State Convention *of* Baptists in Indiana

STATE CONVENTION OF BAPTISTS IN INDIANA, INCORPORATED AND AFFILIATE

COMBINED FINANCIAL STATEMENTS
With Independent Auditors' Report

December 31, 2013 and 2012

CAPINCROUSE LLP
Certified Public Accountants

STATE CONVENTION OF BAPTISTS IN INDIANA, INCORPORATED
AND AFFILIATE

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CAPINCROUSE LLP
Certified Public Accountants
www.capincrouse.com
972 Emerson Parkway, Suite A Greenwood, IN 46143 317.885.2620

INDEPENDENT AUDITORS' REPORT

Board of Directors
State Convention of Baptists
in Indiana, Incorporated
and Affiliate
Indianapolis, Indiana

We have audited the accompanying combined financial statements of the State Convention of Baptists in Indiana, Incorporated and Affiliate (Organization), which comprise the combined statements of financial position as of December 31, 2013 and 2012, and the related combined statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 Directors
State Convention of Baptists
in Indiana, Incorporated
and Affiliate
Indianapolis, Indiana

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2013 and 2012, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Greenwood, Indiana
March 13, 2014

Combined statements of financial position

December 31	2013	2012
Assets		
Cash and cash equivalents	**$ 381,193**	$ 365,216
Accounts receivable	**23,813**	16,870
Prepaid expenses and other assets	**38,879**	26,462
Noncurrent investments	**2,970,411**	3,056,646
Church loans receivable	**1,215,111**	483,576
Land, buildings, and equipment, net	**2,042,285**	1,960,894
Total assets	**$ 6,671,692**	$ 5,909,664
Liabilities		
Accounts payable and accrued expenses	**$ 468,509**	$ 264,673
Deposits held for others	**1,361,389**	609,989
Deferred revenue	**13,219**	9,852
Current portion of mortgage payable	**-**	35,182
Liabilities under trust agreements	**551,553**	557,355
Mortgage payable-net of current portion	**-**	232,132
Accumulated post-retirement benefits	**673,039**	789,759
Total liabilities	**3,067,709**	2,498,942
Net Assets		
Unrestricted	**1,176,964**	1,064,045
Temporarily restricted	**1,267,275**	1,189,613
Permanently restricted	**1,159,744**	1,157,064
Total net assets	**3,603,983**	3,410,722
Total liabilities and net assets	**$ 6,671,692**	$ 5,909,664

Combined statements of activities and changes in net assets

For the years ended December 31	2013	2012
Changes in unrestricted net assets:		
Revenues, gains, and other support:		
Cooperative Program	**$ 2,473,013**	$ 2,530,133
Southern Baptist Convention affiliates	**1,178,203**	1,148,208
Revenue	**838,797**	642,155
Investment income	**1,038**	8,418
Other	**32,716**	48,104
	4,523,767	4,377,018
Net assets reclassified for preservation of historic dollar value–endowments	**-**	(1,774)
Net assets released by satisfaction of purpose restrictions	**541,164**	557,098
Total unrestricted revenues, gains, and other support	**5,064,931**	4,932,342
Expenses:		
Program expenses:		
Missions-State	**947,657**	1,057,997
SBC Cooperative Program	**850,905**	898,140
Camp operations	**765,996**	769,301
Church enrichment	**620,577**	654,080
Women's/children's ministries	**256,680**	242,786
Evangelism and prayer	**222,881**	28,030
Baptist Foundation	**163,568**	96,847
Student ministries	**147,091**	163,039
Communications	**71,960**	87,158
Pastor annuity supplement	**67,567**	71,341
Foreign missions	**16,261**	1,808
Ministry education	**-**	12,605
	4,131,143	4,083,132
Administrative expenses	**777,001**	823,804
Fund-raising expenses	**43,868**	42,629
Total expenses	**4,952,012**	4,949,565
Total changes in unrestricted net assets	**112,919**	(17,223)

(continued)

Combined statements of activities and changes in net assets (continued)

For the years ended December 31	2013	2012
Changes in temporarily restricted net assets:		
Southern Baptist Convention affiliates	**237,549**	227,957
Contributions	**339,680**	618,420
Investment income	**41,597**	64,130
	618,826	910,507
Net assets reclassified for preservation of historic dollar value–endowments	**-**	1,774
Net assets released by donor reclassification	**-**	7,827
Net assets released by satisfaction of purpose restrictions	**(541,164)**	(557,098)
Total changes in temporarily restricted net assets	**77,662**	363,010
Changes in permanently restricted net assets:		
Contributions	**2,680**	10,212
Net assets released by donor reclassification	**-**	(7,827)
Total changes in permanently restricted net assets	**2,680**	2,385
Changes in net assets	**193,261**	348,172
Net assets, beginning of year	**3,410,722**	3,062,550
Net assets, end of year	**$ 3,603,983**	$ 3,410,722

Combined statements of cash flows

For the years ended December 31	2013	2012
Cash flows from operating activities:		
Change in net assets	**$ 193,261**	$ 348,172
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	**129,369**	124,354
Unrealized (gain) loss on investments	**4,753**	(5,594)
Realized (gain) on investments	**(24,911)**	(35,714)
Contributions for long-term purposes	**(2,680)**	(10,212)
Gift-in kind property contributions	**-**	(288,000)
Changes in operating assets and liabilities:		
Receivables	**(6,943)**	137
Prepaid expense and other assets	**(12,417)**	20,323
Accounts payable and accrued expenses	**203,836**	(75,584)
Accumulated post-retirement benefits	**(116,720)**	124,639
Deferred revenue	**3,367**	(16,836)
Net cash provided by operating activities	**370,915**	185,685
Cash flows from investing activities:		
Purchases of noncurrent investments	**(1,444,768)**	(273,862)
Principal payments–church loan investments	**77,598**	58,919
Loans made to churches	**(809,133)**	(74,106)
Proceeds from noncurrent investments	**1,551,161**	62,864
Purchases and construction of property and equipment	**(210,760)**	(137,166)
Net cash used by investing activities	**(835,902)**	(363,351)
Cash flows from financing activities:		
Liability under trust agreement	**(5,802)**	8,176
Increase in deposits held for others	**777,445**	165,353
Decrease in deposits held for others	**(26,045)**	(39,581)
Contributions for long-term purposes	**2,680**	10,212
Long-term debt repayments	**(267,314)**	(33,326)
Net cash provided by financing activities	**480,964**	110,834
Change in cash and cash equivalents	**15,977**	(66,832)
Cash and cash equivalents, beginning of year	**365,216**	432,048
Cash and cash equivalents, end of year	**$ 381,193**	$ 365,216
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	**$ 22,018**	$ 26,679
Noncash contributions	**$ 99,785**	$ 345,504

Notes to combined financial statements

December 31, 2013 and 2012

1. NATURE OF ORGANIZATION:
   State Convention of Baptists in Indiana, Incorporated (Convention) is a medium through which Baptist churches may work harmoniously and cooperatively with each other. The purpose of the Convention is to establish and strengthen Baptist churches in Indiana and to inspire churches to the greatest possible activity in missions, evangelism, Christian education, and benevolent work and to promote a closer cooperation among the churches and harmony of feeling in concerted action in advancing all the interests of the Redeemer's kingdom. This is done through financial support and encouragement to small, newly formed mission works and churches and by organizing special training and other events that promote the church in the areas of evangelism, women's ministries, children's ministries, Sunday school, and student ministries.

   Baptist Foundation of Indiana, Inc. d/b/a Indiana Baptist Foundation (Foundation) is a trust agency created by the Convention in 1968. As trust agency, the Foundation manages funds for the Convention, Indiana associations, Indiana member churches, and individual trusts. The members of the Convention approve the board of the Foundation.

2. SIGNIFICANT ACCOUNTING POLICIES:
   The significant accounting policies followed are described below to enhance the usefulness of the combined financial statements to the reader.

   ESTIMATES
   The preparation of combined financial statements in conformity with accounting standards 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

   PRINCIPLES OF COMBINATION
   The combined financial statements include the activities and balances of the Convention and Foundation (Organization). Intra-organization transactions are eliminated for combined financial statement presentation. The combined entity is referred to as the Organization in these combined financial statements.

   The combined financial statements of the Organization have been prepared on the accrual basis. Under the accrual basis of accounting, income is recognized when earned rather than when received. Expenses are recognized when incurred rather than when paid.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PRINCIPLES OF TAXATION

The Organization is exempt from federal income taxes under Internal Revenue Service Code (Code) Section 501(c)(3) and is also exempt from state income taxes. Contributions to the Organization are deductible for federal income tax purposes. The Organization is considered publicly supported for purposes of the IRS private foundation regulations under Internal Revenue Code Section 509(a).

As of December 31, 2013 and 2012, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the combined financial statements according to the *Income Tax* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

NET ASSETS

Unrestricted amounts are those currently available at the discretion of the board for use in the Organization's operations and those resources invested in land, buildings, and equipment, net of related debt.

Temporarily restricted amounts are those stipulated by donors for specific operating purposes or those not currently available for use until commitments regarding their use have been fulfilled.

Permanently restricted amounts are those which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity, and only the income is available as unrestricted or temporarily restricted per endowment agreements.

CASH AND CASH EQUIVALENTS AND CREDIT RISK

For purposes of the combined statements of cash flows, cash and cash equivalents include cash on hand and in the bank. While at times the Organization's cash and cash equivalents may exceed federally insured limits, the Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on these accounts.

ACCOUNTS RECEIVABLE

Accounts receivable consists of funds due from affiliated Southern Baptist agencies and other miscellaneous receivables. Accounts receivable are reported net of allowance for uncollectible amounts as determined by management. Accounts receivable totaled $23,813 and $16,870 at December 31, 2013 and 2012, respectively. The allowance for uncollectible amounts totaled $-0- at December 31, 2013 and 2012. Total write-offs of uncollectible accounts was $-0- at December 31, 2013 and 2012.

Notes to combined financial statements

December 31, 2013 and 2012

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NONCURRENT INVESTMENTS
Investments are reported at fair value.

Investments with a fair value of $2,680,725 and $2,766,958 were held in investment portfolios with the Baptist Foundation of Oklahoma (BFO), Fidelity Investments, and Wesleyan Investment Foundation (WIF) at December 31, 2013 and 2012, respectively. Investments held at BFO and WIF are audited by other independent auditors. These investments consist mostly of mutual funds and certificates of deposit and are reported at estimated fair value using reasonable valuation methodologies.

PREPAID EXPENSES AND OTHER ASSETS
Prepaid expenses and other assets consist of various expenses paid in advance and inventory items.

Inventory is reported at the lower of cost of market value and consists of office supply items used in printing and publication. Inventory totaled approximately $8,032 and $8,422 at December 31, 2013 and 2012, respectively.

CONCENTRATION OF CREDIT RISK
Financial instruments that potentially subject the Organization to credit risk include unsecured deposits with the Baptist Foundation of Oklahoma totaling $1,362,994 and $1,945,118 at December 31, 2013 and 2012, respectively (see Note 3).

LAND, BUILDINGS, EQUIPMENT, AND DEPRECIATION
Items capitalized as land, buildings, and equipment (including furniture and fixtures) are reported at cost or market value on the date of donation if donated. Depreciation is reported on the straight-line basis over the useful lives of the assets. Purchases equaling or exceeding $1,500 are capitalized and depreciated over a three to five year useful life for equipment and 30 years for buildings.

LIABILITES UNDER TRUST AGREEMENTS
As trustee, the Organization administers irrevocable trusts, including charitable remainder unitrusts. These trusts provide the payment of lifetime distributions to the grantor or other designated beneficiaries. The present value of the income interests are reported as trust liabilities using federal discount and mortality tables. At the death of the lifetime beneficiaries, the trusts provide for the distribution of assets to designated remaindermen. The present value of the remainder interest of the Organization is reported as temporarily restricted contributions in the period received, temporarily restricted net assets, and as a reclassification to the unrestricted net assets or restricted per the trust agreement when the trust matures.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND RECLASSIFICATIONS

Support is recognized when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities and changes in net assets as net assets released from restrictions.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. 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.

Contributions to the Cooperative Program of the Southern Baptist Convention (SBC) are based on a percent of the Cooperative Program gift as approved by the Organization.

Revenue is recognized when earned.

FUNCTIONAL ALLOCATION OF EXPENSES AND JOINT COSTS

Expenses, including all advertising costs, are reported when incurred. The costs of providing various program services and supporting activities have been summarized on a functional basis in the combined statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The Organization incurred no joint costs for the years ended December 31, 2013 and 2012.

CONTRIBUTED SERVICES

Contributed services are recognized for those that improve or enhance property and equipment (as contributions and increases to the basis of land, buildings, and equipment) or for those that require specialized skills (as contributions and expenses). There were $99,785 and $57,504 in donated labor for the years ended December 31, 2013 and 2012, respectively.

CONCENTRATION OF SUPPORT AND REVENUE

Revenue received by the Organization is primarily from churches within Indiana and affiliated agencies of the SBC. The Cooperative Program contributions come from churches in Indiana. The Organization has experienced 80-90 percent participation from churches in the state for this program, which represents approximately 70 percent of the total support and revenue. Other program support is generated primarily from the North American Mission Board of the SBC.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES
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 were not available.

Fair values of assets measured on a recurring basis at December 31, 2013 and 2012, are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2013				
Noncurrent investments:				
Publicly traded stock:				
Equities:				
Utilities	$ 60,466	$ 60,466	$ -	$ -
Energy	34,553	34,553	-	-
Consumer defensive	32,393	32,393	-	-
Basic materials	21,595	21,595	-	-
Healthcare	19,436	19,436	-	-
Consumer cyclical	12,957	12,957	-	-
Communication services	10,798	10,798	-	-
Financial services	8,638	8,638	-	-
Technology	6,479	6,479	-	-
Industrials	6,479	6,479	-	-
Other	2,160	2,160	-	-
Bonds:				
AA/Aa	52,050	52,050	-	-
BB/Ba	4,612	4,612	-	-
B	4,612	4,612	-	-
Other	2,635	2,635	-	-
AAA/Aaa	1,318	1,318	-	-
BBB/Baa	659	659	-	-
Total publicly traded stock	$ 281,840	$ 281,840	$ -	$ -
Partnership	$ 50,000	$ -	$ 50,000	$ -
Property held as investment	$ 289,686	$ -	$ 289,686	$ -
Term investments	$ 1,246,766	$ 1,246,766	$ -	$ -
Money market funds	$ 985,891	$ 985,891	$ -	$ -

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES, continued

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2013, continued				
Pooled investments:				
Domestic equity:				
Cash	$ 5,086	$ -	$ 5,086	$ -
Basic materials	1,490	-	1,490	-
Consumer discretionary	3,396	-	3,396	-
Consumer staples	3,840	-	3,840	-
Energy	7,400	-	7,400	-
Financials	4,767	-	4,767	-
Health care	5,317	-	5,317	-
Industrials	7,177	-	7,177	-
Information technology	841	-	841	-
Telecommunications	1,366	-	1,366	-
International equity:				
Cash	324	-	324	-
Basic materials	1,633	-	1,633	-
Consumer discretionary	2,215	-	2,215	-
Consumer staples	1,824	-	1,824	-
Energy	1,358	-	1,358	-
Financials	4,078	-	4,078	-
Health care	1,326	-	1,326	-
Industrials	2,154	-	2,154	-
Information technology	1,119	-	1,119	-
Telecommunications	903	-	903	-
Utilities	500	-	500	-
Fixed income instruments:				
Cash	639	-	639	-
Money Market	1,258	-	1,258	-
Foreign debt securities	1,982	-	1,982	-
Corporate debt securities	23,142	-	23,142	-
U.S. government securities	30,529	-	30,529	-
Accrued interest income	564	-	564	-
Total pooled investments	$ 116,228	$ -	$ 116,228	$ -

Notes to combined financial statements

December 31, 2013 and 2012

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES, continued

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2012				
Noncurrent investments:				
Publicly traded stock:				
Equities:				
Consumer defensive	$ 51,964	$ 51,964	$ -	$ -
Healthcare	33,257	33,257	-	-
Energy	29,100	29,100	-	-
Communication services	24,943	24,943	-	-
Basic materials	18,707	18,707	-	-
Financial services	14,550	14,550	-	-
Consumer cyclical	12,471	12,471	-	-
Technology	10,393	10,393	-	-
Industrials	10,393	10,393	-	-
Utilities	2,078	2,078	-	-
Bonds:				
AA/Aa	16,772	16,772	-	-
A	12,579	12,579	-	-
BBB/baa	12,579	12,579	-	-
AAA/Aa	10,483	10,483	-	-
B	9,085	9,085	-	-
BB/baa	5,591	5,591	-	-
Other	2,795	2,795	-	-
Total publicly traded stock	$ 277,740	$ 277,740	$ -	$ -
Partnership	$ 100,000	$ -	$ 100,000	$ -
Property held as investment	$ 289,688	$ -	$ 289,688	$ -
Term investments	$ 1,849,471	$ 1,849,471	$ -	$ -
Money market funds	$ 444,100	$ 444,100	$ -	$ -

Notes to combined financial statements

December 31, 2013 and 2012

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES, continued

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2012, continued				
Pooled investments:				
Domestic equity:				
Cash	$ 732	$ -	$ 732	$ -
Basic materials	696	-	696	-
Consumer discretionary	547	-	547	-
Consumer staples	929	-	929	-
Energy	195	-	195	-
Financials	1,251	-	1,251	-
Health care	1,631	-	1,631	-
Industrials	1,430	-	1,430	-
Information technology	274	-	274	-
Telecommunications	1,120	-	1,120	-
Utilities	554	-	554	-
International equity:				
Cash	548	-	548	-
Basic materials	2,551	-	2,551	-
Consumer discretionary	1,231	-	1,231	-
Consumer staples	1,268	-	1,268	-
Energy	2,060	-	2,060	-
Financials	2,170	-	2,170	-
Health care	601	-	601	-
Industrials	1,209	-	1,209	-
Information technology	1,627	-	1,627	-
Telecommunications	1,106	-	1,106	-
Utilities	182	-	182	-
Fixed income instruments:				
Cash	1,922	-	1,922	-
Foreign debt securities	1,722	-	1,722	-
Corporate debt securities	28,556	-	28,556	-
U.S. government securities	39,101	-	39,101	-
Accrued interest income	434	-	434	-
Total pooled investments	$ 95,647	$ -	$ 95,647	$ -

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES, continued
Valuation techniques: The fair value of publicly traded stock is determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of the pooled investments with the BFO is determined by dividing the total pool assets by the total pool units outstanding. The pool assets consist of domestic and international equities, and fixed income instruments with quoted market prices. The fair value of the partnership is based on the Organization’s interest in the appraised value of the partnership.

ADVERTISING COSTS
The Organization expenses advertising costs as incurred. The Organization incurred advertising costs of $43,868 and $42,629 for the years ended December 31, 2013 and 2012, respectively.

RECLASSIFICATIONS
Certain reclassifications have been made to prior year financial statements to conform to the current year financial statement presentation. These reclassifications had no effect on the change in net assets.

Notes to combined financial statements

December 31, 2013 and 2012

3. NONCURRENT INVESTMENTS:

Noncurrent investments consist of:

	December 31, 2013	December 31, 2012
Investment pools:		
Balanced pool–Baptist Foundation of Oklahoma	$ 116,228	$ 95,647
Term investments–Baptist Foundation of Oklahoma	1,246,766	1,849,471
Publicly traded stock	281,840	277,740
Money market funds	985,891	444,100
Property held as investment	289,686	289,688
Investment in partnership	50,000	100,000
	$ 2,970,411	$ 3,056,646

Investment income is reported as revenue in the combined statements of activities and changes in net assets and consists of:

	Year Ended December 31, 2013	Year Ended December 31, 2012
State Convention of Baptists in Indiana, Incorporated:		
Realized and unrealized gains	$ 1,038	$ 8,418
Baptist Foundation of Indiana, Inc.:		
Interest and dividends	10,041	52,452
Realized and unrealized gains	31,556	11,678
	41,597	64,130
	$ 42,635	$ 72,548

Notes to combined financial statements

December 31, 2013 and 2012

4. CHURCH LOANS RECEIVABLE:

Church loans receivable consist of church loans ranging in term from 10 to 20 years with 4.50 percent to 7.50 percent annually compounded interest rates and are included in noncurrent investments (see Note 3). These receivables are collateralized by a security interest on the underlying church properties.

Loans receivable will mature as follows:

Year Ending December 31,	Principal Reduction
2014	$ 82,077
2015	145,463
2016	61,933
2017	58,596
2018	61,829
Thereafter	805,213
	$ 1,215,111

CREDIT QUALITY OF FINANCING RECEIVABLES AND ALLOWANCE FOR CREDIT LOSSES:
Allowance for credit losses and recorded investment in financing receivables consist of:

	December 31, 2013	December 31, 2012
Allowance for credit losses:		
Beginning balance	$ -	$ -
Charge-offs	-	-
Recoveries	-	-
Provision	-	-
	$ -	$ -
Financing receivables	$ 1,215,111	$ 483,576
Collectively evaluated for impairment	$ 1,215,111	$ 483,576

Notes to combined financial statements

December 31, 2013 and 2012

4. CHURCH LOANS RECEIVABLE, continued:
Credit Quality Indicators consist of:

Corporate Credit Exposure Credit Risk Profile Based on Payment Activity	December 31, 2013	 2012
Performing	$ 1,215,111	$ 483,576
Non-performing	-	-
	$ 1,215,111	$ 483,576

Age analysis of past due financing receivables consist of:

	December 31, 2013	 2012
30-60 days past due	$ -	$ -
61-90 days past due	-	-
Greater than 90 days	7,907	5,415
	7,907	5,415
Current	1,207,204	478,161
	$ 1,215,111	$ 483,576

5. LAND, BUILDINGS, AND EQUIPMENT:
Land, buildings, and equipment consist of:

	December 31, 2013	 2012
Land	$ 256,036	$ 256,036
Buildings	2,762,325	2,762,325
Furniture, fixtures, and equipment	516,315	473,030
Other improvements	828,900	803,111
Construction in process	173,041	32,675
	4,536,617	4,327,177
Less accumulated depreciation	(2,494,332)	(2,366,283)
	$ 2,042,285	$ 1,960,894

Notes to combined financial statements

December 31, 2013 and 2012

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of:

	December 31, 2013	December 31, 2012
Accounts payable–trade	$ 86,592	$ 61,774
Payables to other Southern Baptist agencies (see below)	379,101	199,916
Payroll taxes and accrued expenses	2,816	2,983
	$ 468,509	$ 264,673

Payables to other Southern Baptist agencies, which at times may include Cooperative Program, Lottie Moon, and Annie Armstrong funds, are normally distributed to their respective agencies shortly after the end of the fiscal year (see Note 12).

Notes to combined financial statements

December 31, 2013 and 2012

7. DEPOSITS HELD FOR OTHERS:

Deposits held for others are available only to individuals, churches, and other organizations affiliated with the SBC. Deposits are redeemable upon 30 days advance written notice. Interest is variable and compounded monthly. At December 31, 2013 and 2012, the annual percentage rates ranged from .75 to 2.32 and 2.05 to 4.02 percent, respectively.

As of December 31, 2013 and 2012, all investors were located within the state of Indiana.

The fair value of these investment accounts is the amount payable on demand at the balance sheet date of presentation.

As of December 31, 2013 and 2012, the Foundation had investors with aggregate balances of $100,000 or more, respectively. The balances over $100,000 are distributed as follows:

	December 31, 2013		
Investment Account Balances	Number of Investors	Aggregate Balance	Percentage of Deposit Held for Others
$0 – $100,000	16	$ 554,843	41%
$100,001 – $200,000	0	-	0%
$200,001– $300,000	1	256,684	19%
$300,001– $400,000	0	-	0%
$400,001– $500,000	0	-	0%
$500,001– $600,000	1	549,862	40%
	18	$ 1,361,389	100%

	December 31, 2012		
Investment Account Balances	Number of Investors	Aggregate Balance	Percentage of Deposit Held for Others
$0 – $100,000	10	$ 357,917	59%
$100,001 – $200,000	0	-	0%
$200,001 – $300,000	1	252,072	41%
	11	$ 609,989	100%

8. MORTGAGE PAYABLE:

Mortgage payable consists of:

	December 31, 2013	December 31, 2012
Mortgage payable	$ -	$ 267,314
Less current portion	-	(35,182)
	$ -	$ 232,132

A $500,000 mortgage was obtained to construct a new worship center/dining hall and purchase additional property at the Organization-owned camp. The loan was increased in 2004 to purchase the additional property and refinanced with a 15-year term loan with interest fixed for five years at 5.5 percent. In 2013, the mortgage was fully refinanced with the Indiana Baptist Foundation with a 15-year term loan with interest at 4.5 percent and adjustable every three years. This transaction is fully eliminated as an inter-company transaction in the combined financial statements. The mortgage is secured by all business assets located at the executive office building on 900 North High School Road, Indianapolis, Indiana.

The Organization was in compliance with all financial and reporting covenants at December 31, 2013 and 2012.

9. NET ASSETS:

Net assets are classified according to their nature and purpose and consist of:

	December 31, 2013	December 31, 2012
Unrestricted:		
Undesignated	$ (799,484)	$ (543,203)
Endowment net assets below historic principal	(65,837)	(86,332)
	(865,321)	(629,535)
Investment in land, buildings, and equipment:		
Net land, buildings, and equipment	2,042,285	1,960,894
Less mortgage payable	-	(267,314)
	2,042,285	1,693,580
Total unrestricted	$ 1,176,964	$ 1,064,045

The Organization has accumulated unrestricted deficits of $865,321 and $629,535 for the years ended December 31, 2013 and 2012, respectively, that had resulted from permanently restricted endowments that are below their historic gift amount and accumulated post–retirement benefit obligations.

	December 31, 2013	December 31, 2012
Temporarily restricted:		
Expendable foundation funds	$ 661,370	$ 544,549
New Works	383,456	338,028
Church enrichment	41,621	61,408
Highland Lakes camp development	37,049	13,256
Disaster relief	36,035	42,642
North American Mission Board	31,396	108,156
Domestic hunger	25,674	25,913
Special W.M.U. fund/women’s ministries	23,383	21,771
Collegiate ministries	12,276	15,090
Administrative	9,945	262
Evangelism promotion	3,264	10,168
Stewardship promotion	1,540	3,070
International partnerships	266	5,300
Total temporarily restricted	$ 1,267,275	$ 1,189,613

9. NET ASSETS, continued:

	December 31, 2013	December 31, 2012
Permanently restricted:		
Baptist Foundation–corpus is unexpendable, earnings may be used for donor specified activity	$ 1,159,744	$ 1,157,064
Total net assets	$ 3,603,983	$ 3,410,722

ENDOWMENT NET ASSETS

The *Endowments* topic of the FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization and enhanced disclosure information to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policy, and related investment policy of its endowment funds.

The Foundation's endowment consists of individual funds established to provide financial support to the Foundation in perpetuity. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

INTERPRETATION OF RELEVANT LAW

The Board of Directors has interpreted the Indiana State Prudent Management of Institutional Funds Act (ISPMIFA) so that the Foundation 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 that are made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added or deducted from the fund.

The remaining portion of the donor-restricted endowment funds 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 Foundation in a manner consistent with the standard of prudence prescribed by ISPMIFA. In accordance with ISPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation 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 Foundation
7. The investment policies of the Foundation

9. NET ASSETS, continued:

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 ISPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

RETURN OBJECTIVES AND RISK PARAMETERS

The Foundation has adopted investment and spending policies for endowment assets designed to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assts. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended over the long-term to earn an annualized total-rate-of-return of five percent, net of expenses and fees. Actual returns in any given year will of course vary.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVE

To satisfy its long-term rate-of-return objectives, the Foundation seeks investment returns through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on fixed investments to achieve its long-term return objectives within prudent risk constraints.

HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Foundation uses a method based upon the total return on assets to determine the amounts distributable from endowments held as trustee and amounts appropriated for expenditure for endowments under which the Foundation is the income beneficiary in conformity with ISPMIFA. In each quarter of the year, the net earnings from investments is allocated to the trusts based on the balance of corpus and undistributed earnings. The net earnings come from any traditional income (bond interest and stock dividends) earned in that quarter and is supplemented from the trust's net appreciation over the fair value of the original gift. If the market value for a given trust is less than the fair value of the original gift in any given quarter, the portion of net earnings that is not traditional income is reinvested and will not be held in the trust for distribution.

Notes to combined financial statements

December 31, 2013 and 2012

9. NET ASSETS, continued:

Changes in endowment net assets for the fiscal year ended December 31, 2013, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (86,332)	$ 37,307	$ 1,157,064	$ 1,108,039
Investment return:				
Net appreciation (realized and unrealized)	20,495	13,390	-	33,885
Total investment return	20,495	13,390	-	33,885
Expenditures	-	(6,497)	-	(6,497)
Contributions	-	-	2,564	2,564
Transfers	-	(116)	116	-
Reclassification of endowment assets for preservation of historic dollar value	-	-	-	-
	-	(6,613)	2,680	(3,933)
Endowment net assets, end of year	$ (65,837)	$ 44,084	$ 1,159,744	$ 1,137,991

Changes in endowment net assets for the fiscal year ended December 31, 2012, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (106,690)	$ 28,260	$ 1,154,679	$ 1,076,249
Investment return:				
Net appreciation (realized and unrealized)	20,358	14,877	-	35,235
Total investment return	20,358	14,877	-	35,235
Expenditures	-	(15,431)	-	(15,431)
Contributions	-	-	10,212	10,212
Transfers	1,774	7,827	(7,827)	1,774
Reclassification of endowment assets for preservation of historic dollar value	(1,774)	1,774	-	-
	-	(5,830)	2,385	(3,445)
Endowment net assets, end of year	$ (86,332)	$ 37,307	$ 1,157,064	$ 1,108,039

10. EMPLOYEE BENEFIT PLANS:

RETIREMENT BENEFITS

All employees working more than one-half time are covered by a 403(b) retirement plan. Employer contributions depend on term of service but do not exceed 15 percent of salary and housing allowances. Employees may also elect to reduce their salary and make tax-free contributions to the plan. Employee contributions are limited in amount by IRS regulations. Employer payments to 403(b) retirement plans were $186,803 and $172,475 for the years ended December 31, 2013 and 2012, respectively.

OTHER EMPLOYEE BENEFITS

All employees working 20 or more hours per week are provided life, medical, and disability coverages. The medical coverage extends to all eligible staff. The coverage also extends to administrative staff dependents hired before 2005 and requires no premium participation by the employee.

11. REVENUE:

Revenue consist of:

	Year Ended December 31,	
	2013	2012
Fees	$ 649,484	$ 554,802
Capitalized labor	99,785	57,504
IBF management fees	30,916	19,567
Other	58,612	10,282
	$ 838,797	$ 642,155

12. AGENCY ASSETS AND LIABILITIES:

The Organization receives and remits designated funds from and on behalf of multiple local churches. Some of these funds constitute an agency relationship; they are Lottie Moon, Annie Armstrong, and World Hunger. The assets are commingled in cash, and the liabilities are included in accounts payable (see Note 6). The agency liabilities included in accounts payable at December 31, 2013 and 2012, were $379,101 and $199,916, respectively.

13. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK:

Accounting principles generally accepted in the United States of America require all entities to disclose certain information about their financial instruments. Specifically, all entities are required to disclose the risk of an accounting loss from a financial instrument. The possibility that a loss may occur from the failure of another party to perform according to the terms of a contract represents credit risk.

The Foundation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments are commitments to extend credit and involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the combined statements of financial position. The contract amounts of those instruments reflect the extent of involvement the Foundation has in those particular classes of financial instruments.

The Foundation's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Foundation uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments are fixed as to the maximum dollar amount that is available to a particular customer. The making of the commitment itself may require the payment of a fee. Not all commitments have the full amount of the approved funds advanced upon execution of the loan, and some do not fully utilize the entire commitment established. Consequently, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2013, the Foundation did not have any outstanding loan commitments.

The credit worthiness of each loan applicant is assessed on a case-by-case basis. The Foundation makes loans only to Southern Baptist organizations that would qualify under Section 501(c)(3) of the Code as tax-exempt organizations. The purpose of the loans is to enable churches, schools, and other organizations associated with Southern Baptists to acquire and develop land, build facilities, or remodel and expand existing facilities with reasonable financing costs. Other credit considerations are represented by the terms of the loan, loan to value ratios, and other credit factors. Currently, the interest rate charged is 4.75 percent to 6.75 percent. The Foundation maintains a policy to review all loans monthly to determine past due or delinquent status based on contractual terms and how recently payments have been received. The Foundation does not maintain an allowance on the receivables. To date, the Foundation has not charged-off any loan balances. As of December 31, 2013 and 2012, the Foundation did not consider any loans delinquent or impaired.

13. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK, continued:

In most instances, the ability of these organizations to repay loans will depend primarily upon the contributions they receive from their constituents and fees or other related charges assessed for services rendered. The number of constituents of these organizations, and the amount of contributions they receive may fluctuate. Further, the Foundation is motivated by other commercial and/or profit motives only. This fact alone may affect how it deals with its borrowers.

14. SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK:

As disclosed under the caption “Financial Instruments With Off-Balance Sheet Credit Risk,” the Foundation makes loans only to not-for-profit organizations that would qualify under Section 501(c)(3) of the Code as tax-exempt organizations. These consist of churches, schools, and other organizations associated with Southern Baptists. As of December 31, 2013 and 2012, the Foundation’s loan receivables from those organizations is as disclosed in Note 4.

15. COMMITMENTS:

OPERATING LEASE

Lease expense was $64,493 and $59,577 for the years ended December 31, 2013 and 2012, respectively. During 2010, the Organization began entering into new operating leases for cars that expire based on miles, not a monthly term. Due to the usage variable, the maximum possible lease expense is included in the amounts reported below. Future lease payments are due as follows:

Year Ending December 31,	
2014	$ 64,860
2015	7,608
2016	3,804
	$ 76,272

COMMITMENT UNDER HOTEL CONTRACTS

The Convention has entered into contractual agreements with hotels for events to be held in 2014 and 2015. Under these contracts, SCBI would be liable for a payment of approximately $56,000 if all events were cancelled as of December 31, 2013.

16. POST-RETIREMENT BENEFITS OTHER THAN PENSIONS:

The Convention provides health care benefits to retired employees. These benefits are not paid in accordance with a formal written plan, and while there has been a past practice of paying these benefits, the Convention is not legally required to continue to pay any of these benefits in the future. At the discretion of the executive board, the Convention currently funds these benefits out of ongoing operations and the benefits are subject to the future availability of funds. Certain benefits are contributory; other benefits are non-contributory based on age and years of service. In accordance with the *Compensation–Retirement Benefits* topic of the FASB ASC, the Convention is required to recognize the funded status of its post retirement benefits measured as the difference between plan assets at fair market value and the benefit obligation in its combined statements of financial position.

Effective in 2000, the Convention began paying the premiums for Medicare supplement coverage based on years of service for those retiring from the Convention. Employees retiring from the Convention must have a minimum of 10 years of service and be at least 60 years or older to be eligible.

The post-retirement health care benefit obligation was calculated as of December 31, 2013, using the previous benefit provisions that included coverage for Medicare supplement coverage.

The plan is funded when payments are made as premiums become due. Total payments under the plan were \$6,406 and \$4,124 for the years ended December, 31, 2013 and 2012, respectively. The cost is allocated by function and is included in administration costs.

16. POST RETIREMENT BENEFITS OTHER THAN PENSIONS, continued:

In September 2009, FASB issued the provisions of the *Compensation–Retirement Benefits* topic of the FASB ASC (formerly SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Post-Retirement Plans–an amendment of FASB Statements No. 87,88,106, and 132(R)). The topic requires an employer that sponsors a defined benefit post-retirement plan to report the current economic status (the overfunded or underfunded status) of the plan in its combined statements of financial position and to include enhanced disclosure provisions of the topic for the fiscal year ending December 31, 2008, and thereafter.

	December, 31	
	2013	2012
Postretirement health care benefits obligation:		
Retirees receiving benefits	$ 394,524	$ 131,396
Active employees–fully eligible to receive benefits	105,790	410,848
Active employees–not yet fully eligible to receive benefits	172,725	247,515
	673,039	789,759
Fair value of plan assets at December 31	-	-
Funded status	$ (673,039)	$ (789,759)
Accumulated benefit cost recognized in the combined statements of financial position	$ 673,039	$ 789,759
Net periodic benefit costs for each year ended December 31:		
Service cost	$ 20,138	$ 22,604
Interest cost	31,284	29,342
Benefits paid	(6,406)	(4,124)
Change in assumptions	(87,930)	125,326
Actuarial gain	(73,806)	(48,509)
	$ (116,720)	$ 124,639

16. POST RETIREMENT BENEFITS OTHER THAN PENSIONS, continued:

	December, 31	
	2013	2012
Weighted average assumptions:		
Discount rate	4.8%	3.9%
Benefit obligations	5.0%	5.0%

The following benefits payments, which reflect expected future service as appropriate, are expected to be paid as follows:

Year Ending December 31,	
2014	$ 16,644
2015	17,628
2016	18,546
2017	26,326
2018-2021	231,641

	Year Ended December 31,	
	2013	2012
Net periodic benefit cost	$ (110,314)	$ 128,763
Employer contributions	$ -	$ -
Plan participants' contributions	$ -	$ -
Benefits paid	$ 6,406	$ 4,124

Changes in discount rate, mortality assumptions, and demographics constitute a change in estimate. The effect of the change in estimate reported in the combined financial statements was ($87,930) and $125,326 for the years ended December 31, 2013 and 2012, respectively.

16. POST RETIREMENT BENEFITS OTHER THAN PENSIONS, continued:

For measurement purposes, 100% of those currently electing coverage are assumed to take post-retirement medical benefits upon retirement. Upon Medicare eligibility, retirees are enrolled in a Guidestone Medicare supplement insured plan. Assumed increases in the per capita cost of covered health care benefits are as follows:

Year Ending December 31,	Medicare Supplement
2014	5.0%
2015	5.0%
2016 and thereafter	5.0%

17. MANAGEMENT'S DISCUSSION REGARDING FINANCIAL CONDITION:

In order to restore negative unrestricted net assets, the Convention board has directed management to increase the monitoring of both revenue and expenditures. Program services and overhead expenses have been reviewed and reduced as necessary, and increased contributions are being sought through a cooperative program challenge with Southern Baptist Convention churches throughout the state to produce positive cash flow.

The Convention's board and management believe that these measures will curtail further deficit operations, restore negative unrestricted net assets, and lead to fiscal operations that will enable the accomplishment of its mission and vision.

18. SUBSEQUENT EVENTS:

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