



OKLAHOMA BAPTIST HOMES
FOR CHILDREN, INC.

Financial Statements
With Independent Auditors' Report

December 31, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023, 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.

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 LLC

Centennial, Colorado
May 21, 2025

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Statements of Financial Position

	December 31,	
	2024	2023
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,307,819	\$ 1,208,014
Investments	18,696,411	21,613,257
Investments restricted for construction projects	1,943,106	2,472,404
Prepaid expenses and other	479,291	638,042
	<u>22,426,627</u>	<u>25,931,717</u>
Other long-term assets	37,095	37,725
Property held for sale	524,579	11,980
Fixed assets—net	20,027,882	17,569,196
Beneficial interest in funds held by others	<u>79,759,519</u>	<u>78,995,956</u>
Total Assets	<u><u>\$ 122,775,702</u></u>	<u><u>\$ 122,546,574</u></u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,388,405	\$ 914,339
Post-retirement benefits liability	2,411,818	2,503,205
Total liabilities	<u>3,800,223</u>	<u>3,417,544</u>
Net assets:		
Net assets without donor restrictions	<u>25,963,705</u>	<u>26,687,710</u>
Net assets with donor restrictions:		
Restricted by purpose or time	14,798,244	14,990,115
Restricted in perpetuity	78,213,530	77,451,205
	<u>93,011,774</u>	<u>92,441,320</u>
Total net assets	<u>118,975,479</u>	<u>119,129,030</u>
Total Liabilities and Net Assets	<u><u>\$ 122,775,702</u></u>	<u><u>\$ 122,546,574</u></u>

See notes to financial statements

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Statements of Activities

	Year Ended December 31,					
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support, Revenue, and Other Additions:						
Contributions						
Cooperative Program contributions	\$ 663,951	\$ -	\$ 663,951	\$ 648,331	\$ -	\$ 648,331
Gift-in-kind contributions	921,302	-	921,302	605,684	-	605,684
General contributions	6,228,032	1,580,696	7,808,728	7,144,917	489,919	7,634,836
	<u>7,813,285</u>	<u>1,580,696</u>	<u>9,393,981</u>	<u>8,398,932</u>	<u>489,919</u>	<u>8,888,851</u>
Revenue:						
Investment income – distributions appropriated	3,320,015	668,154	3,988,169	4,075,706	-	4,075,706
Other income	322,135	-	322,135	642,390	-	642,390
	<u>3,642,150</u>	<u>668,154</u>	<u>4,310,304</u>	<u>4,718,096</u>	<u>-</u>	<u>4,718,096</u>
Total Operating Support and Revenue	<u>11,455,435</u>	<u>2,248,850</u>	<u>13,704,285</u>	<u>13,117,028</u>	<u>489,919</u>	<u>13,606,947</u>
Net assets released from restriction:						
Purpose and time restrictions	3,941,335	(3,941,335)	-	6,587,390	(6,587,390)	-
Total Operating Support, Revenue and Other Additions	<u>15,396,770</u>	<u>(1,692,485)</u>	<u>13,704,285</u>	<u>19,704,418</u>	<u>(6,097,471)</u>	<u>13,606,947</u>
Operating expenses:						
Program expenses:						
Children's programs	10,235,593	-	10,235,593	9,503,440	-	9,503,440
Hope pregnancy centers	3,445,501	-	3,445,501	2,989,154	-	2,989,154
Supporting activities:						
Home office	1,195,873	-	1,195,873	1,574,823	-	1,574,823
Fundraising	3,770,758	-	3,770,758	3,242,763	-	3,242,763
Total Operating Expenses	<u>18,647,725</u>	<u>-</u>	<u>18,647,725</u>	<u>17,310,180</u>	<u>-</u>	<u>17,310,180</u>
Change in Net Assets from Operations	<u>(3,250,955)</u>	<u>(1,692,485)</u>	<u>(4,943,440)</u>	<u>2,394,238</u>	<u>(6,097,471)</u>	<u>(3,703,233)</u>

(continued)

See notes to financial statements

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Statements of Activities

(continued)

	Year Ended December 31,					
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Change in Net Assets from Operations	\$ (3,250,955)	\$ (1,692,485)	\$ (4,943,440)	\$ 2,394,238	\$ (6,097,471)	\$ (3,703,233)
Non-Operating Change in Net Assets:						
Capital contributions	1,268,691	1,499,376	2,768,067	32,213	1,638,491	1,670,704
Contributions to beneficial trust	-	524,133	524,133	-	1,039,372	1,039,372
Change in value of beneficial interests	-	239,430	239,430	-	1,817,150	1,817,150
Investment income	1,123,434	-	1,123,434	1,036,420	1,130,763	2,167,183
Other components of net periodic postretirement cost	(95,391)	-	(95,391)	(55,081)	-	(55,081)
Postretirement-related changes other than net periodic postretirement costs	230,216	-	230,216	(200,871)	-	(200,871)
Change in Net Assets from Non-Operating Activities	<u>2,526,950</u>	<u>2,262,939</u>	<u>4,789,889</u>	<u>812,681</u>	<u>5,625,776</u>	<u>6,438,457</u>
Change in Net Assets	(724,005)	570,454	(153,551)	3,206,919	(471,695)	2,735,224
Net Assets, Beginning of Year	<u>26,687,710</u>	<u>92,441,320</u>	<u>119,129,030</u>	<u>23,480,791</u>	<u>92,913,015</u>	<u>116,393,806</u>
Net Assets, End of Year	<u>\$ 25,963,705</u>	<u>\$ 93,011,774</u>	<u>\$ 118,975,479</u>	<u>\$ 26,687,710</u>	<u>\$ 92,441,320</u>	<u>\$ 119,129,030</u>

See notes to financial statements

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (153,551)	\$ 2,735,224
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,891,674	1,603,969
Net realized and unrealized gains on investments	(1,123,434)	(2,167,183)
Donated fixed assets	(138,559)	-
Gain on sale of fixed assets	1,667	46,045
Contributions restricted for long-term purposes	(3,292,200)	(2,710,076)
Change in value of beneficial interest in funds held by others	(239,430)	(1,817,150)
Changes in operating assets and liabilities:		
Prepays and other assets	159,381	(142,713)
Accounts payable, accrued liabilities, and post-retirement benefits liability	(60)	326,925
Net Cash Used by Operating Activities	<u>(2,894,512)</u>	<u>(2,124,959)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(4,440,241)	(4,666,740)
Proceeds on sale of fixed assets and assets held for sale	96,913	110,842
Purchases of investments	(4,884,104)	(4,551,586)
Proceeds from sale of investments	8,929,549	8,676,385
Net Cash Used by Investing Activities	<u>(297,883)</u>	<u>(431,099)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds for contributions restricted for:		
Capital projects	2,768,067	1,670,704
Beneficial interest in funds held by others	524,133	1,039,372
Net Cash Provided by Financing Activities	<u>3,292,200</u>	<u>2,710,076</u>
Change in Cash and Cash Equivalents	99,805	154,018
Cash and Cash Equivalents, Beginning of Year	<u>1,208,014</u>	<u>1,053,996</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,307,819</u></u>	<u><u>\$ 1,208,014</u></u>
NON-CASH TRANSACTION:		
Fixed assets financed through accounts payable	<u>\$ 516,452</u>	<u>\$ 133,713</u>
Fixed assets transferred to property held for sale	<u>\$ 512,599</u>	<u>\$ -</u>

See notes to financial statements

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2024 and 2023

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, 2024 and 2023, the cash accounts maintained exceeded federally insured limits by approximately \$1,308,000 and \$543,000, 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	\$ 3,429,182	\$ 3,886,030
Less expenditures not yet placed into service	(1,486,076)	(1,413,626)
	<u>\$ 1,943,106</u>	<u>\$ 2,472,404</u>

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2024 and 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS AND INVESTMENT INCOME

OBHC's investments are held and managed by WatersEdge Ministry Services (WatersEdge). These investments are held in pooled funds at WatersEdge. Pro-rata ownership in the pools is determined under a system in which units of ownership are recorded to represent each member's share of the total market value of assets; therefore, OBHC reports its interest in the pooled investments at fair value. Mineral rights and other investment holdings including fixed income instruments 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. Construction in progress consists of various ongoing projects across OBHC locations. 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, excluding land and land restricted in perpetuity, 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 improvements	5-40 years

PROPERTY HELD FOR SALE

Property held for sale consists of a building that is on the market. It is recorded at the lower of carrying value or fair market value less the estimated cost to sell the property and is evaluated for impairment annually.

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2024 and 2023

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 2024, were approximately \$999,000, \$958,000, \$1,042,000, and \$989,000, respectively. 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. These amounts are included in investment income – distributions appropriated on the statements of activities.

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, 2024 and 2023

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 \$688,000 and \$365,000 for the years ended December 31, 2024 and 2023, respectively. Donated services were approximately \$233,000 and \$241,000 for the years ended December 31, 2024 and 2023, respectively.

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2024 and 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued

OBHC's cooperative program contributions are received annually, budgeted 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 \$240,000 and \$161,000 for the years ended December 31, 2024 and 2023, 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.

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2024 and 2023

3. INVESTMENTS:

Investments consist of:

	December 31, 2024		
	Without Donor Restrictions	With Donor Restrictions (Purpose/Time)	Total
Custodial funds held by WatersEdge	\$ 14,040,006	\$ 6,599,511	\$ 20,639,517
Less investments restricted for long-term purposes	-	(1,943,106)	(1,943,106)
	<u>\$ 14,040,006</u>	<u>\$ 4,656,405</u>	<u>\$ 18,696,411</u>
	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)
	<u>\$ 17,453,437</u>	<u>\$ 4,159,820</u>	<u>\$ 21,613,257</u>

4. FIXED ASSETS—NET:

Fixed assets—net consist of:

	December 31,	
	2024	2023
Land	\$ 1,533,106	\$ 1,825,873
Land restricted in perpetuity	112,500	112,500
Buildings and improvements	36,438,326	34,469,907
Equipment	3,533,260	2,610,250
Vehicles	3,056,743	2,837,148
Furniture, fixtures, and other	317,327	317,327
	<u>44,991,262</u>	<u>42,173,005</u>
Less accumulated depreciation	<u>(26,503,255)</u>	<u>(26,046,918)</u>
	18,488,007	16,126,087
Construction in progress	1,539,875	1,443,109
	<u>\$ 20,027,882</u>	<u>\$ 17,569,196</u>

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2024 and 2023

5. NET ASSETS:

Net assets without donor restrictions consist of:

	December 31,	
	2024	2023
Operating	\$ 6,048,323	\$ 9,231,014
Equity in fixed assets—net (less land restricted in perpetuity)	19,915,382	17,456,696
	<u>\$ 25,963,705</u>	<u>\$ 26,687,710</u>

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

	December 31,	
	2024	2023
Subject to expenditure for specified purpose:		
Construction projects	\$ 3,429,182	\$ 3,886,030
The Vine, Oklahoma City	3,270,203	2,755,184
Boys Ranch Town	2,981,150	3,032,892
Hope Pregnancy Centers	1,097,287	947,904
Scholarships	969,213	850,960
Home office, development, and other	476,678	529,586
Baptist Home for Girls	380,665	548,498
Baptist Children's Home, Owasso	357,922	629,575
Women of compassion and style show	177,457	152,235
	<u>13,139,757</u>	<u>13,332,864</u>
Subject to the passage of time:		
Beneficial interest in funds held by others	<u>1,658,487</u>	<u>1,657,251</u>
Subject to restriction in perpetuity:		
Beneficial interest in funds held by others:		
Children's programs	75,093,100	74,452,150
Scholarships	1,949,866	1,842,513
Buildings, cottages, and maintenance	1,043,269	1,044,042
Hope pregnancy ministries	14,795	-
Land	112,500	112,500
	<u>78,213,530</u>	<u>77,451,205</u>
	<u>\$ 93,011,774</u>	<u>\$ 92,441,320</u>

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2024 and 2023

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,	
	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 1,307,819	\$ 1,208,014
Investments	18,696,411	21,613,257
Investments restricted for construction projects	1,943,106	2,472,404
Beneficial interest in funds held by others	79,759,519	78,995,956
Financial assets, at year-end	<u>101,706,855</u>	<u>104,289,631</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	(2,095,241)	(1,816,816)
Investments restricted by donor with purpose restrictions	(5,005,911)	(6,632,224)
Beneficial interest in funds held by others	(79,759,519)	(78,995,956)
	<u>(86,860,671)</u>	<u>(87,444,996)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,846,184</u>	<u>\$ 16,844,635</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, 2025 that can be used at the discretion of the board of trustees. OBHC has certain donor-restricted net assets that are available for general expenditures within one year of December 31, 2024 and 2023, because the restrictions are expected to be met by conducting the normal activities of OBHC in the coming year.

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2024 and 2023

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, 2024 and 2023

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, 2024 and 2023

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 Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
<u>December 31, 2024:</u>				
Assets:				
Investments:				
Pooled investments	\$ 12,530,764	\$ -	\$ 12,530,764	\$ -
Low-duration bonds	760,000	-	760,000	-
Mineral interests	635,848	-	-	635,848
	13,926,612	\$ -	\$ 13,290,764	\$ 635,848
Reconciling items at cost:				
Cash and cash equivalents	6,712,905			
Total investments and investments restricted for construction projects	<u>\$ 20,639,517</u>			
Beneficial interest in funds held by others				
	<u>\$ 79,759,519</u>	<u>\$ -</u>	<u>\$ 79,759,519</u>	<u>\$ -</u>
Liabilities:				
Post-retirement benefits liability	<u>\$ 2,411,818</u>	<u>\$ -</u>	<u>\$ 2,411,818</u>	<u>\$ -</u>

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2024 and 2023

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

		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)
	Fair Value			
<u>December 31, 2023:</u>				
Assets:				
Investments:				
Pooled investments	\$ 15,173,593	\$ -	\$ 15,173,593	\$ -
Bond mutual fund	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	<u>\$ 24,085,661</u>			
Beneficial interest in funds held by others	<u>\$ 78,995,956</u>	<u>\$ -</u>	<u>\$ 78,995,956</u>	<u>\$ -</u>
Liabilities:				
Post-retirement benefits liability	<u>\$ 2,503,205</u>	<u>\$ -</u>	<u>\$ 2,503,205</u>	<u>\$ -</u>

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

	Year Ended December 31,	
	2024	2023
Beginning balance	\$ 642,468	\$ 592,197
Investment gains (losses)	(6,620)	50,271
Ending balance	<u>\$ 635,848</u>	<u>\$ 642,468</u>

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2024 and 2023

8. EXPENSES INCURRED:

The financial statements report certain categories of expenses that are attributable to one or more programs 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 are 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 \$95,391 and \$55,081, for the years ending December 31, 2024 and 2023, respectively.

Expenses of OBHC are allocated to functional classifications as follows:

	Year Ended December 31, 2024				
	Program Activities		Supporting Activities		Total
	Children's Programs	Hope Pregnancy Centers	Home Office	Fundraising	
Salaries, wages, and benefits	\$ 4,782,351	\$ 1,806,954	\$ 680,964	\$ 2,341,734	\$ 9,612,003
Facilities and maintenance	1,684,171	351,331	203,641	16,855	2,255,998
Depreciation	1,501,420	217,884	81,821	90,549	1,891,674
Food and supplies	1,253,579	376,281	28,505	88,524	1,746,889
Training and travel	566,580	152,580	47,518	254,841	1,021,519
Professional fees	122,732	265,263	75,639	166,202	629,836
Events	56,285	926	-	482,545	539,756
Technology	103,071	73,000	32,268	67,705	276,044
Other	165,404	201,282	140,908	261,803	769,397
	10,235,593	3,445,501	1,291,264	3,770,758	18,743,116
Less nonoperating expense	-	-	(95,391)	-	(95,391)
Total Operating Expenses	<u>\$ 10,235,593</u>	<u>\$ 3,445,501</u>	<u>\$ 1,195,873</u>	<u>\$ 3,770,758</u>	<u>\$ 18,647,725</u>

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2024 and 2023

8. EXPENSES INCURRED, continued:

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
	<u>9,503,440</u>	<u>2,989,154</u>	<u>1,629,904</u>	<u>3,242,763</u>	<u>17,365,261</u>
Less nonoperating expense	<u>-</u>	<u>-</u>	<u>(55,081)</u>	<u>-</u>	<u>(55,081)</u>
Total Operating Expenses	<u>\$ 9,503,440</u>	<u>\$ 2,989,154</u>	<u>\$ 1,574,823</u>	<u>\$ 3,242,763</u>	<u>\$ 17,310,180</u>
Change in total operating expenses from prior year	\$ 732,153	\$ 456,347	\$ (378,950)	\$ 527,995	\$ 1,337,545
% change in total operating expenses from prior year	7.70%	15.27%	-24.06%	16.28%	7.73%

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2024 and 2023

9. POST-RETIREMENT EMPLOYEE BENEFITS:

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

	December 31, 2024		
	Health Care	Life Insurance	Total
Inactive retired participants	\$ 2,082,542	\$ 5,117	\$ 2,087,659
Active fully eligible participants	21,743	-	21,743
Active other participants	302,416	-	302,416
	<u>\$ 2,406,701</u>	<u>\$ 5,117</u>	<u>\$ 2,411,818</u>
	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
	<u>\$ 2,496,393</u>	<u>\$ 6,812</u>	<u>\$ 2,503,205</u>

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,	
	2024	2023
Benefit obligation, beginning of year	\$ 2,503,205	\$ 2,213,074
Net periodic post-retirement costs	138,829	89,260
Post-retirement-related changes other than net periodic postretirement cost	(230,216)	200,871
Benefit obligation, end of year	<u>\$ 2,411,818</u>	<u>\$ 2,503,205</u>

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2024 and 2023

9. POST-RETIREMENT EMPLOYEE BENEFITS, continued:

	Year Ended December 31,	
	2024	2023
Net periodic post-retirement cost, included in functional expenses:		
Service cost	\$ 43,438	\$ 34,179
Net periodic post-retirement cost other than service cost:		
Interest costs	124,134	113,964
Gain recognized	(28,743)	(58,883)
Net periodic post-retirement costs	<u>\$ 138,829</u>	<u>\$ 89,260</u>

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,	
	2024	2023
Change in discount rate assumption	\$ (143,908)	\$ 57,852
Change in other assumptions	1,394	40,681
Actuarial (gain) loss	38,951	228,533
Benefits paid	(126,653)	(126,195)
	<u>\$ (230,216)</u>	<u>\$ 200,871</u>

Assumptions:

	December 31,	
	2024	2023
Projected health care trend rate (Medical/Rx)	5%/6.6%	4.4%/6.6%
Ultimate trend rate (Medical/Rx)	4.37%/4.87%	4.4%/4.87%
Year ultimate trend rate is achieved	2032	2031
Discount rate	5.57%	5.00%

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2024 and 2023

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, 2024 and 2023).

Expected future minimum benefit payments for the post-retirement plan are as follows:

<u>Year Ending December 31,</u>	
2025	\$ 149,163
2026	147,889
2027	156,480
2028	163,414
2029	170,380
Thereafter	<u>1,624,492</u>
	<u><u>\$ 2,411,818</u></u>

10. DEFINED CONTRIBUTION PLAN:

All full time employees of OBHC are eligible to participate in a defined contribution plan through GuideStone Financial Resources of the Southern Baptist Convention (SBC). Under the plan, OBHC contributes an amount equal to five percent of employees' salaries for plan participants. 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, 2024 and 2023, was \$543,082 and \$502,238, 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, 2024 and 2023, OBHC had amounts due from related parties of approximately \$120,000 and \$126,000, respectively, which are included in prepaid expenses and other on the statements of financial position.

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, 2024 and 2023, investments and beneficial interests in funds held by WatersEdge on behalf of OBHC were approximately \$97,000,000 and \$100,000,000, respectively. In relation to holding and managing OBHC's investments, WatersEdge charged total fees of approximately \$863,000 and \$840,000, for the years ended December 31, 2024 and 2023, respectively, which are included in investment income on the statements of activities.

OKLAHOMA BAPTIST HOMES FOR CHILDREN, INC.

Notes to Financial Statements

December 31, 2024 and 2023

11. RELATED PARTIES, continued:

OBHC made rent payments to Oklahoma Baptists for office space under a short-term lease totaling \$183,540 for both the years ended December 31, 2024 and 2023. In addition, OBHC paid Oklahoma Baptists approximately \$153,000 and \$203,000 for the years ended December 31, 2024 and 2023, 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 \$179,000 and \$593,000 for the years ended December 31, 2024 and 2023, respectively.

During the years ended December 31, 2024 and 2023, OBHC received contributions from the SBC cooperative program of approximately \$664,000 and \$648,000, respectively.

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through May 21, 2025, which represents the date the financial statements were available to be issued.