State Convention *of*
Baptists in Indiana

STATE CONVENTION OF BAPTISTS IN INDIANA, INCORPORATED AND AFFILIATE

COMBINED FINANCIAL STATEMENTS
With Independent Auditors' Report

December 31, 2014 and 2013

CAPINCROUSE LLP
Certified Public Accountants

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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, 2014 and 2013, 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.

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, 2014 and 2013, 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.

Prior Period Adjustment
As described in Note 18 to the combined financial statements, misstatements of previously reported net assets as of December 31, 2012, were identified during the current year. Accordingly, retrospective adjustments have been made to net assets. Our opinion is not modified with respect to these matters.

Capin Crouse LLP

Greenwood, Indiana
April 13, 2015

Combined statements of financial position

December 31	2014	2013
Assets		
Cash and cash equivalents	**$ 964,522**	$ 381,193
Accounts receivable	**57,701**	23,813
Contributions receivable	**33,000**	-
Prepaid expenses and other assets	**28,566**	38,879
Church loans receivable, net	**1,417,337**	1,215,111
Assets held for future ministry	**289,686**	289,686
Noncurrent investments	**2,464,606**	2,680,725
Land, buildings, and equipment, net	**2,001,093**	2,042,285
Total assets	**$ 7,256,511**	$ 6,671,692
Liabilities		
Accounts payable and accrued expenses	**$ 569,530**	$ 468,509
Deposits held for others	**1,396,601**	1,361,389
Deferred revenue	**22,472**	13,219
Liabilities under trust agreements	**643,182**	704,374
Accumulated post-retirement benefits	**863,722**	673,039
Total liabilities	**3,495,507**	3,220,530
Net Assets		
Unrestricted	**1,201,193**	1,428,443
Temporarily restricted	**1,725,128**	1,185,851
Permanently restricted	**834,683**	836,868
Total net assets	**3,761,004**	3,451,162
Total liabilities and net assets	**$ 7,256,511**	$ 6,671,692

Combined statements of activities and changes in net assets

For the years ended December 31	2014	2013
Changes in unrestricted net assets:		
Revenues, gains, and other support:		
Cooperative Program	**$ 2,362,010**	$ 2,473,013
Southern Baptist Convention affiliates	**997,179**	1,178,203
Revenue	**751,940**	838,797
Investment income	**32,032**	11,853
Other support	**35,696**	34,744
	4,178,857	4,536,610
Net assets released by satisfaction of purpose restrictions	**440,379**	540,838
Total unrestricted revenues, gains, and other support	**4,619,236**	5,077,448
Expenses:		
Program expenses:		
Missions-State	**1,085,059**	947,657
Camp operations	**858,815**	765,996
SBC Cooperative Program	**848,184**	850,905
Church enrichment	**409,052**	620,577
Baptist Foundation	**233,052**	163,568
Women's/children's ministries	**210,415**	256,680
Evangelism and prayer	**175,872**	222,881
Student ministries	**113,768**	147,091
Communications	**80,558**	71,960
Pastor annuity supplement	**66,477**	67,567
Foreign missions	**9,929**	16,261
	4,091,181	4,131,143
Administrative expenses	**735,024**	777,001
Fund-raising expenses	**20,281**	43,868
Total expenses	**4,846,486**	4,952,012
Total changes in unrestricted net assets	**(227,250)**	125,436

(continued)

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

For the years ended December 31	2014	2013
Changes in temporarily restricted net assets:		
Southern Baptist Convention affiliates	**193,617**	237,549
Contributions	**656,483**	239,680
Investment income	**100,793**	29,653
	950,893	506,882
Net assets released by satisfaction of purpose restrictions	**(411,616)**	(526,304)
Total changes in temporarily restricted net assets	**539,277**	(19,422)
Changes in permanently restricted net assets:		
Contributions	**533**	1,557
Actuarial change	**(2,718)**	(905)
Total changes in permanently restricted net assets	**(2,185)**	652
Changes in net assets	**309,842**	106,666
Net assets, beginning of year:		
As previously reported	**3,451,162**	3,410,722
Prior period adjustment	**-**	(66,226)
As restated	**3,451,162**	3,344,496
Net assets, end of year	**$ 3,761,004**	$ 3,451,162

Combined statements of cash flows

For the years ended December 31	2014	2013
Cash flows from operating activities:		
Change in net assets	**$ 309,842**	$ 106,666
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	**145,372**	129,369
Net realized and unrealized (gains) losses on investments	**(5,442)**	(20,158)
Provision for doubtful church loans receivable	**20,000**	-
Contributions for long-term purposes	**(533)**	(1,557)
Changes in operating assets and liabilities:		
Accounts receivable	**(33,888)**	(6,943)
Contributions receivable	**(33,000)**	-
Prepaid expense and other assets	**10,313**	(12,417)
Accounts payable and accrued expenses	**101,021**	203,836
Accumulated post-retirement benefits	**190,683**	(116,720)
Deferred revenue	**9,253**	3,367
Net cash provided by operating activities	**713,621**	285,443
Cash flows from investing activities:		
Purchases of noncurrent investments	**(851,933)**	(1,444,768)
Principal payments–church loan investments	**178,598**	77,598
Loans made to churches	**(400,824)**	(809,133)
Proceeds from noncurrent investments	**1,073,494**	1,551,161
Purchases and construction of property and equipment	**(104,180)**	(210,760)
Net cash used by investing activities	**(104,845)**	(835,902)
Cash flows from financing activities:		
Liability under trust agreement	**(61,192)**	80,793
Increase in deposits held for others	**85,045**	777,445
Decrease in deposits held for others	**(49,833)**	(26,045)
Contributions for long-term purposes	**533**	1,557
Long-term debt repayments	**-**	(267,314)
Net cash provided by financing activities	**(25,447)**	566,436
Change in cash and cash equivalents	**583,329**	15,977
Cash and cash equivalents, beginning of year	**381,193**	365,216
Cash and cash equivalents, end of year	**$ 964,522**	$ 381,193
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	**$ -**	$ 22,018
Noncash contributions	**$ 45,100**	$ 99,785

Notes to combined financial statements

December 31, 2014 and 2013

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, 2014 and 2013, 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, accrued interest on investments and other miscellaneous receivables. Accounts receivable are reported net of allowance for uncollectible amounts as determined by management. Accounts receivable totaled $37,702 and $23,813 at December 31, 2014 and 2013, respectively. The allowance for uncollectible amounts totaled $-0- and $-0- at December 31, 2014 and 2013. Total write-offs of uncollectible accounts was $-0- at December 31, 2014 and 2013.

Notes to combined financial statements

December 31, 2014 and 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS RECEIVABLE

Contributions receivable (unconditional promises to give) are recognized as income when made. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the pledges are to be received. Management believes all receivable balances are collectible; therefore, no provision for uncollectible accounts was made.

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 $8,032 at December 31, 2014 and 2013, respectively.

ASSETS HELD FOR FUTURE MINISTRY

Assets held for future ministry consist of church properties that have been deeded to the Convention. The Convention has planted new churches in these areas. Once the church plants are determined to be a viable ministry, the Convention will deed the property back to the church.

NONCURRENT INVESTMENTS

Investments are reported at fair value.

Investments with a fair value of $2,463,504 and $2,680,725 were held in investment portfolios with the Baptist Foundation of Oklahoma (BFO), Fidelity Investments, and Wesleyan Investment Foundation (WIF) at December 31, 2014 and 2013, respectively. Investments held at BFO and WIF are audited by other independent auditors. These investments consist of church building loan funds and individual deposit accounts, and are reported at estimated fair value using reasonable valuation methodologies. Term investments held at BFO are cash and cash equivalents invested in church building loans of Southern Baptist churches and entities. Interest is paid at maturity.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk include unsecured deposits with the Baptist Foundation of Oklahoma totaling $958,977 and $1,362,994 at December 31, 2014 and 2013, 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.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

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 (see Note 11).

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, 2014 and 2013.

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 $45,100 and $99,785 in donated labor for the years ended December 31, 2014 and 2013, respectively.

Notes to combined financial statements

December 31, 2014 and 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

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, 2014 and 2013, 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, 2014				
Noncurrent investments:				
Equities:				
Utilities	$ 35,778	$ 35,778	$ -	$ -
Real estate	35,778	35,778	-	-
Financial services	23,333	23,333	-	-
Consumer defensive	21,778	21,778	-	-
Healthcare	18,666	18,666	-	-
Energy	6,222	6,222	-	-
Communication services	4,667	4,667	-	-
Industrials	4,667	4,667	-	-
Consumer cyclical	3,111	3,111	-	-
Other	1,556	1,556	-	-
	$ 155,556	$ 155,556	$ -	$ -
Municipal bonds	$ 15,966	$ -	$ 15,966	$ -
Term investments	$ 681,611	$ 681,611	$ -	$ -
Money market funds	$ 1,386,016	$ 1,386,016	$ -	$ -

(continued)

Notes to combined financial statements

December 31, 2014 and 2013

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, 2014, continued				
Pooled investments:				
Domestic equity:				
Cash	$ 15,782	$ -	$ 15,782	$ -
Basic materials	4,624	-	4,624	-
Consumer discretionary	10,540	-	10,540	-
Consumer staples	11,918	-	11,918	-
Energy	22,967	-	22,967	-
Financials	14,796	-	14,796	-
Health care	16,503	-	16,503	-
Industrials	22,275	-	22,275	-
Information technology	2,612	-	2,612	-
Telecommunications	4,239	-	4,239	-
Fixed income instruments:				
Cash	550	-	550	-
Money market	847	-	847	-
Foreign debt securities	3,659	-	3,659	-
Corporate debt securities	38,987	-	38,987	-
U.S. government securities	54,292	-	54,292	-
Accrued interest income	866	-	866	-
Total pooled investments	$ 225,457	$ -	$ 225,457	$ -
Total noncurrent investments	$ 2,464,606	$ 2,223,183	$ 241,423	$ -

Notes to combined financial statements

December 31, 2014 and 2013

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				
Noncurrent investments:				
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	-	-
	$ 215,954	$ 215,954	$ -	$ -
Municipal bonds	$ 14,576	$ -	$ 14,576	$ -
Partnership	$ 50,000	$ -	$ 50,000	$ -
Term investments	$ 1,246,766	$ 1,246,766	$ -	$ -
Money market funds	$ 1,037,201	$ 1,037,201	$ -	$ -

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	$ -
	$ 2,680,725	$ 2,499,921	$ 180,804	$ -

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES, continued
Valuation techniques: The Balanced pool assets consist of domestic and international equities, and fixed income instruments with quoted market prices. The fair value of the term investments with the BFO are based on cost, which approximates fair value. The fair value of publicly traded equities is determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of money market funds are based on cost. The fair value of the partnership is based on the Foundation’s interest in the appraised value of the partnership.

ADVERTISING COSTS
The Organization expenses advertising costs as incurred. The Organization incurred advertising costs of $20,281 and $43,868 for the years ended December 31, 2014 and 2013, 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, 2014 and 2013

3. NONCURRENT INVESTMENTS:
Noncurrent investments consist of:

	December 31, 2014	December 31, 2013
Balanced pool–Baptist Foundation of Oklahoma	$ 225,457	$ 116,228
Term investments–Baptist Foundation of Oklahoma	681,611	1,246,766
Equities	155,556	215,954
Bonds	15,966	14,576
Money market funds	1,386,016	1,037,201
Investment in partnership	-	50,000
	$ 2,464,606	$ 2,680,725

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

	Year Ended December 31, 2014	Year Ended December 31, 2013
State Convention of Baptists in Indiana, Incorporated:		
Realized and unrealized gains	$ 32,032	$ 11,853
Baptist Foundation of Indiana, Inc.:		
Interest and dividends	73,762	10,041
Realized and unrealized gains	27,031	19,612
	100,793	29,653
	$ 132,825	$ 41,506

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. These receivables are collateralized by a security interest on the underlying church properties, which are all located in Indiana. An allowance of $20,000 was reported as of December 31, 2014.

Loans receivable will mature as follows:

Year Ending December 31,	Principal Reduction
2015	$ 135,604
2016	74,963
2017	69,952
2018	73,495
2019	70,818
Thereafter	1,012,505
	$ 1,437,337

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

	December 31, 2014	December 31, 2013
Allowance for credit losses:		
Beginning balance	$ -	$ -
Charge-offs	-	-
Recoveries	-	-
Provision	20,000	-
	$ 20,000	$ -
Financing receivables	$ 1,437,337	$ 1,215,111
Collectively evaluated for impairment	$ 1,437,337	$ 1,215,111

4. CHURCH LOANS RECEIVABLE, continued:

Credit Quality Indicators consist of:

Corporate Credit Exposure Credit Risk Profile Based on Payment Activity	December 31, 2014	 2013
Performing	$ 1,426,963	$ 1,215,111
Non-performing	10,374	-
	$ 1,437,337	$ 1,215,111

Age analysis of past due financing receivables consist of:

	December 31, 2014	 2013
30-60 days past due	$ -	$ -
61-90 days past due	-	-
Greater than 90 days	10,374	7,907
	10,374	7,907
Current	1,426,963	1,207,204
	$ 1,437,337	$ 1,215,111

5. LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consist of:

	December 31, 2014	 2013
Land	$ 256,036	$ 256,036
Buildings	3,014,970	2,762,325
Furniture, fixtures, and equipment	462,407	516,315
Other improvements	828,900	828,900
Construction in process	2,766	173,041
	4,565,079	4,536,617
Less accumulated depreciation	(2,563,986)	(2,494,332)
	$ 2,001,093	$ 2,042,285

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of:

	December 31,	
	2014	2013
Accounts payable–trade	$ 103,155	$ 86,592
Payables to other Southern Baptist agencies (see below)	465,284	379,101
Payroll taxes and accrued expenses	1,091	2,816
	$ 569,530	$ 468,509

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).

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, 2014 and 2013, the annual percentage rates ranged from 1.00 to 3.31 and .75 to 2.50 percent, respectively.

As of December 31, 2014 and 2013, 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, 2014 and 2013, the Foundation had investors with aggregate balances of $100,000 or more, respectively. The balances over $100,000 are distributed as follows:

	December 31, 2014		
Investment Account Balances	Number of Investors	Aggregate Balance	Percentage of Deposit Held for Others
$0 – $100,000	21	$ 595,002	43%
$100,001 – $200,000	0	-	0%
$200,001– $300,000	1	261,105	19%
$300,001– $400,000	0	-	0%
$400,001– $500,000	0	-	0%
$500,001– $600,000	1	540,494	38%
	23	$ 1,396,601	100%

	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%

Notes to combined financial statements

December 31, 2014 and 2013

8. MORTGAGE PAYABLE:

A $500,000 mortgage was obtained to construct a new worship center/dining hall and purchase additional property at the Organization's 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 at 900 North High School Road, Indianapolis, Indiana and all business assets located at Highland Lakes Baptist Camp, 7605 IN-39, Martinsville, Indiana.

The Organization was in compliance with all financial and reporting covenants at December 31, 2014 and 2013.

9. NET ASSETS:

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

	December 31,	
	2014	2013
Unrestricted:		
Undesignated	$ (1,065,103)	$ (846,173)
Designated:		
Board designated	$ 312,875	$ 298,119
Endowment net assets below historic principal	(47,672)	(65,788)
	(799,900)	(613,842)
Investment in land, buildings, and equipment:		
Net land, buildings, and equipment	2,001,093	2,042,285
Less mortgage payable	-	-
	2,001,093	2,042,285
Total unrestricted	$ 1,201,193	$ 1,428,443

The Organization has accumulated unrestricted deficits of $1,040,499 and $865,321 for the years ended December 31, 2014 and 2013, respectively, that had resulted from permanently restricted endowments that are below their historic gift amount and accumulated post–retirement benefit obligations.

Notes to combined financial statements

December 31, 2014 and 2013

9. NET ASSETS, continued:

	December 31, 2014	December 31, 2013
Temporarily restricted:		
New Works	$ 721,591	$ 383,456
Expendable foundation funds	709,227	579,946
North American Mission Board	110,172	31,396
Highland Lakes camp development	43,073	37,049
Disaster relief	36,703	36,035
Special W.M.U. fund/women's ministries	25,720	23,383
Domestic hunger	20,924	25,674
Church enrichment	17,873	41,621
Administrative	16,393	9,945
International partnerships	12,080	266
Collegiate ministries	5,926	12,276
Evangelism promotion	4,918	3,264
Stewardship promotion	528	1,540
Total temporarily restricted	$1,725,128	$1,185,851

	December 31, 2014	December 31, 2013
Permanently restricted:		
Baptist Foundation–corpus is unexpendable, earnings may be used for donor specified activity	$ 834,683	$ 836,868
Total net assets	$ 3,761,004	$ 3,451,162

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.

9. NET ASSETS, continued:

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

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. As of December 31, 2014 and 2013, the Foundation had deficiencies totaling $47,672 and $65,837, respectively. 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.

9. NET ASSETS, continued:

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 assets. 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, 2014 and 2013

9. NET ASSETS, continued:

Changes in endowment net assets for the fiscal year ended December 31, 2014, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (65,788)	$ 8,185	$ 836,868	$ 779,265
Investment return:				
Net appreciation (realized and unrealized)	-	25,290	-	25,290
Total investment return	-	25,290	-	25,290
Expenditures	-	(7,097)	(2,718)	(9,815)
Contributions	-	-	385	385
Transfers	-	(148)	148	-
Reclassification of endowment assets for preservation of historic dollar value	18,116	(18,116)	-	-
	18,116	(25,361)	(2,185)	(9,430)
Endowment net assets, end of year	$ (47,672)	$ 8,114	$ 834,683	$ 795,125

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	$ (85,742)	$ 6,847	$ 836,216	$ 757,321
Investment return:				
Net appreciation (realized and unrealized)	-	30,806	-	30,806
Total investment return	-	30,806	-	30,806
Expenditures	-	(9,398)	(905)	(10,303)
Contributions	-	-	1,441	1,441
Transfers	-	(116)	116	-
Reclassification of endowment assets for preservation of historic dollar value	19,954	(19,954)	-	-
	19,954	(29,468)	652	(8,862)
Endowment net assets, end of year	$ (65,788)	$ 8,185	$ 836,868	$ 779,265

Notes to combined financial statements

December 31, 2014 and 2013

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 $136,624 and $186,803 for the years ended December 31, 2014 and 2013, respectively.

OTHER EMPLOYEE BENEFITS

All employees working 30 or more hours per week are provided life, medical, and disability coverage. 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 consists of:

	Year Ended December 31,	
	2014	2013
Registration and event fees	$ 624,374	$ 649,484
Contributed services	45,100	99,785
IBF management fees	22,139	30,916
Other	60,327	58,612
	$ 751,940	$ 838,797

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, 2014 and 2013, were $465,284 and $379,101, 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, 2014, 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 4.50 percent to 6.00 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 maintains an allowance on the receivables, which was $20,000 as of December 31, 2014. As of December 31, 2014, the Foundation considered one loan delinquent. As of December 31, 2013, the Foundation did not consider any loans delinquent or impaired.

Notes to combined financial statements

December 31, 2014 and 2013

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, 2014 and 2013, the Foundation's loan receivables from those organizations are as disclosed in Note 4.

15. COMMITMENTS:

OPERATING LEASE

Lease expense was $67,391 and $64,493 for the years ended December 31, 2014 and 2013, 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,	
2015	$ 66,180
2016	3,804
	$ 69,984

COMMITMENT UNDER HOTEL CONTRACTS

The Convention has entered into contractual agreements with hotels for events to be held in 2015 and 2016. Under these contracts, the Organization would be liable for a payment of approximately $37,813 if all events were cancelled as of December 31, 2014.

Notes to combined financial statements

December 31, 2014 and 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, 2014, 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 $16,722 and $6,406 for the years ended December, 31, 2014 and 2013, respectively. The cost is allocated by function and is included in administration costs.

Notes to combined financial statements

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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	
	2014	2013
Postretirement health care benefits obligation:		
Retirees receiving benefits	$ 447,036	$ 394,524
Active employees–fully eligible to receive benefits	129,462	105,790
Active employees–not yet fully eligible to receive benefits	287,224	172,725
	863,722	673,039
Fair value of plan assets at December 31	-	-
Funded status	$ (863,722)	$ (673,039)
Accumulated benefit cost recognized in the combined statements of financial position	$ 863,722	$ 673,039
Net periodic benefit costs for each year ended December 31:		
Service cost	$ 15,979	$ 20,138
Interest cost	32,333	31,284
Change in assumptions	132,447	(87,930)
Actuarial change	26,646	(73,806)
	$ 207,405	$ (110,314)

Notes to combined financial statements

December 31, 2014 and 2013

16. POST RETIREMENT BENEFITS OTHER THAN PENSIONS, continued:

	December, 31	
	2014	2013
Weighted average assumptions:		
Discount rate	3.8%	4.8%
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,	
2015	17,490
2016	18,485
2017	26,482
2018	35,964
2019	38,853
2020-2024	219,533

	Year Ended December 31,	
	2014	2013
Net periodic benefit cost	$ 207,405	$ (110,314)
Employer contributions	$ -	$ -
Plan participants' contributions	$ -	$ -
Benefits paid	$ 16,722	$ 6,406

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 $132,447 and $(87,930) for the years ended December 31, 2014 and 2013, 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
2015	5.0%
2016	5.0%
2017 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 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.

Notes to combined financial statements

December 31, 2014 and 2013

18. PRIOR PERIOD ADJUSTMENT:

In 2014, the Foundation corrected an error within net asset classifications that overstated permanently restricted and temporarily restricted net assets and understated unrestricted net assets and liabilities. The restatement of beginning net assets is reported on the combined statements of activities.

The following summarizes the adjustments to each financial statement line item, for the year ended December 31, 2013:

	As Previously Reported	Adjustment	Restated
Statements of Financial Position			
Liabilities under trust agreements	$ 551,553	$ 152,821	$ 704,374
Net assets:			
Unrestricted	$ 1,130,324	$ 298,119	$ 1,428,443
Temporarily restricted	$ 1,313,915	$ (128,064)	$ 1,185,851
Permanently restricted	$ 1,159,744	$ (322,876)	$ 836,868
Statements of Activities			
Changes in unrestricted net assets:			
Interest on investments	$ 1,038	$ 10,815	$ 11,853
Other	$ 32,716	$ 2,028	$ 34,744
Net assets released by satisfaction of purpose restrictions	$ 541,164	$ (326)	$ 540,838
Changes in temporarily restricted net assets:			
Contributions	$ 339,680	$ (100,000)	$ 239,680
Investment income	$ 41,597	$ (11,944)	$ 29,653
Net assets released by satisfaction of purpose restrictions	$ (541,164)	$ 14,860	$ (526,304)
Changes in permanently restricted net assets:			
Contributions	$ 2,680	$ (1,123)	$ 1,557
Actuarial change	$ -	$ (905)	$ (905)
Net assets beginning of the year	$ 3,410,722	$ (66,226)	$ 3,344,496

19. 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.