State Convention *of*
Baptists in Indiana

STATE CONVENTION OF BAPTISTS IN
INDIANA, INCORPORATED AND SUBSIDIARY

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2019 and 2018

CAPINCROUSE LLP

# STATE CONVENTION OF BAPTISTS IN INDIANA, INCORPORATED AND SUBSIDIARY

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CAPINCROUSE LLP

**INDEPENDENT AUDITORS' REPORT**

Board of Directors
State Convention of Baptists
in Indiana, Incorporated and Subsidiary
Martinsville, Indiana

We have audited the accompanying consolidated financial statements of State Convention of Baptists in Indiana, Incorporated and Subsidiary (Organization), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of State Convention of Baptists in Indiana, Incorporated and Subsidiary as of December 31, 2019 and 2018, and the changes in their consolidated 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

Indianapolis, Indiana
March 3, 2020

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# STATE CONVENTION OF BAPTISTS IN INDIANA, INCORPORATED AND SUBSIDIARY

**Consolidated Statements of Financial Position**

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| ASSETS: | | |
| Cash and cash equivalents | $ 529,271 | $ 532,895 |
| Accounts and other receivable | 68,807 | 74,416 |
| Prepaid expenses and other assets | 44,919 | 32,284 |
| Church loans receivable, net | 4,565,658 | 5,196,071 |
| Assets held for future ministry | - | 149,900 |
| Investments | 3,250,349 | 1,971,858 |
| Land, buildings, and equipment, net | 2,147,239 | 2,221,957 |
| Total assets | $ 10,606,243 | $ 10,179,381 |
| LIABILITIES AND NET ASSETS: | | |
| Accounts payable and accrued expenses | $ 175,717 | $ 185,067 |
| Investor deposits | 4,806,030 | 4,393,770 |
| Deferred revenue | 37,934 | 36,381 |
| Liabilities under trust agreements | 675,908 | 623,022 |
| Capital lease liability | 26,295 | 10,281 |
| Accumulated post-retirement benefits | 415,217 | 345,988 |
| Total liabilities | 6,137,101 | 5,594,509 |
| Net Assets: | | |
| Net assets without donor restrictions | 2,364,202 | 2,258,757 |
| Net assets with donor restrictions: | | |
| Restricted by purpose or time | 1,246,503 | 1,465,186 |
| Restricted in perpetuity | 858,437 | 860,929 |
| Total net assets | 4,469,142 | 4,584,872 |
| Total liabilities and net assets | $ 10,606,243 | $ 10,179,381 |

See notes to consolidated financial statements

# STATE CONVENTION OF BAPTISTS IN INDIANA, INCORPORATED AND SUBSIDIARY

**Consolidated Statements of Activities**

| | Year Ended December 31, 2019 | 2018 |
|---|---|---|
| CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS: | | |
| Support: | | |
| Cooperative Program | $ 2,451,628 | $ 2,374,774 |
| Southern Baptist Convention affiliates | 557,071 | 640,779 |
| Other support | 24,106 | 34,845 |
| | 3,032,805 | 3,050,398 |
| Revenue: | | |
| Registration and event fees | 441,940 | 417,281 |
| Investment income | 252,221 | 214,172 |
| Other revenue (loss) | (8,991) | 46,383 |
| | 685,170 | 677,836 |
| Total Support and Revenue | 3,717,975 | 3,728,234 |
| Net assets released by satisfaction of purpose restrictions | 530,835 | 298,448 |
| Expenses: | | |
| Program expenses: | | |
| SBC Cooperative Program | 797,070 | 888,910 |
| Highland Lakes Baptists Camp | 732,448 | 591,703 |
| Missions / evangelism and church planting | 1,121,395 | 878,668 |
| Women's / children's and student ministries | 185,228 | 184,331 |
| Communications | 63,254 | 58,773 |
| Baptist Foundation | 197,916 | 170,293 |
| | 3,097,311 | 2,772,678 |
| General and administrative expenses | 1,032,029 | 810,109 |
| Fund-raising expenses | 14,026 | 30,508 |
| Total Expenses | 4,143,366 | 3,613,295 |
| Change in Net Assets Without Donor Restrictions | 105,444 | 413,387 |

(continued)

See notes to consolidated financial statements

# STATE CONVENTION OF BAPTISTS IN INDIANA, INCORPORATED AND SUBSIDIARY

## Consolidated Statement of Activities
(continued)

| | Year Ended December 31, 2019 | Year Ended December 31, 2018 |
|---|---|---|
| CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS: | | |
| Support: | | |
| Southern Baptist Convention affiliates | 89,392 | 72,986 |
| Contributions | 170,653 | 216,367 |
| Contributions to the endowment | 1,782 | 862 |
| | 261,827 | 290,215 |
| Investment income | 52,108 | 54,908 |
| Actuarial change | (4,274) | (4,031) |
| Net assets released by satisfaction of purpose restrictions | (530,835) | (298,448) |
| Change in Net Assets with Donor Restrictions | (221,174) | 42,644 |
| Change in Net Assets | (115,730) | 456,031 |
| Net Assets, Beginning of Year | 4,584,872 | 4,128,841 |
| Net Assets, End of Year | $ 4,469,142 | $ 4,584,872 |

See notes to consolidated financial statements

# STATE CONVENTION OF BAPTISTS IN INDIANA, INCORPORATED AND SUBSIDIARY

## Consolidated Statements of Cash Flows

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | $ (115,730) | $ 456,031 |
| Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities: | | |
| Loss on disposal of property and equipment | 7,556 | 3,887 |
| Gain on disposal of capital lease | (2,180) | - |
| Write down of assets held for future ministry | 64,900 | 13,433 |
| Loss on sale of assets held for future ministry | 48,380 | - |
| Unrealized (gain) loss on investments | (77) | 250 |
| Depreciation and amortization | 168,701 | 175,614 |
| Provision for doubtful church loans receivable | 2,500 | 7,500 |
| Contributions for long-term purposes | (1,782) | (862) |
| Change in value–liability under trust agreement | 17,723 | 17,434 |
| Changes in: | | |
| Accounts receivable | 5,609 | (62,225) |
| Prepaid expense and other assets | (12,635) | 8,668 |
| Accounts payable and accrued expenses | (9,350) | (60,882) |
| Deferred revenue | 1,553 | (12,191) |
| Accumulated post-retirement benefits | 69,229 | (460,652) |
| Net Cash Provided by Operating Activities | 244,397 | 86,005 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of asset held for future ministry | 36,620 | - |
| Purchases of investments | (2,213,267) | (2,098,532) |
| Proceeds from investments | 934,853 | 2,987,521 |
| Principal repayments–church loan receivables | 700,913 | 447,036 |
| Loans made to churches | (73,000) | (1,637,584) |
| Purchases and construction of property and equipment | (75,244) | (34,635) |
| Net Cash Used by Investing Activities | (689,125) | (336,194) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Increase in investor deposits | 1,115,844 | 2,515,045 |
| Decrease in investor deposits | (703,584) | (2,189,713) |
| Deposits to trust agreements | 100,502 | 99,940 |
| Payments on liability under trust agreement | (65,339) | (20,956) |
| Payments on capital lease | (8,101) | (7,322) |
| Contributions for long-term purposes | 1,782 | 862 |
| Net Cash Provided by Financing Activities | 441,104 | 397,856 |
| Change in Cash and Cash Equivalents | (3,624) | 147,667 |
| Cash and Cash Equivalents, Beginning of Year | 532,895 | 385,228 |
| Cash and Cash Equivalents, End of Year | $ 529,271 | $ 532,895 |
| SUPPLEMENTAL DISCLOSURES: | | |
| Interest paid | $ 103,079 | $ 88,441 |
| Property and equipment acquired through capital lease | $ 26,295 | $ - |

See notes to consolidated financial statements

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. The Convention also operates the Highland Lands Baptist Camp, which is a retreat, camp and conference center located on over 400 acres in Morgan County, Indiana.

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 Convention appoints the Foundation's board of directors. Accordingly, under the *Consolidation* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), the Foundation's financial results are consolidated with those of the Convention.

2. SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

ESTIMATES

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

PRINCIPLES OF CONSOLIDATION

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

The consolidated 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). The Organization is subject to federal income tax on any unrelated business taxable income.

NET ASSETS

*Net assets without donor restrictions* are those currently available at the discretion of the board for use in the Organization's operations, designated by the board for specific use, and those resources invested in land, buildings, and equipment, net of related debt.

*Net assets with donor restrictions* are those stipulated by donors for specific operating purposes or those not currently available for use until commitments regarding their use have been fulfilled. These also include those which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity, and only the income is available as without donor restriction or with donor restriction per endowment agreements.

CASH AND CASH EQUIVALENTS AND CREDIT RISK

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand and in the bank. At December 31, 2019 and 2018, the Convention had approximately $13,000 and $-0- in cash held in a bank exceeding FDIC limits, respectively. At December 31, 2019 and 2018, the Foundation had approximately $81,000 and $98,000 in cash held within an uninsured account, respectively. 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. 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 or net realizable value and consists of office supply items used in printing and publication. At December 31, 2019 and 2018, inventory totaled approximately $12,000.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOWANCE FOR LOAN LOSSES

Church building loans are presented net of an allowance for loan losses. The adequacy of the allowance is determined by the Foundation based on a number of factors, including the collection of loans and evaluation of underlying collateral values, loss experience, specific identification and review of problem loans, quality of the loan portfolio and business and economic conditions. However, ultimate losses may differ from these estimates.

ASSETS HELD FOR FUTURE MINISTRY

Assets held for future ministry consist of church properties that have been granted to the Convention, which are used to plant new churches. Once the church plants are determined to be a viable ministry, the Convention grants the property to the church. During the year ended December 31, 2019, the Convention sold the assets held for future ministry to a third party.

INVESTMENTS

Investments were held in investment portfolios with the Baptist Foundation of Oklahoma (BFO), Fidelity Investments, Church Financial Resources (CFR) and Wesleyan Investment Foundation (WIF). Investments held at CFR and WIF consist of unsecured deposit accounts or certificates of deposit with maturities greater than three months, and are reported at cost plus accrued interest. 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. Investments held at Fidelity consist of money market funds (valued at cost).

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, 10 to 20 years for building improvements, 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 donor restricted contributions in the period received, net assets with donor restrictions, and as a reclassification to the net assets without donor restrictions or net assets with donor restrictions per the trust agreement when the trust matures.

2. <u>SIGNIFICANT ACCOUNTING POLICIES, continued:</u>

SUPPORT, REVENUE, RECLASSIFICATIONS, AND EXPENSES
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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

The Organization reports gifts of property and equipment as support without donor restrictions 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 12).

Expenses, including all advertising costs, are reported when incurred. The Organization incurred no joint costs for the years ended December 31, 2019 and 2018.

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Convention. These expenses include depreciation, information technology, and facilities operations and maintenance. Building depreciation, insurance and facilities operations and maintenance are allocated based on square footage. The camp facilities costs are allocated based on percentage of use. Cost of other categories were allocated on estimates of time and effort.

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 was $5,086 and $11,530, in donated labor for the years ended December 31, 2019 and 2018, respectively.

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 70-80 percent participation from churches in the state for this program, which represents approximately 66 and 64 percent of the Organization's total support and revenue for the years ended December 31, 2019 and 2018, respectively. Other program support is received from the North American Mission Board of the SBC, which represents approximately 15 and 16 percent of the total support and revenue for the years ended December 31, 2019 and 2018, respectively.

ADVERTISING COSTS

The Organization expenses advertising costs as incurred. The Organization incurred advertising costs of $6,401 and $22,236 for the years ended December 31, 2019 and 2018, respectively.

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

The *Fair Value Measurements and Disclosure* topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The Organization's investments consist of money market funds. Money market funds are excluded from the fair value hierarchy as they are held at cost plus accrued interest. There were no assets held at fair value at December 31, 2019 and 2018.

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (topic 606 of the FASB Accounting Standards Codification). The Organization adopted the provisions of this new standard during the year ended December 31, 2019. The new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Adoption of this standard had no effect on change in net assets or net assets in total.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Financial Assets: | | |
| Cash and cash equivalents | $ 529,271 | $ 532,895 |
| Accounts and other receivables | 68,807 | 74,416 |
| Church loan receivables, net | 4,565,658 | 5,196,071 |
| Investments | 3,250,349 | 1,971,858 |
| Financial Assets, at year end | 8,414,085 | 7,775,240 |
| Less those not available for general expenditure within one year: | | |
| Church loan receivables collectible beyond one year | (4,282,482) | (4,907,219) |
| Perpetual endowment | (599,879) | (598,097) |
| Charitable remainder trusts | (258,558) | (262,832) |
| Cash and investments held under trust agreements | (675,908) | (623,022) |
| Restrictions by donor with time or purpose restrictions | (1,188,820) | (1,412,911) |
| Accumulated earnings from endowment | (57,683) | (52,275) |
| Board designated reserves–Foundation | (195,316) | (191,965) |
| | (7,258,646) | (8,048,321) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 1,155,439 | $ (273,081) |

The Convention structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Convention also has a pre-approved secured $100,000 line of credit with the Baptist Foundation of Indiana, which it could draw upon in the event of an unanticipated liquidity need. No funds were borrowed under this agreement during the years ended December 31, 2019 and 2018. The Executive Board of the Convention also has the authority to adjust Cooperative Program obligations from being forwarded on to the Southern Baptist Convention in order to meet its financial obligations.

The Foundation through its treasury management function, invests in cash or church loans based on the projected cash needs. The historic redemption rates for the Foundation's investor deposits, which are redeemable with 30 days advance written notice, allows the Foundation to manage its liquidity while investing in accordance with its policies.

4. INVESTMENTS:

Investments consist of:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Money market funds | $ 2,481,952 | $ 1,471,392 |
| Certificates of deposit | 768,397 | 500,466 |
| | $ 3,250,349 | $ 1,971,858 |

Investment income and church loan interest income is reported as revenue in the consolidated statements of activities and consists of:

| | Year Ended December 31, 2019 | Year Ended December 31, 2018 |
|---|---|---|
| Interest and dividends–without donor restriction | $ 252,221 | $ 214,172 |
| Interest and dividends–with donor restriction | 52,108 | 54,908 |
| | $ 304,329 | $ 269,080 |

5. CHURCH LOANS RECEIVABLE:

Church loans receivable consist of church loans ranging in term from 2 to 30 years with 4.50 percent to 7.00 percent annually compounded interest rates. These receivables are collateralized by a security interest on the underlying church properties, which are located in Indiana or across state lines in neighboring states. An allowance of $31,045 and $28,545 was reported as of December 31, 2019 and 2018, respectively.

Loans receivable will mature as follows:

| Year Ending December 31, | Principal Reduction |
|---|---|
| 2020 | $ 283,176 |
| 2021 | 298,089 |
| 2022 | 313,814 |
| 2023 | 326,928 |
| 2024 | 341,312 |
| Thereafter | 3,033,384 |
| | 4,596,703 |
| Less: allowance for loan losses | (31,045) |
| | $ 4,565,658 |

5. CHURCH LOANS RECEIVABLE, continued:

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

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Allowance for credit losses: | | |
| Beginning balance | $ 28,545 | $ 42,373 |
| Charge-offs | - | (43,646) |
| Recoveries | - | 22,318 |
| Provision | 2,500 | 7,500 |
| | $ 31,045 | $ 28,545 |
| Financing receivables | $ 4,596,703 | $ 5,224,616 |
| Collectively evaluated for impairment | $ 4,596,703 | $ 5,224,616 |

Credit Quality Indicators consist of:

| Corporate Credit Exposure<br>Credit Risk Profile Based on Payment Activity | 2019 | 2018 |
|---|---|---|
| Performing | $ 4,596,703 | $ 5,224,616 |
| Non-performing | - | - |
| | $ 4,596,703 | $ 5,224,616 |

Age analysis of past due financing receivables consist of:

| | 2019 | 2018 |
|---|---|---|
| 30-60 days past due | $ - | $ - |
| 61-90 days past due | - | - |
| Greater than 90 days | - | - |
| | - | - |
| Current | 4,596,703 | 5,224,616 |
| | $ 4,596,703 | $ 5,224,616 |

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

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Land | $ 228,248 | $ 228,248 |
| Buildings | 3,314,221 | 3,303,425 |
| Furniture, fixtures, and equipment | 485,345 | 497,541 |
| Other improvements | 871,032 | 856,249 |
| | 4,898,846 | 4,885,463 |
| Less accumulated depreciation | (2,751,607) | (2,663,506) |
| | $ 2,147,239 | $ 2,221,957 |

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:
Accounts payable and accrued expenses consist of:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Accounts payable–trade | $ 48,303 | $ 33,792 |
| Payables to other Southern Baptist agencies (see below) | 127,132 | 150,780 |
| Payroll taxes and accrued expenses | 282 | 495 |
| | $ 175,717 | $ 185,067 |

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).

8. INVESTOR DEPOSITS:
Investor deposits 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, 2019 and 2018, the annual percentage rates ranged from 1.00 to 3.00. As of December 31, 2019 and 2018, all investors were affiliated with the Convention.

8. INVESTOR DEPOSITS, continued:

As of December 31, 2019 and 2018, the Foundation had investors with aggregate balances of $100,000 or more. The balances over $100,000 are distributed as follows:

| | December 31, 2019 | | |
|---|---|---|---|
| Investment Account Balances | Number of Investors | Aggregate Balance | Percentage of Investor Deposits |
| $0 – $100,000 | 52 | $ 1,473,802 | 31% |
| $100,001 – $200,000 | 14 | 1,706,595 | 36% |
| $200,001– $300,000 | 3 | 693,993 | 14% |
| $300,001– $400,000 | 0 | - | 0% |
| $400,001– $500,000 | 2 | 931,640 | 19% |
| | 71 | $ 4,806,030 | 100% |

| | December 31, 2018 | | |
|---|---|---|---|
| Investment Account Balances | Number of Investors | Aggregate Balance | Percentage of Investor Deposits |
| $0 – $100,000 | 48 | $ 1,549,315 | 35% |
| $100,001 – $200,000 | 12 | 1,425,724 | 33% |
| $200,001– $300,000 | 2 | 479,479 | 11% |
| $300,001– $400,000 | 0 | - | 0% |
| $400,001– $500,000 | 1 | 438,435 | 10% |
| $500,001– $600,000 | 1 | 500,817 | 11% |
| | 64 | $ 4,393,770 | 100% |

9. CAPITAL LEASE:

In December 2019, the Convention entered into a new capital lease agreement for office equipment. This new agreement superseded the existing agreement and the existing equipment was returned to the vendor and replaced with new equipment. The net book value of the related equipment is as follows:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Office equipment, at capitalized cost | $ 26,295 | $ 28,314 |
| Less accumulated amortization (included within accumulated depreciation) | - | (15,767) |
| | $ 26,295 | $ 12,547 |

Future minimum payments under capital lease are as follows:

| Year Ending December 31, | |
|---|---|
| 2020 | $ 7,195 |
| 2021 | 7,195 |
| 2022 | 7,195 |
| 2023 | 7,195 |
| | 28,780 |
| Less: amount representing interest | (2,485) |
| | $ 26,295 |

10. NET ASSETS:

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

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Without donor restrictions: | | |
| Undesignated | $ 2,168,886 | $ 2,066,792 |
| Board designated–Foundation | 195,316 | 191,965 |
| Total without donor restrictions | 2,364,202 | 2,258,757 |
| With donor restrictions: | | |
| Subject to expenditure for specified purpose: | | |
| New works | 417,597 | 597,348 |
| Foundation related funds | 583,322 | 575,504 |
| North American Mission Board | 62,001 | 73,083 |
| International partnerships | 169 | 54,311 |
| Disaster relief | 36,094 | 52,967 |
| Highland Lakes camp development | 47,983 | 22,598 |
| Special W.M.U. fund/women's ministries | 28,528 | 18,627 |
| Church enrichment | 7,000 | 7,000 |
| Domestic hunger | 2,326 | 6,550 |
| Collegiate ministries | 3,800 | 4,923 |
| | 1,188,820 | 1,412,911 |
| Subject to the Foundation's spending policy and appropriation: | | |
| Accumulated gains from endowment | 57,683 | 52,275 |
| Subject to restriction in perpetuity: | | |
| Baptist Foundation–corpus is unexpendable, earnings may be used for donor specified activity | 599,879 | 598,097 |
| Charitable remainder trusts | 258,558 | 262,832 |
| | 858,437 | 860,929 |
| Total with donor restrictions | 2,104,940 | 2,326,115 |
| Total net assets | $ 4,469,142 | $ 4,584,872 |

10. NET ASSETS, continued:

The Foundation's governing board through specific action has created self-imposed limits on net assets without donor restrictions. For the years ended December 31, 2019 and 2018, the board has earmarked amounts for the purpose of maintaining a reserve for operations totaling $161,104 and $152,778, and for the purpose of awarding scholarships totaling $34,212 and $39,187, respectively.

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 fund that is not classified in perpetuity is classified as subject to expenditure for specified purpose 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

10. 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. As of December 31, 2019 and 2018, the Foundation had no deficiencies. 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 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 (interest and 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.

10. NET ASSETS, continued:

Changes in endowment net assets for the fiscal year ended December 31, 2019, are as follows:

| | | With Donor Restrictions | | |
|---|---|---|---|---|
| | Without Donor Restrictions | Accumulated Gains (Losses) and Other | Original Gift Amount in Perpetuity | Total |
| Endowment net assets, beginning of year | $ - | $ 52,275 | $ 860,929 | $ 913,204 |
| Investment return: | | | | |
| Net appreciation (realized and unrealized) | - | 34,848 | - | 34,848 |
| Total investment return | - | 34,848 | - | 34,848 |
| Change in value (charitable remainder trusts) | - | - | (4,274) | (4,274) |
| Contributions | - | - | 1,533 | 1,533 |
| Appropriation for expenditure | - | (29,191) | - | (29,191) |
| Transfers | - | (249) | 249 | - |
| | - | (29,440) | (2,492) | (31,932) |
| Endowment net assets, end of year | $ - | $ 57,683 | $ 858,437 | $ 916,120 |

10. NET ASSETS, continued:

Changes in endowment net assets for the fiscal year ended December 31, 2018, are as follows:

| | | With Donor Restrictions | | |
|---|---|---|---|---|
| | Without Donor Restrictions | Accumulated Gains (Losses) and Other | Original Gift Amount in Perpetuity | Total |
| Endowment net assets, beginning of year | $ - | $ 32,661 | $ 864,098 | $ 896,759 |
| Investment return: | | | | |
| Net appreciation (realized and unrealized) | - | 38,328 | - | 38,328 |
| Total investment return | - | 38,328 | - | 38,328 |
| Change in value (charitable remainder trusts) | - | - | (4,031) | (4,031) |
| Contributions | - | - | 150 | 150 |
| Appropriation for expenditure | - | (18,002) | - | (18,002) |
| Transfers | - | (712) | 712 | - |
| | - | (18,714) | (3,169) | (21,883) |
| Endowment net assets, end of year | $ - | $ 52,275 | $ 860,929 | $ 913,204 |

11. 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 $109,726 and $96,077 for the years ended December 31, 2019 and 2018, 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. Expenses for these other employee benefits were $171,831 and $136,560 for the years ended December 31, 2019 and 2018, respectively.

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 7). The agency liabilities included in accounts payable at December 31, 2019 and 2018, were $127,132 and $150,780, 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 consolidated 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.

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

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, 2019 and 2018, 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 5.00 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 $31,045 and $28,545 as of December 31, 2019 and 2018, respectively. The Foundation estimates its allowance for loan losses is sufficient to cover losses in its loan portfolio. At December 31, 2019, there were no delinquent loans.

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 factors other than commercial and/or profit motives only. This 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, 2019 and 2018, the Foundation’s loan receivables from those organizations are as disclosed in Note 5.

15. COMMITMENTS:

OPERATING LEASE

Operating lease expense was $37,804 and $41,726 for the years ended December 31, 2019 and 2018, 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 amount reported below. Future lease payments are due as follows:

| Year Ending December 31, | |
|---|---|
| 2020 | $ 46,106 |

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 consolidated statements of financial position.

The Convention pays 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. Effective August 1, 2019, all current eligible employees are grandfathered in with this benefit and any future employees are not eligible for this benefit.

The post-retirement health care benefit obligation was calculated as of December 31, 2019 and 2018, 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 $9,360 and $9,885 for the years ended December, 31, 2019 and 2018, respectively. The cost is allocated by function and is included in administration costs.

16. POST RETIREMENT BENEFITS OTHER THAN PENSIONS, continued:

The following sets forth the plan's funded status and amounts recognized in the consolidated statements of financial position and consolidated statements of activities for the year ended December 31, 2019 and 2018:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Postretirement health care benefits obligation: | | |
| Retirees receiving benefits | $ 171,903 | $ 167,965 |
| Active employees–fully eligible to receive benefits | 104,021 | 89,564 |
| Active employees–not yet fully eligible to receive benefits | 139,293 | 88,459 |
| | 415,217 | 345,988 |
| Fair value of plan assets | - | - |
| Funded status | $ (415,217) | $ (345,988) |
| Accumulated benefit cost recognized in the consolidated statements of financial position | $ 415,217 | $ 345,988 |
| Net periodic benefit costs: | | |
| Service cost | $ 13,030 | $ 30,680 |
| Interest cost | 14,967 | 28,600 |
| Change in assumptions | 43,640 | (52,356) |
| Actuarial change | 6,952 | (457,691) |
| | $ 78,589 | $ (450,767) |
| Weighted average assumptions: | | |
| Discount rate | 3.24% | 4.23% |

As of December 31, 2019 and 2018, the mortality assumptions are based on generational application of the RPEC_2015 Mortality Projection Model, using the parameters from the SOA's RP-2016 Mortality Tables Report and their Mortality Improvement Scale MP-2018 and MP-2017 report, respectively.

16. POST RETIREMENT BENEFITS OTHER THAN PENSIONS, continued:

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

| Year Ending December 31, | |
|---|---|
| 2020 | $ 12,679 |
| 2021 | 14,487 |
| 2022 | 14,937 |
| 2023 | 15,365 |
| 2024 | 15,765 |
| 2025-2028 | 101,855 |
| | $ 175,088 |

| | Year Ended December 31, 2019 | 2018 |
|---|---|---|
| Net periodic benefit cost | $ 78,589 | $ (450,767) |
| Employer contributions | $ 9,360 | $ 9,885 |
| Plan participants' contributions | $ - | $ - |
| Benefits paid | $ 9,360 | $ 9,885 |

Changes in discount rate, mortality assumptions, and demographics constitute a change in estimate. The effect of the change in estimate reported in the consolidated financial statements was $43,640 and $(52,356) for the years ended December 31, 2019 and 2018, respectively.

For measurement purposes, 100 percent 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. The assumed rate of increase in per capita cost of health care benefits was 3.80 percent and 5.90 percent for medical and prescription benefits, respectively. It is assumed to decrease linearly over 8 years to ultimate rates of 3.80 percent and 5.25 percent for medical and prescription benefits, respectively.

# STATE CONVENTION OF BAPTISTS IN INDIANA, INCORPORATED AND SUBSIDIARY

**Notes to Consolidated Financial Statements**

December 31, 2019 and 2018

17. EXPENSES BY BOTH FUNCTION AND NATURE:

Functional expenses by natural classification as of December 31, 2019:

| | Program Activities | | | | | | | Supporting Activities | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | SBC Cooperative Program | Highland Lakes Baptists Camp | Missions / Evangelism and Church Planting | Women's / Children's and Student Ministries | Communi-cations | Baptist Foundation | Total Program Activities | General and Administrative | Fundraising | Total Supporting Activities | Total Expense |
| Grants to denomination | $ 797,070 | $ - | $ - | $ - | $ - | $ - | $ 797,070 | $ - | $ - | $ - | $ 797,070 |
| Salaries and benefits | - | 224,038 | 326,481 | 64,925 | 34,978 | 55,815 | 706,237 | 632,982 | 7,570 | 640,552 | 1,346,789 |
| Events, services and supplies | - | 230,239 | 95,868 | 108,380 | 25,718 | - | 460,205 | 257,803 | 6,456 | 264,259 | 724,464 |
| Church and public assistance | - | 7,625 | 682,385 | 9,365 | - | 39,022 | 738,397 | - | - | - | 738,397 |
| Utilities and insurance | - | 144,054 | 9,476 | 1,455 | 1,455 | - | 156,440 | 92,288 | - | 92,288 | 248,728 |
| Depreciation | - | 125,777 | 7,185 | 1,103 | 1,103 | - | 135,168 | 33,533 | - | 33,533 | 168,701 |
| Interest | - | - | - | - | - | 103,079 | 103,079 | 12,923 | - | 12,923 | 116,002 |
| Bad debt expense | - | 715 | - | - | - | - | 715 | 2,500 | - | 2,500 | 3,215 |
| Total expenses | $ 797,070 | $ 732,448 | $ 1,121,395 | $ 185,228 | $ 63,254 | $ 197,916 | $ 3,097,311 | $ 1,032,029 | $ 14,026 | $ 1,046,055 | $ 4,143,366 |

17. EXPENSES BY BOTH FUNCTION AND NATURE, continued:

Functional expenses by natural classification as of December 31, 2018:

| | Program Activities | | | | | | | Supporting Activities | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | SBC Cooperative Program | Highland Lakes Baptists Camp | Missions / Evangelism and Church Planting | Women's / Children's and Student Ministries | Communi-cations | Baptist Foundation | Total Program Activities | General and Administrative | Fundraising | Total Supporting Activities | Total Expense |
| Grants to denomination | $ 888,910 | $ - | $ - | $ - | $ - | $ - | $ 888,910 | $ - | $ - | $ - | $ 888,910 |
| Salaries and benefits | - | 84,009 | 192,760 | 66,101 | 34,662 | 56,399 | 433,931 | 429,798 | 7,585 | 437,383 | 871,314 |
| Events, services and supplies | - | 241,061 | 86,443 | 104,013 | 21,240 | - | 452,757 | 259,226 | 22,923 | 282,149 | 734,906 |
| Church and public assistance | - | 5,698 | 580,765 | 11,346 | - | 20,496 | 618,305 | - | - | - | 618,305 |
| Utilities and insurance | - | 137,069 | 10,038 | 1,541 | 1,541 | - | 150,189 | 73,159 | - | 73,159 | 223,348 |
| Depreciation | - | 123,866 | 8,662 | 1,330 | 1,330 | - | 135,188 | 40,426 | - | 40,426 | 175,614 |
| Interest | - | - | - | - | - | 93,398 | 93,398 | - | - | - | 93,398 |
| Bad debt expense | - | - | - | - | - | - | - | 7,500 | - | 7,500 | 7,500 |
| Total expenses | $ 888,910 | $ 591,703 | $ 878,668 | $ 184,331 | $ 58,773 | $ 170,293 | $ 2,772,678 | $ 810,109 | $ 30,508 | $ 840,617 | $ 3,613,295 |

17. EXPENSES BY BOTH FUNCTION AND NATURE, continued:

Expenses are summarized by function and nature in the footnote above. The consolidated totals, after any eliminations, by functional classifications are as follows:

| | Year Ended December 31, 2019 | 2018 |
|---|---|---|
| Convention: | | |
| Program activities | $ 2,899,395 | $ 2,602,385 |
| General and administrative | 920,843 | 696,723 |
| Fundraising | 6,401 | 22,236 |
| | 3,826,639 | 3,321,344 |
| Foundation: | | |
| Program activities | 197,916 | 170,293 |
| General and administrative | 111,186 | 113,386 |
| Fundraising | 7,625 | 8,272 |
| | 316,727 | 291,951 |
| | $ 4,143,366 | $ 3,613,295 |

18. RELATED PARTY TRANSACTIONS:

Related party transactions consist of:

| | Year Ended December 31, 2019 | 2018 |
|---|---|---|
| Investor deposits for members of Convention and Foundation board and management | $ 448,320 | $ 147,478 |

19. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 3, 2020, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.