

BAPTIST CHILDREN'S HOME AND FAMILY SERVICES
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2010 AND 2009

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GRAY HUNTER STENN LLP

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

CERTIFIED PUBLIC ACCOUNTANTS

2602 WEST DEYOUNG ST., P.O. BOX 1728

MARION, ILLINOIS 62959-7928

(618) 993-2647 FAX (618) 993-3981

MARION, ILLINOIS
QUINCY, ILLINOIS

OAK BROOK, ILLINOIS
SYCAMORE, ILLINOIS

INDEPENDENT AUDITORS' REPORT

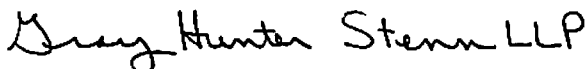
To The Board of Trustees
Baptist Children's Home and Family Services
Carmi, Illinois

We have audited the accompanying statements of financial position of the Baptist Children's Home and Family Services (a nonprofit organization) as of December 31, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Baptist Children's Home and Family Services as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Marion, Illinois
March 21, 2011

BAPTIST CHILDREN'S HOME AND FAMILY SERVICES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Cash	\$ 198,603	\$ 233,415
Accounts receivable	87,276	39,294
Contributions receivable	88,568	116,211
Contributions receivable - Charitable gift annuity	2,706	-
Contributions receivable - Bequests	25,000	2,000
Investments	5,686,818	6,165,850
Charitable gift annuity assets	67,267	68,492
Unitrust assets	62,937	65,642
Other assets	4,559	4,838
Prepaid expenses	26,396	20,904
Assets held for sale	105,352	149,000
Land, buildings and equipment, less accumulated depreciation	1,863,483	1,604,540
Investments - Restricted	43,099	42,698
Perpetual trust assets	<u>395,854</u>	<u>376,951</u>
Total Assets	\$ <u>8,657,918</u>	\$ <u>8,889,835</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 25,102	\$ 38,892
Accrued liabilities	11,689	20,013
Estimated liability for future group medical insurance claims	16,477	17,273
Charitable gift annuity liability	63,757	65,665
Deferred revenue	2,842	120
Refundable advances	62,937	65,642
Postretirement benefit obligation	<u>1,846,313</u>	<u>1,529,021</u>
Total Liabilities	\$ <u>2,029,117</u>	\$ <u>1,736,626</u>
Net Assets:		
Unrestricted net assets:		
Operating	\$ 431,661	\$ 572,183
Board designated	<u>5,693,311</u>	<u>5,993,062</u>
Total Unrestricted Net Assets	\$ 6,124,972	\$ 6,565,245
Temporarily restricted net assets	64,877	168,316
Permanently restricted net assets	<u>438,952</u>	<u>419,648</u>
Total Net Assets	\$ <u>6,628,801</u>	\$ <u>7,153,209</u>
Total Liabilities and Net Assets	\$ <u>8,657,918</u>	\$ <u>8,889,835</u>

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, 2010 AND 2009**

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support:								
Gifts and special offerings	\$ 1,719,345	\$ 77,177	\$ -	\$ 1,796,522	\$ 1,751,491	\$ 115,776	\$ -	\$ 1,867,267
Direct support	76,668	-	-	76,668	75,764	-	-	75,764
Bequests	47,626	-	-	47,626	128,090	-	-	128,090
Split interest agreements	-	2,706	-	2,706	-	-	-	-
Change in value of split interest agreements	-	682	-	682	-	216,663	-	216,663
Adoption fees	82,960	-	-	82,960	89,445	-	-	89,445
Counseling fees	184,925	-	-	184,925	168,907	-	-	168,907
Farm income	33,850	-	-	33,850	30,240	-	-	30,240
Grant revenue	44,202	-	-	44,202	49,204	-	-	49,204
School lunch reimbursement	23,787	-	-	23,787	20,455	-	-	20,455
Other income	6,659	-	-	6,659	2,583	-	-	2,583
Investment income (net of expenses of \$2,500 and \$2,500, respectively)	151,701	1,280	-	152,981	183,352	1,693	-	185,045
Net unrealized and realized gains (losses) on investments	267,577	1,470	401	269,448	335,915	(309)	18	335,624
Unrealized gains (losses) on perpetual trusts	-	-	18,903	18,903	-	-	44,540	44,540
Unrealized gains (losses) on assets held for sale	(53,311)	-	-	(53,311)	-	-	-	-
Gain (loss) on sale of other assets	700	-	-	700	(4,953)	-	-	(4,953)
Net assets released from restrictions:								
Satisfaction of program and supporting service restrictions	186,754	(186,754)	-	-	62,219	(62,219)	-	-
Satisfaction of split-interest agreements	-	-	-	-	394,175	(394,175)	-	-
Total Revenue, Gains, and Other Support	\$ 2,773,443	\$ (103,439)	\$ 19,304	\$ 2,689,308	\$ 3,286,887	\$ (122,571)	\$ 44,558	\$ 3,208,874
Expenses:								
Program Services:								
Residential care	\$ 1,379,421	\$ -	\$ -	\$ 1,379,421	\$ 1,384,781	\$ -	\$ -	\$ 1,384,781
Maternity Center	520,106	-	-	520,106	485,051	-	-	485,051
Swansea Counseling Center	129,263	-	-	129,263	134,213	-	-	134,213
Southeastern Illinois Counseling Center	94,587	-	-	94,587	97,714	-	-	97,714
Central Illinois Counseling Center	62,215	-	-	62,215	82,470	-	-	82,470
Total Program Services	\$ 2,185,592	\$ -	\$ -	\$ 2,185,592	\$ 2,184,229	\$ -	\$ -	\$ 2,184,229
Supporting Services:								
General expenses	\$ 80,242	\$ -	\$ -	\$ 80,242	\$ 67,444	\$ -	\$ -	\$ 67,444
Administration	368,833	-	-	368,833	377,414	-	-	377,414
Fund raising	339,021	-	-	339,021	393,591	-	-	393,591
Total Supporting Services	\$ 788,096	\$ -	\$ -	\$ 788,096	\$ 838,449	\$ -	\$ -	\$ 838,449
Total Expenses	\$ 2,973,688	\$ -	\$ -	\$ 2,973,688	\$ 3,022,678	\$ -	\$ -	\$ 3,022,678
Postretirement related changes other than net periodic postretirement benefit cost	\$ (240,028)	\$ -	\$ -	\$ (240,028)	\$ 19,034	\$ -	\$ -	\$ 19,034
Change in net assets	\$ (440,273)	\$ (103,439)	\$ 19,304	\$ (524,408)	\$ 283,243	\$ (122,571)	\$ 44,558	\$ 205,230
Net assets, beginning of year	6,565,245	168,316	419,648	7,153,209	6,282,002	290,887	375,090	6,947,979
Net assets, end of year	\$ 6,124,972	\$ 64,877	\$ 438,952	\$ 6,628,801	\$ 6,565,245	\$ 168,316	\$ 419,648	\$ 7,153,209

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, 2010 AND 2009

	2010	2009
Cash Flows from Operating Activities:		
Cash received from contributors	\$ 1,714,781	\$ 2,803,816
Cash received from services	360,205	322,243
Cash received from cost recovery	134,430	113,739
Cash received from farm rental	33,850	30,240
Cash received from school lunch reimbursement	23,787	20,455
Cash received from miscellaneous receipts	50,861	51,787
Interest and royalties received	152,981	185,045
Cash paid for program services	(2,047,433)	(2,037,858)
Cash paid for supporting services	(800,372)	(763,829)
Net Cash Provided (Used) by Operating Activities	\$ (376,910)	\$ 725,638
Cash Flows from Investing Activities:		
Proceeds from the sale of investments	\$ 1,326,071	\$ 1,068,624
Purchase of investments	(577,992)	(2,127,543)
Proceeds from the sale of assets	700	6,981
Purchase of equipment and capital improvements	(406,681)	(136,819)
Net Cash Provided (Used) by Investing Activities	\$ 342,098	\$ (1,188,757)
Net increase (decrease) in cash and cash equivalents	\$ (34,812)	\$ (463,119)
Cash and cash equivalents at beginning of year	233,415	696,534
Cash and cash equivalents at end of year	\$ 198,603	\$ 233,415
Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Change in net assets	\$ (524,408)	\$ 205,230
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	147,738	136,050
Net unrealized and realized (gains) losses on investments	(269,448)	(335,624)
Net unrealized and realized (gains) losses on split-interest agreements	(683)	(216,663)
Net unrealized and realized (gains) losses on perpetual trusts	(18,903)	(44,540)
Net unrealized and realized (gains) losses on asset held for sale	43,648	-
(Gains) losses on sale of assets	(700)	4,953
Donated assets	300	(315,150)
(Increase) decrease in accounts receivable	(47,982)	(11,873)
(Increase) decrease in prepaid expenses	(5,492)	10,702
(Increase) decrease in contributions receivable	27,643	108,341
(Increase) decrease in contributions receivable - bequests	(23,000)	1,128,887
(Increase) decrease in contributions receivable - CGA	(2,706)	-
(Increase) decrease in unitrust assets	2,705	-
(Increase) decrease in other assets	(21)	46
Increase (decrease) in accounts payable	(13,790)	15,123
Increase (decrease) in charitable gift annuity liability	-	(2,339)
Increase (decrease) in refundable advances	(2,705)	-
Increase (decrease) in accrued liabilities	(8,324)	2,171
Increase (decrease) in deferred revenue	2,722	(1,178)
Increase (decrease) in postretirement benefit liability	317,292	62,357
Increase (decrease) in estimated liability for future group medical insurance claims	(796)	(20,855)
Net Cash Provided (Used) by Operating Activities	\$ (376,910)	\$ 725,638

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

BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

1. SIGNIFICANT ACCOUNTING POLICIES

- a. Nature and purpose of operations. Baptist Children's Home and Family Services, a ministry of Southern Baptists since 1918, provides Christ-centered treatment in meeting the spiritual, emotional, physical, social and educational needs of troubled children and families.

The Organization's primary funding sources are contributions from churches, individuals, and estates. Principle market areas include central and southern Illinois.

- b. 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.
- c. 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.
- d. Restricted support. 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 assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- e. Self-Insurance program. The Organization maintains a self-insurance program to fund a portion of certain expected claims related to group health costs. The provision for claims expected under this program is recorded based on the aggregate liabilities for known claims and estimated claims incurred but not submitted. Actual results may differ from the estimated amounts.
- f. Fixed assets 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 are carried at cost. Depreciation is computed using the straight-line method over the assets' estimated useful lives.

- g. 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 Baptist Children's Home and Family Services 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 work load prohibits the taking of vacation, it may be carried over with manager approval. An employee may not be paid for unused vacation time.
- h. Cash and cash equivalents. For purposes of reporting cash flows, cash and cash equivalents include cash on hand and cash in banks.

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>2010</u>	<u>2009</u>
<u>Current Assets:</u>		
Cash	\$ 198,603	\$ 233,415
Accounts receivable	87,276	39,294
Contributions receivable	88,568	116,212
Contributions receivable - bequests	25,000	2,000
Investments	5,686,818	6,165,850
Charitable gift annuity assets	8,128	7,598
Unitrust assets	4,406	4,595
Prepaid expenses	26,396	20,904
Assets held for sale	105,352	149,000
Other Assets	<u>4,559</u>	<u>3,988</u>
Total Current Assets	<u>\$ 6,235,106</u>	<u>\$ 6,742,856</u>
<u>Current Liabilities</u>		
Accounts payable	\$ 25,102	\$ 38,892
Accrued liabilities	11,689	20,013
Estimated liability for future group medical insurance claims	16,477	17,273
Charitable gift annuity liability	9,928	7,598
Deferred revenue	2,841	120
Refundable advances	4,406	4,595
Postretirement benefit obligation	<u>61,383</u>	<u>57,536</u>
Total Current Liabilities	<u>\$ 131,826</u>	<u>\$ 146,027</u>
Excess of Current Assets over Current Liabilities	<u>\$ 6,103,280</u>	<u>\$ 6,596,829</u>

3. INVESTMENT RETURN

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

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Investment income	\$ 151,701	\$ 1,280	\$ -	\$ 152,981
Net realized and unrealized gains (losses)	267,577	1,470	401	269,448
Total Investment Return	<u>\$ 419,278</u>	<u>\$ 2,750</u>	<u>\$ 401</u>	<u>\$ 422,429</u>

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Investment income	\$ 183,352	\$ 1,693	\$ -	\$ 185,045
Net realized and unrealized gains (losses)	335,915	(309)	18	335,624
Total Investment Return	<u>\$ 519,267</u>	<u>\$ 1,384</u>	<u>\$ 18</u>	<u>\$ 520,669</u>

4. EMPLOYEE LOANS RECEIVABLE

A one-time loan for a down payment on property purchased for a residence is available to employees who are employed as executive director, or program directors. Current policy provides that such loans are limited to the lesser of 10% of the purchase price or \$15,000. Interest rates are fixed at prime minus one at loan initiation. Loans are to be repaid monthly at a minimum of 1% of the original amount. The loans are secured by secondary mortgages on the property. Loans are due within six months upon termination of employment, or upon sale of the property securing the loan, whichever occurs first.

5. LAND, BUILDINGS AND EQUIPMENT

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

	2010	2009
Land, buildings and improvements	\$ 3,517,011	\$ 3,196,105
Equipment and furniture	1,170,161	1,087,916
Construction in progress	-	3,279
Total	<u>\$ 4,687,172</u>	<u>\$ 4,287,300</u>
Accumulated depreciation	<u>2,823,688</u>	<u>2,682,760</u>
Land, Buildings and Equipment - Net	<u>\$ 1,863,484</u>	<u>\$ 1,604,540</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$147,738 and \$136,050, respectively.

6. LEASE OBLIGATIONS

The Organization is the lessee of office equipment and software under operating leases expiring in various years through 2010.

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

2011	\$	3,336
2012		3,336
2013		3,336
2014		<u>2,496</u>
Total minimum future rental payments	\$	<u>12,504</u>

Lease expense totaled \$4,548 and \$2,880 for the years ending December 31, 2010 and 2009, respectively.

7. LEASED PROPERTY

The Organization leases 432 acres of farmland and agricultural buildings to a tenant under a lease with a remaining term of two years. At December 31, 2010 and 2009, the leased property was carried at a cost of \$86,277 and \$86,277, with accumulated depreciation of \$75,907 and \$75,807, respectively. Rent is recorded as income over the term of the lease. The following are the minimum future rentals of the agricultural land and buildings under non-cancellable leases for the next three years ending December 31:

2011	\$	34,753
2012		<u>35,655</u>
	\$	<u>70,408</u>

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2010 and 2009 are restricted to:

	<u>2010</u>	<u>2009</u>
Maternity Center operations	\$ 31,092	\$ 135,592
Scholarships	8,948	11,347
Latreia program	7,557	9,500
Charitable gift annuities	6,215	2,827
Counseling	432	432
Various donor restrictions	<u>10,633</u>	<u>8,618</u>
Total	<u>\$ 64,877</u>	<u>\$ 168,316</u>

9. RELEASE OF TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2010</u>	<u>2009</u>
Residential care	\$ 11,244	\$ 12,519
Maternity Center operations	170,067	48,010
Scholarships	3,500	1,500
Latreia program	1,943	-
Counseling	-	190
Satisfaction of program and supporting service restrictions	\$ 186,754	\$ 62,219
Satisfaction of split-interest agreements	-	394,175
Total	<u>\$ 186,754</u>	<u>\$ 456,394</u>

10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at December 31, 2010 and 2009 are restricted to:

	<u>2010</u>	<u>2009</u>
Investments held in perpetuity, the income from which is expendable to grant scholarships	\$ 43,099	\$ 42,698
Investments held in perpetual trusts, the income from which is expendable for general operations	<u>395,853</u>	<u>376,950</u>
Total	<u>\$ 438,952</u>	<u>\$ 419,648</u>

11. 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, 2010 and 2009 were \$80,767 and \$80,365, respectively.

12. TAX STATUS

The Internal Revenue Service (IRS) has determined that the Organization is an exempt organization within the meaning of Section 501(c)(3) of the Internal Revenue Code.

13. CONTRIBUTIONS RECEIVABLE

Contributions receivable includes December 31, 2010 and 2009 contributions received in January, 2011 and 2010.

Contributions receivable - bequests represents contributions expected to be received from estates for which the Organization has received notification that the associated will has been admitted to probate.

14. INVESTMENTS

The Organization maintains investment accounts with the Southern Baptist Foundation. Fair value is determined by reference to quoted market prices. Balances are as follows at December 31:

	2010			
	Cost	Fair Value Based on Quoted Prices in Active Markets (Level 1)	Gross Unrealized Gain	Gross Unrealized Loss
Investments:				
Quasi-Endowment Fund	\$ 4,669,614	\$ 4,512,130	\$ -	\$ 157,484
Quasi-Endowment Fund invested through Baptist Foundation of Illinois	1,164,049	1,165,552	1,503	-
Donor Restricted Fund	6,848	6,883	35	-
Operations Reserve	2,253	2,253	-	-
Total Investments	\$ 5,842,764	\$ 5,686,818	\$ 1,538	\$ 157,484

	2010			
	Cost	Fair Value Based on Quoted Prices in Active Markets (Level 1)	Gross Unrealized Gain	Gross Unrealized Loss
Investments - Restricted:				
Williams Scholarship Fund	\$ 35,984	\$ 35,263	\$ -	\$ 721
Heaton Education Fund	7,996	7,836	-	160
Total Investments - Restricted	\$ 43,980	\$ 43,099	\$ -	\$ 881

	2009			
	Cost	Fair Value Based on Quoted Prices in Active Markets (Level 1)	Gross Unrealized Gain	Gross Unrealized Loss
Investments:				
Quasi-Endowment Fund	\$ 5,207,899	\$ 4,821,796	\$ -	\$ 386,103
Quasi-Endowment Fund invested through Baptist Foundation of Illinois	1,136,079	1,128,262	-	7,817
Donor Restricted Fund	107,564	107,099	-	465
Operations Reserve	107,715	108,693	978	-
Total Investments	\$ 6,559,257	\$ 6,165,850	\$ 978	\$ 394,385

	2009			
	Cost	Fair Value Based on Quoted Prices in Active Markets (Level 1)	Gross Unrealized Gain	Gross Unrealized Loss
Investments - Restricted:				
Williams Scholarship Fund	\$ 35,984	\$ 34,935	\$ -	\$ 1,049
Heaton Education Fund	7,996	7,763	-	233
Total Investments - Restricted	\$ 43,980	\$ 42,698	\$ -	\$ 1,282

At December 31, 2010 and 2009, the investments were held in various pooled funds of the Southern Baptist Foundation.

15. POSTRETIREMENT BENEFITS

The Organization has a policy regarding postretirement health care benefits, postretirement life insurance, and postretirement gifts at the expense of the Organization. SFAS No. 158 requires a reconciliation of the funded status of the plan. The December 31, 2010 funded status of the plan and the projected funded status on December 31, 2011 (end of plan year), as required by SFAS No. 158 are as follows:

	Actual 2009	Actual 2010	Projected 2011
Accumulated postretirement benefit obligation at December 31	\$ 1,529,021	\$ 1,846,313	\$ 1,906,301
Fair value of plan assets at December 31	-	-	-
	\$ 1,529,021	\$ 1,846,313	\$ 1,906,301
Unrecognized prior service cost	-	-	-
Unrecognized net gain or (loss)	(97,876)	(359,964)	(338,047)
Unrecognized transition (obligation) or asset at date of initial application	(110,302)	(88,242)	(66,181)
Accrued/(prepaid) postretirement benefit cost	\$ 1,320,843	\$ 1,398,107	\$ 1,502,073
Change in unrestricted net assets	208,178	448,206	404,228
Net recognized cost	\$ 1,529,021	\$ 1,846,313	\$ 1,906,301

The accumulated postretirement benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date. It is calculated based on the Projected Unit Credit Cost Method.

The fair value of the plan assets represents the market value of the 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 accumulated postretirement benefit obligation 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 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 accumulated postretirement benefit obligation 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 benefit cost, as an offset to certain gains, or as a part of accounting for the effects of a settlement or a curtailment.

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

<u>Change in Accumulated Postretirement Benefit Obligation for 2010:</u>	
December 31, 2009 Accumulated Postretirement Benefit Obligation	\$ 1,529,021
+ Service Cost for 2010	21,304
+ Interest Cost for 2010	89,011
- Benefits Paid for 2010	(55,111)
+ Change in Assumptions	51,999
+ Change in Discount Rate Assumption	123,430
+ Actuarial Loss	86,659
December 31, 2010 Accumulated Postretirement Benefit Obligation	<u>\$ 1,846,313</u>
<u>Change in Accrued Postretirement Benefit Cost for 2010:</u>	
December 31, 2009 (Accrued)/Prepaid Postretirement Benefit Cost	\$ (1,320,843)
- Net Periodic Postretirement Benefit Cost for 2010	(132,375)
+ 2010 Benefits Paid/Contributions	55,111
December 31, 2010 (Accrued)/Prepaid Postretirement Benefit Cost	<u>\$ (1,398,107)</u>
<u>Change in Net Recognized Cost for 2010:</u>	
December 31, 2009 Net Recognized Cost	\$ (1,529,021)
- Net Periodic Postretirement Benefit Cost for 2010	(132,375)
+ 2010 Benefits Paid/Contributions	55,111
- 2010 Impact on Unrestricted Net Assets	(240,028)
December 31, 2010 Net Recognized Cost	<u>\$ (1,846,313)</u>

The net periodic postretirement benefit costs are broken into six separate components. The 2010 and 2011 net periodic postretirement benefit cost and the assumptions utilized in making the calculations are shown below:

	2010	Projected 2011
Service cost	\$ 21,304	\$ 23,878
Interest cost	89,011	97,493
Expected return on plan assets	-	-
Amortization of unrecognized prior service cost (Gain) or loss to the extent recognized	-	21,917
Amortization of unrecognized transition obligation or (asset) at the date of initial application	22,060	22,061
Total Net Periodic Postretirement Benefit Cost	<u>\$ 132,375</u>	<u>\$ 165,349</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 Credit Cost Method.

The interest cost represents the increase in the accumulated postretirement benefit obligation 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.

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.

Assumptions:	2009	2010
Discount rate	5.85%	5.30%
Expected long-term health care cost increase		
Initial rate	8.75%	8.75%
Ultimate rate	5.00%	5.00%
Time to ultimate rate	5 years	5 years
Salary scale	5.00%	5.00%
Weighted average remaining service - active participants	10 years	8 years

Information About Employer's Obligation as of December 31, 2010:

Accumulated Postretirement Benefit Obligation for Retired Participants	\$ 1,010,474
Accumulated Postretirement Benefit Obligation for Inactive Participants other than Retired Participants	-
Accumulated Postretirement Benefit Obligation for Active Fully Eligible Participants	412,522
Accumulated Postretirement Benefit Obligation for Active Participants other than Active Fully Eligible Participants	423,317
Plan Assets at Fair Value	<u>-</u>
Accumulated Postretirement Benefit Obligation	<u>\$ 1,846,313</u>

As of December 31, 2010, the amount of benefits expected to be paid, based on the same assumptions used to measure the benefit obligation (including, when applicable, benefits attributable to estimated future service) were as follows:

<u>Fiscal Year</u>	<u>Expected Benefit Payments</u>
2011	\$ 61,383
2012	69,068
2013	71,829
2014	78,092
2015	85,310
2016 - 2020	614,516

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization's financial instruments, none of which are held for trading purposes, include investments, accounts receivable, contributions receivable, contributions receivable – charitable gift annuity, charitable gift annuity assets, unitrust assets, accounts payable, accrued liabilities, estimated liability for future group medical claims, charitable gift annuity liability, charitable remainder unitrust liability, and refundable advances. The Organization estimates that the fair values of all financial instruments at December 31, 2010 and 2009, other than investments which are recorded at fair value, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimates, however, are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

17. CONTRIBUTED FACILITIES

During the year ended December 31, 2010, 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 \$11,954 and \$11,444 and rent expense of \$11,954 and \$11,444 have been recorded in the financial statements as a result of these transactions for the years ended December 31, 2010 and 2009, respectively.

18. CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at various banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2010 and 2009, uninsured cash balances were approximately \$154,770 and \$185,012, respectively.

See also Note 14 regarding the Organization's investments at Southern Baptist Foundation.

19. SPLIT INTEREST AGREEMENTS

Baptist Children's Home and Family Services is the beneficiary of three 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 3.6% to 7.4%, 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 one charitable gift annuity under which a third party maintains control of the donated assets. Under this agreement, 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 rate used in calculating the present value is 2.0%, as established by the IRS. The present value calculation is based upon double life expectancy.

The Organization is named as the trustee of a charitable remainder unitrust agreement. Under this agreement, the Organization will make quarterly payments to the donors based upon 7% of the fair market value of the trust assets. Upon termination of this trust (death of donors), the Organization is to distribute the remainder interest of the trust to a qualified entity in accordance with the agreement. The trust assets have been recorded at fair market value in the financial statements as an asset, and as a refundable advance.

The Organization is a beneficiary of perpetual trusts under which trust income is received annually for unrestricted use. The assets are held by the trustees, which are separate entities. For the years ended December 31, 2010 and 2009, investment income from the trusts of \$22,843 and \$21,909, respectively, has been recorded as an increase in unrestricted net assets. As of December 31, 2010 and 2009, the Organization's beneficial interest in the perpetual trust assets totaled \$395,854 and \$376,951, respectively, which was measured by the fair value of the assets contributed to the trusts.

20. SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2010, the date of the most recent Statement of Financial Position, have been evaluated for possible adjustment to the financial statements or disclosure is March 21, 2011, which is the date on which the financial statements were available to be issued.

**BAPTIST CHILDREN'S HOME AND FAMILY SERVICES
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	Program Services					Supporting Services				Total 2010	Total 2009	
	Residential Care	Maternity Adoption, and Foster Care	Swansea Counseling Center	Southeastern Illinois Counseling Center	Central Illinois Counseling Center	Total Program Services	General Expenses	Administration Expenses	Fund Raising			Total Supporting Services
Salaries	\$ 705,641	\$ 239,213	\$ 45,217	\$ 47,316	\$ 38,164	\$ 1,075,551	\$ -	\$ 203,841	\$ 148,081	\$ 351,922	\$ 1,427,473	\$ 1,451,803
Payroll taxes	70,960	25,131	3,912	5,787	3,293	109,083	-	17,026	12,936	29,962	139,045	151,440
Employee retirement and insurance	207,690	37,682	2,203	4,868	5,548	257,991	-	82,261	25,577	107,838	365,829	360,809
Promotion	1,270	4,740	2,249	1,778	1,611	11,648	-	-	102,100	102,100	113,748	98,486
Travel	6,114	8,228	1,079	653	2,120	18,194	-	5,311	18,040	23,351	41,545	36,783
Operating expenses	157,602	42,698	-	-	-	200,300	-	-	-	-	200,300	187,378
Activities program	12,241	-	-	-	-	12,241	-	-	-	-	12,241	17,436
Foster home expenses	-	7,675	-	-	-	7,675	-	-	-	-	7,675	13,300
Property taxes and insurance	-	-	-	-	-	-	30,590	-	-	30,590	30,590	29,980
Other insurance	17,900	6,164	2,075	2,238	1,713	30,090	4,385	1,883	5,402	11,670	41,760	44,050
Contractors and consultants	19,773	30,941	59,382	26,620	2,351	139,067	-	275	905	1,180	140,247	154,036
Professional services	-	-	-	-	-	-	17,110	-	-	17,110	17,110	16,800
Training	-	-	-	-	-	-	-	-	-	-	-	101
Professional development	3,933	2,362	-	413	305	7,013	-	100	745	845	7,858	9,069
Office expense	5,608	7,620	1,108	1,379	681	16,394	-	9,215	5,054	14,269	30,663	37,009
Rent expense	-	-	7,154	-	4,800	11,954	-	-	-	-	11,954	11,444
Repairs and maintenance	24,099	9,458	-	-	-	33,557	5,143	2,320	-	7,463	41,020	71,325
License and fees	1,426	580	-	99	276	2,381	-	900	523	1,423	3,804	4,329
Utilities	15,035	6,619	4,304	2,116	1,024	29,098	-	6,169	1,995	8,164	37,262	35,228
Depreciation	94,788	40,336	-	-	-	135,124	12,614	-	-	12,614	147,738	136,050
Choir expenses	-	-	-	-	-	-	-	-	-	-	-	32
Scholarships	-	-	-	-	-	-	3,500	-	-	3,500	3,500	1,500
Other	2,859	135	245	785	153	4,177	6,900	-	1,097	7,997	12,174	9,897
Computer expenses	456	354	337	535	176	1,858	-	-	5,918	5,918	7,776	8,302
Postretirement employee benefits	32,026	50,170	-	-	-	82,196	-	39,532	10,648	50,180	132,376	136,091
Total - 2010	\$ 1,379,421	\$ 520,106	\$ 129,263	\$ 94,587	\$ 62,215	\$ 2,186,592	\$ 80,242	\$ 368,833	\$ 339,021	\$ 788,096	\$ 2,973,688	
Total - 2009	\$ 1,384,781	\$ 485,051	\$ 134,213	\$ 97,714	\$ 82,470	\$ 2,184,229	\$ 67,444	\$ 377,414	\$ 393,591	\$ 838,449		\$ 3,022,678

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