

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

Financial Statements
With Independent Auditors' Report

December 31, 2015

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Illinois Baptist Children's Home and Family Services, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Illinois Baptist Children's Home and Family Services as of December 31, 2015, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Restatement

As discussed in Note 13 to the financial statements, an error resulting in an omission of certain beneficial interests in assets held by others as of December 31, 2014, was discovered during the current year. Accordingly, the opening net asset balances as of December 31, 2014, have been adjusted to correct this error. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Wheaton, Illinois
April 5, 2016

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

Statement of Financial Position

December 31, 2015

ASSETS:

| | | |
|--|----|-----------|
| Cash and cash equivalents | \$ | 319,908 |
| Investments | | 441,613 |
| Bequests receivable | | 270,457 |
| Other receivables | | 28,420 |
| Charitable gift annuity assets | | 44,483 |
| Prepaid expenses and other assets | | 23,603 |
| Property and equipment—net | | 1,595,730 |
| Investments held for endowment | | 5,011,724 |
| Beneficial interest in assets held by others | | 1,188,191 |

Total Assets \$ 8,924,129

LIABILITIES AND NET ASSETS:

Liabilities:

| | | |
|---------------------------------------|----|-----------|
| Accounts payable and accrued expenses | \$ | 95,930 |
| Charitable gift annuity obligation | | 66,076 |
| Post-retirement benefit obligation | | 1,765,058 |

1,927,064

Net assets:

Unrestricted:

| | | |
|------------------|--|-----------|
| Undesignated | | 66,365 |
| Board-designated | | 284,555 |
| Quasi-endowment | | 4,970,701 |

5,321,621

| | | |
|------------------------|--|-----------|
| Total unrestricted | | 5,321,621 |
| Temporarily restricted | | 446,230 |
| Permanently restricted | | 1,229,214 |

6,997,065

Total Liabilities and Net Assets \$ 8,924,129

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

Statement of Activities

Year Ended December 31, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------|---------------------------|---------------------------|---------------------|
| SUPPORT AND REVENUE: | | | | |
| Gifts and special offerings | \$ 1,975,447 | \$ 165,792 | \$ 130,955 | \$ 2,272,194 |
| Direct support | 68,491 | - | - | 68,491 |
| Bequests | - | 270,457 | - | 270,457 |
| Change in value of annuities | (26,590) | - | - | (26,590) |
| Adoption fees | 49,900 | - | - | 49,900 |
| Counseling fees | 246,914 | - | - | 246,914 |
| Farm income | 50,095 | - | - | 50,095 |
| Grant revenue | 34,338 | - | - | 34,338 |
| School lunch reimbursement | 22,756 | - | - | 22,756 |
| Investment income | 52,648 | 1,066 | (1,122) | 52,592 |
| Royalty income | 9,134 | - | - | 9,134 |
| Change in value of assets held by others | - | - | (23,080) | (23,080) |
| Gain on sale of assets | 14,379 | - | - | 14,379 |
| Other income | 6,831 | - | - | 6,831 |
| Total Support and Revenue | 2,504,343 | 437,315 | 106,753 | 3,048,411 |
| RECLASSIFICATIONS: | | | | |
| Net assets released from purpose and time restrictions | 147,467 | (147,467) | - | - |
| EXPENSES: | | | | |
| Program services: | | | | |
| Residential care | 1,269,081 | - | - | 1,269,081 |
| Maternity center | 536,177 | - | - | 536,177 |
| Safe Families | 57,009 | - | - | 57,009 |
| Latreia International | 5,000 | - | - | 5,000 |
| Metro-East Counseling Offices | 124,466 | - | - | 124,466 |
| Southeastern Illinois Counseling Offices | 107,050 | - | - | 107,050 |
| Central Illinois Counseling Offices | 79,968 | - | - | 79,968 |
| | <u>2,178,751</u> | <u>-</u> | <u>-</u> | <u>2,178,751</u> |
| Supporting activities: | | | | |
| General expenses | 121,303 | - | - | 121,303 |
| Administration | 404,011 | - | - | 404,011 |
| Fund-raising | 394,878 | - | - | 394,878 |
| | <u>920,192</u> | <u>-</u> | <u>-</u> | <u>920,192</u> |
| Total Expenses | 3,098,943 | - | - | 3,098,943 |
| Change in Net Assets | (447,133) | 289,848 | 106,753 | (50,532) |
| Net Assets, Beginning of Year (as previously stated) | 5,768,754 | 156,382 | 524,669 | 6,449,805 |
| Prior period adjustment | - | - | 597,792 | 597,792 |
| Net Assets, Beginning of Year (as restated) | <u>5,768,754</u> | <u>156,382</u> | <u>1,122,461</u> | <u>7,047,597</u> |
| Net Assets, End of Year | \$ 5,321,621 | \$ 446,230 | \$ 1,229,214 | \$ 6,997,065 |

See notes to financial statements

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

Statement of Cash Flow

Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

| | | |
|--|----|-----------------|
| Change in net assets | \$ | (50,532) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | | 175,984 |
| Change in value of beneficial interest in assets held by others | | (107,875) |
| Actuarial change of annuities | | 18,678 |
| Realized and unrealized loss on investments | | 153,080 |
| Gain on sale of assets | | (14,379) |
| Changes in operating assets and liabilities: | | |
| Bequests receivable | | (220,292) |
| Other receivables | | (10,201) |
| Prepaid expenses and other assets | | (15,840) |
| Accrued expenses | | 14,364 |
| Post-retirement benefit obligation | | (15,661) |
| Net Cash Used by Operating Activities | | <u>(72,674)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | | |
|---|--|----------------|
| Proceeds from the sale of investments | | 491,491 |
| Purchase of investments | | (220,742) |
| Proceeds from sales of property and equipment | | 14,650 |
| Acquisition of property and equipment | | (92,826) |
| Net Cash Provided by Investing Activities | | <u>192,573</u> |

Net Change in Cash and Cash Equivalents 119,899

Cash and Cash Equivalents, Beginning of Year 200,009

Cash and Cash Equivalents, End of Year \$ 319,908

See notes to financial statements

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

Notes to Financial Statements

December 31, 2015

1. NATURE OF ORGANIZATION:

Illinois Baptist Children's Home and Family Services (the Organization), a ministry affiliated with the Illinois Baptist State Organization since 1918, provides Christ centered care to protect, heal and restore children and families in crisis.

The agency provides care to over 1,300 children and adults annually across Illinois and internationally. Care is provided for orphaned children in Bukaleba, Uganda through a partnership with Arise Africa International; 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; care is provided for homeless children in southern Illinois through a Safe Families for children program; 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, Edwardsville, Wood River, Carlinville, Litchfield, Vandalia, Salem, Harrisburg, Chatham, Effingham, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Organization have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. The significant accounting policies followed are described below to enhance the usefulness of the statements to the reader.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

Notes to Financial Statements

December 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

BEQUESTS RECEIVABLE

Bequests receivable are recorded at estimated net realizable value. All amounts recorded as bequests receivable as of December 31, 2015, were received subsequent to year end.

PROPERTY AND EQUIPMENT

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 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 \$1,000 or greater are capitalized and are carried at cost. Property and equipment are depreciated on a straight-line basis over their estimated useful lives of 5-40 years.

BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization is the beneficiary of perpetual trusts and endowment funds held by third parties under which income is received annually for unrestricted use. As of December 31, 2015, the Organization's beneficial interest in the perpetual trust and endowment assets was \$1,188,191.

ANNUITIES PAYABLE

Gift annuities are recognized as income at the date of the gift, net of actuarial liability, which is the present value of the annuity payments based on the life expectancy of the donor and a discount rate established at the inception of the agreement. Annually, an adjustment is made to income and the actuarial liability to record the actuarial gain or loss due to recomputation of the liability based upon the revised life expectancy. Actuarial changes and annuity payments are reported as change in value of annuities in the statement of activities.

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

Notes to Financial Statements

December 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

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

Unrestricted net assets 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.

Temporarily restricted net assets are those contributed with donor stipulations for specific operating purposes or programs, or those with time restrictions.

Permanently restricted net assets are 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, EXPENSES, AND RECLASSIFICATIONS

The Organization reports gifts of cash and other assets as temporarily or permanently 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 restricted 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 restrictions.

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 services and supporting activities have been presented on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

Notes to Financial Statements

December 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the statement of activities. As of December 31, 2015, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

RECENTLY ADOPTED STANDARDS

Accounting Standards Update (ASU) 2015-07 updates the *Fair Value Measurement* topic of the Financial Accounting Standards Board Accounting Standards Codification. The primary change resulting from ASU 2015-07 is updated disclosure requirements for investments valued at net asset value, which removes the requirement to categorize these investments within the fair value hierarchy. ASU 2015-07 is effective for fiscal years after December 15, 2016, with early adoption permitted. The Organization has elected to adopt ASU 2015-07 for the year ended December 31, 2015. The financial statements and disclosures reflect these updates.

3. INVESTMENTS:

Investments consist of the following at December 31, 2015:

| | |
|--------------------------------------|--------------------------|
| Baptist Foundation of Illinois: | |
| Pooled Funds | <u>\$ 1,248,819</u> |
| Southern Baptist Foundation: | |
| Balanced fund | 24,199 |
| Flexible income fund | 1,470,051 |
| Income fund | 1,502,652 |
| Short term fund money market | 82,453 |
| Growth fund | 1,114,920 |
| U.S. treasury bond | <u>10,243</u> |
| | <u>4,204,518</u> |
| | 5,453,337 |
| Less: Investments held for endowment | <u>(5,011,724)</u> |
| | <u><u>\$ 441,613</u></u> |

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

Notes to Financial Statements

December 31, 2015

3. INVESTMENTS, continued:

Investments are held for the following purposes at December 31, 2015:

| | |
|---------------------------------|----------------------------|
| Baptist Foundation of Illinois: | |
| Quasi-endowment fund | <u>\$ 1,248,819</u> |
| Southern Baptist Foundation: | |
| Quasi-endowment fund | 3,721,882 |
| Operations reserve fund | 76,158 |
| Strategic reserve fund | 274,124 |
| Donor restricted funds | 91,331 |
| Endowment funds | 41,023 |
| | <u>4,204,518</u> |
| | <u><u>\$ 5,453,337</u></u> |

Investment income consists of the following as of December 31, 2015:

| | |
|------------------------------------|-------------------------|
| Interest and dividend income | \$ 205,672 |
| Net realized and unrealized losses | <u>(153,080)</u> |
| | <u><u>\$ 52,592</u></u> |

4. PROPERTY AND EQUIPMENT—NET:

Fixed assets and accumulated depreciation are summarized as follows at December 31, 2015:

| | |
|--------------------------------|----------------------------|
| Land | \$ 554,365 |
| Buildings and improvements | 3,146,146 |
| Furniture and equipment | 1,311,863 |
| Construction in progress | 5,280 |
| | <u>5,017,654</u> |
| Less: accumulated depreciation | <u>(3,421,924)</u> |
| | <u><u>\$ 1,595,730</u></u> |

Depreciation expense for the year ended December 31, 2015, was \$175,984.

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

Notes to Financial Statements

December 31, 2015

5. OTHER POST-POSTRETIREMENT BENEFITS:

The Organization has a policy regarding postretirement health care benefits, postretirement life insurance, and postretirement gifts at the expense of the Organization.

The change in the post-retirement benefit obligation consists of the following at December 31, 2015:

| | |
|---|--------------------------------|
| Beginning post-retirement benefit obligation | \$ 1,780,719 |
| Current year service costs | 19,054 |
| Current year interest costs | 65,301 |
| Benefits paid during the current year | (45,667) |
| Change in assumptions | 68,596 |
| Actuarial gain | <u>(122,945)</u> |
| Ending post-retirement benefit obligation | 1,765,058 |
| Plan assets at fair value | <u>-</u> |
| Accumulated post-retirement benefit obligation in excess of plan assets | <u><u>\$ 1,765,058</u></u> |

For measurement purposes, a discount rate of 4.05%, a compensation increase rate of 3%, and a blended trend rate for rising healthcare costs were used to determine the benefit obligation for the year ended December 31, 2015.

Projected benefit payments for each of the next five years and for the five years following December 31, 2020, in the aggregate, are as follows:

| Fiscal Year | Payments |
|-------------|-----------|
| 2016 | \$ 68,788 |
| 2017 | 97,961 |
| 2018 | 92,470 |
| 2019 | 90,726 |
| 2020 | 96,443 |
| 2021-2025 | 524,825 |

The net periodic postretirement benefit costs were as follows for December 31, 2015:

| | |
|-------------------------------|-------------------------|
| Service cost | \$ 19,054 |
| Interest cost | 65,301 |
| Gain to the extent recognized | <u>(3,366)</u> |
| | <u><u>\$ 80,989</u></u> |

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

Notes to Financial Statements

December 31, 2015

6. RETIREMENT PROGRAM:

The Organization maintains a 403(b) retirement program with GuideStone Financial Resources of the Southern Baptist Convention. The plan covers all employees who work at least 1,500 hours annually. Contributions to the plan are based upon years of services to the Organization. The Organization's contributions for the year ended December 31, 2015, were \$106,516.

7. 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 \$20,000 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 balance sheet date as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was \$21,561 as of December 31, 2015.

8. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following at December 31, 2015:

Purpose restrictions:

| | |
|-----------------------------|-----------|
| Residential care | \$ 43,704 |
| Maternity Center operations | 58,782 |
| Scholarships | 72,933 |
| Latreia program | 354 |
| | <hr/> |
| | 175,773 |

Time restrictions:

| | |
|---------------------|-------------|
| Bequests receivable | 270,457 |
| | <hr/> |
| | \$ 446,230 |
| | <hr/> <hr/> |

During the year ended December 31, 2015, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows:

Purpose restrictions satisfied:

| | |
|------------------------------|-------------|
| Residential care | \$ 52,235 |
| Maternity Center operations | 90,431 |
| Scholarships | 2,000 |
| Metro East counseling center | 73 |
| Latreia program | 2,728 |
| | <hr/> |
| | \$ 147,467 |
| | <hr/> <hr/> |

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

Notes to Financial Statements

December 31, 2015

9. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets are held for the following purposes at December 31, 2015:

| | |
|--|---------------------|
| Endowment funds | \$ 41,023 |
| Beneficial interest in assets held by others | <u>1,188,191</u> |
| | <u>\$ 1,229,214</u> |

10. 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 a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

Notes to Financial Statements

December 31, 2015

10. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of December 31, 2015:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|------------------------|--------------|---------------------------|---------------------------|--------------|
| Donor restricted funds | \$ - | \$ - | \$ 41,023 | \$ 41,023 |
| Board designated funds | 4,970,701 | - | - | 4,970,701 |
| Total funds | \$ 4,970,701 | \$ - | \$ 41,023 | \$ 5,011,724 |

Changes in endowment net assets for year ended December 31, 2015:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|--------------|---------------------------|---------------------------|--------------|
| Endowment net assets, beginning of year | \$ 5,717,414 | \$ - | \$ 42,145 | \$ 5,759,559 |
| Investment return: | | | | |
| Investment income | 186,256 | 1,402 | - | 187,658 |
| Net losses (realized and unrealized) | (149,849) | - | (1,122) | (150,971) |
| Total investment return | 36,407 | 1,402 | (1,122) | 36,687 |
| Contributions | 1,893 | - | - | 1,893 |
| Amounts appropriated for expenditure | (785,013) | (1,402) | - | (786,415) |
| | (746,713) | - | (1,122) | (747,835) |
| Endowment net assets, end of year | \$ 4,970,701 | \$ - | \$ 41,023 | \$ 5,011,724 |

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, 2015.

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

Notes to Financial Statements

December 31, 2015

10. ENDOWMENT FUNDS, continued:

Return Objectives and Risk Parameters:

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the 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 of 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 Related to Spending Policy:

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

11. FARM INCOME:

The Organization leases 432 acres of farmland and agricultural buildings to a tenant under a lease which expires in 2020. Farm income is recorded over the term of the lease as it is earned. Farm income during 2015 was \$50,095. Management has reviewed the farm income and has determined that it is not subject to unrelated business income. Future minimum rental payments to be received under this lease agreement are:

| <u>Year Ending December 31,</u> | |
|---------------------------------|-------------------|
| 2016 | \$ 55,510 |
| 2017 | 55,510 |
| 2018 | 55,510 |
| 2019 | 55,510 |
| 2020 | <u>55,510</u> |
| | <u>\$ 277,550</u> |

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

Notes to Financial Statements

December 31, 2015

12. FAIR VALUE MEASUREMENTS:

The Organization uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Beneficial interest in assets held by others: The fair value of the beneficial interest in assets held by others, of \$1,188,191 as of December 31, 2015, is determined by calculating the Organization's portion of the current investment fair value, which is level 2 of the fair value hierarchy.

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 was \$5,453,337 as of December 31, 2015. These funds are excluded from the fair value hierarchy because they are measured at NAV.

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

Notes to Financial Statements

December 31, 2015

13. PRIOR PERIOD ADJUSTMENT:

During the year ended December 31, 2015, certain agreements were identified where the Organization is an irrevocable beneficiary. These agreements were entered into prior to December 31, 2014, but were not included in prior financial statements. As several of the agreements were entered into in prior years, a prior year restatement is being recorded. The effects of the prior period adjustment are as follows:

| | As previously stated | Prior Period Restatement | As Restated |
|--|-------------------------|-----------------------------|--------------|
| December 31, 2013 | | | |
| Statement of financial position: | | | |
| Total permanently restricted net assets | \$ 509,809 | \$ 620,850 | \$ 1,130,659 |
| Total net assets | 6,635,561 | 620,850 | 7,256,411 |
| Year Ended December 31, 2014 | | | |
| Statement of activities: | | | |
| Change in permanently restricted net assets | 14,860 | (8,198) | 6,662 |
| Change in net assets | 14,860 | (8,198) | 6,662 |
| December 31, 2014 | | | |
| Statement of financial position: | | | |
| Beneficial interest in assets held by others | 482,524 | 597,792 | 1,080,316 |
| Total permanently restricted net assets | 524,669 | 597,792 | 1,122,461 |

14. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

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

We have audited the financial statements of the Illinois Baptist Children's Home and Family Services as of and for the year ended December 31, 2015, and our report thereon dated April 5, 2016, which expresses an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program services expenses and supporting activities expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Capin Crouse LLP

Wheaton, Illinois
April 5, 2016

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

Schedule of Program Services Expenses

Year Ended December 31, 2015

| | Residential Care | Maternity Center | Safe Families | Latreia International | Metro East Counseling Center | Southeastern Illinois Counseling Center | Central Illinois Counseling Center | Total |
|---|---------------------|---------------------|------------------|--------------------------|------------------------------------|--|---|---------------------|
| Salaries, contractors, and consultants | \$ 652,361 | \$ 280,085 | \$ 36,459 | \$ - | \$ 100,658 | \$ 60,920 | \$ 64,559 | \$ 1,195,042 |
| Payroll taxes | 58,928 | 25,177 | 2,716 | - | 5,291 | 3,855 | 3,391 | 99,358 |
| Employee retirement and insurance | 220,133 | 81,206 | 13,779 | - | 9,545 | 33,421 | 4,057 | 362,141 |
| Promotion | 1,154 | 5,738 | 2,133 | - | 79 | 269 | 546 | 9,919 |
| Travel | 5,632 | 4,803 | 682 | - | 656 | 2,383 | 1,259 | 15,415 |
| Operating expenses | 128,819 | 40,621 | - | - | - | - | - | 169,440 |
| Activities program | 15,490 | 19,078 | - | - | - | - | - | 34,568 |
| Property tax and insurance | - | - | - | - | - | - | - | - |
| Other insurance | 26,684 | 7,607 | 225 | - | 3,142 | 3,142 | 3,500 | 44,300 |
| Professional services | - | - | - | - | - | - | - | - |
| Latreia International Orphanage Support | - | - | - | 5,000 | - | - | - | 5,000 |
| Training | - | 425 | - | - | - | - | - | 425 |
| Professional development | 3,666 | 762 | 27 | - | - | 409 | 150 | 5,014 |
| Office expenses | 3,203 | 7,444 | 568 | - | 635 | 443 | 831 | 13,124 |
| Repairs and maintenance | 31,179 | 14,343 | - | - | - | - | - | 45,522 |
| License and fees | 823 | 1,976 | - | - | 123 | 62 | 133 | 3,117 |
| Utilities | 9,429 | 6,063 | 420 | - | 2,762 | 1,411 | 727 | 20,812 |
| Depreciation | 108,324 | 39,959 | - | - | - | - | - | 148,283 |
| Scholarships | - | - | - | - | - | - | - | - |
| Other | 2,776 | 397 | - | - | 449 | 569 | 649 | 4,840 |
| Computer expenses | 480 | 493 | - | - | 1,126 | 166 | 166 | 2,431 |
| Postretirement employee benefits | - | - | - | - | - | - | - | - |
| | <u>\$ 1,269,081</u> | <u>\$ 536,177</u> | <u>\$ 57,009</u> | <u>\$ 5,000</u> | <u>\$ 124,466</u> | <u>\$ 107,050</u> | <u>\$ 79,968</u> | <u>\$ 2,178,751</u> |

ILLINOIS BAPTIST CHILDREN'S HOME AND FAMILY SERVICES

Schedule of Supporting Services Expenses

Year Ended December 31, 2015

| | General Expenses | Administration Expenses | Fund- Raising | Total |
|---|---------------------|----------------------------|-------------------|-------------------|
| Salaries, contractors, and consultants | \$ - | \$ 237,177 | \$ 198,768 | \$ 435,945 |
| Payroll taxes | - | 19,472 | 17,662 | 37,134 |
| Employee retirement and insurance | - | 116,642 | 30,246 | 146,888 |
| Promotion | - | - | 107,705 | 107,705 |
| Travel | - | 7,360 | 17,403 | 24,763 |
| Operating expenses | - | - | - | - |
| Activities program | - | - | - | - |
| Property tax and insurance | 45,500 | - | - | 45,500 |
| Other insurance | 8,229 | 3,365 | 5,008 | 16,602 |
| Professional services | 23,665 | - | - | 23,665 |
| Latreia International Orphanage Support | - | - | - | - |
| Training | - | - | - | - |
| Professional development | - | 1,417 | 813 | 2,230 |
| Office expenses | - | 8,561 | 5,869 | 14,430 |
| Repairs and maintenance | - | 2,808 | - | 2,808 |
| License and fees | 1,238 | 1,365 | 595 | 3,198 |
| Utilities | - | 5,844 | 2,172 | 8,016 |
| Depreciation | 27,701 | - | - | 27,701 |
| Scholarships | 2,000 | - | - | 2,000 |
| Other | 12,970 | - | 2,204 | 15,174 |
| Computer expenses | - | - | 6,433 | 6,433 |
| Postretirement employee benefits | - | - | - | - |
| | <u>\$ 121,303</u> | <u>\$ 404,011</u> | <u>\$ 394,878</u> | <u>\$ 920,192</u> |