



FLORIDA BAPTIST CONVENTION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016





REPORT OF INDEPENDENT AUDITOR

The State Board of Missions
Florida Baptist Convention, Inc.
Jacksonville, Florida

We have audited the accompanying financial statements of Florida Baptist Convention, Inc. (“the Convention”), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Convention's preparation and fair presentation of the 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 Convention'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Florida Baptist Convention, Inc. as of December 31, 2017 and 2016, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information included in Schedules A and B for the year ended December 31, 2017, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, with the exception of information marked unaudited, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
May 31, 2018

FLORIDA BAPTIST CONVENTION, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,467,566	\$ 3,634,916
Investments - unrestricted	9,362,073	7,015,584
Current portion of ministry program loans receivable, net	896,667	892,148
Other current assets	88,222	108,548
Total current assets	15,814,528	11,651,196
OTHER ASSETS		
Ministry program loans receivable, net	10,684,441	10,066,968
Church sites	1,425,858	1,425,858
Beneficial interest in perpetual trusts	3,461,628	2,531,945
Investments - restricted for long-term purposes	3,925,441	3,775,998
Total other assets	19,497,368	17,800,769
PROPERTY AND EQUIPMENT, net	10,074,768	9,937,650
Total assets	\$ 45,386,664	\$ 39,389,615
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 2,934,663	\$ 2,505,566
Unearned facilities revenue	346,695	347,806
Current portion of note payable	134,663	143,134
Vacation and sick pay liability	940,226	1,092,330
Current portion of accrued postretirement benefit obligation	703,000	721,000
Total current liabilities	5,059,247	4,809,836
NOTE PAYABLE (noncurrent portion)	663,337	826,866
ACCRUED POSTRETIREMENT BENEFIT OBLIGATION (noncurrent portion)	11,339,924	11,969,928
Total liabilities	17,062,508	17,606,630
NET ASSETS		
Unrestricted	13,445,076	8,761,065
Temporarily restricted	992,011	213,977
Permanently restricted	13,887,069	12,807,943
Total net assets	28,324,156	21,782,985
Total liabilities and net assets	\$ 45,386,664	\$ 39,389,615

The Accompanying Notes are an Integral
Part of These Financial Statements

FLORIDA BAPTIST CONVENTION, INC.
STATEMENTS OF ACTIVITIES

	For The Years Ended	
	December 31,	
	<u>2017</u>	<u>2016</u>
CHANGE IN UNRESTRICTED NET ASSETS		
Public support and revenue		
Cooperative Program	\$ 29,060,567	\$ 29,920,395
Convention facilities	1,958,419	1,834,517
Ministry events	1,461,411	1,390,564
Maguire State Missions offerings	693,701	720,057
Net investment income	503,184	339,383
Interest and dividend income	429,296	421,381
North American Mission Board	300,000	300,000
Other income	<u>271,730</u>	<u>114,064</u>
Total public support and revenue	34,678,308	35,040,361
Net assets released from restrictions	<u>1,607,627</u>	<u>597,999</u>
Total public support and revenue and net assets released from restrictions	<u>36,285,935</u>	<u>35,638,360</u>
Expenses		
Program expenses		
Southern Baptist Convention Cooperative Program	14,820,889	15,259,401
State missions, church planting assistance, and other program activities	9,896,389	9,836,548
Grants to Cooperating Ministries in Florida	3,791,666	3,089,000
Grant to the Executive Committee of the Southern Baptist Convention	3,136,500	—
Ministry events	<u>1,824,192</u>	<u>1,586,639</u>
Total program expenses	<u>33,469,636</u>	<u>29,771,588</u>
Supporting expenses		
General and administrative	4,273,116	4,389,252
Fund development	<u>168,578</u>	<u>156,957</u>
Total supporting expenses	<u>4,441,694</u>	<u>4,546,209</u>
Total expenses	37,911,330	34,317,797
Change in unrestricted net assets before gain on sale of property and actuarial gain (loss) on postretirement benefit plans	(1,625,395)	1,320,563
Gain on sale of former headquarters property	5,896,265	—
Actuarial gain (loss) on postretirement benefit plans	<u>413,141</u>	<u>(1,909,602)</u>
Change in unrestricted net assets	4,684,011	(589,039)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	2,385,661	511,071
Net assets released from restrictions	<u>(1,607,627)</u>	<u>(597,999)</u>
Change in temporarily restricted net assets	778,034	(86,928)
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		
Change in beneficial interest in perpetual trusts	929,683	10,493
Net investment income and other changes	<u>149,443</u>	<u>(95,514)</u>
Change in permanently restricted net assets	1,079,126	(85,021)
CHANGE IN NET ASSETS	6,541,171	(760,988)
NET ASSETS - Beginning of year	<u>21,782,985</u>	<u>22,543,973</u>
NET ASSETS - End of year	\$ <u>28,324,156</u>	\$ <u>21,782,985</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

FLORIDA BAPTIST CONVENTION, INC.
STATEMENTS OF CASH FLOWS

	For The Years Ended December 31,	
	2017	2016
OPERATING CASH FLOWS		
Cash received from donors	\$ 32,439,929	\$ 31,451,523
Cash received from events, facilities fees, and other sources	3,690,449	3,339,145
Investment income received	429,296	421,381
Cash paid for operating activities and costs	(37,231,775)	(33,759,578)
Net operating cash flows	(672,101)	1,452,471
INVESTING CASH FLOWS		
Net (purchases) sales of investments	(1,693,862)	97,576
Collections of ministry program loans	1,189,008	1,129,863
Ministry program loans made	(1,811,000)	(975,000)
Net (investment in) release of assets restricted for long-term purposes	(149,443)	95,514
Proceeds from sale of former headquarters property	6,150,000	—
Purchases of and improvements to property and equipment	(1,007,952)	(2,737,169)
Net investing cash flows	2,676,751	(2,389,216)
FINANCING CASH FLOWS		
Principal reductions on note payable	(172,000)	(170,000)
Net financing cash flows	(172,000)	(170,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,832,650	(1,106,745)
CASH AND CASH EQUIVALENTS - Beginning of year	3,634,916	4,741,661
CASH AND CASH EQUIVALENTS - End of year	\$ 5,467,566	\$ 3,634,916
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	\$ 6,541,171	\$ (760,988)
Adjustments to reconcile change in net assets to net operating cash flows		
Gain on sale of former headquarters property	(5,896,265)	—
Depreciation	617,099	548,226
Net gain on investments	(652,627)	(243,869)
Noncash grant of church site	—	353,000
Change in other current assets	20,326	47,857
Change in beneficial interest in perpetual trusts	(929,683)	(10,493)
Change in accounts payable and accrued expenses	429,097	(484,835)
Change in unearned facilities revenue	(1,111)	163,657
Change in vacation and sick pay liability	(152,104)	94,870
Change in accrued postretirement benefit obligation	(648,004)	1,745,046
Net operating cash flows	\$ (672,101)	\$ 1,452,471

The Accompanying Notes are an Integral
Part of These Financial Statements

FLORIDA BAPTIST CONVENTION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

Florida Baptist Convention, Inc. (“the Convention”) is a Florida-based not-for-profit organization which provides support to Southern Baptist churches and which promotes the Cooperative Program – a joint ministry endeavor of the various state conventions and the Southern Baptist Convention through which the churches and various cooperating ministries and institutions carry out their worldwide denominational programs.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as “net assets released from restrictions.”

Revenue classifications

The Convention’s primary revenue sources included in the accompanying statements of activities are further described as follows:

Cooperative Program

Gifts made by Florida Baptist churches to the Convention’s Cooperative Program.

Convention facilities

Group lodging, meals, and related fees charged by the Convention for the use of its conference facilities.

Ministry events

Various ministry-related activities conducted by the Convention in Florida and elsewhere. Such activities include conferences, camps, seminars, lectures, retreats, missions, concerts, and other educational activities.

Maguire State Missions offerings

Gifts made by churches and others to the Convention’s Maguire State Missions program, a program which provides grants to new churches, provides pastoral aid, and funds other evangelistic activities.

North American Mission Board

Contributions made by the North American Mission Board of the Southern Baptist Convention (“NAMB”) based on a cooperative agreement between the Convention and NAMB.

Cash and cash equivalents

The Convention considers all investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

Investments

Investments are carried at estimated fair value.

Allowance for doubtful accounts

Ministry program loans receivable are stated net of an allowance for doubtful accounts. The Convention estimates the allowance for doubtful accounts based on an analysis of specific program loans, taking into consideration collection history, the age of any past due amounts, and assessment of the debtor’s ability to pay. Ministry program loans are considered past due when payments are not made in accordance with specified terms. Ministry program loans are written off upon management’s determination that the amounts are uncollectible.

FLORIDA BAPTIST CONVENTION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Church sites

Church sites are stated at cost, if purchased, or at estimated fair value on the date of donation, if donated. Church sites are held primarily for rental to churches in Florida.

Beneficial interest in perpetual trusts

Florida Baptist Foundation (“the Foundation”) is a Florida not-for-profit organization whose purposes and activities are to solicit and administer various types of gifts held for the benefit of the Convention and other organizations. The Convention records its beneficial interest in endowments held in trust and administered by the Foundation at estimated fair value. In order to reflect the Convention’s interest in the net assets of the Foundation in the most fair and appropriate manner, the Convention records changes in the underlying estimated fair value of the related investments as changes in permanently restricted net assets in the accompanying statements of activities.

Investments – restricted for long-term purposes

Investments – restricted for long-term purposes include funds held by the Foundation, primarily in mutual funds in a diversified portfolio carried at estimated fair value. These assets are primarily restricted to the trust or endowment agreements to which they relate.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets.

Postretirement benefit plans

The Convention provides postretirement healthcare, life insurance, and retirement gift benefits for retired employees. The Convention accounts for the plans following guidance prescribed under accounting principles generally accepted in the United States of America (“GAAP”).

Income taxes

The Convention is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Florida law. The Convention is further classified as a public charity and not a private foundation for federal tax purposes. The Convention has not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying financial statements.

Use of estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those related to the estimated fair value of investments, the collectibility of ministry program loans receivable, the useful lives of property and equipment, and the calculation of the accrued postretirement benefit obligation. Actual results could differ from the estimates.

NOTE C – CONCENTRATIONS

The Convention maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Convention has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

FLORIDA BAPTIST CONVENTION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D – INVESTMENTS

Investments consisted of the following:

Category	December 31,	
	2017	2016
Assets administered by Florida Baptist Foundation	\$ 6,077,739	\$ 5,504,595
Equity securities (including equity mutual funds)	3,030,182	3,012,094
Debt securities (including fixed income mutual funds)	2,756,417	847,278
CGIF certificates of participation, net	842,938	848,971
CGIF certificates of deposit	526,103	514,779
Other investments	54,135	63,865
Total investments	\$ 13,287,514	\$ 10,791,582

The above amounts are reported in the accompanying statements of financial position as follows:

Investments – unrestricted	\$ 9,362,073	\$ 7,015,584
Investments – restricted for long-term purposes	3,925,441	3,775,998
Total investments	\$ 13,287,514	\$ 10,791,582

Substantially all investments held by the Foundation are pooled with funds transferred to the Foundation by other parties. Such funds are invested by the Foundation primarily in mutual funds in a diversified portfolio which is managed by a third party pursuant to the Foundation’s investment policies. Investments held by the Foundation include approximately \$3,925,000 and \$3,776,000 of investments restricted to endowments as of December 31, 2017 and 2016, respectively.

The investments in securities of Church Growth Investment Fund, Inc. (“CGIF”) consist primarily of certificates of participation for church loans which are made to Baptist churches in Florida. The interest rate on the Convention’s invested funds varies depending upon market conditions. The loan portfolio is serviced by the Foundation. Approximately \$2,863,000 and \$2,869,000 of the Convention’s gross participation interest at December 31, 2017 and 2016, respectively, is for two loans (the net participation interest after reducing one of the loans for an impairment allowance is approximately \$843,000 and \$849,000 as of December 31, 2017 and 2016, respectively). Additionally, the Convention issued a guaranty in the amount of \$1,000,000 related to one of the loans.

NOTE E – FAIR VALUE MEASUREMENTS

GAAP defines fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value. The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

FLORIDA BAPTIST CONVENTION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E – FAIR VALUE MEASUREMENTS (Continued)

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – unadjusted quoted market prices in active markets for identical assets

Level 2 – other significant observable inputs (such as quoted prices for similar items)

Level 3 – significant unobservable inputs

The estimated fair value of assets administered by the Foundation and assets administered by CGIF determined using Level 2 inputs is based on amounts provided by the Foundation and CGIF, or in the case of the Level 3 investments, the Convention's ownership interest in the underlying loans. The estimated fair value of other investments determined using Level 2 inputs is based on information provided by the custodian. The estimated fair value of the beneficial interest in perpetual trusts using Level 3 inputs is calculated based on the Convention's interest in trusts held in perpetuity by the Foundation for which the Convention is a named beneficiary. Such calculations utilize the Foundation's estimates of fair value of the underlying investments. The change in the components of financial instruments measured using Level 3 inputs in each of the years 2017 and 2016 was immaterial.

Estimated fair value of certain assets measured on a recurring basis at December 31, 2017, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets administered by the Foundation	\$ 6,077,739	\$ —	\$ 6,077,739	\$ —
Beneficial interest in perpetual trusts	3,461,628	—	—	3,461,628
Equity securities (including equity mutual funds)	3,030,182	3,030,182	—	—
Debt securities (including fixed income mutual funds)	2,756,417	2,756,417	—	—
Assets administered by CGIF	1,369,041	—	526,103	842,938
Other	54,135	—	54,135	—
Total	<u>\$ 16,749,142</u>	<u>\$ 5,786,599</u>	<u>\$ 6,657,977</u>	<u>\$ 4,304,566</u>

Estimated fair value of certain assets measured on a recurring basis at December 31, 2016, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets administered by the Foundation	\$ 5,504,595	\$ —	\$ 5,504,595	\$ —
Equity securities (including equity mutual funds)	3,012,094	3,012,094	—	—
Beneficial interest in perpetual trusts	2,531,945	—	—	2,531,945
Assets administered by CGIF	1,363,750	—	514,779	848,971
Debt securities (including fixed income mutual funds)	847,278	847,278	—	—
Other	63,865	—	63,865	—
Total	<u>\$ 13,323,527</u>	<u>\$ 3,859,372</u>	<u>\$ 6,083,239</u>	<u>\$ 3,380,916</u>

FLORIDA BAPTIST CONVENTION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE F – MINISTRY PROGRAM LOANS RECEIVABLE

Ministry program loans receivable consisted of the following:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Notes administered by the Convention’s Support Services office and held in the Convention’s Church Loan Fund, secured by real property, with interest rates at 5% per annum (for loans originating after March 16, 2009), prime plus .50% (for loans originating after April 2008) or 8% per annum, maturing through 2032	\$ 6,253,617	\$ 5,090,660
Notes administered by the Convention’s Support Services office and held in the Convention’s New Work Fund, secured by real property, with interest rates at 5% per annum (for loans originating after March 16, 2009), prime plus .50% (for loans originating after April 2008) or 8% per annum, maturing through 2037	3,832,281	4,012,089
Interest-free loans made for the purpose of establishing new church sites, secured by real property, maturing through 2023	755,092	936,894
Interest-free loans made for the purpose of disaster relief, unsecured, maturing through 2021	436,342	494,594
Other ministry program loans receivable	<u>634,119</u>	<u>755,222</u>
Total ministry program loans receivable	11,911,451	11,289,459
Less: Allowance for uncollectible loans	<u>(330,343)</u>	<u>(330,343)</u>
Net ministry program loans receivable	11,581,108	10,959,116
Less: Current maturities	<u>(896,667)</u>	<u>(892,148)</u>
Net noncurrent portion	<u>\$ 10,684,441</u>	<u>\$ 10,066,968</u>

Substantially all loans receivable consisted of loans made to Baptist churches in the state of Florida. Interest income from the interest-bearing loans is recognized in the accompanying statements of activities as revenue when received. The results of this recognition method do not materially differ from those that would be reported under the accrual method.

NOTE G – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	<u>December 31,</u>	
<u>Category</u>	<u>2017</u>	<u>2016</u>
Land and buildings	\$ 15,085,333	\$ 18,427,000
Furniture and fixtures	5,176,182	5,313,668
Automobiles	<u>853,706</u>	<u>887,865</u>
Total property and equipment	21,115,221	24,628,533
Less: Accumulated depreciation	<u>(11,040,453)</u>	<u>(14,690,883)</u>
Net property and equipment	<u>\$ 10,074,768</u>	<u>\$ 9,937,650</u>

FLORIDA BAPTIST CONVENTION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H – POSTRETIREMENT BENEFIT PLANS

The Convention provides postretirement healthcare, life insurance, and retirement gift benefits for retired employees. The benefits provided from the healthcare and retirement gift plans are made available to any person who was age 50 as of December 31, 2012 or who completed 12 years of service as of December 31, 2012. The life insurance plan is made available for a closed group of retirees. The Convention funds the plans as claims are made.

During 2017, a reduction in covered participants and healthcare premiums not increasing to the extent expected resulted in a reduction to the total accrued postretirement benefit liability of \$647,904. During 2016, the estimated Medicare supplement premium increased by approximately 25%. This increase accounted for approximately \$960,000 of the increase in the postretirement benefit obligation during 2016. Changes in the discount rate and revisions of other estimates and assumptions accounted for a majority of the remaining 2016 increase.

The total accrued postretirement benefit liability of the Convention's postretirement benefit plans as of December 31, 2017 and 2016 amounted to \$12,042,924 and \$12,690,928, respectively.

There are no plan assets for the Convention's postretirement benefit plans, as postretirement benefits are funded by the Convention when claims are made.

Net benefits paid under each plan during 2017 and 2016 were as follows:

	<u>Healthcare Plan</u>	<u>Life Plan</u>	<u>Retirement Gift Plan</u>	<u>Total</u>
Benefits paid – 2017	\$ 648,672	\$ 61,740	\$ 71,352	\$ 781,764
Benefits paid – 2016	\$ 691,416	\$ 55,755	\$ 65,126	\$ 812,297

The weighted-average assumptions used in developing the postretirement benefit obligations were as follows:

	<u>Healthcare Plan</u>	<u>Life Plan</u>	<u>Retirement Gift Plan</u>
Discount rate, December 31, 2017	3.60%	3.60%	3.60%
Discount rate, December 31, 2016	4.15%	4.15%	4.15%

The assumed healthcare cost trend rate for 2017 used to measure the December 31, 2017 liability was 7.40%. The ultimate trend rate of 5.00% is expected to be achieved in 2021.

A one percentage point increase in the assumed healthcare cost trend rates for each future year would increase the accumulated postretirement benefit obligation at December 31, 2017 by approximately \$1,550,000. A one percentage point decrease in the assumed healthcare cost trend rates for each future year would decrease the accumulated postretirement benefit obligation at December 31, 2017 by approximately \$1,303,000.

The estimated total benefits expected to be paid under all three plans during each of the next five years and in aggregate for the five years thereafter are as follows:

<u>Year Ending December 31,</u>	
2018	\$ 703,000
2019	683,000
2020	789,000
2021	771,000
2022	784,000
Next five years	<u>3,870,000</u>
Total	<u>\$ 7,600,000</u>

FLORIDA BAPTIST CONVENTION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H – POSTRETIREMENT BENEFIT PLANS (Continued)

Because the plans are funded as claims are made, the expected employer contribution for 2018 is \$703,000.

The amount of net periodic postretirement benefit cost recognized for 2017 and 2016 is as follows:

	<u>Healthcare Plan</u>	<u>Life Plan</u>	<u>Retirement Gift Plan</u>	<u>Total</u>
Net cost – 2017	<u>\$ 98,078</u>	<u>\$ 27,276</u>	<u>\$ 85,455</u>	<u>\$ 210,809</u>
Net cost – 2016	<u>\$ 357,651</u>	<u>\$ 27,821</u>	<u>\$ 96,317</u>	<u>\$ 481,789</u>

There were no significant non-routine events, such as combinations, divestitures, or settlements affecting the plans during 2017 or 2016.

Following is a reconciliation of the accumulated postretirement benefit obligation (APBO):

	<u>Healthcare Plan</u>	<u>Life Plan</u>	<u>Retirement Gift Plan</u>	<u>Total</u>
APBO, January 1, 2016	\$ 10,072,992	\$ 643,520	\$ 229,370	\$ 10,945,882
Service cost	110,520	—	4,521	115,041
Interest cost	494,278	27,821	10,601	532,700
Actuarial loss	1,823,545	4,528	81,529	1,909,602
Benefits paid	<u>(691,416)</u>	<u>(55,755)</u>	<u>(65,126)</u>	<u>(812,297)</u>
APBO, December 31, 2016	11,809,919	620,114	260,895	12,690,928
Service cost	75,960	—	3,792	79,752
Interest cost	433,319	27,276	6,554	467,149
Actuarial (gain) loss	(445,967)	60,227	(27,401)	(413,141)
Benefits paid	<u>(648,672)</u>	<u>(61,740)</u>	<u>(71,352)</u>	<u>(781,764)</u>
APBO, December 31, 2017	<u>\$ 11,224,559</u>	<u>\$ 645,877</u>	<u>\$ 172,488</u>	<u>\$ 12,042,924</u>

The actuarial gain (loss) reported in the accompanying 2017 and 2016 statements of activities of \$413,141 and (\$1,909,602), respectively, represents the portion of the actuarial adjustment not included in the 2017 and 2016 net periodic postretirement benefit cost.

Following are changes in amounts not yet recognized in net periodic postretirement benefit cost:

	<u>Healthcare Plan</u>	<u>Life Plan</u>	<u>Retirement Gift Plan</u>	<u>Total</u>
Prior service cost (credit), January 1, 2016	\$ (1,488,725)	\$ —	\$ —	\$ (1,488,725)
Amount recognized during 2016	<u>222,070</u>	<u>—</u>	<u>—</u>	<u>222,070</u>
Prior service cost (credit), December 31, 2016	(1,266,655)	—	—	(1,266,655)
Amount recognized during 2017	<u>222,070</u>	<u>—</u>	<u>—</u>	<u>222,070</u>
Prior service cost (credit), December 31, 2017	<u>\$ (1,044,585)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (1,044,585)</u>

FLORIDA BAPTIST CONVENTION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE H – POSTRETIREMENT BENEFIT PLANS (Continued)

	<u>Healthcare Plan</u>	<u>Life Plan</u>	<u>Retirement Gift Plan</u>	<u>Total</u>
Actuarial (gain) loss, January 1, 2016	\$ (2,594,751)	\$ (14,162)	\$ 514,252	\$ (2,094,661)
Amount added during 2016	1,823,545	4,528	81,529	1,909,602
Amount recognized during 2016	<u>25,077</u>	<u>—</u>	<u>(81,195)</u>	<u>(56,118)</u>
Actuarial (gain) loss, December 31, 2016	(746,129)	(9,634)	514,586	(241,177)
Amount added during 2017	(445,967)	60,227	(27,401)	(413,141)
Amount recognized during 2017	<u>189,131</u>	<u>—</u>	<u>(75,109)</u>	<u>114,022</u>
Actuarial (gain) loss, December 31, 2017	<u>\$ (1,002,965)</u>	<u>\$ 50,593</u>	<u>\$ 412,076</u>	<u>\$ (540,296)</u>
Estimated amounts to be amortized during 2018:				
Prior service cost (credit)	\$ (222,070)	\$ —	\$ —	\$ (222,070)
Actuarial gain	<u>—</u>	<u>—</u>	<u>74,920</u>	<u>74,920</u>
Total	<u>\$ (222,070)</u>	<u>\$ —</u>	<u>\$ 74,920</u>	<u>\$ (147,150)</u>

NOTE I – NOTE PAYABLE

The Convention has entered into a note payable agreement with a certain foundation. The proceeds are used to make loans primarily to Baptist churches located in the state of Florida for the purpose of either disaster relief or church site development. The note is unsecured, interest-free, and is payable at a repayment rate no greater than the repayment terms offered by the Convention for loans made by the Convention with the related proceeds.

Future maturities of the note payable are as follows:

<u>Year Ending December 31.</u>	
2018	\$ 135,000
2019	115,000
2020	99,000
2021	83,000
2022	62,000
Thereafter	<u>304,000</u>
Total	<u>\$ 798,000</u>

FLORIDA BAPTIST CONVENTION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE J – RESTRICTIONS ON NET ASSETS

Temporarily restricted net asset activity during 2017 was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31</u>
Disaster relief efforts	\$ 11,041	\$ 2,058,245	\$ (1,297,950)	\$ 771,336
Other ministry activities	125,705	327,416	(306,076)	147,045
Estimated future benefit of trust	<u>77,231</u>	<u>—</u>	<u>(3,601)</u>	<u>73,630</u>
Total	<u>\$ 213,977</u>	<u>\$ 2,385,661</u>	<u>\$ (1,607,627)</u>	<u>\$ 992,011</u>

Temporarily restricted net asset activity during 2016 was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>December 31</u>
Other ministry activities	\$ 119,458	\$ 287,567	\$ (281,320)	\$ 125,705
Estimated future benefit of trust	125,526	—	(48,295)	77,231
Disaster relief efforts	<u>55,921</u>	<u>223,504</u>	<u>(268,384)</u>	<u>11,041</u>
Total	<u>\$ 300,905</u>	<u>\$ 511,071</u>	<u>\$ (597,999)</u>	<u>\$ 213,977</u>

Permanently restricted net assets consisted of the following:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
Southeast Regional Center (see below)	\$ 6,500,000	\$ 6,500,000
Endowment funds held by the Foundation and others	3,925,441	3,775,998
Interest in net assets of Foundation	<u>3,461,628</u>	<u>2,531,945</u>
Total permanently restricted net assets	<u>\$ 13,887,069</u>	<u>\$ 12,807,943</u>

Substantially all distributions from permanently restricted endowments are unrestricted.

The Convention preserves the fair value of all original endowment gifts, which management deems is in compliance with state law. Accordingly, the Convention classifies as “permanently restricted net assets” (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The Convention has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to supported programs while seeking to maintain the purchasing power of the endowment assets and to preserve the invested capital. The Convention seeks the advice of investment counsel, as well as management and the Board, when determining amounts to be spent on supported programs.

During a prior year, a church located in south Florida executed a quit-claim deed transferring ownership of certain land and buildings to the Convention. The recorded value of the property was \$6,500,000, which is based on an independent appraisal, and is included in the accompanying financial statements under the captions "property and equipment, net" and "permanently restricted net assets." Pursuant to the terms of the quit-claim deed, if the Convention sells the property at any time in the future, the proceeds from the sale are required to be deposited into the Convention's Cooperative Program Endowment Fund which is administered by the Foundation. The Convention uses this property as its Southeast Regional Center, a ministry outreach targeted at the south Florida population.

FLORIDA BAPTIST CONVENTION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE K – RETIREMENT PLAN

The Convention participates in a defined contribution retirement plan (“the Plan”) which is administered by GuideStone Financial Resources of the Southern Baptist Convention. Eligible employees include all full-time employees with at least two years experience in a Southern Baptist church, state Baptist Convention, denominational agency, and/or related Southern Baptist agency. The Convention contributes a discretionary percentage of each employee’s salary to the Plan as determined by management and the State Board of Missions annually. During 2017 and 2016, contributions to the Plan amounted to approximately \$314,000 and \$387,000, respectively.

NOTE L – TRANSACTIONS WITH COOPERATING MINISTRIES

During 2017 and 2016, the Convention paid approximately \$1,140,000 and \$1,120,000 to Florida Baptist Children’s Homes, Inc., \$237,000 and \$279,000 to Florida Baptist Witness, Inc., \$2,350,000 and \$1,625,000 to The Baptist College of Florida, Inc., and \$65,000 per year to Florida Baptist Retirement Centers, Inc., respectively, in furtherance of its exempt purpose. These entities cooperate in ministry with the Convention. Such amounts are included in the accompanying statements of activities under the caption “Grants to Cooperating Ministries in Florida” expense.

In exchange for nominal consideration, the Convention granted title to the Blue Springs Baptist Conference Center located in Marianna, Florida to The Baptist College of Florida, Inc. during 2016. The net book value of the property and equipment granted was not material to the accompanying financial statements.

NOTE M – GAIN ON SALE

During 2017, the Convention sold its previous headquarters property for approximately \$6,150,000. The transaction resulted in a net gain of \$5,896,265, which is included in the accompanying statement of activities as “gain on sale of former headquarters property.” The Convention made discretionary grants of \$3,136,500 to the Executive Committee of the Southern Baptist Convention and \$700,000 to The Baptist College of Florida, Inc. during 2017 with a portion of the sales proceeds.

NOTE N – COMMITMENT

The Convention has a line of credit with an available amount up to \$2,000,000. The line of credit is due on demand. No amounts were outstanding under this line of credit as of December 31, 2017 or 2016.

NOTE O – SUBSEQUENT EVENTS

Lake Yale Baptist Conference Center, Inc. (“the Center”) is a retreat and conference center located in Leesburg, Florida. The Convention operated the Center through December 31, 2017. Effective January 1, 2018, the Convention granted title to the Center to Lake Yale Baptist Conference Center, Inc., a Florida nonprofit corporation which is not governed or controlled by the Convention. This transaction will be recognized by the Convention in its 2018 financial statements.

The Convention has evaluated for possible financial reporting and disclosure subsequent events through May 31, 2018, the date as of which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

FLORIDA BAPTIST CONVENTION, INC.
COOPERATIVE PROGRAM FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For The Year Ended December 31, 2017

SCHEDULE A

	<u>Budget (unaudited)</u>		Actual Amount	Over (Under) Budget (unaudited)
	<u>Percent</u>	<u>Amount</u>		
Cash receipts – gifts from churches				
Cooperative program		\$ 30,000,000	\$ 29,060,567	\$ (939,433)
Total cash receipts		<u>\$ 30,000,000</u>	<u>\$ 29,060,567</u>	<u>\$ (939,433)</u>
Cash disbursements				
Grants to other entities				
Southern Baptist Convention	51.00%	\$ 15,300,000	\$ 14,820,889	
The Baptist College of Florida, Inc.	5.50%	1,650,000	1,650,000	
Florida Baptist Children’s Homes, Inc.	3.80%	1,140,000	1,140,000	
Florida Baptist Witness, Inc.	0.95%	284,000	236,666	
Florida Baptist Retirement Centers, Inc.	<u>0.22%</u>	<u>65,000</u>	<u>65,000</u>	
Total cash disbursements	61.46%	18,439,000	17,912,555	
Remaining Cooperative Program cash receipts allocated to support Convention operations				
Florida Baptist Convention State Missions	<u>38.54%</u>	<u>11,561,000</u>	<u>11,148,012</u>	
Total	<u>100.00%</u>	<u>\$ 30,000,000</u>	<u>\$ 29,060,567</u>	

FLORIDA BAPTIST CONVENTION, INC.
 AGENCY FUND
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 For The Year Ended December 31, 2017
 (Unaudited)

SCHEDULE B

Gift Designations	Receipts	Disbursements
North American Missions		
Annie Armstrong	\$ 2,418,274	\$ 2,418,274
Others	81,883	81,883
International Missions		
Lottie Moon	5,403,694	5,403,694
Others	316,695	316,695
Florida		
The Baptist College of Florida, Inc.	16,703	16,703
Florida Baptist Children's Homes, Inc.	456,049	456,049
Gifts to Florida Baptist Associations	31,149	31,149
Florida Baptist Children's Homes – Mother's Day Offering	448,494	448,494
Florida Ethics and Religious Liberty Commission	23,712	23,712
Other Florida	220	220
World Hunger	158,159	158,159
Other Funds	<u>45,823</u>	<u>45,823</u>
Total	<u>\$ 9,400,855</u>	<u>\$ 9,400,855</u>