



OKLAHOMA BAPTIST HOMES
FOR CHILDREN, INC.

Financial Statements
With Independent Auditors' Report

December 31, 2023 and 2022

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

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INDEPENDENT AUDITORS' REPORT

Audit Committee
Oklahoma Baptist Homes for Children, Inc.
Oklahoma City, Oklahoma

Opinion

We have audited the accompanying financial statements of Oklahoma Baptist Homes for Children, Inc., which comprise the statements of financial position as of December 31, 2023 and 2022, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oklahoma Baptist Homes for Children, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Oklahoma Baptist Homes for Children, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Oklahoma Baptist Homes for Children, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Audit Committee
Oklahoma Baptist Homes for Children, Inc.
Oklahoma City, Oklahoma

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Oklahoma Baptist Homes for Children, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Oklahoma Baptist Homes for Children, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Capin Crouse LLP

Centennial, Colorado
May 14, 2024

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Statements of Financial Position

	December 31,	
	2023	2022
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,208,014	\$ 1,053,996
Investments	21,613,257	24,612,922
Investment restricted for construction projects	2,472,404	2,469,727
Prepaid expenses and other	638,042	491,238
	25,931,717	28,627,883
Other long-term assets	49,705	53,796
Fixed assets–net	17,569,196	14,918,659
Beneficial interest in funds held by others	78,995,956	76,139,434
Total Assets	\$ 122,546,574	\$ 119,739,772
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 914,339	\$ 1,132,892
Post-retirement benefits liability	2,503,205	2,213,074
Total liabilities	3,417,544	3,345,966
Net assets:		
Net assets without donor restrictions	26,687,710	23,480,791
Net assets with donor restrictions:		
Restricted by purpose or time	14,990,115	18,236,413
Restricted in perpetuity	77,451,205	74,676,602
	92,441,320	92,913,015
Total net assets	119,129,030	116,393,806
Total Liabilities and Net Assets	\$ 122,546,574	\$ 119,739,772

See notes to financial statements

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Statements of Activities

	Year Ended December 31,	
	2023	2022
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Operating Support, Revenue, and Other Additions:		
Contributions:		
Cooperative Program contributions	\$ 648,331	\$ 648,592
Gift-in-kind contributions	605,684	765,637
Other contributions	7,144,917	5,639,452
	8,398,932	7,053,681
Revenue:		
Investment income—distributions appropriated	4,075,706	3,782,755
Other income	642,390	339,136
	4,718,096	4,121,891
Total Operating Support and Revenue	13,117,028	11,175,572
Net assets released from restriction:		
Purpose and time restrictions	6,587,390	2,047,452
Total Operating Support, Revenue and Other Additions	19,704,418	13,223,024
Operating expenses:		
Program expenses:		
Children’s programs	9,503,440	8,242,574
Hope pregnancy centers	2,989,154	2,415,247
Supporting activities:		
Home office	1,574,823	1,261,139
Fund-raising	3,242,763	2,594,682
Total Operating Expenses	17,310,180	14,513,642
Change in Net Assets from Operations	2,394,238	(1,290,618)
Non-Operating Change in Net Assets Without Donor Restrictions:		
Other components of net periodic postretirement cost	(55,081)	(80,433)
Postretirement-related changes other than net periodic postretirement costs	(200,871)	856,560
Capital contributions	32,213	394,942
Investment income (loss)	1,036,420	(649,057)
Change in Net Assets from Non-Operating Activities	812,681	522,012
Change in Net Assets Without Donor Restrictions	3,206,919	(768,606)

(continued)

See notes to financial statements

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Statements of Activities (continued)

	Year Ended December 31,	
	2023	2022
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS, continued:		
Operating Support, Revenue, and Other Additions	19,704,418	13,223,024
Operating Expenses	(17,310,180)	(14,513,642)
Change in Net Assets from Operations	2,394,238	(1,290,618)
Change in Net Assets from Non-Operating Activities	812,681	522,012
Change in Net Assets Without Donor Restrictions	3,206,919	(768,606)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	489,919	3,654,565
Capital contributions	1,638,491	433,592
Contributions to beneficial trust	1,039,372	859,853
Gift-in-kind contributions	-	112,500
Total Contributions	3,167,782	5,060,510
Investment income	1,130,763	577,592
Change in value of beneficial interests	1,817,150	(1,253,487)
Net assets released from restrictions:		
Purpose and time restrictions	(6,587,390)	(2,047,452)
Change in Net Assets with Donor Restrictions	(471,695)	2,337,163
Change in Net Assets	2,735,224	1,568,557
Net Assets, Beginning of Year	116,393,806	114,825,249
Net Assets, End of Year	\$ 119,129,030	\$ 116,393,806

See notes to financial statements

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,735,224	\$ 1,568,557
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,603,969	1,236,815
Net realized and unrealized losses (gains) on investments	(2,167,183)	71,465
Gain (loss) on sale of fixed assets	46,045	(109,620)
Contributions restricted for long-term purposes	(2,710,076)	(1,688,387)
Change in value of beneficial interest in funds held by others	(1,817,150)	1,253,487
Changes in operating assets and liabilities:		
Prepays and other assets	(142,713)	(122,463)
Accounts payable, accrued liabilities, and post-retirement benefits liability	326,925	(680,792)
Net Cash Provided (Used) by Operating Activities	(2,124,959)	1,529,062
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(4,666,740)	(3,379,485)
Proceeds on sale of fixed assets and assets held for sale	110,842	224,897
Purchases of investments	(4,551,586)	(8,782,302)
Proceeds from sale of investments	8,676,385	7,079,405
Net Cash Used by Investing Activities	(431,099)	(4,857,485)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds for contributions restricted for:		
Capital projects	1,670,704	828,534
Beneficial interest in funds held by others	1,039,372	859,853
Net Cash Provided by Financing Activities	2,710,076	1,688,387
Change in Cash and Cash Equivalents	154,018	(1,640,036)
Cash and Cash Equivalents, Beginning of Year	1,053,996	2,694,032
Cash and Cash Equivalents, End of Year	\$ 1,208,014	\$ 1,053,996
NON-CASH TRANSACTION:		
Fixed assets financed through accounts payable	\$ 133,713	\$ 389,060

See notes to financial statements

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2023 and 2022

1. NATURE OF ORGANIZATION:

Oklahoma Baptist Homes for Children, Inc. (OBHC) is an Oklahoma not-for-profit organization supported primarily by private donations. OBHC was incorporated in September 1993 and began operations on January 1, 1994, to show and share the love of Christ to children and their families. With donated funds, OBHC operates four homes or other living facilities for children in need and eight Hope Pregnancy Centers, including a mobile unit. Prior to 1994, OBHC was a division of the Baptist General Convention of Oklahoma (Oklahoma Baptists). OBHC is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state law(s). However, OBHC is subject to federal income tax on any unrelated business taxable income. In addition, OBHC is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES:

OBHC maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

For purposes of the statements of financial position and cash flows, OBHC considers cash on hand and deposits in banks to be cash and cash equivalents, excluding cash and cash equivalents related to OBHC's investment strategies held in investment accounts. OBHC maintains cash balances at financial institutions located in Oklahoma. As of December 31, 2023 and 2022, the cash accounts maintained exceeded federally insured limits by approximately \$543,000 and \$260,000, respectively.

INVESTMENTS RESTRICTED FOR CONSTRUCTION PROJECTS

Investments restricted for construction projects consists of amounts received from donors but not yet spent for construction projects. As accounting standards specify, restricted net assets should only be released when the related asset is placed into service. Investments restricted for construction projects consist of:

	December 31,	
	2023	2022
Net assets restricted for construction projects	\$ 3,886,030	\$ 5,530,869
Less expenditures not yet placed into service	(1,413,626)	(3,061,142)
	<u>\$ 2,472,404</u>	<u>\$ 2,469,727</u>

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS AND INVESTMENT INCOME

Investments (including investments restricted for construction projects) in pooled equity securities, fixed income instruments, the WatersEdge spending policy pool, and church building loans are carried at net asset value. Mineral rights and pooled investments are carried at estimated fair value. Gains and losses on investments are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by purpose, time, or in perpetuity by donor stipulations or by law. See Note 7 for fair value measurements and disclosures.

The Baptist Foundation of Oklahoma, doing business as WatersEdge Ministry Services (WatersEdge), was created for the purpose of receiving and managing all investments for the various Baptist entities, including OBHC. The investments managed by WatersEdge are non-endowment investments for which the principal and income is directed by OBHC, including donor funds invested until expended for the specified purpose. These non-endowment investments held by WatersEdge are labeled as custodial funds in Note 3.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term, and those changes could materially affect the financial statements.

FIXED ASSETS

Fixed assets are recorded at cost. It is OBHC's policy to capitalize all furniture and fixtures, equipment, and vehicles with a cost in excess of \$5,000 and all buildings and leasehold improvements with a cost in excess of \$25,000. The cost and related accumulated depreciation of assets sold or retired are removed from the accounts and the resulting gains or losses are included in the statements of activities. Maintenance repairs and minor renewals are expensed as incurred. These assets are depreciated over their estimated useful lives using the straight-line method. The following useful lives are used:

Furniture and fixtures	6-20 years
Equipment	6-10 years
Vehicles	3 years
Buildings and leasehold improvements	5-40 years

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS

OBHC is the beneficiary of certain irrevocable trusts held and administered by WatersEdge and others. Under the terms of perpetual trusts, OBHC has the irrevocable right to receive the income earned on the trust assets. The fair value is recognized as an asset and as a contribution with donor restrictions at the date the trust is established, based on the nature of the agreement. OBHC's estimate of fair value is based on fair value information received from the respective trustees. The assets consist of equities, pooled investments, and mineral interests. These assets are not subject to the control or discretion of OBHC. Gains and losses which are not distributed by the trusts, are reflected as change in value of beneficial interests in the statements of activities. Distributions from the trusts not appropriated for spending are reflected as non-operating investment gains and losses. Total quarterly distributions, appropriated and non-appropriated, received for Q1-Q4 2023, were approximately \$1,053,000, \$1,086,000, \$978,000, and \$959,000, respectively. Total quarterly distributions, appropriated and non-appropriated, received for Q1-Q4 2022, were approximately \$1,009,000, \$989,000, \$1,049,000, and \$1,065,000, respectively.

Under the terms of other trusts, OBHC has an irrevocable right to receive their percentage share of the trust assets at a future date, usually the termination of the trust. These agreements constitute unconditional promises to give and are recognized as income in the period the promise is given. Gifts are valued by reducing total assets held by the WatersEdge by the present value of estimated future income payments over the term of the agreement or life expectancy of the income beneficiary utilizing a five percent discount rate. The assets consist of pooled investments and mineral rights. These assets are not subject to the control or discretion of OBHC. Gains and losses, which are not distributed by the trusts, are reflected as change in value of beneficial interests in the statements of activities.

POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

OBHC sponsors unfunded post-retirement health care, life insurance, and retirement gift benefits. These post-retirement benefits are offered to all full time employees that were hired prior to September 27, 1994. As of September 2012, OBHC decided to eliminate the retirement gifts to active employees upon retirement. Full-time employees hired after September 27, 1994 who complete 15 years of current, continual service and retire at full retirement age set by Social Security will receive \$200 per month in a health reimbursement arrangement. Estimated costs of these benefits are recognized during the employees' active service period. Several assumptions are made in determining the obligation associated with the plan. The assumptions used in determining the obligation are described in detail in Note 9.

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSET CLASSIFICATIONS

Net assets have been segregated to achieve a proper segregation and fair presentation of those resources available for use at the discretion of the board and those resources over which the board has little, if any, discretion as to use because of externally imposed restrictions. The following net asset segregations have been established for OBHC:

Net assets without donor restrictions are those resources over which the governing board has discretionary control to use in carrying on the operations of OBHC and those resources invested in fixed assets.

Net assets with donor restrictions include resources of OBHC related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, to later periods of time, or after specified dates. These include donor restrictions requiring the net asset to be held in perpetuity and permit OBHC to use all or part of the income earned on related investments for specific purposes.

SUPPORT AND REVENUE

Contributions received, including unconditional promises to give, are recognized as revenues in the period received at their fair values. The policy of OBHC is to record all donations postmarked before December 31 as deposits in transit. Contributions made, including unconditional promises to give, are recognized as expenses in the period made at their fair values. Conditional promises to give, whether received or made, are recognized when they become unconditional, that is, when the conditions are substantially met. For financial reporting purposes OBHC distinguishes between contributions of net assets without donor restrictions and net assets with donor restrictions.

OBHC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. If a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished in the same fiscal year as the year of the receipt of the gift, the gift is considered to be without donor restrictions. When a donor restriction expires on gifts previously classified as with donor restrictions, these net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as reclassifications of net assets.

All contributed assets are reflected at the fair market value at the date of contribution. OBHC also receives donated services valued at the fair market value at the date of contribution based on average current prices on publicly available websites or based on the value of services provided if they were to be purchased. Donated materials were approximately \$365,000 and \$499,000 for the years ended December 31, 2023 and 2022, respectively. Donated services were approximately \$241,000 and \$266,000 for the years ended December 31, 2023 and 2022, respectively. Donated land was received during the year ended December 31, 2022 and valued at \$112,500 using an appraisal and other factors. Contributed assets are used in OBHC's programs and are typically not donor restricted. However, during the year ended December 31, 2022, the land received is restricted in perpetuity as the property can never be sold.

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued

OBHC's cooperative program distributions are budgeted annually at the discretion of Oklahoma Baptists and are recognized when received. All other income is recorded when earned.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are organized in both natural and functional classifications to provide useful information about the costs of significant programs or services provided by OBHC. Costs incurred are either directly related or allocated to a specific program or service. Main program activities of OBHC are pregnancy centers and children's programs.

WORKERS COMPENSATION INSURANCE

OBHC is self-insured with respect to workers' compensation claims. Monthly payments are made to a self-insured plan established by Oklahoma Baptists. This plan is self-insured to the extent of the excess liability insurance with an employer liability limit of \$2,000,000 per occurrence and a self-insured retention of \$425,000 per occurrence.

ADVERTISING COSTS

All advertising costs are expensed as incurred. Advertising costs were approximately \$161,000 and \$134,000 for the years ended December 31, 2023 and 2022, respectively.

OPERATING AND NON-OPERATING

OBHC classifies the activities related to its defined benefit post retirement liability other than net periodic benefit costs, changes in its charitable remainder interests, capital contributions, and activities relating to its beneficial interests other than the distributions appropriated for expenditure as non-operating. All remaining activities are general operations of OBHC.

RECLASSIFICATIONS

Certain financial statements and footnote information from the prior year financial statements has been reclassified to conform with current year presentation format.

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2023 and 2022

3. INVESTMENTS:

Investments consist of:

	December 31, 2023		
	Without Donor Restrictions	With Donor Restrictions (Purpose/Time)	Total
Custodial funds held by WatersEdge	\$ 17,453,437	\$ 6,632,224	\$ 24,085,661
Less investments restricted for long-term purposes	-	(2,472,404)	(2,472,404)
	\$ 17,453,437	\$ 4,159,820	\$ 21,613,257
	December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions (Purpose/Time)	Total
Custodial funds held by WatersEdge	\$ 19,574,501	\$ 7,508,148	\$ 27,082,649
Less investments restricted for long-term purposes	-	(2,469,727)	(2,469,727)
	\$ 19,574,501	\$ 5,038,421	\$ 24,612,922

4. FIXED ASSETS—NET:

Fixed assets—net consist of:

	December 31,	
	2023	2022
Land	\$ 1,825,873	\$ 1,719,115
Land restricted in perpetuity	112,500	112,500
Buildings and improvements	34,469,907	30,232,631
Equipment	2,610,250	2,128,732
Vehicles	2,837,148	2,199,015
Furniture, fixtures, and other	317,327	121,602
	42,173,005	36,513,595
Less accumulated depreciation	(26,046,918)	(24,656,078)
	16,126,087	11,857,517
Construction in progress	1,443,109	3,061,142
	\$ 17,569,196	\$ 14,918,659

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2023 and 2022

5. NET ASSETS:

Net assets without donor restrictions consist of:

	December 31,	
	2023	2022
Operating	\$ 9,231,014	\$ 8,674,632
Equity in fixed assets—net (less land restricted in perpetuity)	17,456,696	14,806,159
	\$ 26,687,710	\$ 23,480,791

Net assets with donor restrictions are available for the following purposes:

	December 31,	
	2023	2022
Subject to expenditure for specified purpose:		
Construction projects	\$ 3,886,030	\$ 5,530,869
Boys Ranch Town	3,032,892	3,497,271
The Vine, Oklahoma City	2,755,184	3,205,328
Hope Pregnancy Centers	947,904	1,425,833
Scholarships	850,960	834,531
Baptist Children’s Home, Owasso	629,575	763,273
Baptist Home for Girls	548,498	759,587
Women of compassion and style show	152,235	155,115
Home office, development, and other	529,586	489,274
	13,332,864	16,661,081
Subject to the passage of time:		
Beneficial interest in funds held by others	1,657,251	1,575,332
Subject to restriction in perpetuity:		
Beneficial interest in funds held by others:		
Children’s programs	74,452,150	72,100,734
Scholarships	1,842,513	1,748,676
Buildings, cottages, and maintenance	1,044,042	714,692
Land	112,500	112,500
	77,451,205	74,676,602
	\$ 92,441,320	\$ 92,913,015

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2023 and 2022

6. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects OBHC's financial assets reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	December 31,	
	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 1,208,014	\$ 1,053,996
Accounts receivable	258,884	167,887
Investments	21,613,257	24,612,922
Investment restricted for construction projects	2,472,404	2,469,727
Beneficial interest in funds held by others	78,995,956	76,139,434
Financial assets, at year-end	<u>104,548,515</u>	<u>104,443,966</u>
Less those unavailable for general expenditures within one year, due to:		
Assets restricted by donor with purpose restrictions not expected to be used within one year	(1,816,816)	(2,222,234)
Investments restricted by donor with purpose restrictions	(6,632,224)	(7,508,148)
Beneficial interest in funds held by others	<u>(78,995,956)</u>	<u>(76,139,434)</u>
	<u>(87,444,996)</u>	<u>(85,869,816)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 17,103,519</u>	<u>\$ 18,574,150</u>

Management has an unofficial and unwritten policy of maintaining the WatersEdge custodial accounts at a minimum of 6 months' worth of budgeted expenses. OBHC will receive approximately \$3,900,000 of endowment distributions during the year ended December 31, 2024 that can be used at the discretion of the board of trustees.

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2023 and 2022

7. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES:

OBHC uses the fair valuation methodologies of WatersEdge. In determining fair value, WatersEdge uses various valuation approaches. These standards establish 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. WatersEdge uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, WatersEdge measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Level 1—Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that WatersEdge has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by WatersEdge in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2023 and 2022

7. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES, continued:

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, WatersEdge's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

Investments:

Bond mutual funds

The fair values are based on quoted market prices of these investments.

Pooled investments

The pooled investments held by WatersEdge in their charitable spending policy funds are calculated based on a number of factors including obtaining an understanding of the funds' underlying investments, strategy, positions and valuation and comparing information provided by the fund administrator or general partner to other available information such as sector data and indexes.

Low-duration bonds

The low-duration bonds held by WatersEdge are primarily invested in corporate bonds with duration between one to three years and are calculated based on the underlying investments.

Mineral interests

The fair value of mineral interests is determined by using an income approach using recent past income produced by the income property.

Beneficial interest in funds held by others:

The fair value of beneficial interest in funds held by others is estimated as the present value of future trusts payments, based upon OBHC's proportionate share of the trust's assets as represented by the fund manager for charitable remainder trusts and the underlying net asset value of pooled funds for beneficial interests to be held in perpetuity.

Post-retirement benefit liability:

The present value of the post-retirement benefit liability is calculated using the estimated benefits to be paid based on life expectancy using mortality tables as calculated by an actuary.

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2023 and 2022

7. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES, continued:

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2023:</u>				
Assets:				
Investments:				
Pooled investments	\$ 15,173,593	\$ -	\$ 15,173,593	\$ -
Low-duration bonds	774,157	-	774,157	-
Mineral interests	642,468	-	-	642,468
	16,590,218	\$ -	\$ 15,947,750	\$ 642,468
Reconciling items at cost:				
Cash and cash equivalents	7,495,443			
Total investments and investments restricted for construction projects	\$ 24,085,661			
Beneficial interest in funds held by others	\$ 78,995,956	\$ -	\$ 78,995,956	\$ -
Liabilities:				
Post-retirement benefits liability	\$ 2,503,205	\$ -	\$ 2,503,205	\$ -

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2023 and 2022

7. DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES, continued:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2022:</u>				
Assets:				
Investments:				
Pooled investments	\$ 14,931,912	\$ -	\$ 14,931,912	\$ -
Bond mutual fund	804,626	-	804,626	-
Mineral interests	592,197	-	-	592,197
	16,328,735	\$ -	\$ 15,736,538	\$ 592,197
Reconciling items at cost:				
Cash and cash equivalents	10,753,914			
Total investments and investments restricted for construction projects	\$ 27,082,649			
Beneficial interest in funds held by others	\$ 76,139,434	\$ -	\$ 76,139,434	\$ -
Liabilities:				
Post-retirement benefits liability	\$ 2,213,074	\$ -	\$ 2,213,074	\$ -

The following table provides further details of the Level 3 fair value measurements:

	Year Ended December 31,	
	2023	2022
Beginning balance	\$ 592,197	\$ 294,437
Investment gains	50,271	297,760
Ending balance	\$ 642,468	\$ 592,197

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2023 and 2022

8. EXPENSES INCURRED:

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of OBHC. These expenses include depreciation and amortization, information technology, and facilities operations and maintenance. Building depreciation and amortization and facilities operations and maintenance is allocated based on square footage or specific assets used. Costs of information technology were allocated on estimates of time and effort. Total expenses include all operating expenses and the nonoperating expenses of other components of net periodic postretirement cost, which is included in Home Office salaries, wages, and benefits and totaled \$55,081 and \$80,433, for the years ending December 31, 2023 and 2022, respectively.

Expenses of OBHC are allocated to functional classifications as follows:

	Year Ended December 31, 2023				
	Program Activities		Supporting Activities		Total
	Children's Programs	Hope Pregnancy Centers	Home Office	Fundraising	
Salaries, wages, and benefits	\$ 4,330,304	\$ 1,706,069	\$ 695,645	\$ 2,092,494	\$ 8,824,512
Facilities and maintenance	2,073,986	263,861	215,251	32,017	2,585,115
Depreciation	1,225,805	217,690	66,937	93,537	1,603,969
Food and supplies	1,151,740	292,281	20,355	50,828	1,515,204
Training and travel	492,331	126,250	103,527	237,874	959,982
Professional fees	74,149	178,817	269,871	66,063	588,900
Events	60,027	1,463	-	501,532	563,022
Technology	60,012	58,041	108,504	51,168	277,725
Other	35,086	144,682	149,814	117,250	446,832
	9,503,440	2,989,154	1,629,904	3,242,763	17,365,261
Less nonoperating expense	-	-	(55,081)	-	(55,081)
Total Operating Expenses	\$ 9,503,440	\$ 2,989,154	\$ 1,574,823	\$ 3,242,763	\$ 17,310,180

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2023 and 2022

8. EXPENSES INCURRED, continued:

Expenses of OBHC are allocated to functional classifications as follows:

	Year Ended December 31, 2022				
	Program Activities		Supporting Activities		Total
	Children's Programs	Hope Pregnancy Centers	Home Office	Fundraising	
Salaries, wages, and benefits	\$ 3,599,644	\$ 1,232,039	\$ 600,173	\$ 1,661,942	\$ 7,093,798
Facilities and maintenance	2,143,543	281,520	225,331	87,482	2,737,876
Depreciation	917,914	212,984	50,976	54,941	1,236,815
Food and supplies	1,120,314	219,224	14,658	352	1,354,548
Training and travel	303,081	75,593	21,238	40,976	440,888
Professional fees	65,018	250,617	219,093	34,564	569,292
Events	36,776	-	-	554,082	590,858
Technology	13,812	5,341	86,002	6,866	112,021
Other	42,472	137,929	124,101	153,477	457,979
	8,242,574	2,415,247	1,341,572	2,594,682	14,594,075
Less nonoperating expense	-	-	(80,433)	-	(80,433)
 Total Operating Expenses	 \$ 8,242,574	 \$ 2,415,247	 \$ 1,261,139	 \$ 2,594,682	 \$ 14,513,642
 Change in total operating expenses from prior year	 \$ 1,260,866	 \$ 573,907	 \$ 313,684	 \$ 648,081	 \$ 2,796,538
 % change in total operating expenses from prior year	 15.30%	 23.76%	 24.87%	 24.98%	 19.27%

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2023 and 2022

9. POST-RETIREMENT EMPLOYEE BENEFITS:

A summary of the post-retirement benefit liability is as follows:

	December 31, 2023		
	Health Care	Life Insurance	Total
Inactive retired participants	\$ 2,168,130	\$ 6,812	\$ 2,174,942
Active fully eligible participants	24,701	-	24,701
Active other participants	303,562	-	303,562
	\$ 2,496,393	\$ 6,812	\$ 2,503,205
	December 31, 2022		
	Health Care	Life Insurance	Total
Inactive retired participants	\$ 1,906,804	\$ 26,136	\$ 1,932,940
Active fully eligible participants	25,155	-	25,155
Active other participants	254,979	-	254,979
	\$ 2,186,938	\$ 26,136	\$ 2,213,074

The following tables provide a reconciliation of the changes in the post-retirement benefit obligations and the assumptions used in the actuarial calculations for each year:

	Year Ended December 31,	
	2023	2022
Benefit obligation, beginning of year	\$ 2,213,074	\$ 2,934,707
Net periodic post-retirement costs	89,260	134,927
Post-retirement-related changes other than net periodic postretirement cost	200,871	(856,560)
Benefit obligation, end of year	\$ 2,503,205	\$ 2,213,074

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2023 and 2022

9. POST-RETIREMENT EMPLOYEE BENEFITS, continued:

	Year Ended December 31,	
	2023	2022
Net periodic post-retirement cost, included in functional expenses:		
Service cost	\$ 34,179	\$ 54,494
Net periodic post-retirement cost other than service cost:		
Interest costs	113,964	80,433
Gain recognized	(58,883)	-
Net periodic post-retirement costs	\$ 89,260	\$ 134,927

Net periodic post-retirement cost other than service cost is reported as other components of net periodic post-retirement cost on the statements of activities.

Post-retirement-related changes other than net periodic post-retirement cost, included in nonoperating activities, are as follows:

	Year Ended December 31,	
	2023	2022
Change in discount rate assumption	\$ 57,852	\$ (725,275)
Change in other assumptions	40,681	111,063
Actuarial (gain) loss	228,533	(120,045)
Benefits paid	(126,195)	(122,303)
	\$ 200,871	\$ (856,560)

Assumptions:

	December 31,	
	2023	2022
Projected health care trend rate (Medical/Rx)	4.4%/6.6%	4.3%/7.5%
Ultimate trend rate (Medical/Rx)	4.4%/4.87%	4.3%/4.87%
Year ultimate trend rate is achieved	2031	2030
Discount rate	5.00%	5.22%

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2023 and 2022

9. POST-RETIREMENT EMPLOYEE BENEFITS, continued:

The mortality basis was the Pri-2012 total dataset (generational projection using MP-2021-GFR for the years ended December 31, 2023 and 2022).

Expected benefit payments for the post-retirement plan for the next ten years are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 129,515
2025	148,158
2026	146,332
2027	154,166
2028	160,521
2029 through 2033	<u>928,541</u>
	<u>\$ 1,667,233</u>

10. PENSION PLAN:

All full time employees of OBHC are eligible to participate in a defined contribution pension plan through GuideStone Financial Resources of the Southern Baptist Convention. Under the plan, OBHC contributes an amount equal to five percent of participating employees' salaries. OBHC also matches employee contributions up to 2.5 percent of participating employees' salaries. When an employee reaches year five of employment, employees are eligible to increase matching contributions from 2.5 percent to up to five percent of salary. Employee contributions are voluntary. Total pension expense, for the years ended December 31, 2023 and 2022, was \$502,238 and \$403,062, respectively.

11. RELATED PARTIES:

OBHC is affiliated with all organizations whose directors or trustees are elected by the participating churches of the Oklahoma Baptists at its annual meeting. Principal affiliates of OBHC are Oklahoma Baptists, WatersEdge, Oklahoma Baptist University, and Baptist Village Communities of Oklahoma, Inc. As of December 31, 2023 and 2022, OBHC had amounts due from related parties of approximately \$126,000 and \$142,000, respectively.

As discussed in Note 2, WatersEdge holds and manages investments and beneficial interests in funds held by others on behalf of OBHC. As of December 31, 2023 and 2022, investments and beneficial interests in funds held by WatersEdge on behalf of OBHC were approximately \$101,000,000 and \$102,000,000, respectively. In relation to holding and managing OBHC's investments, WatersEdge charged total fees of approximately \$840,000 and \$828,000, for the years ended December 31, 2023 and 2022, respectively.

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2023 and 2022

11. RELATED PARTIES, continued:

OBHC made rent payments to Oklahoma Baptists for office space totaling \$183,540 for both the years ended December 31, 2023 and 2022. In addition, OBHC paid Oklahoma Baptists approximately \$203,000 and \$233,000 for the years ended December 31, 2023 and 2022, respectively, for insurance, printing, postage, and other miscellaneous costs.

Additionally, OBHC receives contributions from related parties, including committee members, strategic advisors, members of management, and other related parties. These amounts were approximately \$593,000 and \$368,000 for the years ended December 31, 2023 and 2022, respectively.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through May 14, 2024, which represents the date the financial statements were available to be issued.