and to extend the lease and use of the space under revised terms until December 31, 2022 (see Note 9).

No further subsequent events occurring after February 17, 2022, have been evaluated for inclusion in these consolidated financial statements.