

**TENNESSEE BAPTIST CHILDREN'S HOMES, INC.
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

OCTOBER 31, 2024 AND 2023

TENNESSEE BAPTIST CHILDREN’S HOMES, INC. AND SUBSIDIARY

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Independent Auditor's Report

The Board of Trustees
Tennessee Baptist Children's Homes, Inc. and Subsidiary
Brentwood, Tennessee

Opinion

We have audited the accompanying consolidated financial statements of Tennessee Baptist Children's Homes, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of October 31, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tennessee Baptist Children's Homes, Inc. and Subsidiary as of October 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Tennessee Baptist Children's Homes, Inc. and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Tennessee Baptist Children's Homes, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tennessee Baptist Children's Homes, Inc. and Subsidiary'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 audit.

Crosslin, PLLC

Nashville, Tennessee
March 4, 2025

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position

	October 31,	
	2024	2023
ASSETS:		
Cash and cash equivalents	\$ 2,119,079	\$ 515,283
Accounts receivable	272,659	294,847
Note receivable (Note 6)	160,000	4,000,000
Prepaid expenses and other assets	63,369	88,378
Funds held in custody for children	49,616	33,569
Deposits held by others	710,544	589,639
Property held for sale	159,947	780,428
Investments (Note 4)	28,317,481	20,370,060
Property, buildings, and equipment—net (Note 7)	14,145,741	6,733,392
Beneficial interest in trusts held by trustees (Note 8)	21,005,424	18,838,509
	<u>\$ 67,003,860</u>	<u>\$ 52,244,105</u>
Total Assets	<u>\$ 67,003,860</u>	<u>\$ 52,244,105</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 2,531,297	\$ 983,436
Accrued expenses and other liabilities	1,121,265	284,982
Funds held in custody for children	49,616	33,569
Post-retirement benefit obligation (Note 9)	621,580	637,780
Total liabilities	<u>4,323,758</u>	<u>1,939,767</u>
Net assets:		
Net assets without donor restrictions	<u>34,278,891</u>	<u>23,692,885</u>
Net assets with donor restrictions:		
Restricted by purpose or time	2,383,538	3,085,138
Restricted in perpetuity	26,017,673	23,526,315
	<u>28,401,211</u>	<u>26,611,453</u>
Total net assets	<u>62,680,102</u>	<u>50,304,338</u>
Total Liabilities and Net Assets	<u>\$ 67,003,860</u>	<u>\$ 52,244,105</u>

See notes to financial statements.

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended October 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE:			
Cooperative Program allocation	\$ 1,506,688	\$ -	\$ 1,506,688
Contributions of financial assets	7,163,108	90,626	7,253,734
Bequests	732,873	280,891	1,013,764
Contributions of non-financial assets	-	196,262	196,262
Investment income	5,595,555	330,555	5,926,110
Income from beneficial interest in trusts	595,994	27,878	623,872
Gain from sale of property, buildings, and equipment	2,526,939	-	2,526,939
Other income	157,599	-	157,599
Net assets released from restrictions	1,389,084	(1,389,084)	-
Total Operating Support and Revenue	19,667,840	(462,872)	19,204,968
OPERATING EXPENSES:			
Program services:			
Residential care	4,542,341	-	4,542,341
Foster care	1,634,469	-	1,634,469
	6,176,810	-	6,176,810
Supporting activities:			
Management & general	1,474,137	-	1,474,137
Ministry advancement	597,915	-	597,915
1911 Corporation	834,043	-	834,043
	2,906,095	-	2,906,095
Total Operating Expenses	9,082,905	-	9,082,905
Change in Net Assets from Operating Activities	10,584,935	(462,872)	10,122,063
NONOPERATING ACTIVITIES:			
Contributions of beneficial interest in trusts	-	26,092	26,092
Change in value of beneficial interest in trusts	-	2,226,538	2,226,538
Other components of net periodic post retirement costs	(34,547)	-	(34,547)
Post-retirement related changes other than net periodic post-retirement costs	35,618	-	35,618
Change in Net Assets from Nonoperating Activities	1,071	2,252,630	2,253,701
Change in Net Assets	10,586,006	1,789,758	12,375,764
Net Assets, Beginning of Year	23,692,885	26,611,453	50,304,338
Net Assets, End of Year	\$ 34,278,891	\$ 28,401,211	\$ 62,680,102

See notes to financial statements.

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended October 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE:			
Cooperative Program allocation	\$ 1,491,879	\$ -	\$ 1,491,879
Contributions of financial assets	4,238,482	289,261	4,527,743
Bequests	255,884	30,000	285,884
Contributions of non-financial assets	-	963,329	963,329
Investment income	823,220	198,621	1,021,841
Income from beneficial interest in trusts	631,704	22,265	653,969
Gain from sale of property, buildings, and equipment	6,795,362	-	6,795,362
Other income	234,325	-	234,325
Net assets released from restrictions	991,707	(991,707)	-
Total Operating Support and Revenue	15,462,563	511,769	15,974,332
OPERATING EXPENSES:			
Program services:			
Residential care	4,538,459	-	4,538,459
Foster care	1,474,642	-	1,474,642
Family care	148,199	-	148,199
	<u>6,161,300</u>	<u>-</u>	<u>6,161,300</u>
Supporting activities:			
Management & general	1,381,413	-	1,381,413
Ministry advancement	404,899	-	404,899
	<u>1,786,312</u>	<u>-</u>	<u>1,786,312</u>
Total Operating Expenses	7,947,612	-	7,947,612
Change in Net Assets from Operating Activities	7,514,951	511,769	8,026,720
NONOPERATING ACTIVITIES:			
Contributions of beneficial interest in trusts	-	52,358	52,358
Change in value of beneficial interest in trusts	-	458,645	458,645
Other components of net periodic post retirement costs	(32,844)	-	(32,844)
Post-retirement related changes other than net periodic post-retirement costs	(10,954)	-	(10,954)
Change in Net Assets from Nonoperating Activities	(43,798)	511,003	467,205
Change in Net Assets	7,471,153	1,022,772	8,493,925
Net Assets, Beginning of Year	16,221,732	25,588,681	41,810,413
Net Assets, End of Year	\$ 23,692,885	\$ 26,611,453	\$ 50,304,338

See notes to financial statements

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year Ended October 31, 2024

	Program Services			Supporting Activities			Total Supporting Activities	Total Expenses
	Residential Care	Foster Care	Total Program Services	Management and General	Ministry Advancement	1911 Corporation		
Payroll and related costs	\$ 2,708,476	\$ 1,223,798	\$ 3,932,274	\$ 1,226,689	\$ 354,227	\$ -	\$ 1,580,916	\$ 5,513,190
Activities, trips, and camps	3,712	1,932	5,644	-	-	-	-	5,644
Appreciation expenses	5,414	1,076	6,490	1,941	4,167	-	6,108	12,598
Allowance and work program	17,668	-	17,668	-	-	-	-	17,668
Background verification	986	14,032	15,018	2	-	-	2	15,020
Board meetings	-	-	-	13,424	-	-	13,424	13,424
Christmas supplies & gift expenses	8,532	-	8,532	-	-	-	-	8,532
Clothing	29,426	-	29,426	-	-	-	-	29,426
Cottage outings and entertainment	35,398	-	35,398	-	-	-	-	35,398
Dues and memberships	5,688	4,671	10,359	2,868	1,076	-	3,944	14,303
Education	104,409	-	104,409	-	-	-	-	104,409
Equipment	31,800	10,736	42,536	-	-	-	-	42,536
Family Ministries	-	5,382	5,382	-	-	-	-	5,382
Farm supplies & equipment	41,892	-	41,892	-	-	-	-	41,892
Food	172,737	164	172,901	-	-	-	-	172,901
Household goods	17,746	166	17,912	-	-	-	-	17,912
Insurance—general	185,396	45,903	231,299	44,174	8,417	-	52,591	283,890
Maintenance	190,421	46,108	236,529	7,940	2,719	-	10,659	247,188
Medical	85,044	-	85,044	-	-	-	-	85,044
Miscellaneous	50,135	-	50,135	946	20,361	-	21,307	71,442
Office	11,855	9,062	20,917	12,926	10,580	65	23,571	44,488
Personal hygiene supplies	10,933	40	10,973	-	-	-	-	10,973
Printing and publicity	-	124	124	-	79,228	-	79,228	79,352
Postage	1,215	73	1,288	1,476	24,681	-	26,157	27,445
Professional services	1,600	-	1,600	6,315	100	1,000	7,415	9,015
Public relations services	-	-	-	-	21,650	-	21,650	21,650
Recreation supplies	22,501	-	22,501	-	-	-	-	22,501
Rent	-	44,502	44,502	-	-	-	-	44,502
Training	19,901	8,842	28,743	5,487	2,463	-	7,950	36,693
Supplies	40,366	-	40,366	-	-	-	-	40,366
Taxes	18,014	-	18,014	-	-	832,978	832,978	850,992
Technology	32,472	27,960	60,432	46,086	50,714	-	96,800	157,232
Travel	3,781	107,074	110,855	7,133	8,303	-	15,436	126,291
Utilities	252,971	52,087	305,058	18,914	7,060	-	25,974	331,032
Vehicle maintenance	80,921	7,243	88,164	19,472	1,325	-	20,797	108,961
Total before depreciation	4,191,410	1,610,975	5,802,385	1,415,793	597,071	834,043	2,846,907	8,649,292
Depreciation	350,931	23,494	374,425	58,344	844	-	59,188	433,613
Total operating expenses	4,542,341	1,634,469	6,176,810	1,474,137	597,915	834,043	2,906,095	9,082,905
Other components of net periodic post-retirement costs	17,860	506	18,366	13,851	2,330	-	16,181	34,547
Total expenses	\$ 4,560,201	\$ 1,634,975	\$ 6,195,176	\$ 1,487,988	\$ 600,245	\$ 834,043	\$ 2,922,276	\$ 9,117,452

See notes to financial statements.

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year Ended October 31, 2023

	Program Services			Total Program Services	Supporting Activities			Total Expenses
	Residential Care	Foster Care	Family Care		Management and General	Ministry Advancement	Total Supporting Activities	
Payroll and related costs	\$ 2,687,757	\$ 1,036,022	\$ 139,466	\$ 3,863,245	\$ 1,114,434	\$ 205,037	\$ 1,319,471	\$ 5,182,716
Activities, trips, and camps	4,648	-	-	4,648	-	-	-	4,648
Allowance and work program	14,151	-	-	14,151	-	-	-	14,151
Background verification	2,708	13,151	48	15,907	176	48	224	16,131
Board meetings	-	-	-	-	12,267	-	12,267	12,267
Christmas supplies & gift expenses	16,080	489	-	16,569	-	-	-	16,569
Clothing	37,284	-	-	37,284	-	-	-	37,284
Cottage outings and entertainment	47,476	-	-	47,476	-	-	-	47,476
Dues and memberships	2,289	225	-	2,514	3,740	1,043	4,783	7,297
Education	100,830	250	-	101,080	-	-	-	101,080
Equipment	43,430	20,831	-	64,261	2,440	1,850	4,290	68,551
Farm supplies & equipment	33,777	-	-	33,777	-	-	-	33,777
Food	161,141	67	-	161,208	-	-	-	161,208
Household goods	23,297	759	-	24,056	-	-	-	24,056
Insurance—general	169,183	30,470	2,489	202,142	42,314	3,683	45,997	248,139
Maintenance	206,288	82,924	-	289,212	9,100	2,877	11,977	301,189
Medical	21,294	66	-	21,360	-	-	-	21,360
Miscellaneous	2,818	1,353	1,000	5,171	1,424	18,290	19,714	24,885
Office	17,427	12,184	209	29,820	14,289	5,178	19,467	49,287
Personal hygiene supplies	12,283	-	-	12,283	-	-	-	12,283
Printing and publicity	-	-	-	-	-	65,139	65,139	65,139
Postage	1,371	681	10	2,062	1,355	28,181	29,536	31,598
Professional services	9,642	5,850	-	15,492	11,016	750	11,766	27,258
Public relations services	-	-	-	-	-	1,525	1,525	1,525
Recreation supplies	18,933	-	-	18,933	-	-	-	18,933
Rent	-	30,282	-	30,282	-	-	-	30,282
Training	12,995	8,261	622	21,878	15,354	1,101	16,455	38,333
Supplies	37,870	-	-	37,870	-	-	-	37,870
Taxes	16,710	-	-	16,710	4,236	-	4,236	20,946
Technology	39,024	33,818	274	73,116	40,146	54,473	94,619	167,735
Travel	5,479	105,882	2,006	113,367	11,115	7,109	18,224	131,591
Utilities	314,615	53,606	600	368,821	19,940	7,714	27,654	396,475
Vehicle maintenance	88,798	9,111	1,475	99,384	16,721	57	16,778	116,162
Total before depreciation	4,149,598	1,446,282	148,199	5,744,079	1,320,067	404,055	1,724,122	7,468,201
Depreciation	388,861	28,360	-	417,221	61,346	844	62,190	479,411
Total operating expenses	4,538,459	1,474,642	148,199	6,161,300	1,381,413	404,899	1,786,312	7,947,612
Other components of net periodic post-retirement costs	19,093	373	1,361	20,827	11,816	201	12,017	32,844
Total expenses	<u>\$ 4,557,552</u>	<u>\$ 1,475,015</u>	<u>\$ 149,560</u>	<u>\$ 6,182,127</u>	<u>\$ 1,393,229</u>	<u>\$ 405,100</u>	<u>\$ 1,798,329</u>	<u>\$ 7,980,456</u>

See notes to financial statements.

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year Ended October 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 12,375,764	\$ 8,493,925
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	433,613	479,411
Gain on disposal of property, buildings and equipment	(2,526,939)	(6,795,362)
Investment gain	(5,033,194)	(567,656)
Change in value of beneficial interest in trusts	(2,226,538)	(458,645)
Decrease in note receivable	3,840,000	-
Donated property, buildings, and equipment	-	(807,971)
Contributions received for long-term purposes	(317,748)	(33,060)
Contributions of beneficial interest in trusts held by trustees	(26,092)	(52,358)
Changes in operating assets and liabilities:		
Accounts receivable	22,188	303,514
Prepaid expenses and other assets	109,821	30,987
Deposits held by others	(120,905)	(68,626)
Accounts payable	1,547,861	344,008
Accrued expenses and other liabilities	836,283	(2,583)
Post retirement benefit obligation	(16,200)	8,209
Net Cash Provided by Operating Activities	8,897,914	873,793
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(7,925,549)	(8,704,117)
Proceeds from sales of investments	5,011,323	1,211,247
Proceeds from sale of property, buildings, and equipment	3,336,816	2,990,942
Purchases of property, buildings, and equipment	(8,034,456)	(775,447)
Net Cash Used by Investing Activities	(7,611,866)	(5,277,375)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received for long-term purposes	317,748	33,060
Net Cash Provided by Financing Activities	317,748	33,060
Net Change in Cash and Cash Equivalents	1,603,796	(4,370,522)
Cash and Cash Equivalents, Beginning of Year	515,283	4,885,805
Cash and Cash Equivalents, End of Year	\$ 2,119,079	\$ 515,283

See notes to financial statements.

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

October 31, 2024 and 2023

1. NATURE OF ORGANIZATION:

The Tennessee Baptist Children's Homes, Inc. (TBCH), is an entity of the Tennessee Baptist Convention that provides free Christ-centered, nurturing homes for children in hard places across Tennessee.

TBCH's Residential Care program provides on-campus Christ-centered homes for children who are not in state custody and whose families cannot provide the care they need. Christian couples serve as houseparents in these family-style homes for up to eight resident children, providing a safe environment in which children can thrive and be guided by biblical principles and direction.

Through TBCH's George Shinn Foster Care Program, the Children's Homes partners with Tennessee's Department of Children's Services to provide certified foster families and quality case management for children in state custody. TBCH provides these services at no cost to the State so that evangelical Christian couples may be carefully selected by TBCH to serve as foster parents. This allows children placed in these homes to be cared for physically as well as spiritually. This program includes training, support, direction, and advocacy for these homes by qualified and dedicated TBCH Foster Care Case Managers.

TBCH's Family Care program was discontinued on October 31, 2023. For the year ended October 31, 2023 this program sought to work with churches and other organizations to create a network of local resources in communities across the state.

TBCH's primary sources of support is contributions from churches (both directly and through the Cooperative Program of the Tennessee Baptist Convention). TBCH has received a determination letter that it is generally exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) and comparable state law and is classified as a publicly supported organization, which is not a private foundation, under section 509(a)(1) of the Code. However, income from certain activities not directly related to TBCH's tax-exempt purpose is subject to taxation as unrelated business income. TBCH has concluded that it does not have any unrecognized tax benefits resulting from current or prior period tax positions. Accordingly, no additional disclosures have been made on the financial statements regarding the *Income Tax* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). TBCH does not have any outstanding interest or penalties, and none have been recorded in the statement of activities for the years ended October 31, 2024 and 2023.

Effective February 2022, TBCH established 1911 Corporation (1911), a for-profit domestic corporation, to support the developing of the TBCH Brentwood campus. 1911 issued 1,000 common shares, all of which are held by TBCH. 1911 has been consolidated in the accompanying consolidated financial statements.

In February 2023, 1911 Corporation and its joint venture partner formed Eastman's Preserve, a Tennessee general partnership whose purpose is to purchase, own, develop, manage and sell certain property. 1911 owns 1% of its partnership interest, however, is entitled to 50% of the partnership cash distributions and accounts for the investment using the equity method of accounting. See Note 5.

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

October 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the statements to the reader.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the operations of TBCH and 1911, hereinafter referred to as TBCH. All significant intercompany transactions and balances have been eliminated from the consolidated financial statements.

ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and deposits in banks. Cash equivalents also include, when applicable, short-term highly liquid debt securities that are both readily convertible to cash and have an original maturity of three months or less. TBCH maintains cash and cash equivalents in financial institutions which may, at times, exceed federally insured or protected limits. Deposits in excess of federally insured and protected limits were \$1,619,079 and \$265,283 at October 31, 2024 and 2023, respectively. TBCH has not experienced any losses on such accounts.

ACCOUNTS RECEIVABLE

Accounts receivable includes accrued interest income as well as outstanding Cooperative Program distributions from the Tennessee Baptist Convention, of which TBCH has an unconditional right to receive. Based upon past experience, management believes that all accounts receivable are fully collectible. Therefore, no allowance for doubtful accounts is recorded in the accompanying financial statements.

INVESTMENTS

Investments in stocks, mutual funds, and certificates of deposit are stated at fair value based upon quoted market prices. Other investments include insurance policies carried at cash surrender value. Donated investments are recorded at market value at the date of donation and thereafter carried in conformity with the stated policy.

Interest and dividend income and the realized and unrealized gain or loss on investments are reported in the statement of activities as investment income without donor restrictions unless a donor or law restricts its use for a period of time or in perpetuity.

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

October 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY, BUILDINGS, AND EQUIPMENT

Property, plant, and equipment are recorded at historical cost. Donated plant assets are recorded at fair market value determined at the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 5 to 40 years. TBCH capitalizes all purchases with a cost greater than \$5,000 and an expected useful life greater than one year.

BENEFICIAL INTEREST IN TRUSTS HELD BY TRUSTEES

Beneficial interest in trusts represent funds held and administered by trustees in accordance with the terms of various trust instruments and include both residual and perpetual trusts. Residual trusts are structured to pay a remainder corpus amount in the future. Perpetual trusts are structured to pay ongoing income in the form of annual distributions, which are recorded as income from beneficial interest in trusts on the statements of

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets:

Net assets without donor restrictions are not subject to donor-imposed stipulations, may be designated for specific purposes by action of TBCH's board of trustees, may otherwise be limited by contractual agreements with outside parties, or invested in property and equipment.

Net assets with donor restrictions are stipulated by donors for specific operating purposes or the acquisition of property and equipment, are time-restricted, or are required by donors to be held in perpetuity with investment return used for operations and other restricted purposes.

REVENUES, EXPENSES, AND RECLASSIFICATIONS

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to TBCH. Conditional promises to give with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

TBCH reports gifts of cash and other assets as restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor.

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

October 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUES, EXPENSES, AND RECLASSIFICATIONS, continued

TBCH reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, TBCH reports expirations of donor restrictions when donated or acquired assets have been placed in service.

Contributions of non-financial assets are recognized at fair value at the date of the gift. Valuation techniques consist of:

<u>Non-financial contributions category</u>	<u>Valuation</u>
Labor	Cost charged to a customer for the service provided in a normal transaction
Tuition	Tuition rate for the same level of student at the educational institution providing the service
Office space	Similar properties available in commercial real estate listings
Food and produce	\$20 per plastic bag and \$30 per paper bag
Household goods, clothing, and supplies	Retail prices of identical or similar products or a reduced rate if the item is used
Property, building, and equipment	Standard industry pricing for similar or identical assets
Other	Standard industry pricing for similar or identical products

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

REVENUES, EXPENSES, AND RECLASSIFICATIONS, continued

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing the various program services and supporting activities are summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Salaries, benefits and payroll taxes are allocated to the functions where time and effort are expended. Depreciation and other facility-related expenses are allocated based upon an analysis of usage of space. All other natural classifications presented in the statements of functional expenses are allocated based upon an analysis of the specific activities.

OPERATING AND NONOPERATING ACTIVITIES

The statements of activities presents the changes in net assets of TBCH from both operating activities and nonoperating activities. Operating revenues and expenses relate primarily to program services provided by TBCH. The portion of investment return appropriated for operations on long-term investments held for endowments and similar purposes under TBCH's total return spending policy is considered operating revenue. Beneficial interest in trusts activity is not considered to be operating.

Nonoperating activities consist primarily of (a) other components of net periodic post-retirement costs, (b) post-retirement related changes other than net periodic post-retirement costs, (c) contributions of beneficial interest in trusts, and (d) the change in value of beneficial interest in trusts.

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

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3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following reflects TBCH's financial assets as of October 31, 2024 and 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. TBCH considers general expenditures to include all expenditures relating to its ongoing program activities relating to residential and foster care. Financial assets are considered unavailable when liquid or not convertible to cash within one year.

	October 31,	
	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 2,119,079	\$ 515,283
Accounts receivable	272,659	294,847
Note receivable	160,000	4,000,000
Investments	28,317,481	20,370,060
Financial assets, at year-end	30,869,219	25,180,190
Less those unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions:		
Capital improvement contracts	(13,151,000)	(10,200,000)
Restricted by donors with purpose or time	(110,727)	(89,731)
Perpetual endowments and accumulated earnings subject to appropriation beyond one year	(5,285,708)	(4,863,607)
	(18,547,435)	(15,153,338)
Financial assets available to meet cash needs for general expenditures within one year	\$ 12,321,784	\$ 10,026,852

TBCH is also the beneficiary of various perpetual trusts created by donors, the assets of which are not in TBCH's possession. TBCH has legally enforceable rights or claims to the annual distributions from these assets, which are recorded as income from beneficial interests in trusts on the statement of activities. TBCH has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

October 31, 2024 and 2023

4. INVESTMENTS:

Investments consist of:

	October 31,	
	2024	2023
Held at fair value:		
Mutual funds	\$ 15,349,732	\$ 5,529,141
Certificates of deposit	4,212,295	6,003,822
Money market funds	8,405,741	8,481,803
Interest in pooled funds of the Southern Baptist Foundation	322,452	274,547
Stocks	5,983	3,711
	28,296,203	20,293,024
Held at cost:		
Cash and cash equivalents	1,155	57,519
Cash surrender value of life insurance	20,123	19,517
	21,278	77,036
	\$ 28,317,481	\$ 20,370,060

Investments are held for the following purposes:

	October 31,	
	2024	2023
Held for operations	\$ 23,031,773	\$ 15,506,453
Held for endowments	5,285,708	4,863,607
	\$ 28,317,481	\$ 20,370,060

Investment income consists of:

	Year Ended October 31,	
	2024	2023
Dividends and interest, net of fees	\$ 892,916	\$ 454,185
Realized gains	3,411,947	605,770
Unrealized gains (losses)	1,621,247	(38,114)
	\$ 5,926,110	\$ 1,021,841

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

October 31, 2024 and 2023

5. INVESTMENT IN AFFILIATE

1911 Corporation owns 1% of Eastman's Preserve, a Tennessee general partnership, however is entitled to 50% of the partnership's cash distributions.

Eastman's Preserve was formed in February 2023 to purchase, own, develop, manage and sell certain property.

Summary financial data with respect to Eastman's Preserve as of and for the year ended October 31, 2024 and October 31, 2023:

	<u>Year Ended October 31,</u>	
	<u>2024</u>	<u>2023</u>
<u>Balance sheet</u>		
Assets:		
Cash	\$ 608,818	\$ -
Deposits	10,000	10,000
Land	281,912	7,047,800
Construction in progress	396,247	2,173,179
Other assets	126,962	126,961
Total assets	<u>1,423,939</u>	<u>9,357,940</u>
Liabilities:		
Notes payable	\$ 160,000	\$ 9,530,496
Partnership surplus (deficit)	<u>\$ 1,263,939</u>	<u>\$ (172,556)</u>
<u>Statement of operations</u>		
Operating revenue	\$ -	\$ -
Operating expenses:		
Property tax	13,780	-
Total operating expenses	<u>\$ 13,780</u>	<u>\$ -</u>
Net operating loss	\$ (13,780)	\$ -
Nonoperating activities		
Bank interest income	\$ 328	\$ -
Asset gain - long term	7,993,174	-
Bank fees	(25)	-
Interest expense	-	(172,556)
Total net non-operating income (loss)	<u>\$ 7,993,477</u>	<u>\$ (172,556)</u>
Total net income (loss)	<u>\$ 7,979,697</u>	<u>\$ (172,556)</u>

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

October 31, 2024 and 2023

6. NOTE RECEIVABLE

In February 2023, TBCH obtained a note receivable in the amount of \$4,000,000 in connection with the sale of certain property. The note receivable is non-interest bearing and is due in installments of \$160,000 as plots of the property are sold by the purchaser, Eastman's Preserve. The balance is \$160,000 and \$4,000,000 as of October 31, 2024 and 2023, respectively. Management of TBCH currently expects collection of the note receivable in full within eighteen months of the opinion date. The note receivable is secured by the property.

7. PROPERTY, BUILDINGS, AND EQUIPMENT—NET:

Property, buildings, and equipment—net consists of:

	October 31,	
	2024	2023
Land	\$ 2,630,014	\$ 2,818,509
Buildings	9,929,185	9,935,447
Improvements other than buildings	1,465,682	1,465,682
Furnishings and equipment	495,618	495,618
Other machinery and equipment	683,754	683,754
Vehicles	820,117	740,541
Construction in progress	8,788,354	908,550
	<u>24,812,724</u>	<u>17,048,101</u>
Less accumulated depreciation	<u>(10,666,983)</u>	<u>(10,314,709)</u>
	<u>\$ 14,145,741</u>	<u>\$ 6,733,392</u>

Construction in progress consists of buildings and site improvements related to TBCH's Firm Foundations Project. The goal of the Firm Foundations Project is to replace TBCH's aging facilities with new campus homes, including a private bedroom and bathroom for each child. The Firm Foundations Project is designed to be implemented in multiple phases at each campus.

Construction in progress at Brentwood totals \$7,701,646 and \$712,190 as of October 31, 2024 and 2023, respectively. The estimated cost to complete Phase 1 at Brentwood as of October 31, 2024, is \$9,294,000 with completion of Phase 1 expected in Fall of 2024.

Construction in progress at Millington totals \$946,336 and \$120,204 as of October 31, 2024 and 2023, respectively. The estimated cost to complete Phase 1 at Millington as of October 31, 2024, is \$3,857,000 with completion of Phase 1 expected in Fall of 2024.

Construction in progress at Chattanooga totals \$140,372 and \$76,156 as of October 31, 2024 and 2023, respectively. The estimated cost to complete and completion date of Phase 1 at Chattanooga is to be determined.

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

October 31, 2024 and 2023

7. PROPERTY, BUILDINGS, AND EQUIPMENT—NET. continued:

Land includes property held for use with a fair value at donation of \$1,705,168 received with a donor restriction that requires any sales proceeds to be used in Shelby County Tennessee.

TBCH has property held for sale with a basis totaling \$159,947 and \$780,428 as of October 31, 2024 and 2023, respectively. Property held for sale as of October 31, 2024 is in Hamilton County, Tennessee and consists of land and buildings used for residential care.. Property held for sale as of October 31, 2023 is in Gwinnett County, Georgia and consists of donated land and buildings.

8. BENEFICIAL INTEREST IN TRUSTS HELD BY TRUSTEES:

TBCH records the following beneficial interest in trusts at their fair value as follows:

	October 31,	
	2024	2023
Residual trusts	\$ 157,670	\$ 164,365
Perpetual trusts held by outside trustees:		
Tennessee Baptist Foundation as trustee	16,340,590	14,549,094
Other trustees	4,507,164	4,125,050
	<u>20,847,754</u>	<u>18,674,144</u>
	<u>\$ 21,005,424</u>	<u>\$ 18,838,509</u>

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

October 31, 2024 and 2023

9. EMPLOYEE BENEFITS:

DEFINED BENEFIT PLAN

TBCH provides retirement severance benefits to all retiring employees. In addition, TBCH provides post-retirement health care and term life insurance benefits to certain retired TBCH employees. These benefits will not be extended to current or future employees. In calculating the various components of the requirements, TBCH has assumed most employees will retire at age sixty-five. Life expectancies for each employee, as well as expected actual cost of premiums, were projected by the insurance provider. TBCH is financing the post-retirement benefits on a pay-as-you-go basis.

A summary of the post-retirement benefit obligation associated with TBCH's defined benefit plan is as follows:

	October 31,	
	2024	2023
Inactive retired participants	\$ 322,941	\$ 326,904
Active fully eligible participants	88,004	104,660
Other active participants	210,635	206,216
	\$ 621,580	\$ 637,780

The following tables provide a reconciliation of the changes in the post-retirement benefit obligation and the assumptions used in the actuarial calculations.

Benefit obligation at beginning of year:	\$ 637,780	\$ 629,571
Net periodic post-retirement costs	50,546	47,855
Post-retirement related changes other than net periodic post-retirement cost	(35,618)	10,954
Benefits paid	(31,128)	(50,600)
	\$ 621,580	\$ 637,780
Post-retirement benefit obligation at end of year		

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

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9. EMPLOYEE BENEFITS, continued:

DEFINED BENEFIT PLAN, continued

Net periodic post-retirement cost, included in functional expenses:

Service cost	\$ 15,999	\$ 15,011
Interest costs	34,547	32,844
Net periodic post-retirement cost other than service cost	34,547	32,844
Net periodic post-retirement costs	\$ 50,546	\$ 47,855

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

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

	October 31,	
	2024	2023
Change in discount rate assumption	\$ 27,888	\$ (13,711)
Change in other economic assumptions	1,434	21,358
Change in demographic assumptions	298	-
Actuarial (gain) loss	(65,238)	3,307
Total net (gain) loss	\$ (35,618)	\$ 10,954

Assumptions are made using the weighted-average and assumed annual increases are as follows:

	October 31,	
	2024	2023
Discount rate	5.14%	5.91%
Projected health care trend rate (Post-65 Medical/Rx)	4.40%/6.50%	4.30%/7.50%
Ultimate rate-Post-65 (Medical/Rx)	4.40%/4.87%	4.30%/4.90%
Year ultimate trend rate is achieved	2032	2031
Future compensation levels Year 1	3.00%	5.00%
Future compensation levels Year 2+	3.00%	3.00%

The mortality basis for the years ended October 31, 2024 and 2023, is based upon Pri-2012 projected from 2012 to 2021 using the MP-2021-GFR projection scale.

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

October 31, 2024 and 2023

9. EMPLOYEE BENEFITS, continued:

DEFINED BENEFIT PLAN, continued

Future benefits are expected to be paid as follows:

<u>Years Ending October 31,</u>	<u>Amounts</u>
2025	\$ 119,769
2026	31,773
2027	92,469
2028	42,881
2029	107,263
2030-2033	<u>254,552</u>
	<u>\$ 648,707</u>

RETIREMENT PLAN

TBCH participates in the retirement program of GuideStone Financial Resources. The plan is a defined contribution plan covering all full-time employees who have completed three years of paid denominational service. TBCH makes contributions to the plan on behalf of eligible employees in amounts equal to 12% of each employee's base salary. According to the plan's provisions, employees may also make certain contributions to the plan. All contributions made to the plan are immediately fully vested to the covered employees. Under the plan, the value of accumulated benefits is equal to the value of the assets. There is no unfunded value of accrued plan benefits. Retirement expense totaled \$301,253 and \$280,285 during the years ended October 31, 2024 and 2023, respectively.

TBCH has a non-elective deferred compensation plan to provide benefits payable to certain management employees at specific future dates, upon termination, retirement, death or disability. Total expense was \$40,978 and \$45,078 during the years ended October 31, 2024 and 2023, respectively. The related liability is included in accrued expenses and other liabilities on the statements of financial position.

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

October 31, 2024 and 2023

10. NET ASSETS:

Net assets consist of:

	October 31,	
	2024	2023
Net assets without donor restrictions:		
Undesignated net assets	\$ 34,278,891	\$ 23,692,885
Net assets with donor restrictions:		
Restricted by purpose or time:		
Program restrictions	2,110,078	2,909,337
Accumulated earnings on endowments	115,790	11,436
Residual trusts, time restricted	157,670	164,365
	2,383,538	3,085,138
Restricted in perpetuity:		
Endowment funds	5,169,919	4,852,171
Perpetual trusts	20,847,754	18,674,144
	26,017,673	23,526,315
Total net assets with donor restrictions	28,401,211	26,611,453
Total net assets	\$ 62,680,102	\$ 50,304,338

11. ENDOWMENT FUNDS:

TBCH's endowment consists of individual funds established for a variety of purposes and includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of trustees of TBCH has interpreted the State of Tennessee's Uniform Prudent Management of Institutional Funds Act (SUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, TBCH classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions by purpose or time until those amounts are appropriated for expenditure by TBCH in a manner consistent with the standard of prudence prescribed by SUPMIFA.

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

October 31, 2024 and 2023

11. ENDOWMENT FUNDS, continued:

In accordance with SUPMIFA, TBCH considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of TBCH and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of TBCH
7. The investment policies of TBCH

Endowment net asset composition by type of fund as of October 31, 2024:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Original Gift	
Donor-restricted funds	\$ -	\$ 115,789	\$ 5,169,919	\$ 5,285,708

Changes in endowment net assets for year ended October 31, 2024:

	With Donor Restrictions		Total
	Accumulated Gains	Original Gift	
Endowment net assets, beginning of year	\$ 11,436	\$ 4,852,171	\$ 4,863,607
Investment return:			
Dividend and interest income	226,201	-	226,201
Net gains (realized and unrealized)	104,353	-	104,353
	330,554	-	330,554
Other changes:			
Contributions	-	317,748	317,748
Amounts appropriated for expenditure	(226,201)	-	(226,201)
	(226,201)	317,748	91,547
Endowment net assets, end of year	\$ 115,789	\$ 5,169,919	\$ 5,285,708

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

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11. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of October 31, 2023:

	Without Donor Restrictions	With Donor Restrictions		Total
		Accumulated Gains	Original Gift	
Donor-restricted funds	\$ -	\$ 11,436	\$ 4,852,171	\$ 4,863,607

Changes in endowment net assets for year ended October 31, 2023:

	With Donor Restrictions		Total
	Accumulated Gains	Original Gift	
Endowment net assets, beginning of year	\$ (63,270)	\$ 4,819,111	\$ 4,755,841
Investment return:			
Dividend and interest income	123,915	-	123,915
Net losses (realized and unrealized)	74,706	-	74,706
	<u>198,621</u>	<u>-</u>	<u>198,621</u>
Other changes:			
Contributions	-	33,060	33,060
Amounts appropriated for expenditure	(123,915)	-	(123,915)
	<u>(123,915)</u>	<u>33,060</u>	<u>(90,855)</u>
Endowment net assets, end of year	<u>\$ 11,436</u>	<u>\$ 4,852,171</u>	<u>\$ 4,863,607</u>

Return objectives and risk parameters:

TBCH's investment and spending policies for endowment assets attempt to provide a stream of funding for its programs. Endowment assets include those assets of donor-restricted funds that TBCH must hold in perpetuity. Under this policy, as approved by the board of trustees, the endowment assets are invested with the goals of high current return and preservation of capital. TBCH expects its endowment funds to provide the maximum attainable current yield while assuming a minimum level of investment risk.

Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SUPMIFA requires TBCH to retain as a fund of perpetual duration. There were no such individual donor-restricted endowment funds whose value fell below the level that the donor or SUPMIFA required as of October 31, 2024 and 2023.

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

October 31, 2024 and 2023

11. ENDOWMENT FUNDS, continued:

Strategies employed for achieving objectives:

To satisfy its objectives, TBCH relies on a strategy in which investment returns are achieved through current yield (interest and dividends). TBCH does not invest in companies or industries whose known products, services, or practices are contrary to the beliefs or practices of Southern Baptists.

Spending policies and how the investment objectives relate to spending policy:

TBCH has a practice of appropriating the current earnings for distribution annually. In establishing this practice TBCH considered the critical need for annual income as well as the existence of non-endowment investments. This is consistent with TBCH objectives of achieving high current return and preservation of capital.

12. FAIR VALUE MEASUREMENTS:

The *Fair Value Measurements and Disclosure* topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. TBCH uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, TBCH 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.

Fair values of assets measured on a recurring basis as of October 30, 2024 and 2023, are as follows:

	Fair Value Measurements at October 31, 2024			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds	\$ 15,349,732	\$ -	\$ -	\$ 15,349,732
Certificates of deposit	4,212,295	-	-	4,212,295
Money market funds	8,405,741	-	-	8,405,741
Interest in pooled funds of the Southern Baptist Foundation	-	322,452	-	322,452
Stocks	5,983	-	-	5,983
Total investments	<u>\$ 27,973,751</u>	<u>\$ 322,452</u>	<u>\$ -</u>	<u>\$ 28,296,203</u>
Beneficial interest in trusts held by trustees	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,005,424</u>	<u>\$ 21,005,424</u>

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

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12. FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements at October 31, 2023			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds	\$ 5,529,141	\$ -	\$ -	\$ 5,529,141
Certificates of deposit	6,003,822	-	-	6,003,822
Money market funds	8,481,803	-	-	8,481,803
Interest in pooled funds of the Southern Baptist Foundation	-	274,547	-	274,547
Stocks	3,711	-	-	3,711
Total investments	<u>\$ 20,018,477</u>	<u>\$ 274,547</u>	<u>\$ -</u>	<u>\$ 20,293,024</u>
Beneficial interest in trusts held by trustees	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,838,509</u>	<u>\$ 18,838,509</u>

Methods and assumptions used by TBCH in estimating fair values are as follows:

Mutual funds, certificates of deposit, and stocks—The fair value of these financial instruments is based upon quoted market prices or dealer quotes in an active market.

Interest in pooled funds of the Southern Baptist Foundation—The fair value of these financial instruments is based upon TBCH's per share interest in the pooled fund as reported by the Southern Baptist Foundation. TBCH is able to redeem its investment in the pool at the reporting date.

Beneficial interest in trusts held by trustees—The fair value of beneficial interest in trusts held by others is based on the value of TBCH+B586's proportional share of the overall assets held by the other organizations.

Changes in valuation techniques—None.

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

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12. FAIR VALUE MEASUREMENTS, continued:

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs as of October 31, 2024 and 2023:

Beneficial interest in trusts held by trustees:	
Balance, November 1, 2022	\$ 18,336,379
Contributions of beneficial interest in trusts held by trustees	52,358
Released from restriction	(8,873)
Change in value of beneficial interest in trusts	<u>458,645</u>
Balance, October 31, 2023	<u>\$ 18,838,509</u>
Beneficial interest in trusts held by trustees:	
Balance, November 1, 2023	\$ 18,838,509
Contributions of beneficial interest in trusts held by trustees	26,092
Released from restriction	(85,715)
Change in value of beneficial interest in trusts	<u>2,226,538</u>
Balance, October 31, 2024	<u>\$ 21,005,424</u>

13. RELATED PARTY DISCLOSURE:

Tennessee Baptist Convention (Convention): The Convention is comprised of messengers from cooperating churches seeking to minister together for the purpose of carrying out the Great Commission. Tennessee Baptists, acting in Convention in 1894, by unanimous action, made TBCH an institution of the Convention, thereby committing the Convention to ministering to children. Since making this commitment, Tennessee Baptists have provided prayer support and financial resources to support TBCH in meeting the growing needs of children and families in crisis through Residential Care, Foster Care, Family Care, and adoption related services. The entities have entered into a covenant, committing to each other their mutual goals, aspirations, and desire to spread the gospel of Christ throughout Tennessee, North America, and the world.

The Convention supports TBCH through the Cooperative Program. TBCH relates to the Convention through the Tennessee Baptist Mission Board's Partner Ministries Committee, or its successor committee. TBCH supports the ministries of the Convention through promotion of Cooperative Program and through participation in those ministries. TBCH commits to the process of trustee selection established by the Convention.

TBCH is an autonomous nonprofit corporation, neither owned nor operated by the Convention. Governance of TBCH is vested in its board of trust in all matters.

TENNESSEE BAPTIST CHILDREN'S HOMES, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

October 31, 2024 and 2023

13. RELATED PARTY DISCLOSURE, continued:

TBCH received from the Tennessee Baptist Mission Board \$2,879,243 and \$2,808,223 in Cooperative Program and contributions for TBCH for the years ended October 31, 2024 and 2023, respectively.

The Tennessee Baptist Foundation, an institution of the Convention, serves as trustee of funds and trusts in which TBCH has beneficial interests, as disclosed in Note 8.

TBCH received from the Tennessee Baptist Foundation \$433,643 and \$436,414 in income from trusts for the years ended October 31, 2024 and 2023, respectively.

14. COMMITMENTS AND CONTINGENCIES:

TBCH is licensed by the Tennessee Department of Children's Services (DCS) as a Residential Child Caring Agency and a Child-Placing Agency. Compliance, as evidenced by annual inspections, with Tennessee's legislative regulations is required for annual licensing renewal. TBCH also provides foster care services. The primary focus of TBCH's George Shinn Foster Care Program is a contract with DCS under which TBCH provides services to foster families and to the state-custody foster children in their care. TBCH does not receive compensation from the DCS for the services provided and the DCS makes foster care stipend payments directly to the foster families.

15. CONTRIBUTIONS OF NON-FINANCIAL ASSETS:

Contributions of non-financial assets included in the consolidated financial statements were as follows:

	Year Ended October 31,	
	2024	2023
Services (labor, tuition, and office space)	\$ 45,871	\$ 25,961
Food and produce	63,310	51,104
Household goods, clothing, and supplies	24,915	32,799
Property, buildings, and equipment	-	807,970
Other	62,166	45,495
	<u>\$ 196,262</u>	<u>\$ 963,329</u>

16. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through March 4, 2025 which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.