

*As each has received a gift, use it to serve one another,  
as good stewards of God's varied grace.*

1 Peter 4.10 (ESV)



# IMPACT

*mississippi*

**2023 BOOK OF REPORTS**

**REPORTS**

*of the*

**MISSISSIPPI  
BAPTIST  
CONVENTION BOARD**

**2023 Officers**

*President..... Danny Smith, Tunica*

*Vice President .....Tommy Mitchell, Lucedale*

*Secretary ..... Greg Warnock, Brookhaven*

*Executive Director-Treasurer ..... Shawn Parker, Ridgeland*

This bulletin of reports is herewith submitted by the authority and request of the Mississippi Baptist Convention as stated in the Constitution as follows:

**Article XVIII, Section 1.** The Convention Board, all other boards, and any group handling funds of the convention shall have all accounts audited annually by a Certified Public Accountant chosen by the board or group of which such audit is required. Such audit shall be paid for from the funds of the boards or other body of whom such audit is hereby required.

**Article XIX, Section 1.** The Convention Board, all other boards and commissions, all institutions and agencies, and all standing committees shall make annual written reports to the convention. The executive director of the Convention Board shall receive these reports from the boards, agencies, and institutions and with the exception of the report of the Committee on Nominations, publish them in a **Book of Reports**, which shall be made available to members of the Convention on the first day of each annual meeting.

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## EXECUTIVE ADMINISTRATION

Shawn Parker, Executive Director-Treasurer

Maria Teel, Executive Assistant

I'm proud to report that the last year has been packed with positives for the cooperative work of Mississippi Baptists. Church attendance continues to recover from the effects of the pandemic, and our churches remain focused on the work of worshipping God and sharing the gospel. In addition, faithfulness to the Cooperative Program remains steady across the state, with the average percentage given by our churches being 7.01%. For the first time since 2019, we saw an increase in baptisms reported, and we experienced an increase in the percentage of church members who are engaging in small group discipleship.

While these realities provide plenty of room for celebration among Mississippi Baptists, we are still overwhelmed with spiritual lostness in the state. Only 33% of Mississippians agree that Jesus is the only way to have a relationship with God, and the fastest growing religion is the category of people who say they have no religion. Beyond this, many of our churches are in need of revitalization, and we are still struggling with a shortage of vocational ministers.

In an effort to address the issue of ministerial shortage, we've spent this year focused on calling out the called. We've offered training events throughout the year that have equipped church leaders to focus on God's work to call people to service. In addition, we've partnered with some of our Associations to provide opportunities for people to explore the possibility of God's call in their lives. We've had a great response to these efforts, and we're prayerful that we'll see a difference in the number of vocational ministers in the years to come.

Another highlight of the year has been improvements we've made in our communications efforts. First, we unveiled our new logo last fall and have been updating all our branding items to reflect this change. In addition, we launched a redesign of our website earlier this year that is more streamlined and easier to navigate. Finally, we published the inaugural issue of **CP Connections** in September, which is a semi-annual magazine designed to celebrate and promote the cooperative work of Mississippi Baptists.

As you can see, the needs are great and the collective work of the MBCB is both focused and effective. Thanks so much for your faithfulness to the Cooperative Program and your work to share the gospel. As we work together, I'm confident we can impact Mississippi and the world for the glory of our God!

## **BUSINESS OFFICE**

**Barri A. Shirley, Chief Operating Officer**

**Tim Ruth, Procurement Officer**

**Karen Sullivan, Ministry Assistant**

The Chief Operating Officer (COO) serves and functions directly under the leadership and direction of the Executive Director-Treasurer in all aspects of Convention Board ministries, services, and facilities oversight. The COO has particular responsibilities for the areas of financial accounting, audits, budgeting, disaster relief, insurance, legal issues, personnel matters, policy, and security. The COO also serves as purchasing agent of the Convention Board, manages the Baptist Building's daily operations, and provides general over-sight of all real and personal property held by the Convention Board. All functions of this office are focused on service to properly support the ministries of the Mississippi Baptist Convention and its affiliated Churches. Simply stated, the Chief Operating Officer and the entire Staff of the MBCB's Business Office are honored to serve the Lord by serving Mississippi Baptists.

## STRATEGY OFFICE

**Michael Lee, Chief Strategy Officer**  
**Vesta Clary, Ministry Assistant**

The Strategy Office is tasked with coordinating the general work of missions and ministries represented by the various departments of the Mississippi Baptist Convention Board. The Chief Strategy Officer leads the office to fulfill four broad functions:

### **Associations**

Associations serve a key role in helping local churches connect with one another and engage in missions and ministry on state and national levels. A contract Associational Missions Specialist serves as liaison to our Associational Missions Strategists (AMSs) and is available as needed to assist Associational Leaders in planning and resourcing mission and ministry initiatives. Additionally, the Chief Strategy Officer assists AMSs in applying for Margaret Lackey Missions Offering resources allocated for the purpose of conducting missions and evangelistic initiatives within a particular association's geographical context.

### **MBCB Teams**

The Chief Strategy Officer assists the three MBCB Teams (Church Engagement, Church Health, and Church Support) in developing and executing strategies related to their various assignments, with particular emphasis on cross functionality. Presently, MBCB Teams will focus on the 2025 IMPACT Initiatives set forth by the Executive Director-Treasurer in 2021.

### **Research**

Jesus instructed his followers to “count the cost” of discipleship (Luke 14:28). While ministry is more than numbers or polls, the fact is that so much of what takes place in effective Kingdom work requires a gathering and analysis of data. The Strategy Office strives to make timely and accurate information available to MBCB staff and partners, utilizing resources such as Mission Insight (demographic and psychographic data) and Momentive (formerly Survey Monkey).

Included under the “Research” heading, the Strategy Office oversees participation in the Southern Baptist Convention’s Annual Church Profile (ACP). The ACP provides information crucial to tracking trends and developing initiatives that address the needs of local churches and Mississippi as a whole.

### **Support the Executive Office**

The Strategy Office operates at the discretion of and direction from the Executive Office, balancing the duties enumerated above with any additional responsibilities assigned by the Executive Director-Treasurer as he determines appropriate.

## **ASSOCIATIONAL MISSIONS**

**Steve Jackson, Associational Specialist**

**Michael Lee, MBCB Liaison**

“Associations were biblical before they were Baptist.” While Baptists have a rich history of over two centuries of Associational cooperation, the concept of churches gathering for fellowship and cooperation goes back to biblical times. In the New Testament, we see churches cooperating together to assist with church health (Colossians 4:16), for the intentional multiplication of gospel expansion (Acts 13:1-3), to discuss/determine acceptable doctrine (Acts 15), and to meet physical needs through personnel and offerings (2 Corinthians 8-9).

Happily, Mississippi Baptists continue to emphasize and focus on the Association. As the newly appointed Associational Missions Specialist, it is my task to be a liaison between our convention and the 62 associations in our state and their leadership. This assignment can take several forms, from regular praying for and with them, to giving a listening ear to them, to being a resource person for them, to orienting newly elected Associational Missions Strategists, 9 of which have begun in 2023.

Our Associational Missions Strategists come together for two meetings per year, one in the spring and one in the fall. Each meeting has its own purpose, with the Spring Meeting being more inspirational and the Fall Meeting being more informational.

Our Associations each have their own unique needs and ministries. Several have reported success stories ranging from Sunday School Teacher Training to mission trips to Bible Drill. While challenges of personnel, funding, and casting a vision remain, your MS Baptist Convention Board remains the ally and focused friend of this “first face of Baptist life” beyond the local church doors.

## **CHURCH PLANTING/REVITALIZATION**

**Johnny Ervin, Transitional Director**

**Scheryl Ng, Ministry Assistant**

The vision for the Church Planting role of our department is supporting Mississippi Baptists to plant as many new, culturally relevant, multiplying churches, as possible, to reach the unreached population of our state with the Gospel of Jesus Christ. Our department's vision for Church Revitalization is to serve our Mississippi Baptist churches by helping them understand the characteristics of a healthy Baptist church and to support the churches that want to improve their church's spiritual health to enable them to reach and disciple more of the 2 million people in Mississippi who do not regularly attend any church. Our mission is to strategically partner with missional persons and entities to discover, develop, and deploy the called and qualified persons, with resources and support systems to start healthy, evangelistic, multiplying Baptist churches. For our existing churches our mission is to work with churches who are willing to improve their spiritual health by examining their current situation, prayerfully developing specific improvement plans and encouraging them as they implement their plan. Our purpose across all our activities is to fulfill the Great Commission by making disciples, starting new ministries, improving existing ministries, multiplying leaders and becoming a part of a healthy multiplying church movement that will reach more people across our state.

The Margaret Lackey State Mission Offering provides funding for New Church Grant Assistance through covenant agreements and mutual accountability for a new church plant. The Cooperative Program of the Mississippi Baptist Convention provides the funds required for assessing potential church planters and training those planters who have demonstrated a call to plant a church in Mississippi that will reach lost and unchurched people. The Cooperative Program also funds efforts to help existing churches understand their need to become more effective, increase their effectiveness and improve their spiritual health to enable them to fulfill the Great Commission.

Our 242 Multiplying Church Network has operated for over 9 years after being established by Mississippi Baptist pastors and the Mississippi Baptist Convention Board. During the life of 242 Network, our experienced leaders have reduced the number of new churches that do not become financially sustainable by consistently improving our application of assessment and training processes. The network's improvement efforts are designed to increase the number of churches planted over time because the potential planters and the churches that send them out will have more confidence in our ability to identify and equip successful planters. The key concepts of our assessment and training processes come from the North American Missions Board's church planting processes.

The network's name was selected to emphasize church planting as found in Acts 2:42-47, which describes the beginning of the multiplication movement of the first century

church. This major development in church planting in our state brought together our experienced church planters and our churches committed to planting Baptist churches in Mississippi into one statewide effort.

During the last half of 2022 and the first half of 2023, 5 new churches were approved for funding: Cross Community Church in Brandon, MS led by Matthew Smith, Renovate Church in Cleveland, MS led by Wesley Smith, Senatobia Baptist Church in Senatobia, MS led by Charles Brand, Gospel Life Church in DeSoto County, MS led by Trey Clenney, and Harmony Baptist Church in Hernando, MS led by Sam Henderson. Kyle Hilleary is an intern with Cedar View Baptist Church in Olive Branch, MS.

In 2023, we have reached out to individuals and other organizations with experience in church revitalization to increase our effectiveness in this important and complex area. We have been meeting and consulting with associations and churches in our convention that asked for help with revitalization and we will continue to work to apply what we are learning as we shape and implement specific practices designed to help our churches accomplish the Great Commission. We are also adapting successful church planting practices to our revitalization work. Several of our experienced planters are working with existing pastors to discover and apply practices that work with existing churches. The number of interactions with church leaders asking for help is growing as churches try to return to normal after being on-line or closed because of Covid. We are working to craft our revitalization efforts to meet the needs of our churches and the communities they serve.

## COLLEGIATE MINISTRIES

**Sam Ivy, Director**  
**Jennie Taylor, Associate Director**  
**Hannah Mullins, Ministry Assistant**

### STAFF UPDATE

BSU ministry is active on 29 college campuses across the state of Mississippi. The Lord has called 38 men and women to serve as BSU Directors, Associate Directors, and Campus Missionaries on these campuses. They lead the charge in discipling, equipping, and mobilizing our college students for Kingdom work.

After a six-month interim period without a State Director, Sam Ivy, the BSU Director at Mississippi University for Women, became the 6th State Director of Collegiate Ministries in MBCB history. He began serving in this role on January 9, 2023. Sam is a graduate of Itawamba Community College, Mississippi State University, and New Orleans Baptist Theological Seminary.

Jonah Bankston, Campus Missionary at East Mississippi Community College, was named BSU Director for Mississippi University for Women in January 2023.

Chris Burrows, BSU Director at Itawamba Community College, retired in June 2023 after 27 years of service. On July 1, Matt Stark who previously served as Associate Pastor of Missions and Discipleship at FBC Amory, was named BSU Director at ICC in Fulton, MS.

Tamara Walbert, who has served as BSU Director at Holmes Community College since 2003, officially became an MBCB employee by a decision of the MBCB Executive Committee in July 2023. Prior to this change, she had been employed by the Holmes County Baptist Association under the guidance of their BSU Advisory Board and in partnership with MBCB.

Other staff changes for 2023 include:

- Cody Counts named Associate BSU Director at Mississippi College
- Tyler Golden named Campus Missionary to Blue Mountain Christian University
- Conner McLeod named Assistant BSU Director at William Carey University
- Dakota Murphree named Campus Missionary to Mississippi Gulf Coast Community College-Jackson County
- Moniy Spires named Campus Missionary to plant BSU work at Mississippi Valley State University and Coahoma Community College
- Noah Stanley named Campus Missionary to Mississippi Gulf Coast Community College-Harrison County
- Nick Smith named Campus Missionary to East Mississippi Community College-



## **CAMPUS HIGHLIGHTS**

On the weekend of October 7-8, 2022, our statewide BSU Fall Conference was held at Broadmoor Baptist Church in Madison. The theme was “God’s Call: My Response” with Dr. Jamie Dew, President of New Orleans Baptist Theological Seminary, as our speaker and Cory Carr leading in worship through music. We celebrated the work the Lord had done through 104 BSU Summer Missionaries and launched summer missions applications for 2023.

In February 2023, our statewide BSU Spring Conference was held at Mississippi State University in Starkville with more than 600 in attendance. The theme was “Unashamed” with Scott Harris of Mission Increase as our speaker and Arey Hill leading in worship through music. 113 BSU Student Missionaries were commissioned to serve during the summer of 2023.

We are excited to have BSU ministries newly established on two HBCU campuses in the Mississippi Delta region: Coahoma Community College in Clarksdale and Mississippi Valley State University in Itta Bena.

## **STUDENTS ON MISSION**

The goal of Mississippi BSU is to help students know and love Christ and then mobilize them to make Christ known. We want every college student to understand their ultimate calling to live on mission and make disciples wherever they are regardless of their chosen profession. Our BSU staff champion this living on mission mindset, challenging students to leverage their lives for the sake of the gospel.

Each campus BSU offers local missions opportunities for students to be a witness in their community. Each campus also mobilizes students to serve on short-term mission trips throughout the year, but especially during Christmas break, spring break, and May break. This past year the BSUs across our state mobilized student teams to serve on short-term assignments in Arizona, Florida, Kansas, Kentucky, Maryland, Massachusetts, Mississippi, Montana, New York, Tennessee, Texas, Canada, Mexico, Portugal, Puerto Rico, Serbia, and the United Kingdom.

For 76 years Mississippi BSU has been mobilizing college students to spend their summers serving on short-term missionary assignments to work alongside SBC missionaries and church planters. Since 1947, we have appointed a total of 5662 student missionaries to serve on 4-10 week assignments both in the United States and internationally. Their work over the summer consists of everything from kids’ ministry and college ministry to research and community outreach, ministering to the homeless, the abused and the at-risk, working with refugees, teaching ESL, serving as church planting interns, and as camp staff in under-resourced locations.

During the summer of 2023, 113 Mississippi BSUers representing 21 of our campuses served on 5 continents, 19 countries, and in 15 U.S. States.

Mississippi BSU students gave more than \$109,000 to support our summer and semester missionary efforts. We are also grateful to our Missions Mobilization Department for their support in many of our spring break and summer special projects.

We are thankful for Mississippi Baptists and their gifts to the Cooperative Program and the Margaret Lackey State Missions Offering. CP enables us to provide salaries for our BSU Directors and Associate Directors, as well as facilities where students can gather. Margaret Lackey funds designated for Collegiate Ministries allowed us to provide a total of \$45,000 in grants in varying amounts to our campuses for the purpose of encouraging gospel conversations and creative outreach.

### **BSU BY THE NUMBERS**

29 campuses impacted by the ministry of BSU  
38 total staff working to reach students through BSU  
20,000+ Students impacted by Mississippi BSU  
86 students made decisions to follow Christ through BSU  
\$378,380 Total of all contributions to student missions  
500+ International Students Engaged  
397 Students impacted by Leadership Development  
460 students mobilized for mission opportunities

## EVANGELISM

Don Lum, Director  
Linda Burris, Ministry Assistant

**“Go ye therefore, and teach all nations, baptizing them in the name of the Father, and of the Son, and of the Holy Ghost: Teaching them to observe all things whatsoever I have commanded you: and, lo, I am with you always, even unto the end of the world. Amen.”**

**Matthew 28:19-20**

Mississippi Baptists love to share Jesus in numerous ways:

1. Mission trips around the world or across our nation
2. National High School Rodeo Finals in Gillette, Wyoming
3. Dixie National Livestock Event in Jackson (February)
4. Mississippi State Fair Ministry in Jackson (October)
5. Vacation Bible Schools
6. Back yard Bible clubs
7. Door to door ministry
8. Local events in our towns and communities
9. And so many more.

If you can think it up, we can provide you with the resources to make it happen. Let us know how we can help.

The request from our churches for evangelism resources has been very steady throughout the year, as our Mississippi Baptists are taking the gospel to a lost Mississippi and beyond.

I encourage you to lead your church family to think of ways your church can share Jesus in the weeks and months ahead. Remember, if you need anything feel free to come by our office or contact the Evangelism Department at 601-292-3278 or [dlum@mbcb.org](mailto:dlum@mbcb.org).

Evangelism Resources distributed so far in 2023.

Tracts:	20920
Book Markers:	5050
Crosses in my Pocket:	9800
Baptism Certificates:	435
Bibles:	2850

Blessings,  
Don Lum  
Director  
[dlum@mbcb.org](mailto:dlum@mbcb.org); 601-292-3280

Linda Burris  
Ministry Assistant  
[lburris@mbcb.org](mailto:lburris@mbcb.org); 601-292-3278

## MISSIONS MOBILIZATION

Mike Ray, Director (Retired)

Chad McCord, Director

Cassie Munn, Ministry Assistant

Highlights of 2023 Missions Mobilization activities:

1. In 2023 Missions Mobilization has so far assisted a total of 1098 short term workers from 81 churches, involving 125 teams that went to 12 states and 36 countries. Funds from the Margaret Lackey State Missions Offering make it possible for us to assist these workers. Sentinel trainings were held 26 times for our volunteers with 716 participants trained, as well as 148 who were trained through Sentinel online. We rejoice in the opportunities to work together with churches from all over the state, helping them connect, build relationships, and to share the Gospel that impacts lostness.
2. The world much more open, compared to the COVID period, and with just a few exceptions, churches can be involved and travel freely to most of the places where they choose to engage. Of course, the Father was never hindered by COVID and His Kingdom continues to thrive around the globe.
3. This year Missions Mobilization was able to lead a **team of 50** to serve in the annual missionary gathering for all the countries in the European affinity. These workers are in 13 times zones and over 40 countries. While the IMB workers met all day long for training and encouragement, our team served their children by providing an all day long VBS. The team also served to provide for security and medical needs.
4. Mobilization was also able to send a team again this year to a country in **Southeast Asia** to build relationships and provide housing for an Unreached People Group. Because of this construction work, pastors were allowed to come into the area and share the gospel. Many local people responded to the gospel. National pastors will continue to work with these new believers in the location where the housing was built. Praise God for the opportunity to be a part of reaching an Unreached People Group. This effort has continued for several years and thus far has seen over 800 professions of faith and over 500 family units built. You can see videos about this work at: <https://vimeo.com/355845901>

5. Missions Mobilization had a one day retreat with the members of the 100 Member Board who are on the Mobilization committee. This was done in Grenada at Emmanuel Baptist Church.
6. **Vision Journeys:** Missions Mobilization continues to assist and encourage pastors and missions leaders from MBCB churches in getting exposure to needs and learning how their churches might engage within Mississippi and around the world. Mobilization provided vision journey opportunities for pastors and mission leaders to explore relationships in the following locations this year:
  - Frontier Baptist Association, New York
  - United Kingdom
  - Toronto
  - Maine Baptist Association - Maine
  - Dakota Baptist Association – North and South Dakota
  - Assisted with a vision journey team to Uganda
  - Assisted with a vision journey team to Thailand
7. **Connection Meetings:** These are meetings that take place in our state to connect church leaders with mission needs by hearing from those who serve and lead in these locations:
  - A series of 5 Connection Meetings were held around the state with leaders from the Dakota Baptist Convention
  - A series of 4 Connection Meetings were held around the state with leaders from the Maine Baptist Association
8. In 2023 Mobilization had a special emphasis on “Missions in Mississippi”. There were a number of locations where there were requests for churches to come, partner, serve and meet needs. We also had several “One Day Vision Journeys” in Mississippi to facilitate churches coming onsite to see the needs and learn how they might serve. These vision journeys were to
  - Meridian
  - Indianola
  - Gulf Coast

There are other opportunities to serve in Greenville and in Pearl River County.

We are hopeful to have even more opportunities for churches to serve in Mississippi in 2024.

9. Missions Mobilization was excited to be able to renew this year our sending of a team to serve IMB missionaries in Asia in their Homeschool Conference. Many IMB families must provide homeschooling for their children. This conference provides training for parents, as well as testing for children. It is an important service in enabling families to stay on the field and serve.

10. Ongoing Connections/Partners: Missions Mobilization continues to have ongoing relationships with the places listed above (#7 – Vision Journeys). In addition, the following places represent opportunities and relationships where Mississippi Baptists are connecting and serving:
  - Vermont, Northeast Bible College
  - Malaysia
  - Portugal
  - Japan
  - Poland
  - St. Louis, MO
  - Knoxville, TN
  - Uganda
  - Southern Europe
  - Restricted Access country in Southeast Asia
11. Missions Mobilization has the opportunity to send extended short-term workers to Australia to teach Bible lessons in public schools for six months to one year. The target age for the volunteers has been 18-31 years old because it is easier for them to obtain long-term work/holiday visas. In addition, these short-term workers have partnered with local churches to assist with ministries.
12. Our international volunteer safety and security Sentinel Trainings continue. This is important information and protection for individuals, sending churches and the Mississippi Baptist Convention Board. All international volunteers supported by the Convention Board are required to have up-to-date Sentinel Training. We now have an online option as well.

Missions Mobilization has additional connections where we are helping assist churches build relationships and share the gospel. The above examples have been selected to illustrate how Mississippi churches are engaging lostness. Mike Ray retired effective August 31, 2023.

The new director for the Missions Mobilization department, beginning September 1, is Chad McCord [cmccord@mbcb.org](mailto:cmccord@mbcb.org) From September 1 you may contact Chad McCord or Cassie Munn for further information: [cmccord@mbcb.org](mailto:cmccord@mbcb.org) or [cmunn@mbcb.org](mailto:cmunn@mbcb.org)

## MULTICULTURAL MINISTRIES

**Paula Smith, Director**  
**Janeth McIlwain, Ministry Assistant**

The **Multicultural Ministries Department** of the Mississippi Baptist Convention Board works cross-culturally throughout Mississippi to touch lives with the Gospel Message. This Department is designed to strategically spread opportunities throughout the State to reach every ethnic and language group living here.

The Lord has formed a diverse team of bi-vocational ministers to lead as Contract Strategists. **African American Contract Strategist, Rev. Lowell Walker**, pastors Mt. Sinai Baptist Church in Tupelo and is recently retired as Chaplain of North Mississippi Medical Center. **Deaf Contract Strategist, Ms. Vickie Stuart**, works for the Mississippi Department of Rehab Services (MDRS) as an interpreter for the State of Mississippi. **Hispanic Contract Strategist, Rev. Rocky Tzib**, ministers at Iglesia Bautista Cristo Vive in Pontotoc. **Native American Contract Strategist, Rev. Ray Duplessie**, pastors Fernwood Baptist church in Gulfport. **Mrs. Janeth McIlwain, Ministry Assistant**, brings a unique perspective to the work. She grew up in Mexico and taught school there. She has lived in the United States 11 years. **Ms. Paula Smith, Director**, has served with the International Mission Board and Mississippi Baptist Convention Board in Multicultural Ministries for over 30 years. We continue to pray for the Lord to fill the leadership role for ministry to the Asian population and Special Needs Adults.

To date Mississippi Baptist minister through 61 African American churches, 4 Chinese speaking churches, 4 Korean speaking churches, 12 native American churches, 20 Spanish speaking churches with numerous weekly Bible studies in American Sign Language (ASL), Hindi, Arabic, Filipino, Persian and other languages. There are 22 churches with some type of ministry to the Deaf Community. There are no Deaf churches in Mississippi yet although we pray to that end.

This past year African American ministry as sponsored 4 Equipping for Effective Leadership Conferences training more than 120 people in Pace, Jackson, Gulfport and Tupelo. They also sponsored Deacon training with 11 people representing three African American churches.

The Chinese Christian Church of Greater Jackson has followed and ministered to a persecuted part of the Body of Christ in China. The Jackson church connected with another ministry in another state that had a warehouse full of Chinese Bibles that were not able to get through the system to China. Because of the ministry already established in the United States, the Bibles are in the hands of these persecuted Christians who have relocated to the US and others as they come to faith in Jesus.

For the first time since Covid, there was a State Choctaw Youth Retreat. This reached 58 youth with three of those accepting Jesus as their Savior. There was a Baptist Presence at the Choctaw Indian Fair in July and coming in September will be Associational training and a prayer retreat for the Choctaw Association.

The Deaf ministry is working hard for a renewal after Covid. Deaf is the most UNREACHED people group in Mississippi and the United States. 3.3% of the population of Mississippi is Deaf. That translates into 95,000 people! There is no Deaf church YET in Mississippi! Before Covid there were many more than the 22 churches with some type of Deaf ministry. We pray for the Lord to send out laborers to the harvest. This year 6 attended the Deaf Women's Retreat and eight attended the Men's Deaf Retreat. An average of 30 attend the monthly Deaf Fellowships. There was a special session during the State Literacy Missions Conference for those interested in getting Deaf ministry started. Now there is preparation for the Mississippi Baptist Conference of the Deaf the end of September expecting more than 249 to attend. This is the 75th Anniversary of Deaf Ministry in the Southern Baptist Convention.

The Hispanic ministry has sponsored a Pastors/Wives Retreat with 12 churches represented; a Youth Retreat with 60 attending representing three churches; Teacher Training with over 120 in attendance. There is also a Women's Retreat in August and a Men's Retreat in November. Most importantly two new Hispanic ministries have begun in Waynesboro and Meridian.

For more information, please contact Paula Smith at [psmith@mbcb.org](mailto:psmith@mbcb.org) / 601-292-3287.



## **BIVOCATIONAL MINISTRIES**

**Greg Barker, Pastoral Ministries Consultant**  
**Elizabeth Lindigrin-Hancock, Ministry Assistant**

*“We are laborers together with God” (1 Corinthians 3:9).*

The Bivocational / Resume Services Department is directed by Greg Barker, Pastoral Ministries Consultant, who serves with Dr. John Pace, Leadership Department Director, and Elizabeth Lindigrin-Hancock, Ministry Assistant for both departments.

### **Resume Services**

First of all, I want to thank Mississippi Baptists for your gifts to the Co-operative Program and the opportunity to labor together with 362 of our churches that were searching for ministers for their church. Last year we sent 5,444 resumes to requesting churches.

Thank you Mississippi Baptists for the opportunity to train 84 Minister Search committees last year. When the minister resigns we get a phone call from the chairman of the newly formed minister search committee asking for help. We strongly encourage our Minister Search Training. There is no cost for this training. It takes about an hour, and we will come any time that is convenient for the committee. We provide the committee with our updated training manual that has 10 pages of instruction and 14 appendices. We will also bring a 10 year history of their church, information on how to do background checks – which is so important today, and a compensation study that shows how much churches their size are paying their ministers. After the Minister Search Committee has been trained, they are better able to find the minister that God has especially for their church.

Resume Services is presently transitioning from a resume system to a Ministry Job Board. Last year ministers would call requesting a list of churches that were seeking ministers. To protect the church and the minister that information was kept confidential. On our new [mbcb.org](http://mbcb.org) website we now offer a Ministry Job Board where churches can post their ministry job openings and ministers can view the post and apply directly to the requesting churches.

Please contact our Leadership / Bivocational / Resumes Services Department by phone (601) 292-3307 or email [jpacer@mbcb.org](mailto:jpacer@mbcb.org), [gbarker@mbcb.org](mailto:gbarker@mbcb.org), or [elindigrin@mbcb.org](mailto:elindigrin@mbcb.org) if we can help you in any way.

### **Bivocational Ministries**

The Bivocational Department continues to minister, encourage, and equip our bivocational ministers and their churches to make disciples in Mississippi and around

the world. We believe that every pastor and every church, of every size, is necessary and valuable to our Mississippi Baptist Convention – and we are committed to labor together with them to accomplish that goal.

One way we encourage bivocational pastors is with a birthday text. At the end of the text we ask the minister to add our number to their list of contacts so they can call or text us if they have a need with which we can help them. We have discovered that texting is the best way to communicate with bivocational ministers.

Last year we doubled the attendance at our Bivocational Minister's Breakfast. Rev. Chase Elkins, bivocational pastor at Magnolia Baptist Church and Lieutenant with MS Highway Patrol shared his inspiring testimony. Dr. Joe Wright, Executive Director of Bivocational and Small Church Leadership Network shared a challenging message.

Pre-Easter Sermon Prep was an exciting conference we had in March for our bivocational pastors. Dr. Kenny Digby and Dr. Ronald Meeks encouraged, equipped, and ignited a passion in our hearts to preach the Easter Story. We were encouraged by some of the comments we heard, "I have been looking forward to this all week", "I'm so glad you didn't cancel this conference" and "We need more events like this for bivocational ministers."

### **Cost Share Counseling**

We provide Cost-Share Counseling to all our Mississippi Baptist Convention ministers and their immediate families. To receive counseling, the minister must call our office for approval. Once approved, the minister will be given a list of approved Christian Counselors. This has been a busy year for our Cost-Share Counseling Program. We provided counseling for 21 ministers and their immediate families at a cost of \$4,875.00

## **DISCIPLESHIP/SUNDAY SCHOOL**

**Dwayne Parker, Director**

**Angie Boydston, Preschool/Children's Ministry Consultant**

**Ken Hall, Student Ministry Consultant**

**Rene' Edwards and Tasha Presson, Ministry Assistants**

The Discipleship/Sunday School Ministries exist to assist, equip, and resource churches in making disciples. We seek to fulfill our mission through Discipleship Strategy Development, Sunday School/Small Group Strategy Development, Next Generation (birth to college) Ministry Strategy Development, and Age Graded Ministries. Assistance in age-graded ministries includes consultations, training/leadership development, Bible Drill/Speakers' Tournament, Vacation Bible School, Super Summer, Ministers retreats, and senior adult events.

The Discipleship/Sunday School Ministries, in conjunction with other MCBF ministries, hosted five Impact Trainings across the state. The focus of Impact Training was Called to Serve, emphasizing vocational callings and callings for ministry within the local church, such as deacons, Sunday school teachers, and servants in various areas. We also partnered with Men's Ministries to launch a pilot Pastor's Disciple-making Cohort. The cohort began with seven pastors from across the state, and we assisted these pastors in developing a disciple-making strategy for their church.

Over the year, the Discipleship/Sunday School Ministries received increased requests for Sunday school teacher training. In addition to Sunday school teacher training, we assisted churches with discipleship strategy needs and discipleship conferences. State Bible Drill for 2023 was held in ten locations across the state with 1797 participants. Our desire remains for Bible Drill to be "More than a Competition. Speakers' Tournament and State Bible Drill would not be possible without the dedicated volunteers who serve as callers and judges. Vacation Bible School remains a vital tool in evangelism among children; therefore, the Discipleship/Sunday Ministries provided a State VBS training in the Spring and assisted Associations with training.

In addition to the above ministry opportunities, the Discipleship/Sunday School Ministries continued traveling to churches for consultations, training, and soul care. In partnership with churches, we hosted Discern, KidMinU, Launch, Senior Adult Day Rally, Small Church Youth Ministers Workshops, and Synchrony. In collaboration with the CAC (Christian Action Commission), Angie Boydston, Preschool and Children's Ministry Consultant, was instrumental in coordinating Ministry Safe workshops. Additional Ministry Safe workshops are planned for 2024. Recognizing that many Mississippi churches would hold VBS the first few weeks of June, Angie Boydston made on-site Vacation Bible School visits across the state in the following weeks. Under the leadership of Ken Hall, Student Ministry Consultant, Super Summer was held July 10-14 at Mississippi College. We were blessed with an increased number of

students and team leaders. In the Spring, a new training event for students was introduced called Launch. The goal of Launch is to train students to be evangelistic in all the spheres of life where God has placed them. Launch is held in partnership with the Evangelism Department. One of our yearly highlights is the various ministers' retreats we host. In the Fall, both the Student Ministers retreat and KidMin retreats were held, and in April, the Senior Adult Ministers retreat took place. All three retreats focus on fellowship, networking, and equipping leaders.

We are continually humbled and blessed by the opportunity to assist Mississippi Baptist churches and look forward to serving in extraordinary ways in days to come.

## LEADERSHIP

**John Pace, Director**

**Greg Barker, Pastoral Ministries Consultant**

**Elizabeth Lindigrin-Hancock, Ministry Assistant**

The mission of the Leadership Department of the Mississippi Baptist Convention Board is “developing leaders to strengthen churches in Mississippi.” Our target audience consists of pastors, staff ministers, deacons, elders, church officers, ministry assistants, church leadership teams, church committees, youth and adults surrendered to vocational ministry, college students committed to church-related vocations, and Associational Mission Strategists and local Baptist associations. Each year we work with many of these individuals and groups to assist, resource, and equip them for effective and productive ministry in their churches and ministry contexts. To access complete information about our services and resources, please go to our web page at <http://www.mbc.org/ministry/leadership/>. Our Leadership Department has also started a new Facebook page titled the "Mississippi Baptist Senior Pastors" group page. This page is a private page for MBCB Senior Pastors and Associational Mission Strategists existing to help connect those serving in these roles and provide a forum to share ideas, have discussion, and encourage fellow Mississippi Baptist Pastors. If you are a Senior/Lead Pastor of a MBCB church, or an Associational Mission Strategist, and interested in joining the conversation and fellowship on this page, go to the "Mississippi Baptist Senior Pastors" page on Facebook, read the information and interaction guidelines for the page, and fill out the member request information questions. Once we verify the information, we will make you a member on the page. Please share this information with all of our Mississippi Baptist Pastors and encourage them to join this group page as well, and share with us any ideas or suggestions how this page can best benefit and help Mississippi Baptist Pastors.

Our Leadership Department continues to serve in a variety of ways to assist ministers and churches to advance the cause of Christ in and through their churches. These efforts include:

- Our Leadership Department responded to requests for a variety of needs, training, resources, and questions from church ministers, deacons, elders, leaders, and committees/teams seeking consultations, training, assistance, resources, and information on church ministry. We responded to these requests with on-site ministry visits when needed, and discussion and resourcing through phone calls, emails, texts, and Zoom meetings. This year we responded to over 350 church requests, such as training and assistance for deacons in fulfilling their calling; helping churches in the process of evaluating their current ministry buildings, securing additional space, and/or renovating or improving their existing church ministry buildings; conducting

safety and security assessments for churches; assisting churches in evaluating and updating their church constitution and bylaws; helping with long-range planning and vision-casting for churches and their ministries; assisting churches with addressing conflict situations in their churches; assistance with management needs and ideas for church offices; and training and assistance for church committees/teams.

- An important part of this work in our Leadership Department is in providing focused ministry assistance, mentoring, resources, planning helps, and training for our wonderful bivocational pastors and ministers, which make up a significant and growing number of pastors and ministers in our state. Special thanks go out to Rev. Greg Barker, Pastoral Ministries Consultant in our Leadership Department, for his leadership and faithful work with our bivocational ministers.
- Our Leadership Department remained greatly involved in helping churches and ministers in seeking God's will in finding ministers for their churches. This year, we trained 84 pastor/minister search committees; responded to 360 requests for minister resumes from churches; and sent out 5,444 resumes. We also welcomed and connected with 100 new pastors across our state this year, and helped a multitude of churches seeking assistance in identifying interim pastors and supply preachers for their churches. Special thanks go out to Rev. Greg Barker and Elizabeth Lindigrin-Hancock in our Leadership Department for their tireless and excellent work in this important area of ministry to our churches and ministers. At the end of summer our Leadership Department made a big transition from running our Resume Services ministry to now offering a Ministry Job Board for churches seeking to find ministers for ministry positions at their churches, and for pastors and ministers seeking God's next assignment for ministry. On the Ministry Job Board, churches are able to post publicly the open ministry position at their church with an email address where minister candidates can send resumes, and ministers can view these position posts and send a resume directly to the church if they are convicted by the Holy Spirit to respond. For churches who want to post their open ministry position, please go to [www.mbc.org/connect/submit-a-job/](http://www.mbc.org/connect/submit-a-job/). For ministers who want to review these open ministry positions and possibly send a resume to a church, please go to [www.mbc.org/connect/find-a-job/](http://www.mbc.org/connect/find-a-job/).
- Our Leadership Department also assisted and encouraged pastors, ministers, and their families in our state to help them with guidance and support in the joys, struggles, and issues of ministry. Last year we ministered to over 400

contacts from ministers through personal visits, phone calls, emails, and texts, to help them with needs, questions, resources, and mentoring related to their ministries, churches, theological education, and personal/family lives. As part of this ministry, we provided cost-share counseling for 22 ministers and/or their families; provided counsel, guidance, and financial assistance to numerous ministers who were force-terminated; and assisted numerous ministers with guidance and encouragement in their ministry educational pursuits. This year we received and processed 9 applications for benevolent financial assistance from qualifying ministers across our state, providing \$25,250 in assistance. On behalf of these ministers, I thank our MBCB leadership, and all of you as Mississippi Baptists, for your loving help and ministry to these ministers and their families during their time of need.

- Our Leadership Department engaged in ministry and events to celebrate and assist our Christian Religious Vocation (CRV) students at our three Baptist colleges: Blue Mountain Christian University, Mississippi College, and William Carey University. We held CRV Banquets at the three campuses to recognize, encourage, and connect with these CRV students as future ministry leaders and servants in our state, attended by a total of 220 students. In October 2022, for the first time since the pandemic, we were able to hold our Student Day at the MBCB building, hosting about 75 students from our three Baptist colleges at the building for breakfast, lunch, and a day of tours to the departments of the Baptist Building. We were able to share information, resources, and understanding about the structure and ministry of the MBCB and how we can assist them in the calling and ministry God has for them in life, as well as how we can assist the churches where they serve.
- Our Leadership Department also hosted the annual Preaching Conferences at our three Mississippi Baptist universities for preachers, ministers, and students around our state, attended by a total of over 150 people. The 2023 Preaching Conference examined the Gospel of John, and was led by Dr. Joseph Bird (William Carey University), Dr. Ronald Meeks (Blue Mountain Christian University), and Dr. Wayne VanHorn (Mississippi College).
- Our Leadership Department also enjoyed numerous opportunities to minister with our Associational Mission Strategists in our local Baptist associations throughout our state. We partnered over 60 times this year with our AMS's and associations in ministering to individual church and/or minister needs, including training conference and events.

- Personally, God also blessed this year to provide the chance to preach or speak at over 30 churches and events in our state, as well as the blessing of serving as interim pastor at McLaurin Heights Baptist Church in Pearl, MS.

Thanks to all of you for the privilege to serve God with you in this ministry capacity, and please pray for us as we continue to update, improve, expand, and plan for even greater ministry service in our future. Please call us any time we can minister with you or to you and your churches in ministry and life as you serve and glorify God and advance the Gospel and Kingdom of Jesus Christ our Lord, seeing souls saved and lives changed by His grace, love, and Word!



## **MEN'S MINISTRIES**

**Jon Martin, Director**  
**Beverly Bridges, Ministry Assistant**  
**Shane Moore, Chaplaincy Consultant**  
**John W. Henry, Criminal Justice Consultant**

### **Men's Ministry**

The Men's Ministries Department exists to assist the local church in reaching, discipling, and mobilizing men to be on mission. Assisting churches is accomplished through church consultations, providing resources, and communicating the latest trends in men's discipleship. In partnership with the Discipleship/Sunday School Department, Men's Ministries facilitates discipleship for expansion in the depth of spiritual formation as well as breadth of influence in their community. Connecting Mississippi men to mission opportunities locally, in the state, in the nation, and worldwide is accomplished through strategic relationships with the Disaster Relief, Missions Mobilization, and Church Planting Departments.

### **Royal Ambassadors/Challengers (Mission Discipleship)**

The Royal Ambassadors and Challengers Programs assist the local church by equipping young men in missions discipleship. Each year the Men's Ministries Department offers Royal Ambassador events, in partnership with Royal Ambassador church leaders, to enhance their efforts. The Men's Ministries Department, upon request, offers training for local churches in the ministry of Royal Ambassadors.

### **Criminal Justice**

Criminal Justice Ministry assists the local church in reaching inmates, their families, prison employees, and victims of crime through spiritual care and encouragement. In partnership with New Orleans Baptist Theological Seminary, courses are offered in Parchman and the Central Mississippi Correctional Facility, where Christian inmates can earn a seminary degree and become Field Ministers in other Regional State Prisons. These Field Ministers serve within the cell blocks of the prisons in our State.

Criminal Justice Ministry also provides volunteer training for churches, discipleship materials to ministry volunteers, and resources to the Chaplains at our Prisons and Jails throughout the state to assist them in the spiritual development of the incarcerated.

### **Suit Project**

The Suit Project provides North American pastors in pioneer areas with a new suit (or Sport Coat/Pants) and their wives with a gift. This communicates Mississippi Baptists' great appreciation of pastors and their wives. The Suit Project is a unique way for Mississippi Baptists to bless those pastors who have no extra income to purchase

suits. In the Fall of 2023, the Suit Project will purchase suits for pastors in the Dakota Baptist Convention and the Montana Baptist Convention.

### **Mississippi Baptist Chaplain's Association**

The Mississippi Baptist Chaplain's Association assists the local church by providing training and resources to chaplains who can minister to individuals in specific contexts. The ultimate goal is to connect those individuals to local congregations. The Mississippi Baptist Chaplain's Association serves part-time and full-time, professional and volunteer chaplains in the military, hospitals, law enforcement, first responders, and business and industry.

### **Fishers of Men**

Fishers of Men exists to introduce and invite fishermen and their families into relationships with Jesus, through bass fishing tournaments. Rev. Keith Ramage and Rev. David Hays, Fishers of Men Leaders, partner with the Men's Ministries Department to reach these fishermen and their families.

### **Agricultural Mission Fellowship**

The Mississippi Baptist Agricultural Fellowship assists churches by encouraging farmers, professional agricultural workers, veterinarians, and others to learn about and engage in domestic and international mission activities. The Fellowship has historically met biannually for training, coordination, and collaboration.

### **Central Hills Baptist Retreat**

Shane Thrash – Camp Manager  
Aaron Gantt – Maintenance Director  
Clay Hathcock – Maintenance Assistant  
Cindy Bingham – Ministry Assistant  
Sabrina Riley – Food Service Director

Central Hills serves as a Christ-centered summer camp and year-round retreat center for all ages. We seek to partner with churches and groups to facilitate spiritual growth through evangelism and discipleship. The facility hosts summer camp programs from late May to early August. Throughout the year (mid-August through mid-May), Central Hills is available for camps, retreats, and conferences. Any age group can be accommodated. The off-season time is especially favorable for churches, schools, student organizations, collegiate ministries, and ministerial organizations. Both overnight and single-day events are available. You can contact our office at 662-289-9730. We are ready to assist your church in planning your event.

## **WOMEN'S MINISTRIES/ WOMAN'S MISSIONARY UNION®**

**Terrie Harwood, President, Mississippi WMU**

**Tammy Anderson, Director**

**Amy Massey, Ministry Assistant**

Using Romans 12:12 as our focus this year, MS WM/WMU has encouraged women to "Be joyful in hope, patient in affliction, and faithful in prayer." During this year, we have remained committed to Missions Discipleship, Compassion Ministries and Leadership Development. Our theme Hope in Christ has continued to lead us to make disciples of Jesus who live on Mission.

We continue to promote missions support through praying for and giving to missions. The four offerings we promote are the Annie Armstrong Easter Offering, Edwina Robinson WMU Offering (ERO), Margaret Lackey State Offering and Lottie Moon Christmas Offering.

Through the ERO we hosted a Missionary Mingle (meet and greet), Missionary Reunion and Missions Banquet in honor of MS Missionaries and their families at our Equipping Leaders Weekend (August 18-19, Broadmoor BC). We also gave \$100 checks to our college MK students for Christmas, sent MK Birthday Cards around the world, linked missionaries to available housing, sent checks to new missionary appointees and donated money to the Macedonian Call Foundation for missionary stateside transportation.

One highlight this year was the MK Re-Entry Retreat held at Garaywa, August 1-5. This retreat is sponsored by National WMU and IMB and moves from state to state each year. It was a privilege for Mississippi to be the host this year. Over 44 MKs attended and were presented with \$100 Visa gift cards, a new set of sheets, towels, beach towels, backpacks and water bottles. FBC Jackson helped to host the Friday night Mississippi themed dinner for the retreat. A planning team made up of former missionaries, WMU Executive Board Members and WMU association/church leadership helped plan and host the event.

MS WMU Executive Board met twice at Garaywa to conduct business: November 4-5, 2022 and May 5-6, 2023. MS WMU received a generous gift of 80 acres of land near the Pine Belt area. This land was jointly gifted to MS WMU and National WMU. The 2022, WMU Annual Meeting was held on October 25th at the Old Capitol Inn, Jackson, MS in conjunction with the MS Baptist Convention. The 2023, WMU Annual Meeting was held in conjunction with Equipping Leaders Weekend at Broadmoor BC (August 18-19). National WMU President, Connie Dixon was the keynote speaker.

We continue to develop leaders by: training Women's Ministry Leadership Teams, online training opportunities through Lifeway and WMU, and our Equipping Leaders Weekend. Equipping Leaders Weekend was designed to train Men's Ministry, Women's Enrichment and WMU Leaders. The event was held at Broadmoor BC, Madison on August 18-19, 2023. Using the theme GAME ON, with emphasis on 1 Peter 4:10, Gordon Fort (IMB) and Russell Mord (AMS Golden Triangle) were keynote speakers. Jared Vardaman was the worship leader. Special Features included: WorldCrafts Market, Disaster Relief Equipment Tours and a Virtual Prayerwalk across Mississippi. More than 270 leaders participated in the event.

Age-level Organizations provided opportunities to develop and nurture spiritual growth in youth, children and preschool. Missions Madness regional events took place in the Fall 2022 using the theme, Central American Fiesta. In 2023, Missions Madness regional events used the theme, Cruising the World. In 2023, participants learned about missionaries and their work in Asian Pacific Rim, Pascagoula, MS, Mongolia, Australia, Zambia, and Spain. Missions Madness is a one-day, regional event where children learn about missions as they go to six missions stations and participate in activities related to the missionaries and their work. Children's Missions Day was moved from the spring of the year to September 16, 2023. This is a day for children to learn about missions as they participate in a variety of community ministry projects.

WM/WMU provides opportunities to help hurting people while sharing the gospel. Currently, there are twelve active CMJC/CWJC (CJC) sites in Mississippi. On July 27-29, MS CJC site leadership participated in the State Literacy Missions & Christian Men/Women's Job Corps Conference at Garaywa. Over 60 people attended the training. Jean Roberson (Social Work Professor, Samford University, AL) led the CJC Track on Leading From Your Strengths during the conference. Eight new volunteers were trained in English as a Second Language and five new volunteers were trained in Tutoring Children and Youth. Twenty experienced volunteers participated in conferences to enhance ministry skills. Additional ESL Trainings were held at FBC Jackson and LifePoint Senatobia. An Adult Reading and Writing training is scheduled in October 2023 at Mt. Sinai BC in Tupelo.

**GARAYWA Camp & Conference Center**  
**Roddy Reed, Manager**  
**Jordan East, Camp Director**  
**Anna Irwin, Ministry Assistant**  
**Dana Massey, Food Service Coordinator**  
**Stan Stanford, Guest Services & Grounds**

Garaywa Camp and Conference Center motto is Loving God, Making Disciples, Experiencing Missions, & Changing the World. From August 12, 2022 – August 23, 2023, we had 5,322 guests. This does not include summer camps or Mother Daughters. We

had several staff changes this year. Dana Massey came on as Food Service Coordinator in April. Stan Stanford was hired June 1st as Guest Services & Grounds, and Anna Irwin started August 16th as Administrative Assistant. We are excited about the new staff and what God is planning for in the future of GARAYWA.

Our camp and conference center is used year-round for many different purposes, but all have one thing in common – glorifying God. This summer, we had 873 campers this summer. God was still moving at Garaywa, there were 27 Professions of Faith and 3 Rededications. We also had two summer staffers surrender to the call of ministry. Our total with staff and volunteers was 1123. Throughout the year we host three Mother/Daughter weekends. We had a total of 734 mother and daughter duos participate this year!

Christian groups come from all over to train disciples, encourage God's people, celebrate what Christ has done, and cultivate plans for spreading the Gospel to the ends of the earth. For more information on booking the conference center or to speak to someone about volunteering at Garaywa, contact Roddy Reed at [rreed@garaywa.org](mailto:rreed@garaywa.org) or Anna Irwin at [airwin@garaywa.org](mailto:airwin@garaywa.org). Thank you for the support of Mississippi Baptists across our state.

## WORSHIP MINISTRIES

**Slater Murphy, Director**  
**Wyndy South, Keyboard/Children**  
**Cathy Taylor, Ministry Assistant**

Our state Worship Ministries equipping, discipleship making, and leadership building opportunities have strengthened over the past year and have shown increases in participation. We strive to help all church music and worship leaders develop their skills by their involvement in a Mississippi Baptist Worship ministry special event. We continue to focus on those who have responded to God's call to serve in their local church ministry. For our churches needing a worship leader, Worship Minister search team training is available and has proven to be an effective means of individualized assistance for all Mississippi Baptist churches.

We are blessed with a dedicated group of leaders who partner with local church music and worship ministers, educators, and volunteers. Let's *"Rejoice always, pray without ceasing, and in everything give thanks, for this is the will of God in Christ Jesus concerning you."* (I Thessalonians 5:16-18) Please contact us if we can assist you! Here is a brief overview of the past year regarding the various focus areas of our state worship ministries:

### KEYBOARD

**Area Keyboard Festivals**, directed by **Wyndy South**, Keyboard/Children's Music Consultant, were held January 26-28. This year, statewide, **674** students from grades **K-12** participated by playing in **10** festivals, held in five areas of the state. Students were adjudicated on their ability to play hymns, hymn arrangements, selections from traditional literature, accompanying, modulation and transposition, and sight-reading. Participants were from 34 associations, 61 cities/towns, and 224 churches. Students were assisted by 10 festival leaders, 6 co-leaders, 212 group leaders, adjudicators, monitors, runners, food service personnel, greeters, sound technicians, and security personnel.

### CHILDREN'S MUSIC

**SMACK Camp** (Summer Music and Arts Camps for Kids), is planned by **Hope Smith**, event coordinator, and held in July each summer. William Carey University, Hattiesburg, hosted 125, 3rd-6th graders (plus 64 faculty and sponsors) who came from various churches. One child made a profession of faith; several requested follow up counseling. We are always thrilled to see how God works through all of His servants!

**Young Musicians Honor Choir**, led by **Wyndy South**, Keyboard/Children's Music, Consultant, was held Saturday and Sunday, September 23-24 2022 at Harrisburg Baptist, Tupelo. The auditioned choir of **79** members, from various Mississippi churches, directed by **Wayne Causey**, included singers in grades 4-7. This weekend of music and worship arts was concluded by a live-streamed worship concert Saturday night and two morning worship services (also live-streamed) on Sunday. The 2023 YMHC weekend is to be held September 23-24 at FBC Summit.

## **INSTRUMENTAL**

The **Mississippi Baptist Symphony Orchestra** is directed by **Byron Green**, event coordinator. MBSO's annual rehearsal retreat was January 20-21 at Brandon High School. Approximately 75 instrumentalists attended. MBSO plays for special worship events around the state throughout the year. This year's worship concerts were given at these Miss. churches: Harrisburg Baptist, Tupelo; FBC Clinton; FBC Long Beach; and FBC Florence. MBSO also gathered on July 20 at Longview Point Baptist, Hernando for the Mississippi Worship & Media Conference, with 40 members attending, to accompany the Mississippi Baptist Worship Choir. Consultation and training also is provided to churches regarding the development of their instrumental ministries. The *Mississippi Singing Churchmen Instruments of Praise* lead in worship when opportunities arise.

## **HANDBELL FESTIVALS:**

IN LOVING MEMORY, **REV. BARRY BURRIS – 1958 – 2023**

We give thanks to the Lord Jesus Christ for the life of our friend and colleague, Rev. Barry Burris, who served as our Mississippi Baptist Convention Handbell Event Coordinator for 12 years. Barry faithfully ministered to churches in Ohio, Georgia, and Mississippi as Music Minister for 47 years, the last 17 years at Wynndale Baptist in Terry. Throughout his life, even during his courageous battle with cancer, Barry ALWAYS honored God, loved people, and consistently shared the gospel at every opportunity. He was a man of the highest integrity.

He had a servant's heart! The answer always was "Yes!" when anyone called him to ask for help, whether it was a handbell-related question, ministry-related issue, or if you were in the middle of a problem trying to solve a software issue. Our friend Barry was brilliant! You may not be aware that he created the Planning Center Online, PraiseCharts, and LifeWayWorship.com tutorials utilized by many Mississippi Baptist churches. He had no problem conversing with the younger generation of Worship Pastors regarding any media or projection application! He always had time for you. Barry was blessed with the perfect wife and ministry partner, Linda Burris, whom we love dearly. Together, they completely trusted in God's provision. Barry, we'll see you again in the presence of Jesus!

## YOUTH MUSIC

The **2023 Mississippi Baptist All-State Youth Choir & Orchestra (MBASYC&O)** held state-wide auditions. There were **73**, 9<sup>th</sup>-12<sup>th</sup> graders, who participated in the choir/orchestra, with **22** serving on the adult personnel leadership team, representing many of our churches. The planning process for this ministry is skillfully administrated by **Elizabeth Knight**, event coordinator, assisted by choral director **Slater Murphy** and orchestral director **Byron Green**. Worship concerts were shared at Hardy Street BC, Hattiesburg, Tylertown BC, FBC Gulfport, FBC Laurel, FBC Magee, FBC West Point, and FBC Madison. Approximately 2000 people attended one of these worship services. The students also sang at one of our state prison facilities.

**HeartSong, Worship Arts Camp** for 6th-12th graders, was held at William Carey University, Hattiesburg on June 21-25, with approximately 154 total participants from 20 churches. We were blessed with a faculty of very skilled and dedicated adults from across our state, including **Rev. Jacob Glasz**, camp pastor. The musical, **I SPEAK JESUS**, under the leadership of **Kinsey Goldman**, choral director, and **Matthew Gaddy**, worship leader and praise band director was presented on Friday evening complete with drama, signing, interpretive movement, and black-light puppets. Six professions of faith were reported. This camp, under the outstanding leadership of **Jason Walker**, event coordinator, continues to expand in its mission to help our young people mature as disciples of Jesus Christ, using a variety of gifts and abilities for His glory. We are thankful that one youth made a decision for Christ.

## WORSHIP LEADERSHIP

**MWMC**, our annual state worship and media conference, was held at Longview Point Baptist, Hernando on July 20-21. Speakers included **Kenny Lamm** (Worship Consultant, Baptist State Convention of North Carolina), **Dr. Mike Harland** (Associate Pastor of Worship, FBC Jackson), **Steven Hodge** (host Worship Pastor) and **Dr. Wade Stevens**, host Senior Pastor. MWMC president **Josh Tilley** (Minister of Music, East End BC, Columbus) presided over the conference, with assistance from president-elect **Dr. Billy Williams** (Worship Pastor, Clarke-Venable BC, Decatur). The Thursday evening worship service featured the **Mississippi Baptist Worship Choir and Orchestra** leading in worship, with Mike Harland preaching. The Friday evening worship service featured the host Longview Point Worship Choir and Orchestra, led by Steven Hodge, with Dr. Wade Stevens preaching. MWMC brought together over 150 music and media leaders representing many churches from across our state.

**Senior Adult Choir Festival** is hosted by one of our Mississippi Baptist churches each spring. Over 200 senior adult choir members attended SACF at McLaurin Heights BC, Pearl on May 9. The **Mississippi Singing Churchmen** met for their 2023 spring tour, March 20-21 at Main Street Baptist, Hattiesburg, FBC Long Beach, and FBC Laurel. The dates for the fall tour are September 18 (FBC Philadelphia) and 19 (Clarke-Venable BC, Decatur and FBC Carthage). The **Mississippi Baptist Singing Churchwomen** sang their



spring worship concert at Mt. Zion Baptist, Columbus on March 26 and plan to sing a fall worship concert at Utica BC on October 8. The Churchwomen hold an annual fall retreat at Garaywa Camp and Conference Center. Both groups participated in the conference choir at MWMC.

**Worship Leader Training** is an online worship teaching and renewal resource for Mississippi Baptist worship leaders, church music leadership, and bi-vocational music ministers, sponsored by Worship Ministries. **Worship Leader Training** can be accessed online, <https://mbcb.worshipleader.training>. Worship leaders who register are provided a convenient opportunity to work through this excellent and relevant syllabus.

## **BAPTIST RECORD**

**William H. Perkins Jr., Editor**  
**Tony Martin, Associate Editor**  
**Megan Young, Layout/Design**

The Baptist Record, news journal of the Mississippi Baptist Convention, has successfully completed the transition from a print publication to a fully digital news product. A paid subscription is no longer necessary; the Record can now be accessed free of charge at any time at <https://thebaptistrecord.org/>.

Freed from deadlines and physical constraints inherent in the printing process, the Record has been able to move from a weekly publication to a daily. This enables the Record staff to refresh subject matter more rapidly and frequently via the website.

The digital Record contains many of the popular features found in the print edition of old, including: breaking news from around the Baptist world, weekly Sunday School commentaries written by Mississippi Baptists, Bibliocipher puzzle, church news (homecomings, anniversaries, VBS reports, local church happenings, etc.), obituaries, and Baptist college news.

A new feature appearing in the digital Record is Magnolia Minds, a regular commentary that covers a variety of subjects and is written by Mississippi Baptists.

The Baptist Record is also available digitally by downloading and utilizing an app found in both the Apple and Google online stores. For those interested in printing hardcopies, a print command is available in the bottom right corner of website pages.

Of all the publications you read today, none is more important than The Baptist Record when it comes to spiritually-centered news that you can use both in your daily walk with the Lord and to fulfill your high calling as a follower of Jesus. After perusing just one issue, we believe you'll feel the same way.

## COMMUNICATIONS

**Tanner Cade, Director**

**Judy Chen, Ministry Assistant**

**Bart Lambright and Megan Young, Graphic Designers**

**Lindsey Williams, Writing Specialist**

**Judy Hollis, Receptionist**

**Martha Russell, Support Services**

**Dana Richardson, Part-time, Ministry Assistant**

The Communication Services provides resources to our churches and associations toward our goal of equipping local churches to make disciples in Mississippi and around the world!

Our team includes a department ministry assistant, two graphic designers, a mailroom service manager along with a part-time worker, and a receptionist serve alongside our department director to implement the vision of the Mississippi Baptist Convention Board. In August 2023, a writing specialist joined our team to assist our department and The Baptist Record.

Resources for our churches and associations are:

- **Consultation Services**

Communication Services department was able to assist several churches navigate the many avenues of communication.

- **Mississippi Worship and Media Conference**

In July 2023, we joined our media training efforts alongside the annual Mississippi Worship Conference to form the Mississippi Worship and Media Conference. Over 125 media and worship ministers met July 20-21, 2023, at Longview Point Baptist Church, Hernando for worship and media training. Several vendor companies were on hand and then a full day of Technical Breakout workshops were conducted:

- Multitrack 101
- Design 101: Making the Most of Canva
- Planning Center Online
- Longview Media
- Social Media Best Practices for Churches
- Panel Discussion

- **Mississippi Baptists Media on Facebook**

A private group on Facebook for media directors and tech teams. Our first “lunch and learn” meeting and fellowship was held at Morrison Heights Baptist Church, Clinton, Mississippi with around 14 from the local area in attendance. We hope to have more of these in the future.

- **Avenues of Communications**

**Branding** – Worked closely with the Executive Director-Treasurer and Administration to implement the new branding of the Mississippi Baptist Convention Board. The new logo revealed at the 2022 Mississippi Baptist Convention was added to all communications avenues of the Convention.

**Mississippi Baptist e-News** – A bi-monthly newsletter goes out informing MS Baptists of all current events. The email includes a short overview of three feature events and then links to all events sponsored by Mississippi Baptists. Currently, over 6,000 emails receive this e-mail.

**Mississippi Baptist – Around the Table** – Through podcasting you will hear the stories, highlights, and discussions of various ministries of Mississippi Baptists. We started the podcast in 2021 to help elevate the discussion of ministry to the table. Our hope is to make known what God is doing throughout Mississippi. The podcasts have been download over 8,000 times since its start.

**Social Media** - You can find Mississippi Baptists on social media sites such as Vimeo ([vimeo.com/msbaptists](https://vimeo.com/msbaptists)); Facebook ([facebook.com/MississippiBaptist](https://facebook.com/MississippiBaptist)); Twitter (@MSBaptists); Instagram (@MSBaptists); and YouTube (@MSBaptists). Through mid-September, over 100,000 people have seen content on MBCB's Facebook page. In the same period, 95,000 people have seen content on MBCB's Twitter page.

**Website** – You can find details, information, and register for events through our website ([www.mbc.org](http://www.mbc.org)). Use the website to search for new staff members; use the website to order materials for Margaret Lackey State Offering; and find instructions for leading a children's Bible drill team.

**Production Services** – The department continues to produce and assist other departments in their production needs. Several videos were produced such as the Monthly Update video by Dr. Shawn Parker, MS Baptist All-State Youth Choir and Orchestra Final Concert by Wyndy South, Margaret Lackey State Offering videos, and North Dakota Vision Trip. A USB jump drive containing the 2022 Annual and Book of Reports of the Mississippi Baptist Convention Board in digital format went to every church in our state

We are excited to serve our churches and association in any way possible. Thank you for letting us come alongside of you and make disciples.

## **COMPUTER INFORMATION SERVICES**

**Debbie Thomas, Director**

**Dale Bridges, Programmer/Analyst**

The Business Services division has overall responsibilities for the Computer Information Services (CIS). CIS supports every area of work at the Board by providing all computer services. These services include the support and monitoring of the MBCB computer network server and AS/400 mainframe containing files and databases. CIS also manages the MBCB telephone system network and the security firewall.

CIS maintains a Windows PC Network of over 75 desktop pcs and laptops and 25 laser printers spanning all departments of the MBCB. Laptops are provided to each Board consultant for 24/7 local and remote access to their MBCB e-mail.

Custom written and other supported systems include General Ledger, Church Ledger, payroll, employee database, mail file, specialized Microsoft Access programs, and advertising for The Baptist Record. In addition, CIS manages historical data spanning over 50 years. Administration of MBCB databases includes various types of specialized reporting, mailing lists, etc.

## **DISASTER RELIEF**

**Hubert Yates, Director**

**Deanna Vail, Ministry Assistant**

**John M. Henry, Disaster Relief/Construction**

### **Disaster Relief**

A “disaster” is defined as an occurrence that causes human suffering and creates needs which the victims cannot alleviate without assistance. For many years, Mississippi Baptists have sought to bring help, healing, and hope in the name of Christ to those affected by disasters through the active response of many volunteers. Volunteers are prepared with several specialty areas of ministry through training so that they can be effective in a disaster response.

The Atlantic Hurricane Season was off to a slow start in the late summer 2022, but that did not mean that Mississippi Baptist Disaster Relief was without opportunity to serve. In the later part of July 2022, the eastern areas of Kentucky experienced catastrophic flooding. Mississippi Baptist Relief responded along with 18 other state convention Disaster Relief ministries to assist Kentucky Baptist Disaster Relief with meeting the needs of the affected areas. Mississippi Baptist Disaster Relief was assigned an area near Hazard, KY and provided site management, assessment, chaplaincy, and volunteer support services while working with Disaster Relief units from KY, FL, and LA for a period of three weeks.

Upon returning to Mississippi, Mississippi Disaster Relief volunteers deployed in support of ministry to those being affected by the Jackson Water Crisis. At the request of the Mississippi Emergency Management Agency and the Department of Human Services, Mississippi Baptist Disaster Relief provided home delivery of bottled water to the infirm, elderly, and homebound citizens of the city. In a 16 day period in early September, Mississippi Baptists Disaster relief volunteers and volunteers from the churches of the Metro Baptist Association provided 204 volunteer days and 989 volunteer hours delivering water to the identified individuals. In total 5,802 cases/139,248 bottles were distributed during the effort.

As September 2022 came to a close, Mississippi Baptist Disaster Relief deployed teams to Fort Myers, FL in support of relief and recovery efforts following Hurricane Ian. While deployed, Mississippi Baptist Disaster Relief volunteers provided site management, assessment, chaplaincy, mass feeding, chainsaw, and flood recovery to an area of Fort Myers/Tampa Bay, FL. This deployment extended into October before teams and equipment returned home.

The remainder of 2022 was quiet with only limited local deployments of teams responding to local needs following severe storms. Mississippi Baptist Disaster Relief

continued to monitor the Jackson Water Crisis supporting local ministries with additional bottled water supplies from the temporary warehouse established to support water distribution during the September event. This support would continue into early 2023.

2023 began with an early outbreak of severe weather and tornadoes statewide that required local deployments of Mississippi Baptist Disaster Relief teams. This would set the stage for an almost non-stop deployment of teams in support of disaster relief and recovery activities in local and statewide operations through the month of June. Highlighting these responses were

- 1) An ice storm that affected Marshall County, MS causing an extended power outage in early February. Teams from X-tended Missions Network, LaBelle Haven Baptist Church, and Slayden Baptist Church provided assistance to homeowners through the provision of hot meals;
- 2) Strong F4 tornadoes that struck Rolling Fork, Silver City, Winona, and Amory on March 24, 2023 and slightly weaker storms that hit Eudora, Pontotoc, and Tupelo on March 28, 2023. Mississippi Baptist Disaster Relief was supported by teams from Arkansas Baptist and Alabama Baptist Disaster Relief ministries to provide assistance from six locations across the state. Site Management, Assessment, Chaplaincy, Mass Feeding, Chainsaw, Tarping, and Flood Recovery services were provided; and,
- 3) In June 2023, larger deployments were made in support of operations in Florence, Louin, and Moss Point following severe storms and tornadoes that impacted these areas.

In addition, Regional Disaster Relief training events in Basic Chainsaw, Chaplaincy, Clean-up/Recovery, and Mass Feeding was conducted at numerous locations across the state

- Carterville Baptist Church, Petal
- Midway Baptist Church, Meridian
- First Baptist Church, Flora
- Belden Baptist Church, Belden
- First Baptist Church, Batesville

Mississippi Baptist Disaster Relief currently has 1,183 volunteers credentialed to serve in times of disaster and crisis.

### **Campers on Mission**

Campers on Mission seek to take the gospel to campgrounds, parks, and churches across Mississippi and North America. Mississippi COM meets throughout the year to do missions, revivals, construction projects, and fellowship. Mississippi COM is an

active group of Mississippi Baptists available to assist churches, associations, and ministries with light construction and repair needs.



## STEWARDSHIP/PRAYER MINISTRIES

Rick Blythe, Director  
Amy McKay, Ministry Assistant

Strengthening **Stewardship** and **Prayer** in the local church remains the goal of the Stewardship/Prayer Ministries Department of the Mississippi Baptist Convention Board. We offer an abundance of resources and training opportunities to achieve our purpose. Many of the written resources, including church budgeting help, are available via digital download from the Convention Boards website. These resources can be accessed by visiting <https://mbcb.org/get-support/business-services/stewardship>.

If your church has never conducted a **One Day Stewardship Revival** or it has been a while, let me encourage you to contact us at the Stewardship Department. The purpose of this important day is to encourage your church to develop a culture of generosity through faithful discipleship. The Revival is consultant-led and will help your congregation renew their trust in God as the source of wealth and blessing.

Each year we work with multitudes of pastors, church treasurers, financial secretaries, and budget and finance committee members. We help train them in the areas of structuring pastor and staff salaries for maximum benefit to the pastor or staff member, compensating church workers, IRS-mandated reporting documents, etc. In addition, we assist churches that need to develop or rewrite written financial policies and procedures. We offer training opportunities for financial leaders on the church, associational, and statewide levels.

In addition to the many **Prayer** resources available to the church, two new **Prayer** resources have been developed and are now available. The first is the “Praying For The Lost” prayer card. This resource is obtainable by contacting our office. The second resource is a “21-Day Prayer Guide For Revival Preparation.” The guide is available as a hard copy, which can be mailed to the church, and it is also available via a digital download. Access this resource at <https://mbcb.org/get-support/prayer>.

The 2022 **Cooperative Program** Budget reflected an increase of 6.04% above the 2021 budget. In dollars, that translates to more than \$1.7 million dollars. Mississippi Baptists continue to prove their strong belief in the Cooperative Program as CP receipts for 2022 exceeded budgeted needs by \$64,000. Excess receipts are distributed per the Challenge Fund with the SBC receiving 50% of the overage and Christian Education and Collegiate Ministries each receiving 25%.

The **Cooperative Program** refers to the cooperation between the Southern Baptist Convention and State Baptist Conventions to work together in such a way that a local church can financially support the missions and ministries of the Southern Baptist Convention and the church’s state Baptist convention through writing a single check

each month. Resources are available that will help a pastor communicate the importance and blessings of the **Cooperative Program** and its importance to the Kingdom of God. The CP resources can be accessed online by going to <https://mbcb.org/offering/cooperative-program>.

In addition to overseeing Stewardship, Prayer, and Cooperative Program promotion, we also have the joy and privilege to help churches raise funds for any capital needs projects that may arise. For over thirty-five years, the design of the **CHALLENGE TO BUILD** program to raise money has been proven time and again, but it actually begins at the point of spiritual renewal. If your congregation is in need of fund-raising services, the place to begin is on your knees in prayer. We will walk your church through the steps of an effective campaign. Call our office to set up a meeting with your Building Committee, and/or church leaders. We can tell you about the program and how it will benefit your church in many ways. To learn more about **CHALLENGE TO BUILD** contact us and be sure to visit <https://mbcb.org/get-support/business-services/stewardship/challenge-to-build> to view the CTB brochure.

For more information please contact: Rick Blythe – [rblythe@mbcb.org](mailto:rblythe@mbcb.org) - 601-292-3348 or Amy McKay – [amckay@mbcb.org](mailto:amckay@mbcb.org) – 601-292-3347

## **FINANCIAL SERVICES**

**Paul Pinson, Director**

**Tim Ruth, Financial Services Representative**

**Gayla Thompson, Accountant**

Our department is responsible for the financial transactions of the Mississippi Baptist Convention Board (MBCB). Mississippi Baptists continued their historical pattern of generosity in financial support of missions during 2022. This was evidenced by our processing nearly \$54 million given for mission efforts around the world.

We have internal controls in place to ensure that each gift is properly recorded and appropriately distributed. Among the controls related to the receipt of gifts are separation of duties of the personnel handling cash and verifying gift amounts, gift designations, and monthly acknowledgements to donors.

Distribution of funds is determined by the type of gift received. Designated gifts are distributed according to donor instructions. Cooperative Program (CP) gifts are distributed according to the CP budget. During 2022, approximately 10,000 checks and electronic payments were processed to disburse mission funds, pay vendors, and provide the services necessary for the ministries of the MBCB. The financial records of the MBCB are audited each year. A copy of the audited financial statements are included in both the book of reports and the convention annual.

The CP budget approval process begins when each MBCB department submits their budget request to Financial Services. We compile the requests and provide them to MBCB administration for review. Once approved by administration, those requests are part of a presentation to the Board's Budget Committee, which includes requests from our institutions and agencies. A recommended budget from the Budget Committee must be approved by the Executive Committee, the full 100 member Board, and then voted on by messengers at the annual convention.

Personnel responsibilities involve the coordination of salary and benefits for employees and benefits for retirees. MBCB has approximately 85 full-time employees, 120 part-time employees (including summer staff at our camps), and 110 retirees. General business responsibilities include the maintenance of property and casualty insurance coverage, financial reporting, and our telecommunications systems.

We can assist churches with the planning of staff compensation packages, and can provide information on employee insurance and retirement benefits offered through GuideStone Financial Resources. Contact Tim Ruth for more information on these services.

**MISSISSIPPI BAPTIST CONVENTION BOARD**  
**Audited Financial Statements**  
**December 31, 2022 and 2021**

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## INDEPENDENT AUDITORS' REPORT

The Executive Committee  
Mississippi Baptist Convention Board

### Opinion

We have audited the accompanying financial statements of Mississippi Baptist Convention Board (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mississippi Baptist Convention Board as of December 31, 2022 and 2021, and its statements of activities and 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mississippi Baptist Convention Board 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 opinions.

### Responsibilities of Management for the Financial Statements

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

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

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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



The Executive Committee  
Mississippi Baptist Convention Board

aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mississippi Baptist Convention Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mississippi Baptist Convention Board'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.

*Kiantham Poole PLLC*

Ridgeland, Mississippi  
July 18, 2023

**MISSISSIPPI BAPTIST CONVENTION BOARD**  
**Statements of Financial Position**  
**December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
Assets:		
Cash and Cash Equivalents (Note 2)	\$ 25,409,265	\$ 35,625,726
Prepaid Expenses and Other Assets	138,366	143,833
Supplies Inventories	27,993	23,200
Investments (Note 6)	17,102,459	12,349,411
Notes and Other Receivable (Note 7)	621,060	14,062
Property and Equipment, Net (Note 8)	11,074,194	11,146,161
Other Asset (Note 16)	1,203,480	-
	<u>55,576,817</u>	<u>59,302,393</u>
<b>Total Assets</b>	<b>\$ 55,576,817</b>	<b>\$ 59,302,393</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Accounts Payable	\$ 281,644	\$ 257,227
Cooperative Program Allocations Payable	2,042,969	5,174,443
Designated Funds Payable (Note 9)	343,701	1,743,705
Postretirement Benefit Obligation (Note 10)	11,563,850	14,204,996
Other	361,886	307,904
	<u>14,594,050</u>	<u>21,688,275</u>
<b>Total Liabilities</b>	<b>14,594,050</b>	<b>21,688,275</b>
Net Assets:		
Net Assets without Donor Restrictions (Note 3)	27,555,390	25,342,015
Net Assets with Donor Restrictions (Note 4)	13,427,377	12,272,103
	<u>40,982,767</u>	<u>37,614,118</u>
<b>Total Net Assets</b>	<b>40,982,767</b>	<b>37,614,118</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 55,576,817</b>	<b>\$ 59,302,393</b>

See accompanying notes to financial statements.

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**MISSISSIPPI BAPTIST CONVENTION BOARD**

**Statement of Activities**

**Year Ended December 31, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support:</b>			
Cooperative Program (Note 11)	\$ 9,947,989	\$ 20,348,450	\$ 30,296,439
Special Purpose Programs (Note 12)	44,792	2,018,734	2,063,526
State Missions	-	2,127,596	2,127,596
Baptist Record	3,808	-	3,808
Central Hills Baptist Retreat Programs	-	291,033	291,033
Garaywa Camp and Conference Center Programs	-	346,666	346,666
Missions Mobilization	-	15,000	15,000
Other	375,830	32,930	408,760
<b>Other Additions:</b>			
Dividend and Interest Income, Net of Expenses	387,281	24,654	411,935
Realized Gain (Loss) on Investments, Net	374,802	(21,839)	352,963
Unrealized Loss on Investments, Net	(2,243,357)	(172,879)	(2,416,236)
In-Kind Contribution	1,203,480	-	1,203,480
Miscellaneous	102,700	(9,369)	93,331
Net Assets Released From Restrictions (Note 5)	23,845,702	(23,845,702)	-
<b>Total Support and Other Additions</b>	<b>34,043,027</b>	<b>1,155,274</b>	<b>35,198,301</b>
<b>Expenses (Note 13):</b>			
Cooperative Program Distributions	19,545,887	-	19,545,887
Convention Board Operating Expenses (Note 14)	9,341,052	-	9,341,052
State Missions	2,449,938	-	2,449,938
Special Purpose and Other Programs	1,340,242	-	1,340,242
Church Annuity	509,635	-	509,635
Depreciation	512,982	-	512,982
Net Periodic Postretirement Benefit Cost (Note 10)	402,916	-	402,916
<b>Total Expenses</b>	<b>34,102,652</b>	<b>-</b>	<b>34,102,652</b>
<b>Postretirement - Related Changes Other Than</b>			
Net Periodic Postretirement Cost (Note 10)	2,273,000	-	2,273,000
<b>Change in Net Assets</b>	<b>2,213,375</b>	<b>1,155,274</b>	<b>3,368,649</b>
<b>Net Assets, Beginning of Year</b>	<b>25,342,015</b>	<b>12,272,103</b>	<b>37,614,118</b>
<b>Net Assets, End of Year</b>	<b>\$ 27,555,390</b>	<b>\$ 13,427,377</b>	<b>\$ 40,982,767</b>

See accompanying notes to financial statements.

**MISSISSIPPI BAPTIST CONVENTION BOARD**  
**Statement of Activities**  
**Year Ended December 31, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support:</b>			
Cooperative Program (Note 11)	\$ 9,879,159	\$ 21,054,453	\$ 30,933,612
Special Purpose Programs (Note 12)	54,510	993,726	1,048,236
State Missions	-	2,148,233	2,148,233
Baptist Record	6,620	-	6,620
Central Hills Baptist Retreat Programs	-	255,334	255,334
Garaywa Camp and Conference Center Programs	-	213,221	213,221
Missions Mobilization	-	15,000	15,000
Other	271,361	40,388	311,749
<b>Other Additions:</b>			
Dividend and Interest Income, Net of Expenses	140,830	24,161	164,991
Realized Gain on Investments, Net	501,831	27,274	529,105
Unrealized Gain on Investments, Net	359,039	41,877	400,916
Miscellaneous	101,940	(10,511)	91,429
Net Assets Released From Restrictions (Note 5)	22,978,402	(22,978,402)	-
<b>Total Support and Other Additions</b>	<b>34,293,692</b>	<b>1,824,754</b>	<b>36,118,446</b>
<b>Expenses (Note 13):</b>			
Cooperative Program Distributions	22,631,437	-	22,631,437
Convention Board Operating Expenses (Note 14)	8,319,226	-	8,319,226
State Missions	2,042,262	-	2,042,262
Special Purpose and Other Programs	584,377	-	584,377
Church Annuity	544,286	-	544,286
Depreciation	507,468	-	507,468
Net Periodic Postretirement Benefit Cost (Note 10)	403,397	-	403,397
<b>Total Expenses</b>	<b>35,032,453</b>	<b>-</b>	<b>35,032,453</b>
<b>Postretirement - Related Changes Other Than</b>			
Net Periodic Postretirement Cost (Note 10)	498,475	-	498,475
<b>Change in Net Assets</b>	<b>(240,286)</b>	<b>1,824,754</b>	<b>1,584,468</b>
<b>Net Assets, Beginning of Year</b>	<b>25,582,301</b>	<b>10,447,349</b>	<b>36,029,650</b>
<b>Net Assets, End of Year</b>	<b>\$ 25,342,015</b>	<b>\$ 12,272,103</b>	<b>\$ 37,614,118</b>

See accompanying notes to financial statements.

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**MISSISSIPPI BAPTIST CONVENTION BOARD**  
**Statements of Cash Flows**  
**Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 3,368,649	\$ 1,584,468
Adjustments To Reconcile Change in Net Assets To		
Net Cash Provided By (Used In) Operating Activities:		
Depreciation	512,982	507,468
Net Periodic Postretirement Benefit Cost	402,916	403,397
Net Realized and Unrealized Gain (Loss) on Investments, Net	2,063,273	(930,021)
Loss on Disposal of Property	7,495	2,904
In-Kind Contributions	(1,203,480)	-
Change In:		
Prepaid Expenses and Other Assets	5,467	(47,149)
Supplies Inventories	(4,793)	5,380
Accounts Payable and Other Liabilities	78,399	56,657
Cooperative Program Allocations Payable	(3,131,474)	3,207,092
Designated Funds Payable	(1,400,004)	1,155,767
Postretirement Benefit Obligation	(3,044,062)	(1,312,468)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>(2,344,632)</u>	<u>4,633,495</u>
Cash Flows From Investing Activities:		
Purchases of Investments	(7,219,186)	(692,394)
Proceeds from Sales and Maturities of Investments	402,865	3,419,181
Collections of Notes Receivable	432,035	457,552
Advances on Notes Receivable	(1,039,033)	(429,887)
Purchases of Property, Plant and Equipment	(448,510)	(438,941)
<b>Net Cash Provided By (Used In) Investing Activities</b>	<u>(7,871,829)</u>	<u>2,315,511</u>
<b>Net Increase (Decrease) in Cash</b>	<u>(10,216,461)</u>	<u>6,949,006</u>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>35,625,726</u>	<u>28,676,720</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 25,409,265</u></u>	<u><u>\$ 35,625,726</u></u>

See accompanying notes to financial statements.

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**MISSISSIPPI BAPTIST CONVENTION BOARD**  
**Notes to Financial Statements**  
**Years Ended December 31, 2022 and 2021**

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**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

The Mississippi Baptist Convention Board (the Board or the Convention Board) serves as the missions organization for Southern Baptists in Mississippi. The purpose of the Convention Board is to help bring Mississippi and the world to Jesus. Convention Board ministries are designed according to the Biblical model of Acts 1:8. By promoting and supporting Christian missions at the local church, throughout the state, and around the world, Southern Baptists in Mississippi work together in establishing and furthering God's Kingdom. The Convention Board coordinates its national and international mission efforts with the Southern Baptist Convention and acts in a fiduciary capacity for donations by member churches of the Mississippi Baptist Convention (the Convention). The Board is a nonprofit religious society.

Basis of Accounting

The financial statements of the Board are presented on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP).

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The general types of donations entrusted to the Board are as follows:

- (i) *Cooperative Program* - Pursuant to the budget adopted by the Convention, these are funds that are either (i) distributed by the Board to the various agencies and institutions affiliated with the Convention or (ii) used in operations and programs of the Board. Funds received by the Convention to be distributed to the various agencies and institutions affiliated with the Convention are recorded as net assets with donor restrictions until the funds are distributed. At that time, 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. Funds to be used for operations and programs of the Board are recorded as net assets without donor restrictions in accordance with GAAP.
- (ii) *Designated gifts* - In accordance with donor-imposed restrictions, these funds are either (i) gifts designated by donors to be forwarded to member associations, agencies or institutions for their specific use, which are recorded as liabilities of the Board until they are forwarded (Note 9) or (ii) non-Cooperative Program gifts designated by donors for Board programs that are recorded as net assets with donor restrictions until the funds are distributed. At that time, 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.

Board designated funds are designated for specific purposes as determined by the Convention Board or the Executive Committee of the Board and are recorded as net assets without donor restrictions – Board Designated.

Net assets with donor restrictions are assets restricted by the donor for specific purposes and/or the passage of time. Donor restricted gifts for which restrictions are met within the same year as the gifts are received are reported as net assets with donor restrictions support

**MISSISSIPPI BAPTIST CONVENTION BOARD**  
**Notes to Financial Statements**  
**Years Ended December 31, 2022 and 2021**

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**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Presentation (Continued)

and net assets released from restrictions in the statements of activities. To the extent that restricted resources from multiple donors are available for the same purpose, the Board expends such gifts on a first-in, first-out basis. Net assets required by donors to be held in perpetuity are shown as net assets with donor restrictions. However, the income on these assets is generally available to meet various ministry needs. In some cases, the income, or a portion thereof, is required to be reinvested in net assets with donor restrictions.

The Board reports gifts of property, plant and equipment as net assets 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 or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Board reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash Equivalents

The Board considers temporary investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Investments in common and collective trusts are reported at their redemption value as determined by the Mississippi Baptist Foundation (MBF), which is based on the fair value of the underlying assets. Donated gifts are recorded at the estimated fair value at the date of gift. Investment income, including realized and unrealized gains and losses, are included in support without donor restrictions unless the income is restricted by donor or law.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, if purchased, or at acquisition date appraised value, if donated. Depreciation is calculated over the estimated useful lives of the assets using the straight-line method. Buildings are depreciated over 40 years. Useful lives on equipment and furniture range from 3 to 10 years.

The Board applies Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 360, Property, Plant and Equipment. ASC 360 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. ASC 360 requires that long-lived assets, such as property, plant and equipment, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized to the extent the carrying amount of the asset exceeds its fair value. Assets to be disposed of are separately presented in the statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale are presented separately in the asset and liability sections of the statement of financial position.



**MISSISSIPPI BAPTIST CONVENTION BOARD**  
**Notes to Financial Statements**  
**Years Ended December 31, 2022 and 2021**

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**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Supplies Inventories

Supplies inventories are stated at the lower of cost or market.

Income Taxes

The Board is a tax-exempt entity as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code. Management of the Board believes it has no material uncertain tax positions, and accordingly, it has not recognized any liability for unrecognized tax benefits.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 support and expenses during the reporting period. Actual results could differ from such estimates.

The Board has classified net assets as either with donor restrictions or without donor restrictions based on management's assessment of the donor's intention based on available documentation. In cases where documentation from the donor could not be located, nor could definitive evidence be obtained from other sources as to the appropriate category of net assets, management has used judgment to determine the appropriate classification.

In-Kind Contribution

In order to comply with FASB ASC 958-605, the Mississippi Baptist Convention Board reports donated in-kind contributions on the statement of activities in the period they are received at their estimated fair values. For the year ended December 31, 2022 the Mississippi Baptist Convention Board recognized contributed property with a fair value of \$1,203,480 as In-Kind Contribution in the statement of activities.

New Lease Standard

Effective January 1, 2022 the Mississippi Baptist Convention Board elected to adopt FASB issued ASU 2016-02, Leases (Topic 842), which clarifies the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. At December 31, 2022, the Mississippi Baptist Convention Board did not have any leases recorded, therefore, the adoption of the new standard did not have a significant impact on the Mississippi Baptist Convention Board's financial statements.

Risks and Uncertainties

The Board's investments include funds which invest in various types of investment securities across a variety of markets. Investment securities are exposed to several risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the fair values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Board's financial statements.

**MISSISSIPPI BAPTIST CONVENTION BOARD**  
**Notes to Financial Statements**  
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**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Postretirement Benefits

The Board provides certain healthcare and life insurance benefits for retired employees. Covered employees become eligible for these benefits at retirement after meeting minimum age and service requirements. The plan is currently unfunded.

The Board applies the recognition and disclosure provisions of FASB ASC Topic 715, *Compensation - Retirement Benefits*.

Subsequent Events

The Board has evaluated subsequent events from the financial reporting date through July 18, 2023, the date on which the financial statements were available to be issued.

**NOTE 2      CASH, OTHER FINANCIAL ASSETS AND LIQUIDITY**

The Board manages its financial assets to provide sufficient liquidity for general expenditures within one year of the statement of financial position date. Financial assets available for general use within one year as of December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 25,409,265	\$ 35,625,726
Investments	<u>17,102,459</u>	<u>12,349,411</u>
<b>Total Financial Assets at Year End</b>	42,511,724	47,975,137
Less Amounts With Limits On Usage:		
Spendable Net Assets With Donor Restrictions	(13,384,029)	(12,223,970)
Endowment Investments Restricted in Perpetuity	(43,348)	(48,133)
Cooperative Program Allocations and Designated Funds Payable	(2,386,670)	(6,918,148)
Spendable Net Assets With Board Designations, Exclusive of Unfunded Postretirement Benefit Obligation	<u>(21,493,326)</u>	<u>(23,025,369)</u>
<b>Total Financial Assets Available For General Use Within One Year</b>	<u>\$ 5,204,351</u>	<u>\$ 5,759,517</u>

The Board has a goal to maintain financial assets, which consist of cash and investments, on hand to meet 90 days of normal operating expenses which were approximately \$7,558,000 and \$7,130,000 for the years ended December 31, 2022 and 2021, respectively.

**NOTE 3      NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions were comprised of the following as of December 31:

	<u>2022</u>	<u>2021</u>
<b>Total Undesignated</b>	<u>\$ 6,062,064</u>	<u>\$ 2,316,646</u>
Designated By Board for the Following:		
Capital Needs	10,468,565	10,375,532
Spendable for Programs	<u>1,132,833</u>	<u>981,493</u>
<b>Total Board Designations</b>	<u>11,601,398</u>	<u>11,357,025</u>

**MISSISSIPPI BAPTIST CONVENTION BOARD**  
**Notes to Financial Statements**  
**Years Ended December 31, 2022 and 2021**

**NOTE 3**     **NET ASSETS WITHOUT DONOR RESTRICTIONS (CONTINUED)**

Net assets without donor restrictions were comprised of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Quasi Endowment:		
General Activities	3,216,708	5,016,917
Reserve for Salaries, Benefits, Retirees and		
Unfunded Deferred Compensation	<u>6,675,220</u>	<u>6,651,427</u>
<b>Total Quasi Endowment</b>	<u>9,891,928</u>	<u>11,668,344</u>
<b>Total Board Designated</b>	<u>21,493,326</u>	<u>23,025,369</u>
<b>Total Net Assets Without Donor Restrictions</b>	<u>\$ 27,555,390</u>	<u>\$ 25,342,015</u>

**NOTE 4**     **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were comprised of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specific Purpose:		
State Mission Activities	\$ 6,437,944	\$ 6,176,206
Special Gifts	<u>6,946,085</u>	<u>6,047,764</u>
<b>Total Purpose Restrictions</b>	<u>13,384,029</u>	<u>12,223,970</u>
Perpetual Restriction	<u>43,348</u>	<u>48,133</u>
<b>Total Net Assets With Donor Restrictions</b>	<u>\$ 13,427,377</u>	<u>\$ 12,272,103</u>

**NOTE 5**     **NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

During the years ended December 31, 2022 and 2021, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2022</u>	<u>2021</u>
Purpose of Restrictions Accomplished:		
Cooperative Program Distributions	\$ 19,545,887	\$ 19,807,477
State Missions	2,449,938	2,042,262
Special Purpose and Other Programs	1,340,242	584,377
Church Annuity	<u>509,635</u>	<u>544,286</u>
<b>Total Net Assets Released from Donor Restrictions</b>	<u>\$ 23,845,702</u>	<u>\$ 22,978,402</u>

**NOTE 6**     **INVESTMENTS**

FASB ASC Topic 820, *Fair Value Measurement*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a framework for measuring fair value and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. These inputs are summarized into three levels:

- Level 1 inputs are unadjusted quoted prices in active markets for identical securities.



**MISSISSIPPI BAPTIST CONVENTION BOARD**  
**Notes to Financial Statements**  
**Years Ended December 31, 2022 and 2021**

**NOTE 6     INVESTMENTS (CONTINUED)**

- Level 2 inputs include quoted prices for similar securities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the investments. Such inputs include market interest rates, volatilities and yield curves.
- Level 3 inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement including the reporting entity's own assumptions in determining the fair value of the investment.

A summary of investments at fair value at December 31, 2022 and 2021 follows:

	<u>2022</u>	<u>2021</u>
Investments Managed By:		
Mississippi Baptist Foundation (MBF):		
General Fund	\$ 3,089,535	\$ 3,826,691
Money Market Fund	681,870	275,082
Common Trust Fund	385,532	497,558
	<u>4,156,937</u>	<u>4,599,331</u>
GuideStone Financial Resources (Mutual Funds):		
Balanced Fund	2,276,940	2,543,737
Conservative Fund	2,374,834	2,462,652
Growth Fund	2,222,994	2,618,643
Other	81,567	125,048
	<u>6,956,335</u>	<u>7,750,080</u>
Regions (US Government):	5,989,187	-
<b>Total Investments</b>	<u><b>\$ 17,102,459</b></u>	<u><b>\$ 12,349,411</b></u>

The investments managed by the Mississippi Baptist Foundation are common and collective trust funds and are classified as Level 2. The General Fund is allocated 30% to the Mississippi Baptist Foundation Equity Fund (Equity Fund) and 70% to the Mississippi Baptist Foundation Fixed Income Fund (Fixed Income Fund). The Equity Fund is primarily invested in U.S. and international stocks and the Fixed Income Fund is primarily invested in U.S. government securities, corporate bonds and international fixed income securities.

The investment funds managed by GuideStone Financial Resources are primarily invested in publicly traded, exchange-listed mutual funds and are classified as Level 1.

The investment funds managed by Regions, are primarily invested in fixed income (US Government funds) and are classified as Level 1.

The Mississippi Baptist Foundation and GuideStone Financial Resources of the Southern Baptist Convention are separate entities and are considered related parties.

The overall investment objective of the Board is to invest in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Board primarily invests in publicly traded, exchange listed mutual funds and common and collective trust funds.

**MISSISSIPPI BAPTIST CONVENTION BOARD**  
**Notes to Financial Statements**  
**Years Ended December 31, 2022 and 2021**

**NOTE 7      NOTES AND OTHER RECEIVABLES**

The Board allows the financing of employee automobiles with Convention Board funds. Pursuant to a resolution of the Board, the maximum aggregate amount available for such loans was \$550,000 in 2022 and 2021. Automobile notes receivable from employees are secured by liens on the automobiles and have a variable interest rate, which is tied to the average yield on commercial paper, adjusted quarterly. Note payments are deducted semi-monthly from payroll in installments over various periods up to forty-eight months. The total outstanding balance of such notes was \$14,062 at December 31, 2021 (none in 2022).

The Estate of William John Tarver bequeathed \$629,590 to Mississippi Baptist Convention Board on December 20, 2022. The Board recorded the contribution but did not receive the funds until January 9, 2023, therefore, the amount is included in notes and other receivables on the statement of financial position at December 31, 2022.

**NOTE 8      PROPERTY, PLANT AND EQUIPMENT**

A summary of property, plant and equipment at December 31, 2022 and 2021 follows:

	<u>2022</u>	<u>2021</u>
Land and Improvements	\$ 3,963,013	\$ 3,963,013
Buildings	12,650,049	12,570,149
Equipment and Furniture	7,063,863	6,750,377
<b>Total Property and Equipment</b>	<u>23,676,925</u>	<u>23,283,539</u>
Less Accumulated Depreciation	(12,602,731)	(12,137,378)
<b>Total Property, Plant and Equipment, Net</b>	<u>\$ 11,074,194</u>	<u>\$ 11,146,161</u>

**NOTE 9      DESIGNATED FUNDS**

Gifts for designated funds are in addition to Cooperative Program gifts and are treated as agency transactions and not reflected in the accompanying statements of activities. Additionally, at the direction of the Executive Committee, \$718,450 was allocated for distribution to the International Mission Board for the Lottie Moon Christmas Offering and \$359,225 was allocated for distribution to the North American Mission Board for the Annie Armstrong Easter Offering from the Board's Challenge portion of the budget during the year ended December 31, 2021 (none in 2022). A summary of transactions in designated funds payable follows:

	Associational	North	International	Miscellaneous	Total
	<u>Missions</u>	<u>American</u>	<u>Missions</u>		
Balance, December 31, 2020	\$ 800	\$ 61,569	\$ 525,269	\$ 300	\$ 587,938
Receipts	4,703,419	3,807,738	8,376,986	1,999,914	18,888,057
Disbursements	4,704,219	3,475,583	7,552,756	1,999,732	17,732,290
Balance, December 31, 2021	-	393,724	1,349,499	482	1,743,705
Receipts	4,705,577	3,847,988	8,819,217	2,044,551	19,417,333
Disbursements	4,705,177	4,213,742	9,853,639	2,044,779	20,817,337
Balance, December 31, 2022	<u>\$ 400</u>	<u>\$ 27,970</u>	<u>\$ 315,077</u>	<u>\$ 254</u>	<u>\$ 343,701</u>

**NOTE 10      BENEFIT PLANS**

*Postretirement Benefit Plan*

The Board sponsors a postretirement benefit plan for eligible employees upon their retirement, which provides certain health care and life insurance benefits, as well as longevity

**MISSISSIPPI BAPTIST CONVENTION BOARD**  
**Notes to Financial Statements**  
**Years Ended December 31, 2022 and 2021**

**NOTE 10**    **BENEFIT PLANS (CONTINUED)**

*Postretirement Benefit Plan (Continued)*

gifts for retiring participants. Subject to a monthly cap, the Board pays 100% of the premiums related to providing the postretirement health care coverage for eligible participants, and in some cases, a portion of the premiums related to dependent's coverage. The Board also pays 100% of the premiums related to providing life insurance coverage for eligible participants. Eligibility for postretirement benefits is described and approved through established Board policy. At the time of retirement, the Board provides longevity gifts to certain retiring participants that are based on years of service.

The Board applies FASB ASC 715, *Compensation- Retirement Benefits*, which requires the recognition of the funded status of defined benefit pension and other postretirement plans as an asset or liability.

During the years ended December 31, 2022 and 2021, postretirement-related changes were recognized that increased (decreased) net assets without donor restrictions by \$2,273,000 and \$498,475, respectively, and were included in the accompanying statements of activities.

The postretirement benefit plan's benefit obligation, none of which is funded, (based upon a December 31 measurement date) and amounts recognized in the Board's financial statements follow:

	<u>2022</u>	<u>2021</u>
Change in Accumulated Benefit Obligation:		
Accumulated Benefit Obligation at Beginning of Year	\$ 14,204,996	\$ 15,114,067
Service Cost	50,057	58,373
Interest Cost	342,058	298,498
Actuarial Gain (Loss) and Change in Assumptions	(2,262,199)	(451,949)
Benefits Paid	(771,062)	(813,993)
Accumulated Benefit Obligation at End of Year	<u>\$ 11,563,850</u>	<u>\$ 14,204,996</u>
	<u>2022</u>	<u>2021</u>
Amounts Recognized in Net Assets Without Donor		
Restrictions Other than Net Periodic		
Postretirement Benefit Cost:		
Prior Service Cost	\$ 1,072,198	\$ 1,189,566
Net Loss	(619,429)	(3,009,797)
<b>Total</b>	<u>\$ 452,769</u>	<u>\$ (1,820,231)</u>
Components of Net Periodic Postretirement Benefit Cost:		
Service Cost	\$ 50,057	\$ 58,373
Interest Cost	342,058	298,498
Amortization of Unrecognized Prior Service Cost	(117,368)	(117,368)
Actuarial Loss and Change in Assumptions	128,169	163,894
Net Periodic Postretirement Benefit Cost	<u>\$ 402,916</u>	<u>\$ 403,397</u>

The weighted average discount rate used to determine the benefit obligation was 4.9% and 2.47% as of December 31, 2022 and 2021, respectively. The weighted average discount rate used to determine the net periodic postretirement cost was 2.47% and 2.02% for the years ended December 31, 2022 and 2021, respectively.

**MISSISSIPPI BAPTIST CONVENTION BOARD**  
**Notes to Financial Statements**  
**Years Ended December 31, 2022 and 2021**

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**NOTE 10     BENEFIT PLANS (CONTINUED)**

*Postretirement Benefit Plan (Continued)*

Actual benefits paid on behalf of retired participants totaled \$771,062 and \$813,993 for the years ended December 31, 2022 and 2021, respectively. There were 109 retired participants at December 31, 2022 and 111 retired participants as of December 31, 2021, resulting in an annual average per participant cost of \$7,074 and \$7,333, respectively.

Based upon the number of expected retirees and the results of an actuarial analysis, the Board expects the benefits to be paid for the postretirement benefit plan in each year from 2023 to 2027 to be approximately \$830,000, \$854,000, \$881,000, \$893,000, and \$909,000, respectively. The aggregate benefits expected to be paid in the five years from 2028 to 2032 are approximately \$4,470,000. The expected benefits are based on the same assumptions used to measure the Board's benefit obligation at December 31, 2022.

The expected long-term healthcare trend rate used to value the accumulated postretirement benefit obligation was 7.4% (4.3% for post-65 ages) for medical and 9.8% (7.5% for post-65 ages) for prescription drugs as of December 31, 2022, and is assumed to decrease linearly to ultimate rates of 4.37% (4.3% for post-65 ages) and 4.87%, respectively, in 2030. The expected long-term healthcare trend rate used to value the accumulated postretirement benefit obligation was 7.30% (3.80% for post-65 ages) for medical and 8.40% (6.50% for post-65 ages) for prescription drugs as of December 31, 2021, and is assumed to decrease linearly to ultimate rates of 4.40% (3.80% for post-65 ages) and 4.90%, respectively, in 2029. A 1% increase in this annual trend rate would increase the accumulated postretirement benefit obligation as of December 31, 2022 by approximately \$183,000 and the combined service and interest components of the net periodic postretirement cost by approximately \$3,340.

*Defined Contribution Plan*

The Board also sponsors a contributory savings plan covering all full-time employees. Participating employees may contribute up to 5% of their annual salary, subject to regulatory limits and length of service. The Board makes matching contributions of 100% of the employee's contribution and also makes an additional annual base contribution of 10% of each employee's salary. The Board contributed approximately \$553,000 and \$526,000 to this plan during the years ended December 31, 2022 and 2021, respectively.

**NOTE 11     COOPERATIVE PROGRAM SUPPORT**

A summary of the cooperative program allocation of support 2022 and 2021 follows:

	<u>2022</u>	<u>2021</u>
Southern Baptist Convention	\$ 11,822,724	\$ 11,754,773
Christian Education	5,688,817	5,981,139
Baptist Children's Village	739,586	693,948
Board of Ministerial Education	380,500	378,782
Christian Action Commission	297,970	314,725
Historical Commission	90,290	93,299
Mississippi Baptist Foundation	385,000	394,563
Board Capital Needs	656,436	560,601
Church Annuity	550,500	597,290
Associations	141,000	139,964
Board Programs	9,307,716	9,768,490
Missions Mobilization	235,900	256,038
	<u>\$ 30,296,439</u>	<u>\$ 30,933,612</u>

**MISSISSIPPI BAPTIST CONVENTION BOARD**  
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**NOTE 11 COOPERATIVE PROGRAM SUPPORT (CONTINUED)**

Cooperative Program gifts exceeding each fiscal year's budget are allocated through the Challenge portion of the budget adopted by Convention messengers. Total Challenge Funds received during the year ended December 31, 2022 and 2021 were \$64,653 and \$5,247,226, respectively. Challenge funds from churches of \$64,653 and \$2,423,266 for the years ended December 31, 2022 and 2021 are included in the above allocation of support. Additionally, there are Challenge funds of \$2,823,960 from MBCB excess reserves for the years ended December 31, 2022 that are not included in the above allocation of support.

The Board's direction from the Executive Committee is to maintain a 90-day operating reserve. The Board evaluates the balance of the reserve for any excess or shortfall of the 90-day requirement on an annual basis. Excess reserves of \$2,823,960 were received and allocated according to the approved Challenge portion of the Cooperative Program budget and per Executive Committee direction for the Board's portion of Challenge for the year ended December 31, 2022.

**NOTE 12 SPECIAL PURPOSE PROGRAM SUPPORT**

A summary of special purpose program support 2022 and 2021 follows:

	2022	2021
Disaster Relief	\$ 536,338	\$ 325,647
Special Funds	876,540	270,368
Student Mission Funds	114,959	1,333
North American Mission Board Strategic Support	300,000	300,000
Missions Mobilization	94,418	12,670
Other - Without Donor Restrictions	44,792	54,510
Other - With Donor Restrictions	96,479	83,708
	<u>\$ 2,063,526</u>	<u>\$ 1,048,236</u>

**NOTE 13 FUNCTIONAL AND NATURAL EXPENSES**

Expenses by function and natural classification for the years ended December 31, 2022 and 2021 are as follows:

2022	Fundraising	Program	Management and General	Total
Cooperative Program Distributions	\$ -	\$ 19,545,887	\$ -	\$ 19,545,887
Convention Board Operating Expenses:				
Salaries and Benefits	79,858	4,709,200	778,099	5,567,157
Ministry and Mission Support	31,317	2,721,420	146,510	2,899,247
Utilities	4,130	114,245	22,761	141,136
Property Insurance	6,153	170,207	33,910	210,270
Other	8,285	427,628	87,329	523,242
	<u>129,743</u>	<u>8,142,700</u>	<u>1,068,609</u>	<u>9,341,052</u>
State Missions	36,080	2,413,858	-	2,449,938
Special Purpose and Other Programs	-	1,340,242	-	1,340,242
Church Annuity	-	509,635	-	509,635
Depreciation	2,500	489,643	20,839	512,982
Net Periodic Postretirement Benefit Cost	5,586	337,972	59,358	402,916
	<u>\$ 173,909</u>	<u>\$ 32,779,937</u>	<u>\$ 1,148,806</u>	<u>\$ 34,102,652</u>



**MISSISSIPPI BAPTIST CONVENTION BOARD**  
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**NOTE 13      FUNCTIONAL AND NATURAL EXPENSES (CONTINUED)**

2021	Fundraising	Program	Management and General	Total
Cooperative Program Distributions	\$ -	\$ 22,631,437	\$ -	\$ 22,631,437
Convention Board Operating Expenses:				
Salaries and Benefits	96,443	4,521,819	745,670	5,363,932
Ministry and Mission Support	27,602	1,894,651	131,056	2,053,309
Utilities	4,169	115,320	22,974	142,463
Property Insurance	5,405	149,536	29,791	184,732
Other	17,145	461,348	96,297	574,790
	150,764	7,142,674	1,025,788	8,319,226
State Missions	32,686	2,009,576	-	2,042,262
Special Purpose and Other Programs	-	584,377	-	584,377
Church Annuity	-	544,286	-	544,286
Depreciation	2,658	486,971	17,839	507,468
Net Periodic Postretirement Benefit Cost	6,692	336,695	60,010	403,397
	<u>\$ 192,800</u>	<u>\$ 33,736,016</u>	<u>\$ 1,103,637</u>	<u>\$ 35,032,453</u>

Allocation of expenses is based on management's estimate of usage applicable to various programs. Salaries and related benefits are allocated based on personnel responsibilities. Building usage is allocated on a square footage basis.

**NOTE 14      CONVENTION BOARD OPERATING EXPENSES**

Details of Convention Board operating expenses by department for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Baptist Record	\$ 421,285	\$ 416,048
Board Designated and Other	719,599	404,322
Building Maintenance/Support Services, Net**	(56,042)	(115,627)
Business/Financial Services	730,914	714,008
Church Planting and Revitalization	257,562	223,333
Collegiate Ministry	2,088,690	2,047,982
Communication Services	332,913	313,528
Computer Information Services	315,671	276,592
Convention Committees/Sessions	107,127	88,237
Disaster Relief	260,381	-
Discipleship/Sunday School	879,093	869,254
Evangelism Promotion	315,772	280,419
Executive Administration	450,694	445,103
Leadership	315,949	299,230
Men's Ministry	412,027	521,436
Mission Strategy	-	106,042
Missions Mobilization	167,873	165,149
Multicultural Ministries	155,164	-
Print Shop/Desktop Publications	31,327	55,116
Stewardship	226,323	205,084
Strategy	350,294	262,735
Women's Ministries/Woman's Missionary Union	419,535	367,445
Worship Ministries	438,901	373,790
	<u>\$ 9,341,052</u>	<u>\$ 8,319,226</u>

\*\* Building Maintenance/Support Services, Net is reduced by charges to other departments

**MISSISSIPPI BAPTIST CONVENTION BOARD**  
**Notes to Financial Statements**  
**Years Ended December 31, 2022 and 2021**

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**NOTE 15     CONCENTRATIONS OF RISK**

The Board has cash balances in accounts held by various banking institutions at December 31, 2022 and 2021 in excess of federally insured limits. These excess cash balances totaled \$4,722,443 on December 31, 2022 and \$22,039,260 on December 31, 2021. The Board mitigates this risk by using only high-quality financial institutions.

**NOTE 16     SUBSEQUENT EVENT/OTHER ASSET**

In October of 1998, the Mississippi Baptist Convention Board purchased approximately six acres for a new church in the Gulf Coast Association. A reversion clause was included in the warranty deed stating that if the property ever ceases to function as a Southern Baptist Church, title of the property and all improvements would revert back to the Mississippi Baptist Convention. This reversion took place on June 5, 2022 as part of the dissolution of Bridge Community Church, Inc. The fair market value of the property of \$1,203,480 was recorded as in-kind contribution in 2022 and is included in other assets on the statement of financial position at December 31, 2022. At the Executive Committee meeting on March 7, 2023, the Executive Committee authorized the transfer of ownership of the property to Harbor City Church with the same revisionary clause.

# BOARD Of MINISTERIAL EDUCATION

## 2023 OFFICERS

*Ryan Reed, President..... Bruce*  
*Neil Tullios, Vice President ..... Wiggins*  
*Anne Albritton, Secretary .....Madison*

## BOARD MEMBERS

*Austin Bahm ..... Hattiesburg*  
*Judy Huddleston..... Baldwin*  
*Matt Olson.....Laurel*  
*Greg Pouncey .....Clinton*  
*Brian Rushing ..... Waveland*  
*Jason Webb .....Magee*  
*Louis Zinc.....Oxford*

## CAMPUS REPRESENTATIVES

*Ronald Meeks ..... Blue Mountain Christian University*  
*Wayne VanHorn .....Mississippi College*  
*Brett Golson..... William Carey University*



## **BOARD OF MINISTERIAL EDUCATION**

**Rev. Ryan Reed, President**  
**Rev. Neil Tullos, Vice President**  
**Mrs. Anne Albritton, Secretary**

The Board of Ministerial Education was founded by the Mississippi Baptist Convention in 1885 for the purpose of assisting ministers to secure a college education. This Board originally assisted only licensed and ordained ministers. In 1987, an amendment to the MS Baptist Convention Constitution expanded the Board's work to include all qualified church-related vocational students who are enrolled in one of Mississippi's Baptist colleges. Ministerial Aid recipients must have made a documented public commitment to Southern Baptist ministry and be a member of a contributing Southern Baptist church, in addition to meeting other BME requirements. During the 2022-2023 academic year, the Board of Ministerial Education approved a total of \$380,500 in monthly grants to 123 ministerial students attending Blue Mountain Christian University, Mississippi College or William Carey University. The students received \$350/month during the academic year. It is always a privilege to serve the students in this way.

In 2020, the Board adopted a Vocational Ministry Covenant to be signed by the student when he or she applies for Ministerial Aid. This covenant reflects their desire to serve in full-time SBC ministry. Most serve a lifetime in ministry, and it's encouraging to see the future leaders of the church express their desire to choose this as their vocational path. In 2021, the Board faced the challenge of conducting interviews via Zoom technology due to the pandemic. The Board members had a wonderful experience interviewing students in person in the fall of 2022. It is a joy to watch these graduates go out into the world serving Christ. The majority of this year's graduates are in seminary and many are also serving churches. Ministerial graduates of our Mississippi Baptist colleges are serving all over the United States and throughout the world carrying the gospel of Christ.

The Board of Ministerial Education also administers six scholarship funds which are in trust with the Mississippi Baptist Foundation. Annual scholarship awards of \$1,000 are made to seven deserving ministerial students from interest on these funds.

Approximately 94.5% of the Board of Ministerial Education's annual budget goes directly to student aid. We thank the Mississippi Baptist Convention for the privilege of assisting these students as they prepare for ministry.

# Board Of Ministerial Education

## Financial Report

For the period ended December 31, 2022

	2022	Month of December	Jan 1, 2022 - Dec 31, 2022
<b>Funds Received</b>			
Miscellaneous - Prior Year Surplus	3,540.00	\$ 0.00	\$ 0.00
Special Scholarships Income	0.00	0.00	6,133.19
Designated Gift Income	0.00	114.54	1,588.09
Interest Income	0.00	0.00	0.00
Income from Repaid Grants	0.00	0.00	0.00
Cooperative Program Income	380,500.00	31,708.33	380,499.96
<b>Total Income</b>	<b>384,040.00</b>	<b>31,822.87</b>	<b>388,221.24</b>
<b>Funds Disbursed</b>			
<b>Student Aid Disbursement</b>			
Blue Mountain Christian University	134,000.00	11,550.00	144,025.00
Mississippi College	110,000.00	15,400.00	143,050.00
William Carey University	116,000.00	13,650.00	147,325.00
Blue Mt CU / Summer	0.00	0.00	0.00
Mississippi College / Summer	0.00	0.00	0.00
William Carey University / Summer	0.00	0.00	0.00
Special Aid	1,000.00	0.00	0.00
Special Scholarships	0.00	0.00	7,000.00
Emergency Aid (net)	0.00	0.00	0.00
<b>Total to Students</b>	<b>361,000.00</b>	<b>40,600.00</b>	<b>441,400.00</b>
<b>Operational Expense</b>			
Board Secretary	18,540.00	1,545.00	18,540.00
Office Supplies/Printing/Postage	1,200.00	0.00	302.75
Board Members Meetings/Travel	3,000.00	0.00	2,979.75
Board Members Annual Banquet	0.00	0.00	0.00
Misc/Memorials/Gifts	300.00	0.00	50.00
<b>Total Operational Expense</b>	<b>23,040.00</b>	<b>1,545.00</b>	<b>21,872.50</b>
<b>Net of Income/Expenses</b>	<b>0.00</b>	<b>\$ (10,322.13)</b>	<b>\$ (75,051.26)</b>
<b>Beginning Cash Balance - Jan 1, 2022</b>			<b>256,932.43</b>
<b>Current Balance</b>			<b>\$ 181,881.17</b>
<b>Cash held in reserve</b>			<b>\$ 0.00</b>
<b>Available cash</b>			<b>\$ 181,881.17</b>

# REPORT of the EDUCATION COMMISSION

## 2023 OFFICERS

*Keith Grubbs, Chairman ..... Pearl*  
*Ken Hester, Vice Chairman ..... Pontotoc*  
*Jeff Doremus, Secretary ..... Brookhaven*

## OTHER MEMBERS

*Trent Baldwin..... Ridgeland*  
*Linda Donnell..... Hattiesburg*  
*Willie Greer..... Meridian*  
*Pam Harrison ..... Meridian*  
*Brian McKee..... Summit*  
*Jeremy Nicholas ..... Starkville*  
*Ben Skipper ..... Petal*  
*Billy Stewart ..... Decatur*  
*Derrick Wilson ..... Olive Branch*

*Blue Mountain Christian University*  
*Mississippi College*  
*William Carey Univeristy*

## **EDUCATION COMMISSION**

**Dr. Keith Grubbs, Chairman**

It has been my privilege to serve as chairman of the Education Commission of the Mississippi Baptist Convention. The commission cultivates the interest and financial assistance of Mississippi Baptists on behalf of Christian higher education. The Education Commission manages education funds, through the Convention Board to the Convention concerning all corporate efforts in the field of Christian higher education.

It has been an honor to serve with the dedicated members of the Education Commission. We are very blessed to have Dr. Barbara McMillin (Blue Mountain Christian University), Dr. Blake Thompson (Mississippi College), and Dr. Ben Burnett (William Carey University) serving our Baptist institutions. Their dedicated and capable leadership is much appreciated. I also appreciate Dr. Lloyd Sweatt, Convention President, for his presence and participation in our meetings and work.

Dr. Shawn Parker, our Executive Director-Treasurer, brings exceptional leadership and support to the Commission's ministry. He attends our meetings and meets with me as needed to provide insight and encouragement. He also gives Convention updates pertinent to our schools. He displays genuine interest in wanting the Commission to serve effectively and efficiently.

The Education Commission typically meets once a year on each of our college campuses. Each president gives a report from their college on important matters like student life, facilities, finances, faculty, campus needs and goals. The host school will have two students give testimonies of their experience while at the school. Each Commission member would tell you that this is the most rewarding part of the meeting. What a wonderful blessing to hear the impact our campuses are having on these students and on other students on all three campuses. The testimonies are evidence that giving through the Cooperative Program positively impacts Mississippi students through Christian education. I would like to inform Mississippi Baptists that the Commission is working to assure that this money is invested well for the advancement of His kingdom.

In conclusion, please pray for our colleges and their leadership, encourage students to consider our Mississippi schools, and give to the Cooperative Program to invest in Christian higher education.

# **BLUE MOUNTAIN CHRISTIAN UNIVERSITY**

**Barbara Childers McMillin, President**

Founded in 1873 as a Christian liberal arts college and affiliated with Mississippi Baptists since 1920, Blue Mountain Christian University assists students in developing intellectual integrity, academic excellence, civility, and Christian character. Unapologetically Christian in its approach to teaching and learning, Blue Mountain Christian University prepares students to be leaders in their chosen professions, in their churches, and in their communities.

Blue Mountain Christian University recruits undergraduate and graduate students who are committed to scholarship, servant leadership, and service in church and community. The student-centered campus exhibits a climate of personal attention, respect, inclusion and high expectations in all modes of delivery. Students are guided to reach their God-given potential with the leadership of professionals who share the common bond of Christian faith and who are committed to excellence.

Undergraduate students at Blue Mountain Christian University may earn the Bachelor of Arts, Bachelor of Science, or Bachelor of Science in Education degrees. Graduate students may earn either the Master of Education in Elementary Education, Master of Education in Literacy/Reading K-12, or the Master of Business Administration. The majority of undergraduate students are enrolled in the areas of business, education, religion/Christian ministry, psychology, and the natural sciences.

## **ACCOMPLISHMENTS OF THE UNIVERSITY**

- Spring enrollment for 2023 was 904.
- The Class of 2023 included 48 women and 70 men for a total of 110 graduates, 7 of whom received the master's degree. Graduates were from 11 states (Mississippi, Alabama, Arizona, Colorado, Georgia, Louisiana, Ohio, Pennsylvania, Tennessee, Texas, and Wyoming) and 5 foreign countries (Brazil, Bulgaria, the Czech Republic, Georgia, and the United Kingdom). The majority of the class members were from the Mississippi counties of Alcorn, DeSoto, Itawamba, Lee, Marshall, Pontotoc, Prentiss, Tippah, and Union. This year's commencement brought the number of alumni to a total of 8,579 alumni (218 of whom are graduates of the master's program).
- The University enrolled 20 students in the Honors College in 2022-2023 and ten of those graduated in 2023. Four additional students were admitted to the Honors College for Fall 2023. Dr. Stewart Bennett, Chair of the Honors Council, provided leadership in programming of co-curricular activities for the Honors College.
- The University enrolled Dual Credit Students from Marshall County Schools, New Albany High School, Corinth High School, Tupelo Christian Preparatory School, and Northpoint Christian School.

- On August 18, 2023, the Board of Trustees of the Mississippi Institutions of Higher Learning approved the Stage II – Initial Accreditation (Permission to Recruit Students). This allowed the University to recruit and admit students to the BSN and RN to BSN programs. Classes in Nursing began on January 10, 2023.
- Teaching and Learning Center: The Teaching and Learning Center hosted 6,758 visits and conducted 799 coaching/tutoring sessions. Thirty-seven group/class meetings were hosted during the year. The Center hosted the fall 2022 Core Curriculum Proficiency Exam, ACAT tests in English and Biology, and the major field test in Mathematics. The Director proctored 4 test/exams during the year.
- The Department of Biblical Studies cooperated with the Christian Action Commission to host the Inaugural Christian Action Commission Lectures at Blue Mountain Christian University on March 30-31, 2023. The Lectures was best-selling author and Christian Teacher, Dr. Robert J. Morgan. Dr. Morgan presented three lectures: “How the Bible Shaped America: Enduring Foundations upon which Our Nations Rests”, “How the Bible Shapes a Christian University: Enduring Foundations upon which a Christian University Rests”, and “How the Bible Shapes Our Christian Ministry: Enduring Foundations for Ministry”.
- TAK national honor society inducted new members and had a thought-provoking program in spring 2023, featuring Dr. Nathan VanHorn, Pastor of First Baptist Church Corinth. Dr. VanHorn’s presentation was on Intertextuality—The Use of the Old Testament in the New Testament”.
- The Department of Fine Arts -Additional musical ensembles have been created and developed with multiple performances (Wind Ensemble, marching band Blue Sound, Jazz Band, Flute Ensemble, Steel Drum Ensemble, Percussion Ensemble, Jubilation). The new BME in Instrumental Music degree was further adjusted, structured, and approved with less hours. The BME in Vocal/Piano Music Degree has been approved to match detail changes as BME in Instrumental degree.
- The Department of Kinesiology: Added a Sport Management undergraduate degree programs. The Department is adding a Public Health program that will complement the nursing program BMCU is currently pursuing. The Department has developed a master’s program in Exercise Science and Sport Management. A prospectus has been submitted for approval to SACSCOC and the University is waiting on the review.
- Office of Student Success and Career Services: Met with approximately 96 students regarding career preparation (resume critiques, job search strategies, mock interviews) throughout the year. This is double the number as last year, so it is improving. Presented resume strategies to approximately 43 student teachers in the fall and spring semesters about the College Central Network platform and how it is useful to create resumes and to find other job search information.

## **DENOMINATIONAL SERVICE INVOLVEMENT**

In 2022-2023, Blue Mountain Christian University participated in a number of events including:

- Northeast Mississippi Pastor's Conference (September 12, 2022)
- Church-Related Vocations Banquet, sponsored by the Mississippi Baptist Convention Board (September 15, 2022)
- Ministerial Preview Day (March 31, 2023)

During the 2022-223 academic year, the Baptist Student Union at Blue Mountain Christian University participated in mission trips to Mission Arlington, Arizona, and Vancouver, Canada, involving 27 students. During the summer, six students served as summer missionaries through BSU. Eleven students served at summer camps. One student served as State BSU Vice-President. One student served on the state BSU Student Mission Team, which appoints and trains summer missionaries.

## **SPECIAL RECOGNITIONS**

- BMCU's women's athletic programs earned the Southern States Athletic Conference (SSAC) Women's Sportsmanship award.
- BMCU's women's volleyball team won the SSAC Tournament Championship for the second consecutive year, and its first SSAC Regular Season Championship.
- The Topper bass fishing team finished in the top ten in the nation.
- Five members of the Topper powerlifting team finished first in the nation in their weight categories.

## **CAMPUS FACILITIES**

Numerous upgrades were made to the University's facilities throughout 2022-23. These include:

- Replaced A/C unit in Paschal Student Union Building with a larger unit
- Replaced roof on Haynie House (staff housing)
- Repaired roof on Simmons Field House
- Replaced flooring in 21 rooms in Whitfield Dormitory
- Replaced A/C unit in Godwin House (student housing)
- Repainted student rooms and common areas in Cockroft, Whitfield, Southplex/Annex, Mountain Village and Lodge
- Repainted entrance, hallways and classrooms in Garrett Hall
- Repaired and repainted campus signs
- Poured concrete pads and installed new bleachers on baseball and softball fields
- Replaced flooring in umpire hut at Sportsplex
- Constructed ticket booth at Sportsplex
- Replaced surveillance cameras
- Revamped existing rails at Palmer Donnell House
- Created parking area and front terrace at Palmer Donnell House

- Constructed sand volleyball court
- Converting lighting to LED as bulbs need to be replaced

### **BUDGET AND RESOURCES**

Blue Mountain Christian University continues to be a faithful steward of the funds received from the Mississippi Baptist Convention as well as donations from alumni and friends of the University. During the 2022-2023 fiscal year, the University received \$1,073,874 (as of June 30, 2023) from the Convention through the Cooperative Program. The Board of Trustees adopted a revised income budget of \$12,237,253 for FY 2022-2023. Undergraduate tuition was \$528 per semester hour for undergraduate students; \$528 for education graduate students; and \$636 per semester hour for MBA graduate students.

### **CLOSING REMARKS**

Blue Mountain Christian University stands firm on the commitment to assist students in pursuing truth, knowledge, and virtue in service to God, to the convention, and to the community.



FINANCIAL REPORT  
BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
BLUE MOUNTAIN, MISSISSIPPI  
YEARS ENDED JUNE 30, 2023 AND 2022

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## LINDSEY, DAVIS AND ASSOCIATES

**STOCKHOLDERS**  
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**MEMBER**  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
MISSISSIPPI SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Blue Mountain Christian University  
Blue Mountain, Mississippi

#### **Report on the Audit of the Financial Statements**

##### ***Opinions***

We have audited the accompanying financial statements of Blue Mountain Christian University, Mississippi (a Mississippi non-profit corporation), which comprise the statement of financial position as of and for the year ended June 30, 2023 and 2022, and the related statements of activities, statement of functional expenses and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Blue Mountain Christian University, Mississippi's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the Blue Mountain Christian University, Mississippi as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Blue Mountain Christian University, Mississippi 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 opinions.

##### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Blue Mountain Christian University, Mississippi's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Blue Mountain Christian University, Mississippi's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Blue Mountain Christian University, Mississippi's ability to continue as a going concern for a reasonable period of time.

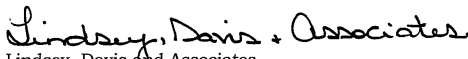
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Financial Responsibility Supplemental Schedule, as listed in the table of contents, 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 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, information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2023, on our consideration of the Blue Mountain Christian University, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Blue Mountain Christian University, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Blue Mountain Christian University, Mississippi's internal control over financial reporting and compliance.



Lindsey, Davis and Associates  
Certified Public Accountants

Ripley, Mississippi  
September 22, 2023

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2023 AND 2022

<u>ASSETS</u>	2023	2022
Cash and Cash Equivalents	\$ 3,048,062	\$ 2,831,147
Cash and Cash Equivalents - Donor Restricted	878,173	774,210
Student Accounts Receivable, Net	456,978	317,752
Other Accounts Receivable	883,466	289,033
Promises to Give, Net	283,142	458,125
Inventories	0	26,436
Investments, at Fair Value	16,030,168	14,881,137
Loan Receivable	237,875	237,875
Property, Plant and Equipment, Net	16,579,869	17,106,210
Other Assets	1,206	1,206
Total Assets	<u>\$ 38,398,939</u>	<u>\$ 36,923,131</u>
 <u>LIABILITIES</u>		
Accounts Payable	\$ 250,350	\$ 210,352
Accrued Expenses	298,011	285,897
Advance Payments by Students	134,643	138,533
Deferred Inflows	491,666	0
Notes Payable - Short Term	1,106,152	649,451
Finance Lease Payable - Short Term	53,636	101,594
Notes Payable - Long Term	3,686,505	4,016,333
Finance Lease Payable - Long Term	327,357	399,149
Total Liabilities	<u>6,348,320</u>	<u>5,801,309</u>
 <u>NET ASSETS</u>		
Without Donor Restrictions	11,574,608	12,600,318
With Donor Restrictions:		
Other Restricted by Purpose and Time	1,430,398	606,548
Restricted in Perpetuity	19,045,613	17,914,956
Total With Donor Restrictions	<u>20,476,011</u>	<u>18,521,504</u>
Total Net Assets	<u>32,050,619</u>	<u>31,121,822</u>
Total Liabilities and Net Assets	<u>\$ 38,398,939</u>	<u>\$ 36,923,131</u>

The accompanying notes to the financial statements  
are an integral part of these statements.

**BLUE MOUNTAIN CHRISTIAN UNIVERSITY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2023**

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
<b>REVENUES AND SUPPORT</b>			
Student Tuition and Fees, Net	\$ 4,482,373		\$ 4,482,373
Gifts from Individuals and Organizations	1,085,779	1,449,476	2,535,255
Support from MS Baptist Convention Board	1,076,033		1,076,033
Auxiliary Enterprises	2,774,822		2,774,822
Event Income		32,799	32,799
Other Income and Grants	273,116	600,000	873,116
Net Assets Released from Restrictions, Operating Item:			
Cost of Operations and General and Administrative	1,497,534	(1,497,534)	
Total Revenues and Support	11,189,657	584,741	11,774,398
<b>EXPENSES</b>			
Program Services			
Instruction	3,577,850		3,577,850
Intercollegiate Athletics	2,549,868		2,549,868
Library	207,806		207,806
Academic Support	344,909		344,909
Student Services	549,488		549,488
Admissions Expense	588,906		588,906
Public Relations	187,036		187,036
Auxiliary Enterprises	1,343,262		1,343,262
Total Program Services	9,349,125		9,349,125
General & Administrative			
General & Administrative	2,647,417		2,647,417
Plant Operations & Maintenance	1,117,031		1,117,031
Total General & Administrative	3,764,448		3,764,448
Fundraising			
	71,216		71,216
Total Expenses	13,184,789		13,184,789
Increase (Decrease) in Net Assets from Operating Activities	(1,995,132)	584,741	(1,410,391)
<b>NON-OPERATING ACTIVITIES</b>			
Investment Income	35,085	1,540,165	1,575,250
Interest Income	153,016	97	153,113
Gain (Loss) on Sale	6,530		6,530
Other Income	1,599,295		1,599,295
Interest Expense	(233,756)		(233,756)
Depreciation and Amortization	(761,244)		(761,244)
Net Assets Released from Restrictions, Capital	170,496	(170,496)	-
Total Non-Operating Income (Loss)	969,422	1,369,766	2,339,188
Increase (Decrease) in Net Assets	(1,025,710)	1,954,507	928,797
Beginning Net Assets	12,600,318	18,521,504	31,121,822
Ending Net Assets	\$ 11,574,608	\$ 20,476,011	\$ 32,050,619

The accompanying notes to the financial statements  
are an integral part of these statements.

**BLUE MOUNTAIN CHRISTIAN UNIVERSITY**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

	WITHOUT DONOR RESTRICTION	WITH DONOR RESTRICTION	TOTAL
<b><u>REVENUES AND SUPPORT</u></b>			
Student Tuition and Fees, Net	\$ 4,679,646	\$	\$ 4,679,646
Gifts from Individuals and Organizations	2,357,725	919,091	3,276,816
Support from MS Baptist Convention Board	1,216,206		1,216,206
Auxiliary Enterprises	2,995,160		2,995,160
Event Income		76,646	76,646
Other Income and Grants	1,385,020		1,385,020
Net Assets Released from Restrictions,			
Operating Item:			
Cost of Operations and General and Administrative	1,578,391	(1,578,391)	
Total Revenues and Support	14,212,148	(582,654)	13,629,494
<b><u>EXPENSES</u></b>			
Program Services			
Instruction	3,025,168		3,025,168
Intercollegiate Athletics	2,658,403		2,658,403
Library	201,933		201,933
Academic Support	435,956		435,956
Student Services	552,179		552,179
Admissions Expense	556,911		556,911
Public Relations	121,014		121,014
Auxiliary Enterprises	1,592,416		1,592,416
Total Program Services	9,143,980		9,143,980
General & Administrative			
General & Administrative	3,586,306		3,586,306
Plant Operations & Maintenance	1,088,281		1,088,281
Total General & Administrative	4,674,587		4,674,587
Fundraising			
	70,765		70,765
Total Expenses	13,889,332		13,889,332
Increase (Decrease) in Net Assets from			
Operating Activities	322,816	(582,654)	(259,838)
<b><u>NON-OPERATING ACTIVITIES</u></b>			
Investment Income	33,311	(2,001,034)	(1,967,723)
Interest Income	11,393	81,310	92,703
Gain (Loss) on Sale	4,021		4,021
Other Income	1,340,219		1,340,219
Interest Expense	(292,030)		(292,030)
Depreciation	(654,081)		(654,081)
Net Assets Released from Restrictions, Capital	320,736	(320,736)	
Total Non-Operating Income (Loss)	763,569	(2,240,460)	(1,476,891)
Increase (Decrease) in Net Assets	1,086,385	(2,823,114)	(1,736,729)
Beginning Net Assets.	11,513,933	21,344,618	32,858,551
Ending Net Assets	<u>\$ 12,600,318</u>	<u>\$ 18,521,504</u>	<u>\$ 31,121,822</u>

The accompanying notes to the financial statements  
are an integral part of these statements.

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BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
STATEMENT OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2023 AND 2022

EXPENSES	Program Services				
	Instruction	Admissions	Intercollegiate Athletics	Library	Academic Support
Salaries	\$ 2,808,103	\$ 301,924	\$ 862,180	\$ 113,862	\$ 210,887
Social Security Taxes	203,472	21,208	63,718	8,508	15,712
Retirement Plan Contribution	146,156	20,815	48,088	4,856	17,477
Group Insurance Exp.	162,285	36,057	88,842	9,665	15,272
Purchases for Resale			4,694		
Purchases - Books and Electronic	980			63,155	
Accreditation Expense	3,381				1,180
Advertising	53,111		15,237		
Athletic Field Maintenance			22,493		
Athletic Trainer			31,250		
Archive Expense					
Bad Debt Expense					
Bank/Credit Card Fees					
Camps/Workshops/Tournaments	250	(1,901)	22,246		
Chorale	7,430				
Class, Club & Society Expenses					
Conferences & Meetings					
Consulting	18,200				
Contract Labor			1,250		28,350
Development Event Expense					
Drama Team					
Dues	3,888	1,065	25,668	425	
Endowment Grants					
Entertainment					
Entry Fees			61,122		
Equipment/Capital Improvements	48,766	753	112,786		(144)
Equipment Lease		170	9,488		
Event Expense			226		
Federal Compliance/Training					3,960
Food Services	116	1,709	21,980		520
Freshman Year Experience					
Fundraising Expense					
Garbage Pick Up			1,500		
Graduation					
Grant Disbursements					
Honor Society	(442)				(1,997)
Honors College	221				
Insurance			62,205		
International Student Services	600	364	1,027		
Internship Fee			45		6,255
Intramural Council					
Laboratory Supplies	3,675				
Legal and Accounting					
Maintenance	221		5,232		50
Medical Alliance			500		

General & Administrative						Year Ended 6-30-23	Year Ended 6-30-22
Student Services	Auxiliary Enter.	Public Relations	General & Admin.	Plant Operations & Maint.	Fundraising		
\$ 386,919	\$ 109,188	\$ 82,648	\$ 909,122	\$ 244,312	\$	\$ 6,029,145	\$ 5,595,976
28,713	7,798	5,779	71,525	17,532		443,965	403,618
25,849	4,761	2,864	80,434	6,634		357,934	354,910
37,931	13,167	10,086	107,031	25,166		505,502	482,200
	47,773					52,467	113,130
	171,087					235,222	183,410
			2,702			7,263	5,209
		75,506	16,404			160,258	33,840
						22,493	40,199
						31,250	49,855
							531
			46,595			46,595	174,228
			43,257			43,257	43,330
			13,742			34,337	69,863
						7,430	8,697
5,548					3	5,551	
							6,665
			7,161			25,361	48,649
544						30,144	6,421
			3,251			3,251	
							738
3,251			28,200			62,497	55,746
			7,600			7,600	
21,026						21,026	25,186
						61,122	50,089
2,176			35,466			199,803	269,116
368		1,735	97,063	62,056		170,880	207,774
			2,215			2,441	17,445
						3,960	5,210
3,270	915,390		5,496			948,481	946,930
2,642						2,642	6,371
					71,216	71,216	70,765
				9,585		11,085	8,733
			3,143			3,143	11,579
			5,450			5,450	1,109,542
						(2,439)	1,842
						221	235
	4,211		11,743	136,152		214,311	211,978
817						2,808	3,329
						6,300	5,850
1,702						1,702	
						3,675	6,496
			419,097			419,097	58,868
1,649	(14,460)		21,538	61,578		75,808	215,803
						500	11,803

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
STATEMENT OF FUNCTIONAL EXPENSES - Continued  
YEARS ENDED JUNE 30, 2023 AND 2022

EXPENSES	Program Services					
	Instruction	Admissions	Intercollegiate Athletics	Library	Academic Support	Student Services
Ministerial Alliance						1,554
Miscellaneous	864	1,931	30,767		(3,822)	2,290
Music Performance Expenses			675			
Online Program Expense						
Orientation						2,974
Outsourcing			15,000			
Pest Control			405			
Postage	272	5,715	790	168	289	257
Printing	51	13,374				(1,011)
Printing Expense - BMC Print						
Production	2,598					
Professional Development					2,037	
Property Tax						
Publications	1,377					2,223
QEP Expenses					806	
Recruiting Expense	2,174	94,900	13,434			
Referees/Umpires			70,296			
Rent			12,293			
RISE Tuition Sharing					13,700	
Sales Tax						
Software	14,696	21			21,373	
Software Support, Hosting, and Online Expense	28,713	51,253	7,626	449	3,458	11,174
Student Activity Distributions						41
Student Assessment			64		4,328	
Student Govt Association						4,427
Student Health Insurance						63
Subscriptions/Periodicals				4,204		
Supplies	50,719	19,484	71,987	1,464	4,690	4,238
Telephone Services/Repairs				950		
Training						
Travel Expense	15,471	20,064	676,868	100	528	(1,147)
Tuition Credit - School District						
Uniforms	502		150,451			
Utilities			36,669			
Vehicle/Equipment Upkeep			766			
Website/Internet Line						
Total Operating Expense	3,577,850	588,906	2,549,868	207,806	344,909	549,488
NON-OPERATING EXPENSE						
Interest Expense						
Depreciation Expense						
Amort. Exp. ROU Asset - Finance Lease						
Total Non-Operating Expense						
Total Expense	\$ 3,577,850	\$ 588,906	\$ 2,549,868	\$ 207,806	\$ 344,909	\$ 549,488

Auxiliary Enter.	Public Relations	General & Administrative		Fundraising	Year Ended 6-30-23	Year Ended 6-30-22
		General & Admin.	Plant Operations & Maint.			
275		15,697	(14,682)		1,554	1,979
					33,320	43,251
		1,750			675	
					1,750	6,083
					2,974	
270		294,145	107,093		416,508	390,978
765			4,700		5,870	6,656
501	91	22,699	10		30,792	24,001
		31,405			43,819	39,169
						350
					2,598	1,607
					2,037	3,295
		4,399			4,399	4,634
					3,600	29,542
					806	
					110,508	65,838
					70,296	69,655
					12,293	10,000
					13,700	1,050
2,314		3,065			5,379	2,004
	342	1,009			37,441	69,471
660	84	247,223			350,640	416,511
					41	12,078
					4,392	4,370
					4,427	
					63	5,320
					4,204	3,236
1,090	7,901	39,465	4,837		205,875	222,092
		17,541			18,491	16,836
		599			599	
108		15,946	21		727,959	756,396
		6,234			6,234	3,066
					150,953	173,470
78,138			436,680		551,487	544,650
226			15,354		16,346	31,890
		8,005			8,005	7,695
1,343,262	187,036	2,647,417	1,117,031	71,216	13,184,789	13,889,332
1,464		232,292			233,756	292,030
467		681,401			681,868	654,081
		79,376			79,376	
1,931		993,069			995,000	946,111
<u>\$ 1,345,193</u>	<u>\$ 187,036</u>	<u>\$ 3,640,486</u>	<u>\$ 1,117,031</u>	<u>\$ 71,216</u>	<u>\$ 14,179,789</u>	<u>\$ 14,835,443</u>

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>OPERATING ACTIVITIES</u>		
Cash Inflows for Operations:		
Student Tuition and Fees, Room and Board & Meals	\$ 6,835,069	\$ 7,306,800
Gifts from Individuals and Organizations	2,109,113	2,091,087
Support from MS Baptist Convention Board	1,082,600	1,211,725
Auxiliary Enterprises	279,136	350,499
Event Income	32,799	76,646
Other Income	273,116	1,385,020
Cash Outflows for Operations:		
Payments for Salaries, Benefits and Payroll Taxes	(7,333,231)	(6,828,213)
Payments to Vendors	(5,785,334)	(7,155,610)
Net Cash Provided by Operating Activities	<u>(2,506,732)</u>	<u>(1,562,046)</u>
<u>INVESTING ACTIVITIES</u>		
Proceeds from Interest	153,113	13,728
Proceeds from Investment Income	839,734	607,286
Proceeds from Sale of Land, Buildings and Equipment	4,250	2,200
Purchases of Land, Buildings and Equipment	(234,903)	(1,193,166)
Net Cash Provided by Investing Activities	<u>762,194</u>	<u>(569,952)</u>
<u>FINANCING ACTIVITIES</u>		
Proceeds from Debt	433,219	350,000
Proceeds from Grant and Other Income	2,278,263	1,340,219
Payments of Note Payable and Capital Lease Obligations	(426,096)	(262,893)
Payments of Interest	(219,970)	(213,652)
Net Cash Provided by Financing Activities	<u>2,065,416</u>	<u>1,213,674</u>
Change in Cash and Cash Equivalents	320,878	(918,324)
Cash and Cash Equivalents at Beginning of Year	<u>3,605,357</u>	<u>4,523,681</u>
Cash and Cash Equivalents at End of year	<u>\$ 3,926,235</u>	<u>\$ 3,605,357</u>
<u>SUPPLEMENTAL DISCLOSURES</u>		
Equipment Acquired by Capital Lease	<u>\$ 0</u>	<u>\$ 444,900</u>
Buildings and Equipment Acquired by Long-Term Debt	<u>\$ 0</u>	<u>\$ 750,000</u>
Contributions of Equipment and Buildings	<u>\$ 0</u>	<u>\$ 922,050</u>

The accompanying notes to the financial statements  
are an integral part of these statements.

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

NOTE 1. ORGANIZATION

Blue Mountain College, a private institution of higher learning, was founded in 1873. The campus is located in Blue Mountain, Mississippi. On November 4, 2022 the "College" officially changed its name to Blue Mountain Christian University, the "University." The University is incorporated as a not-for-profit corporation and is a tax exempt organization under 501(C)(3) of the Internal Revenue Code.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the University are summarized below:

- (A) The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.
- (B) The University reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

(1) Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

(2) Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

The organization's unspent contributions are included in the class if the donor limited their use, as are its donor-restricted endowment funds and its beneficial interest in a perpetual charitable trust held by a bank trustee.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

- (C) Tuition and fees are recognized as revenue in the fiscal year in which the educational

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

services are provided. Institutional aid, in the form of scholarships and discounts, reduces the price of tuition for students receiving such aid. As such, institutional aid is referred to as tuition discount and represents the difference between the stated charges for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Financial aid provided to students was \$6,502,489 in 2023 and \$6,213,289 in 2022.

Tuition and fees received in advance of services performed are considered contract liabilities and recorded as deferred revenue and presented as Advance Payments by Students in the statements of financial position.

Auxiliary services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of auxiliary services is that they are managed as an essentially self-supporting activity.

Auxiliary services revenue includes revenues from contracts with customers to provide student housing and dining facilities, a campus bookstore, and a wellness center. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, revenue from housing and dining services is recognized ratably as services are rendered. Campus bookstore and wellness center revenue are recognized at the time of sale.

(D) Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

(E) Cash and cash equivalents consist of cash on hand or in demand deposit accounts and highly liquid investments purchased with an original maturity of three months or less.

(F) Investments are stated at fair market value. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the statement of activities and changes in net assets. Dividends and interest are recognized as they are earned.

(G) Inventories are valued at the lower of cost (first-in, first-out) or market.

(H) Use of Estimates - The University prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which require that management make estimates and assumptions that affect the reported amounts. Such estimates include allowance for doubtful accounts receivable. Actual results could differ from those estimates.

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

(I) Promises to give consist of unconditional promises to give that are expected to be collected in future years. Promises to give are reported as donor restricted support unless explicit donor stipulations or circumstances surrounding the pledge make clear the donor intended it to be used to support activities of the current period. Promises to give are reviewed for collectability and a provision for doubtful Promises to give is recorded based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

(J) Endowment and Long-term Investments - Endowment investments consist of investments purchased with the following resources:

Donor-restricted perpetual endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the organization's activities.

The investment and spending policies for the Endowment Fund are discussed in Note 7.

(K) The organization receives contributions in a form other than cash or investments. Most are donated supplies, which are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If the organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the organization's capitalization policy.

(L) The cost of providing the organization's programs and other activities is summarized on a function basis in the statement of activities and statement of functional expense. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

Salaries and wages, benefits, and payroll taxes are allocated based on personnel employed in each program area. Salaries and wages, benefits, and payroll taxes for administrative faculty and staff are allocated to general and administrative.

Depreciation, interest and plant operations and maintenance is allocated to general and administrative.

Telephone and internet services, insurance, supplies and miscellaneous expenses that can be directly identified to a program are allocated to program expense. All other telephone and internet services, insurance, supplies and miscellaneous expenses are allocated to general and administrative.

Every three years, or when new programs are added, the basis on which costs are allocated are evaluated.



BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. Additionally, advertising costs are expensed as incurred.

(M) Newly Adopted Accounting Pronouncements - In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new guidance that supersedes all existing revenue recognition guidance. ASU 2014-09 requires revenue to be recognized when the University transfers promised goods or services to customers in an amount that reflects the consideration to which the University expects to be entitled in exchange for those goods or services. This standard also significantly expands the disclosure requirements for revenue recognition. ASU 2014-09 is effective for fiscal years beginning after December 15, 2019 and has been adopted effective July 1, 2020. The University has applied this standard utilizing a modified retrospective approach which requires prospective application of the new guidance with disclosure of results under the old guidance in the first year of adoption. There was no effect on the financial statements related to the adoption of this standard which would require a cumulative effect adjustment to net assets at the date of adoption. The primary impact of adoption of ASU 2014-09 is related to additional enhanced disclosures.

(N) Newly Adopted Accounting Principle - Accounting for Leases - The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and financial leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or financial will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 31, 2022. The University applied this standard for the period ended June 30, 2023.

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 3. ACCOUNTS RECEIVABLE

Student account receivable are stated at the amount of consideration from the student of which the University has an unconditional right to receive. The University records an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collections information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Student accounts receivable at June 30, 2023 and 2022, consisted of the following:

	2023	2022
Student tuition and fees	\$ 554,279	\$ 370,571
Less: Allowance for doubtful accounts	(97,301)	(52,819)
Net Student Accounts Receivable	<u>\$ 456,978</u>	<u>\$ 317,752</u>

Other accounts receivable at June 30, 2023 and 2022, consisted of the following:

Miscellaneous receivables from:		
Mississippi Baptist Foundation	\$ 204,521	\$ 203,395
Mississippi Baptist Convention Board	78,945	85,512
Others	600,000	126
Total	<u>\$ 883,466</u>	<u>\$ 289,033</u>

NOTE 4. INVENTORIES

Inventories consisted of the following:

	2023	2022
Bookstore	<u>\$ 0</u>	<u>\$ 26,436</u>

NOTE 5. REVENUE FROM CONTRACTS WITH CUSTOMERS

The University's primary source of revenue from contracts with customers are from tuition and fees, and auxiliary enterprises revenue as presented in the statement of activities and changes in net assets. There were no impairment losses on receivables from contracts with customers during fiscal years ended June 30, 2023 and 2022.

A summary of revenue from contracts with customers related to gross tuition and fees for the year ended June 30, 2023 and 2022 disaggregated by the major classification of student type is as follows:

Student Classifications	2023	2022
Undergraduate Tuition and Fees	\$ 9,959,808	\$ 9,803,130
Undergraduate Online Programs Tuition and Fees	594,752	596,556
Graduate Tuition and Fees	430,302	493,249
Total Gross Tuition and Fees	<u>\$ 10,984,862</u>	<u>\$ 10,892,935</u>

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 5. REVENUE FROM CONTRACTS WITH CUSTOMERS - Continued

A summary of revenue from contracts with customers related to auxiliary enterprises revenue for the years ended June 30, 2023 and 2022 disaggregated by type is as follows:

Student Classifications	2023	2022
Housing	\$ 1,446,871	\$ 1,573,609
Dining Services	1,048,941	1,133,794
Other Auxiliary Income	279,010	287,757
Total Auxiliary Enterprises Revenue	<u>\$ 2,774,822</u>	<u>\$ 2,995,160</u>

NOTE 6. INVESTMENTS

The University's investments, at estimated fair value, consisted of the following at June 30:

	2023		2022	
	Cost	Approximate Fair Value	Cost	Approximate Fair Value
<u>WITH DONOR RESTRICTION</u>				
Mississippi Baptist Foundation:				
Pooled Assets	\$ 13,791,831	\$ 13,347,891	\$ 14,659,449	\$ 12,326,080
Annuity	346,596	310,305	346,596	301,023
Blue Mountain Christian University:				
Corporate Stock	45,526	51,856	40,815	46,137
Mutual Funds	484,568	321,476	484,568	340,501
Joyce Williams Anderson Foundation	1,261,895	1,443,757	1,261,895	1,339,663
Real Estate	554,883	554,883	527,733	527,733
Total Investments	<u>\$ 16,485,299</u>	<u>\$ 16,030,168</u>	<u>\$ 17,321,056</u>	<u>\$ 14,881,137</u>

The following schedule summarizes the components of net investment income as shown in the statement of activities:

	2023	
	Without Donor Restrictions	With Donor Restrictions
Capital Gains (Losses) and Dividends	\$ 35,085	\$ (454,674)
Realized Gains (Losses)		12,079
Unrealized Gains (Losses)		1,982,760
Net Investment Income (Loss)	<u>\$ 35,085</u>	<u>\$ 1,540,165</u>

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 7. FAIR VALUE MEASUREMENTS

The University follows guidance with respect to accounting and reporting for the fair value of its financial assets and liabilities. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in principal or most advantageous market for the asset or liability in an orderly transaction between participants on the measurement date. Fair value requires an organization to determine the unit of account, the mechanism of hypothetical transfer, and the appropriate markets for the asset or liability being measured.

This guidance also established a hierarchy of valuation inputs on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The three input levels are as follows:

- (A) Level 1 Investments with values that are based on quoted market prices in active markets include active listed equities.
- (B) Level 2 Investments that trade in markets that are not considered to be active, but that are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs, including U.S. government agency securities.
- (C) Level 3 Investments and financial instruments that have significant unobservable inputs, as they trade infrequently or not at all. The valuation of the real estate falls under level 3, as there are no significant observable inputs. The values of these investments represent the ownership interest in the net asset value.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors. The University considers observable data to be that market data which is readily available and reliable and provided by independent sources.

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 7. FAIR VALUE MEASUREMENTS - Continued

The categorization of a financial instrument within the hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to the University's perceived risk of that investment. The following tables summarize the financial instruments reported within the consolidated statements of financial position carried at fair value as of June 30, 2023 and 2022, by caption and level within the fair value accounting hierarchy:

Assets at Fair Values as of June 30, 2023				
	Level 1	Level 2	Level 3	Total
<u>WITH DONOR RESTRICTION</u>				
Mississippi Baptist Foundation:				
Pooled Assets	\$	\$ 13,347,891	\$	\$ 13,347,891
Annuity		310,305		310,305
Blue Mountain Christian University:				
Corporate Stock	51,856			51,856
Mutual Funds		321,476		321,476
Joyce Williams Anderson Foundation		1,443,757		1,443,757
Real Estate			554,883	554,883
Total Investments Measured at Fair Value	<u>\$ 51,856</u>	<u>\$ 15,423,429</u>	<u>\$ 554,883</u>	<u>\$ 16,030,168</u>

Assets at Fair Values as of June 30, 2022				
	Level 1	Level 2	Level 3	Total
<u>WITH DONOR RESTRICTION</u>				
Mississippi Baptist Foundation:				
Pooled Assets	\$	\$ 12,326,080	\$	\$ 12,326,080
Annuity		301,023		301,023
Blue Mountain Christian University:				
Corporate Stock	46,137			46,137
Mutual Funds		340,501		340,501
Joyce Williams Anderson Foundation		1,339,663		1,339,663
Real Estate			527,733	527,733
Total Investments Measured at Fair Value	<u>\$ 46,137</u>	<u>\$ 14,307,267</u>	<u>\$ 527,733</u>	<u>\$ 14,881,137</u>

There were no significant transfers in or out of the levels.

Financial instruments such as those above, involve, to varying degrees, elements of market risk and credit risk in excess of the amounts recorded on the consolidated statements of

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 7. FAIR VALUE MEASUREMENTS - Continued

financial position. For the University, market risk represents the potential loss due to the decrease in the value of financial instruments; credit risk represents the maximum potential loss due to possible nonperformance of contract terms by obligors and counter parties.

There was no change in fair value of the Plan's Level 3 assets for the year ended June 30, 2023.

NOTE 8. ENDOWMENT

The University's endowment funds consist of (a) unrestricted funds functioning as endowment through designation by the Board and (b) donor-restricted endowment funds. The earnings of the University's endowment funds support education and the mission of the University. Net assets associated with endowment funds, including unrestricted funds functioning as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Effective in 2012 the state of Mississippi adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which govern the management and use of donor-restricted endowment funds held by charitable institutions in the state of Mississippi. Accounting principles generally accepted in the United States provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA and also improve disclosures about an organization's endowment (both donor-restricted and funds functioning as endowment).

Consistent with UPMIFA and Board policy, the University classifies as permanently restricted net assets the original value of gifts (including subsequent gifts) of donor-restricted endowments and, if applicable, accumulations of donor-restricted endowments as required by the donor. Accumulated earnings of donor-restricted endowments are classified as temporarily restricted net assets until distributed in accordance with UPMIFA and Board policy.

The University's endowment net asset composition by type of fund was as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions Perpetual	Total
Donor-restricted Funds	\$	\$ 19,045,613	\$ 19,045,613
Board-Designated Funds	164,985		164,985
Total	<u>\$ 164,985</u>	<u>\$ 19,045,613</u>	<u>\$ 19,210,598</u>

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 8. ENDOWMENT - Continued

	2022		
	Without Donor Restrictions	With Donor Restrictions Perpetual	Total
Donor-restricted Funds	\$	\$ 17,914,956	\$ 17,914,956
Board-Designated Funds	147,290		147,290
Total	<u>\$ 147,290</u>	<u>\$ 17,914,956</u>	<u>\$ 18,062,246</u>

The University's endowment net assets changed as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions Perpetual	Total
Endowment Net Assets, Beginning	\$ 147,290	\$ 17,914,956	\$ 18,062,246
Investment Return			
Investment Income		1,540,165	1,540,165
Total Investment Return		1,540,165	1,540,165
Interest Income		97	97
Contributions		356,269	356,269
Other Income	68,218		68,218
Other Expense	(50,523)		(50,523)
Endowment Distribution		(765,874)	(765,874)
Endowment Net Assets, Ending	<u>\$ 164,985</u>	<u>\$ 19,045,613</u>	<u>\$ 19,210,598</u>

	2022		
	Without Donor Restrictions	With Donor Restrictions Perpetual	Total
Endowment Net Assets, Beginning	\$ 141,796	\$ 20,464,019	\$ 20,605,815
Investment Return			
Investment Income		(2,001,034)	(2,001,034)
Total Investment Return		(2,001,034)	(2,001,034)
Interest Income		81,310	81,310
Contributions		309,571	309,571
Other Income	81,778		81,778
Other Expense	(76,284)		(76,284)
Endowment Distribution		(938,910)	(938,910)
Endowment Net Assets, Ending	<u>\$ 147,290</u>	<u>\$ 17,914,956</u>	<u>\$ 18,062,246</u>

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 8. ENDOWMENT - Continued

These balances represent the portion of perpetual endowment funds that is required to be retained permanently by donor stipulation or law. The endowment investments are overseen by the Mississippi Baptist Convention Board (MBCB). The MBCB utilizes strategies to achieve the objectives of the University and allow for sufficient flexibility in the management oversight process to capture investment opportunities as they may occur, while setting forth reasonable risk control parameters to ensure prudence and care in the execution of the investment program.

NOTE 9. RETIREMENT PLAN CONTRIBUTIONS

The University and its employees participate in a retirement plan administered by the Southern Baptist Annuity Board. The University's contributions to this plan amounted to \$357,934 and \$354,910, for the years ended June 30, 2023 and 2022, respectively. Since the University cannot determine its relative position in the entire Annuity Board plan, additional plan benefit information is not available.

NOTE 10. LEASES

The University leases IT equipment, a mower, and field lighting for its Sportplex. The equipment, mower, and field lighting have lease terms of 5 years, 4 years, and 7 years, respectively. The leases are long-term and title will transfer to the University at the end of each lease term.

Right-of-Use assets acquired under finance leases, inclusive of those where title transfers at the end of the lease, are recorded in Property, Plant and Equipment, Net and was \$516,994 as of June 30, 2023. Accumulated amortization associated with finance leases was \$79,376 as of June 30, 2023.

Lease cost recognized in the Statement of Functional Expenses is summarized as follows:

	<u>2023</u>
Finance Lease Cost:	
Amortization of Lease Assets	\$ 79,376
Interest on Lease Liabilities	<u>19,642</u>
Total Finance Lease Cost	<u>\$ 99,018</u>



BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 10. LEASES - Continued

Other information about lease amounts recognized in the financial statements is as follows:

	2023
Weighted-Average Remaining Lease Term - Finance Leases	5.86
Weighted-Average Discount Rate - Finance Leases	3.092%
Lease liabilities were as follows:	2023
Gross Lease Liabilities - Finance Leases	\$ 399,483
Less: Imputed Interest	(4,315)
Present Value of Lease Liabilities	395,168
Less: Current Portion of Lease Liabilities	(65,379)
Total Long-Term Lease Liabilities	\$ 329,789

NOTE 11. FEDERAL INCOME TAX

The University is exempt from federal income taxes under the provisions of the Internal Revenue Code Section 501(C)(3). An annual information return, Form 990, is filed as required to continue the University's exemption from federal income tax.

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

Physical plant and equipment are shown at cost or at fair market value at date of gift for property acquired by gift.

Property, plant and equipment consisted of the following at June 30:

	2023	2022
Land and Improvements	\$ 2,040,954	\$ 2,020,510
Buildings and Improvements	17,211,846	17,125,729
Equipment and Furniture	6,634,525	7,036,719
Library Books and Equipment	939,375	936,253
Finance Lease Right-of-Use Assets	516,994	0
Construction in Progress	686,746	625,440
	28,030,440	27,744,651
Less: Acc. Depreciation and Amortization	(11,450,571)	(10,638,441)
	\$ 16,579,869	\$ 17,106,210

Depreciation and amortization expense has been computed over the following estimated useful lives of assets utilizing the straight-line method. Depreciation expense was \$761,244 and \$654,081 for the years ended June 30, 2023 and 2022, respectively.

	Estimated Useful Life
Land Improvements, Buildings and Improvements	20/50 Years
Furniture, Equipment and Library Books	5/50 Years

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 13. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2023	2022
Property, Plant & Equipment	\$ 499,122	\$ 390,963
Instruction	666,624	66,312
Intercollegiate Athletics	139,821	53,393
General and Administrative	68,375	70,323
Scholarships/Awards	56,456	25,557
Total temporarily restricted net assets	<u>\$ 1,375,965</u>	<u>\$ 583,013</u>

Net assets were released from donor imposed restrictions by incurring expenses satisfying the purpose or time restrictions specified by the donors as follows:

	2023	2022
Purpose restriction accomplished:		
Instruction	\$ 226,237	\$ 13,200
Intercollegiate Athletics	0	62,587
Property, Plant & Equipment	214,925	627,788
General & Administrative	25,378	11,925
Scholarships and Awards	435,618	242,264
Plant Operations & Maintenance	0	2,453
Total restrictions released	<u>\$ 902,158</u>	<u>\$ 960,217</u>

For the year ended June 30, 2023, \$170,496 spent on property, plant and equipment was capitalized. For the year ended June 30, 2022, \$320,736 spent on property, plant and equipment was capitalized.

NOTE 14. LOAN RECEIVABLE

	2023	2022
Perkins Loans	<u>\$ 237,875</u>	<u>\$ 237,875</u>

NOTE 15. CONCENTRATION OF CREDIT RISK

- (A) Concentrations of credit risk with respect to student accounts receivable are limited due to the large number of students comprising the University's student base.
- (B) The University invests in a professionally managed portfolio that contains mutual funds. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.
- (C) Financial instruments that potentially subject the University to concentrations of credit risk consist principally of bank deposit accounts. The University's deposits and certificates of deposit are covered by federal depository insurance (FDIC) for the first \$250,000 on

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 15. CONCENTRATION OF CREDIT RISK - Continued

- (C) interest and noninterest bearing accounts. The Mississippi Baptist Foundation's Short Term Fund is not covered by federal depository insurance.

The following deposits are subject to credit risk to the extent they exceed \$250,000.

	<u>2023</u>
Interest Bearing Accounts:	
The Peoples Bank	\$ 3,647,923

NOTE 16. SUBSEQUENT EVENTS

The University evaluated its June 30, 2023, financial statements for subsequent events through September 22, 2023, the date the financial statements were available to be issued. The University is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

NOTE 17. PROMISES TO GIVE

Unconditional promises are included in the financial statements as Promises to give and revenue of the appropriate net asset category. The University maintains an allowance for doubtful accounts for estimated credit losses resulting from collection risks, including the inability of donors to make required payments under contractual agreements. The allowance for doubtful accounts is reported as a reduction of Promises to give on the statement of financial condition. The adequacy of this allowance is determined by evaluating historical payment trends and current economic conditions.

Management expects unconditional promises to be realized in the following periods at June 30, 2023 and 2022:

Without Donor Restrictions

	<u>2023</u>	<u>2022</u>
One to five years	\$ 147,004	\$ 414,796
More than five years	0	0
Subtotal	<u>147,004</u>	<u>414,796</u>
Allowance for uncollectible promises to give	0	(596)
Total	<u>\$ 147,004</u>	<u>\$ 414,200</u>

With Donor Restrictions

	<u>2023</u>	<u>2022</u>
One to five years	\$ 139,108	\$ 46,300
More than five years	0	0
Subtotal	<u>139,108</u>	<u>46,300</u>
Allowance for uncollectible promises to give	<u>(2,970)</u>	<u>(2,375)</u>
Total	<u>\$ 136,138</u>	<u>\$ 43,925</u>

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 18. NOTES PAYABLE

Notes payable consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
<u>The Peoples Bank</u>		
Operating capital, payable on 8-28-25 including 1.25% interest, secured by money market account	\$ 650,100	\$ 650,100
<u>The Peoples Bank</u>		
Operating capital, payable on 8-11-23 including 6.75% interest, secured by money market account	433,219	0
<u>The Peoples Bank</u>		
Real estate purchase, payable on 6-29-31 including 3.50% interest, secured by real estate	56,694	58,918
<u>The Peoples Bank</u>		
Building purchase, payable in monthly installments of \$2,746 including 4.875% interest, secured by building and 9 acres of land, final payment 10-08-34	284,527	303,109
<u>The Peoples Bank</u>		
Capital construction project, payable on 6-01-24 including 5.00% interest, secured by University properties	1,192,135	1,250,050
<u>BNA Bank</u>		
Capital construction project, payable in monthly installments of \$3,537 including 3.25% interest, secured by building and land, final payment 6-28-36	449,478	476,831
<u>BNA Bank</u>		
Building purchase, payable in monthly installments of \$7,718 including 4.50% interest, secured by building, final payment 8-04-22	496,376	563,239

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 18. NOTES PAYABLE - Continued

	<u>2023</u>	<u>2022</u>
<u>BNA Bank</u>		
Building purchase, payable in monthly installments of \$1,388 including 4.50% interest, secured by building, final payment 5-15-32	121,952	132,495
<u>TLM Investments, LLC</u>		
Building purchase, payable in monthly installments of \$630 including 5.00% interest, secured by building, final payment 5-1-34	63,128	67,416
<u>The Peoples Bank</u>		
Van purchase, payable in monthly installments of \$612 including 4.75% interest, secured by Dodge Van, final payment 11-13-22	0	3,023
<u>The Peoples Bank</u>		
Capital improvements, payable on 6-30-30 including 4.25% interest, secured by University properties	388,452	419,245
<u>The Peoples Bank</u>		
Capital improvements, payable in monthly installments of \$2,186 including 3.25% interest, secured by building, final payment 8-5-27	341,151	352,616
<u>BNA Bank</u>		
Equipment purchase, payable in monthly installments of \$7,515 including 4.75% interest, secured by Simulation and Skills Equipment, final payment 4-27-27	315,445	388,742
	\$ 4,792,657	\$ 4,665,784
Less: current portion	(1,106,152)	(649,451)
Total Long Term Debt	<u>\$ 3,686,505</u>	<u>\$ 4,016,333</u>

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 18. NOTES PAYABLE - Continued

Maturities of notes payable are as follows:

Year Ending June 30,	Amount
2024	\$ 1,106,152
2025	684,624
2026	378,045
2027	380,140
2028	307,502
Thereafter	1,936,194
	<u>\$ 4,792,657</u>

Interest cost of \$233,755 and \$213,055 were incurred for the years ended June 30, 2023 and 2022, respectively.

NOTE 19. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023 are:

Financial Assets:	2023	2022
Cash and Cash Equivalents	\$ 3,926,235	\$ 3,605,357
Student Accounts Receivable, Net	456,978	317,752
Other Accounts Receivable	883,466	690,565
Pledges Receivable, Net	283,142	458,125
Inventories	0	26,436
Investments, at Fair Value	16,030,168	14,881,137
Loan Receivable	237,875	237,875
Advances Receivable	2,430,000	2,430,000
Total Financial Assets	<u>24,247,864</u>	<u>22,647,247</u>
Less Financial Assets held to meet Donor- Imposed Restrictions:		
Purpose Restricted Net Assets (Note 12)	(1,430,398)	(606,548)
Donor Restricted Endowment Funds (Note 7)	(19,045,613)	(17,914,956)
Less Financial Assets not Available within One Year:		
Pledges Receivable	(183,320)	(319,450)
Advances Receivable	<u>(2,430,000)</u>	<u>(2,430,000)</u>
Amount Available for General Expenditures within One Year	<u>\$ 1,158,533</u>	<u>\$ 1,376,293</u>

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 20. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, transactions may occur between unrestricted, temporarily restricted and permanently restricted funds to account for goods received or services rendered. Transactions between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as advances which represents the interfund loans. All other outstanding balances between funds are reported as due to/from other funds. The effects of interfund receivables and payables have been eliminated on the combined statement of financial position.

Advances

During the year ending June 30, 2017, the permanently restricted fund advanced \$1,500,000 to the unrestricted fund to aid in capital improvements. During the year ending June 30, 2018, the permanently restricted fund advanced an additional \$930,000 to the unrestricted fund to aid in capital improvements. Terms of the loan include interest at 3.25%. At June 30, 2023, the total of long-term portions of the advances were \$2,430,000.

	Unrestricted Fund	Permanently Restricted Fund
Advances Payable (Receivable)	\$ (2,430,000)	\$ 2,430,000

NOTE 21. RELATED PARTIES

The University did not enter into any contracts or transactions with related parties for the fiscal years ended June 30, 2023 and 2022.

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 22. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the global outbreak of the novel corona virus (COVID-19) as a pandemic. The spread of COVID-19 has caused significant volatility in financial markets and overall global economy. The resolution and impact of these ongoing events is highly uncertain. The University has implemented precautionary measures to continue its operations consistent with the guidance of local and national governmental leaders. The operational and financial performance of the University depends on future developments, including the duration and spread of the outbreak, and such uncertainty may in turn impact the University's operations and the valuation of its investments. Accordingly, the University is unable to predict to what extent the pandemic response may impact the subsequent financial results and operations of the University.

In response to the aforementioned pandemic, the CARES Act was enacted on March 27, 2020. The CARES Act provided additional avenues of relief to the University through programs administered by the Department of Education, including the Higher Education Emergency Relief Fund ("HEERF"). The table below summarizes the amounts and uses of those funds through June 30, 2022.

	Award	Used	Uses
HEERF I Student	213,600	213,600	Direct Student Aid
HEERF I Institutional	139,550	139,550	Direct Student Aid, COVID-19 Expenses, Indirect Cost Recovery
HEERF II Student	529,561	529,561	Direct Student Aid
HEERF II Institutional	746,646	746,646	Direct Student Aid, COVID-19 Expenses, Indirect Cost Recovery
HEERF III Student	1,104,725	1,104,725	Direct Student Aid
HEERF III Institutional	1,153,180	1,153,180	Direct Student Aid, COVID-19 Expenses, Indirect Cost Recovery
HEERF SIP	142,631	142,631	COVID-19 Expenses



BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

NOTE 23. INFORMATION USED IN DETERMINING THE DEPARTMENT OF EDUCATION'S FINANCIAL RESPONSIBILITY COMPOSITE SCORE

Section 498(c) of the Higher Education Act of 1965, as amended, requires for-profit and non-profit institutions to annually submit audited financial statements to the Department of Education (ED) to demonstrate they are maintaining the standards of financial responsibility necessary to participate in the Title IV programs. One of the many standards ED utilizes to gauge the financial responsibility of an institution is a composite of three ratios derived from an institution's audited financial statements.

The financial information below provides the correspondence between certain values presented in the University's consolidated financial statements and the values as they are included in the determination of the ratios used by ED to gauge the University's financial responsibility:

**Property, Plant and Equipment, Net**

	2023
Property, plant, and equipment - pre-implementation	\$ 11,221,029
Less: subsequent depreciation and disposals	<u>(487,196)</u>
Property, plant and equipment, including construction in progress, net of accumulated depreciation - pre-implementation	10,733,833
Property, plant and equipment - post-implementation with outstanding debt for original purchase, net of accumulated depreciation	2,002,808
Property, plant and equipment - post implementation without outstanding debt for original purchase, net of accumulated depreciation	3,156,482
Construction in progress	<u>686,746</u>
Property, plant and equipment, net	<u>\$ 16,579,869</u>

**Notes Payable**

Long-term debt - for long-term purposes - pre-implementation	\$ 2,094,990
Long-term debt - for long-term purposes - post-implementation	<u>1,614,348</u>
Long-term debt, net	<u>\$ 3,709,338</u>

Blue Mountain Christian University  
Financial Responsibility Supplemental Schedule  
Year Ended June 30, 2023

Ratio Element	Element Amount	Reference to Financial Statements and/or Notes
<b>Primary Reserve Ratio</b>		
<b>Expendable Net Assets</b>		
<u>Net Assets</u>		
Net assets without donor restrictions	\$ 11,574,608	Statement of Financial Position
Net assets with donor restrictions	20,476,011	Statement of Financial Position
Net assets with donor restriction: restricted in perpetuity	19,045,613	Statement of Financial Position
<u>Property, Plant and Equipment, Net</u>		
Property, plant and equipment, including construction in progress - pre-implementation	10,733,833	Note 22
Property, plant and equipment - post implementation with outstanding debt for original purchase	2,002,808	Note 22
Property, plant and equipment - post implementation without outstanding debt for original purchase	3,156,482	Note 22
Construction in progress	686,746	Note 22
<u>Right of use - finance lease, net</u>		
Right of use - finance lease, net - pre-implementation	-	Not Applicable
Right of use - finance lease, net - post-implementation	380,993	Not Applicable
<u>Notes and bonds payable obtained for long-term purposes</u>		
Notes and bonds payable obtained for long-term purposes, net - pre-implementation	2,094,990	Note 22
Notes and bonds payable obtained for long-term purposes, net - post implementation	1,614,348	Note 22
<u>Lease Obligations</u>		
Lease obligations - pre-implementation	-	Not Applicable
Lease obligations - post-implementation	-	Not Applicable
<u>Other Items</u>		
Intangible assets	-	Not Applicable
Secured and unsecured related party receivables	-	Not Applicable
Post-employment defined benefit pension liabilities	-	Not Applicable
Annuities, term endowments, life income funds with donor restrictions	-	Not Applicable

Blue Mountain Christian University  
Financial Responsibility Supplemental Schedule  
Year Ended June 30, 2023

Ratio Element	Element Amount	Reference to Financial Statements and/or Notes
<b>Primary Reserve Ratio - continued</b>		
<b>Expenses and Losses</b>		
Total operating expenses without donor restrictions	\$ 14,179,789	Statement of Activities
Total non-operating expenses without donor restrictions	-	Statement of Activities
Net investment losses	-	Not Applicable
Pension-related changes other than net periodic costs	-	Not Applicable
<b>Equity Ratio</b>		
<b>Modified Assets</b>		
Net assets without donor restrictions	\$ 11,574,608	Statement of Financial Position
Net assets with donor restriction	20,476,011	Statement of Financial Position
Intangible assets	-	Not Applicable
Secured and unsecured related party receivables	-	Not Applicable
<b>Modified Assets</b>		
Total assets	\$ 38,398,939	Statement of Financial Position
Right of use - finance lease, net - pre-implementation	-	Not Applicable
Secured and unsecured related party receivables	-	Not Applicable
Intangible assets	-	Not Applicable
Lease obligations - pre-implementation	-	Not Applicable
<b>Net Income Ratio</b>		
Change in net assets without donor restrictions	\$ (1,025,710)	Statement of Activities
Total revenue and gains without donor restrictions	13,154,079	Statement of Activities

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA #</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education:</u>		
Student Financial Assistance Programs		
Federal Family Supplemental Educational Opportunity Grants	84.007	\$ 44,861
Federal Work Study Program	84.033	66,165
Federal Pell Grant Program	84.063	1,311,199
Federal Direct Student Loans	84.268	2,640,815
Federal Teach Education Assistance for University and Higher Education Grants (TEACH)	84.379	<u>16,974</u>
Total Student Financial Assistance Programs		<u><u>\$ 4,080,014</u></u>

The accompanying notes are an integral  
part of this statement.

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2023

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Blue Mountain Christian University (the University) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

The U.S. Department of Education has been designated as the University's cognizant agency for the Single Audit.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. STUDENT LOAN PROGRAMS

The University administers the following federal loan program:

		Outstanding Balance at June 30, 2023
	<u>CFDA #</u>	<u>June 30, 2023</u>
Perkins Student Loan	84.037	\$ 237,875

Total loan expenditures and disbursements of the program for the year ended June 30, 2023 are as follows:

	<u>Disbursements</u>
Perkins Student Loan	\$ 0

The above expenditures include disbursements and expenditures such as loans to students and administrative expenditures.

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued  
JUNE 30, 2023

NOTE 4. DIRECT LOAN PROGRAMS

During the fiscal year ending June 30, 2023, the University processed the following amount of new loans under the Direct Loan Program (which includes Stafford Loans and Parents' Loans for Undergraduate and Graduate Students):

	<u>CFDA #</u>	<u>Amount Authorized</u>
Subsidized Stafford Loans	84.268	\$ 907,392
Unsubsidized Stafford Loans	84.268	1,191,984
Parents' Loans for Undergraduate Students	84.268	<u>541,439</u>
		<u><u>\$ 2,640,815</u></u>

**STOCKHOLDERS**  
CHARLES L. DAVIS, JR., CPA  
DEAN CAVINESS, CPA  
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MISSISSIPPI SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Blue Mountain Christian University  
Blue Mountain, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Blue Mountain Christian University (a Mississippi non-profit corporation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Blue Mountain Christian University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Blue Mountain Christian University's internal control. Accordingly, we do not express an opinion on the effectiveness of Blue Mountain Christian University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Blue Mountain Christian University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Lindsey, Davis and Associates  
Certified Public Accountants

Ripley, Mississippi  
September 22, 2023



**STOCKHOLDERS**  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees  
Blue Mountain Christian University  
Blue Mountain, Mississippi

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Blue Mountain Christian University's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Blue Mountain Christian University's major federal programs for the year ended June 30, 2023. Blue Mountain Christian University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Blue Mountain Christian University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Blue Mountain Christian University and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Blue Mountain Christian University's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Blue Mountain Christian University's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Blue Mountain Christian University's compliance based on our audit. 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 procedures, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Blue Mountain Christian University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Blue Mountain Christian University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Blue Mountain Christian University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Blue Mountain Christian University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

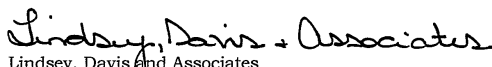
## **Report on Internal Control Over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Lindsey, Davis and Associates  
Certified Public Accountants

Ripley, Mississippi  
September 22, 2023

BLUE MOUNTAIN CHRISTIAN UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023

SCHEDULE A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
84.007	Federal Supplemental Educational Opportunity Grants (FSEOG)	
84.033	Federal Work Study Program (FWS)	
84.063	Federal Pell Grants (PELL)	
84.268	Federal Direct Student Loans	
84.379	Federal Teacher Education Assistance for College and Higher Education Grants (TEACH)	
Dollar threshold used to distinguish between Type A and Type B Programs:		\$ 750,000
Auditee qualified as low-risk auditee?		Yes

SCHEDULE B - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SCHEDULE C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No matters were reported.

## MISSISSIPPI COLLEGE

Blake Thompson, President

Mississippi College, affiliated with the Mississippi Baptist Convention, is a private, co-educational, Christian university of liberal arts and sciences serving nearly 4,000 students from 44 states and 46 countries. Founded in 1826, MC is the oldest institution of higher learning in Mississippi and America's second-oldest Baptist college. MC is home to 117 undergraduate areas of study, 96 graduate areas of study (not including the Mississippi College School of Law), a doctor of jurisprudence, a doctor of educational leadership degree, and a doctor of professional counseling. MC seeks to be a university recognized for academic excellence and commitment to the cause of Christ.

### Leadership

- In his fifth year as president, Dr. Blake Thompson forged a renewed partnership with the Mississippi Band of Choctaw Indians that solidified the Christian University's special relationship with the only federally recognized Native tribe in Mississippi. Dr. Thompson and MBCI Chief Cyrus Ben, an MC alum, signed a memorandum of understanding that created a valuable tuition assistance program for MBCI students and established an expanded cultural exchange between MC and the Choctaws. Mississippi College invited MBCI students and leaders to the Clinton campus for educational programs that informed MC students about the Choctaw culture.

### Institutional Profile

- Mississippi College has been affiliated with the Mississippi Baptist Convention since 1850.
- Mississippi College has international programs in Taiwan, Spain, France, Germany, the United Kingdom, Japan, China, Argentina, Costa Rica, and Austria.
- Mississippi College's undergraduate student/faculty ratio is 13:1.
- The average ACT score for incoming freshmen in fall 2022 is 24.4.

### Key Performance Indicators

- There were 3,976 students enrolled for fall 2022. That number includes 136 international students.
- The passage rate for first-time MC Physician Assistant National Certifying Examination Test Takers was 100 percent. PA-Direct, MC's direct admissions program for undergraduate students, accepted its fourth group of candidates to the 30-month graduate program, which works with the University of Mississippi Medical Center, federal clinics, hospitals, and other facilities to share educational resources, clinical rotations, and clerkship sites.
- During 2022-23, 44 MC undergraduates and 140 graduate students completed School of Education licensure programs. There were 196 graduate students in classes leading to licensure endorsements for educators.

## **National Prominence**

- U.S. News and World Report included MC on its list of Best National Universities for 2022-23, ranking the Christian University as one of the state's best private institutions of higher learning. The Princeton Review designated MC as one of its "Best Southeastern Colleges," and Niche ranked MC No. 10 on its "Best Christian Colleges in America" list for 2023.
- The American Council on Education named Jonathan Ambrose, associate vice president for the student experience and dean of students, as an ACE Fellow for the academic year 2023-24. Ambrose is the only representative from Mississippi – and the first from Mississippi College – to receive the honor this year.
- Sarah Pigott, professor of voice and opera stage director for Lyric Stage at MC, was one of 12 early career voice teachers from across the nation selected for the National Association of Teachers of Singing 2023 Intern Program.
- Jeanne Bernier, instructor and M.S.N. program director for the CNL in the School of Nursing, received the 2023 CNL Educator Award from the American Association of Colleges of Nursing's Commission on Nurse Certification.

## **Campus Events**

- Television personalities Erin and Ben Napier, co-hosts of HGTV's "Home Town," headlined MC's Spring Scholarship Banquet, the largest fundraising event at the Christian University. Erin credited one of MC's most famous graduates, renowned artist Wyatt Waters, for nurturing her artistic talents, which have helped fuel six seasons of the popular television series. Proceeds from the banquet benefit scholarship recipients at MC. Since its inception in 2008, the event has raised more than \$4 million.
- Joe Theismann, a three-time All-Pro selection who guided the Washington Redskins to consecutive Super Bowls, served as the keynote speaker for the Dr. Don Phillips Athletics Dinner that has raised more than \$2 million to benefit all 18 of the University's varsity athletic programs for men and women.
- MC students raised \$102,176 to benefit Children's of Mississippi during Mississippi College's 2023 "Greater Than Us" Dance Marathon. The annual event included dancing, refreshments, concurrent fundraising opportunities, and a final tote board "reveal" to celebrate MC's contributions to Mississippi's only Children's Hospital.

## **Christian Commitment**

- We rejoiced in the professions of faith of several students during the 2022-23 year and at summer camps, where 68 students responded to the Gospel, 77 rededicated their lives to Christ, and 16 were called to the ministry.
- Under the direction of Tyler Kemp, Worship Collective, the Department of Music's Christian performance ensemble, continued its ministry of music, sharing the Gospel through authentic worship on campus and at local church events. The ensemble performed at the Southern Baptist Convention annual meeting in New Orleans in June.
- Numerous MC faculty, staff, and students served churches through pulpit supply, staffing, and consulting.

- The Institute of Christian Leadership welcomed one of the most recognizable figures in Southern Baptist leadership to MC. Kevin Ezell, president of the North American Mission Board, spoke at Chapel and gave the annual Evangelism Lecture sponsored by the Department of Christian Studies.
- Mississippi College is developing a partnership with the North American Mission Board to send MC students on mission during school breaks. The initiative will begin during Spring Break 2024.

### **Sports**

- Mississippi College ranked among the elite of the Gulf South Conference in 2022-23, as Choctaw Athletics posted its best all-sports finish in GSC history. MC men's and women's athletic teams combined for 113.625 points, surpassing last year's watershed total of 91.625, to finish in third place among all active GSC members.
- The MC softball team produced one of the most thrilling and triumphant chapters in MC athletics history, advancing to the NCAA Regional Tournament. Under Brooke O'Hair, the 2023 GSC Coach of the Year, the team notched the most wins in MC softball history (43) and shattered numerous school records.
- MC won its first GSC Women's Soccer Tournament Championship and received an automatic berth into the 2023 NCAA Tournament South Regionals in Daytona Beach, Florida.
- MC's Erin Hederman was among the elite student-athletes in the GSC named to the 27th annual GSC Top Ten list. It marked the fourth consecutive year a female student-athlete had made the conference's exclusive ranking.

### **Facilities**

- The Rankin Mission Center, a dynamic, interactive exhibit filled with displays, artifacts, and resources that delight historians and students interested in learning about international missions, is the crown jewel of extensive renovations to the Baptist Student Union Building. The center is named for Dr. Jerry Rankin, former president of the International Mission Board and MC graduate, who donated the bulk of his life's work to create the archive.
- Ground was broken at MC for a high-tech practice facility that could become the envy of every golf program in the Gulf South Conference. Featuring two indoor hitting bays outfitted with state-of-the-art Trackman technology, a large indoor putting green, and other amenities, the John and Charlotte McMath Golf Center should give Choctaw linksters a distinct advantage against their toughest competitors.
- Extensive renovations to the beloved Latimer House, a stately two-story Victorian structure on the northwest corner of the MC campus, have been completed. Many features of the popular campus meeting place remain, including refinished pine floors, interior stained-glass windows, and ornate crown molding.
- MC graduates Anthony and Amy Thaxton and business partner Robert St. John launched the Institute for Southern Storytelling at MC. Located in the Gore Arts Complex, the Institute brings an interdisciplinary approach to storytelling. Participants will produce inspiring and instructive films, art, music, and writing.

**Financial Strength**

- Mississippi College's economic impact in Clinton and metro Jackson is significant. The University's annual budget exceeds \$69.3 million, with net assets at the beginning of FY2023 of \$267,255,610 and an endowment of more than \$93.5 million. The University employs more than 550 people. University leaders are thankful for major support from the Mississippi Baptist Convention and churches statewide to work towards its mission to achieve academic excellence and a commitment to the cause of Christ.
- A new scholarship at Mississippi College, named in honor of the longest-serving board member in the school's history, will provide full tuition for all admitted high school or undergraduate transfer students who are residents of Mississippi. Beginning with those enrolling at MC for the fall 2023 semester, eligible students from the Magnolia State who receive the Leland Speed Scholarship will pay no tuition. No other institution of higher learning in the state offers full-tuition scholarships for all qualified students from Mississippi.






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# **Mississippi College**

## **Independent Auditor's Reports and Financial Statements**

May 31, 2023 and 2022

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# Mississippi College

## May 31, 2023 and 2022

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## Independent Auditor's Report

Management, Board of Trustees and Audit Committee  
Mississippi College  
Clinton, Mississippi

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Mississippi College, which comprise the statements of financial position as of May 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Mississippi College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mississippi College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mississippi College'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.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The financial responsibility supplemental schedule and schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are 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 basic financial statements.

The information 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The statements of net assets without donor restrictions, exclusive of plant and plant related debt (unaudited) has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2023, on our consideration of Mississippi College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mississippi College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mississippi College's internal control over financial reporting and compliance.

**FORVIS,LLP**

Jackson, Mississippi  
September 6, 2023

**Mississippi College**  
**Statements of Financial Position**  
**May 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 31,069,864	\$ 43,218,102
Accounts receivable, net	1,120,201	655,796
Loans receivable, net	226,221	386,140
Investments	106,518,174	103,477,682
Contributions receivable, net	2,509,934	3,006,027
Beneficial interest in external trusts	8,438,902	9,008,979
Land, buildings, and equipment, net	107,132,661	105,323,619
Collections	1,536,756	1,536,756
Other assets	1,175,294	642,509
	<hr/>	<hr/>
Total assets	\$ 259,728,007	\$ 267,255,610
	<hr/>	<hr/>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 2,906,604	\$ 2,187,088
Accrued salaries	3,351,153	3,429,275
Accrued pension obligation	16,767,140	18,856,023
Deposits held for others	297,377	306,022
Government advances for student loans	24,983	53,298
Bonds and notes payable	17,347,649	19,101,256
Other liabilities	3,961,110	4,455,212
	<hr/>	<hr/>
Total liabilities	44,656,016	48,388,174
	<hr/>	<hr/>
<b>Net Assets</b>		
Without donor restrictions	94,692,614	91,132,159
With donor restrictions	120,379,377	127,735,277
	<hr/>	<hr/>
Total net assets	215,071,991	218,867,436
	<hr/>	<hr/>
Total liabilities and net assets	\$ 259,728,007	\$ 267,255,610
	<hr/>	<hr/>

**Mississippi College**  
**Statement of Activities**  
**Year Ended May 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Activities</b>			
Revenues and other support			
Student income	\$ 41,394,637	\$ -	\$ 41,394,637
Contributions and grants - operating	2,447,661	4,763,462	7,211,123
Auxiliary enterprises	14,986,951	12,204	14,999,155
Sales and services	33,874	-	33,874
Other income	1,794,763	1,101,580	2,896,343
Investment return designated for operations	1,259,322	-	1,259,322
Net assets released from restrictions	11,884,459	(11,884,459)	-
	<u>73,801,667</u>	<u>(6,007,213)</u>	<u>67,794,454</u>
 Total revenues and other support			
	<u>73,801,667</u>	<u>(6,007,213)</u>	<u>67,794,454</u>
 Expenses			
Instructional	33,520,028	-	33,520,028
Academic support	4,058,971	-	4,058,971
Student services	12,477,981	-	12,477,981
Student aid	5,007,683	-	5,007,683
Auxiliary services	7,964,192	-	7,964,192
Institutional support	16,164,105	-	16,164,105
	<u>79,192,960</u>	<u>-</u>	<u>79,192,960</u>
 Total expenses			
	<u>79,192,960</u>	<u>-</u>	<u>79,192,960</u>
 <b>Change in Net Assets from Operations</b>	<u>(5,391,293)</u>	<u>(6,007,213)</u>	<u>(11,398,506)</u>
 <b>Nonoperating Activities</b>			
Contributions and grants, nonoperating	-	952,120	952,120
Net assets released from restrictions for capital acquisitions	1,861,957	(1,861,957)	-
Investment return, net	4,062,300	131,227	4,193,527
Change in beneficial interest in external trusts	-	(570,077)	(570,077)
Change in additional minimum pension liability	2,506,285	-	2,506,285
Other nonoperating changes	521,206	-	521,206
	<u>8,951,748</u>	<u>(1,348,687)</u>	<u>7,603,061</u>
 <b>Total Change in Net Assets</b>	<u>3,560,455</u>	<u>(7,355,900)</u>	<u>(3,795,445)</u>
 <b>Net Assets, Beginning of Year</b>	<u>91,132,159</u>	<u>127,735,277</u>	<u>218,867,436</u>
 <b>Net Assets, End of Year</b>	<u>\$ 94,692,614</u>	<u>\$ 120,379,377</u>	<u>\$ 215,071,991</u>

See Notes to Financial Statements

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**Mississippi College**  
**Statement of Activities**  
**Year Ended May 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Activities</b>			
Revenues and other support			
Student income	\$ 43,593,113	\$ -	\$ 43,593,113
Contributions and grants - operating	2,834,575	12,467,258	15,301,833
Auxiliary enterprises	14,630,070	-	14,630,070
Sales and services	33,539	-	33,539
Other income	1,702,563	898,038	2,600,601
Investment return designated for operations	185,977	-	185,977
Net assets released from restrictions	<u>12,765,175</u>	<u>(12,765,175)</u>	<u>-</u>
Total revenues and other support	<u>75,745,012</u>	<u>600,121</u>	<u>76,345,133</u>
Expenses			
Instructional	33,988,976	-	33,988,976
Academic support	3,809,203	-	3,809,203
Student services	12,891,207	-	12,891,207
Student aid	6,232,631	-	6,232,631
Auxiliary services	7,567,501	-	7,567,501
Institutional support	<u>15,088,843</u>	<u>-</u>	<u>15,088,843</u>
Total expenses	<u>79,578,361</u>	<u>-</u>	<u>79,578,361</u>
<b>Change in Net Assets from Operations</b>	<u>(3,833,349)</u>	<u>600,121</u>	<u>(3,233,228)</u>
<b>Nonoperating Activities</b>			
Contributions and grants, nonoperating	-	2,155,912	2,155,912
Net assets released from restrictions for capital acquisitions	291,929	(291,929)	-
Investment return, net	805,318	(3,278,382)	(2,473,064)
Change in beneficial interest in external trusts	-	(940,586)	(940,586)
Change in additional minimum pension liability	2,283,939	-	2,283,939
Other nonoperating changes	<u>(242,787)</u>	<u>-</u>	<u>(242,787)</u>
	<u>3,138,399</u>	<u>(2,354,985)</u>	<u>783,414</u>
<b>Total Change in Net Assets</b>	(694,950)	(1,754,864)	(2,449,814)
<b>Net Assets, Beginning of Year</b>	<u>91,827,109</u>	<u>129,490,141</u>	<u>221,317,250</u>
<b>Net Assets, End of Year</b>	<u>\$ 91,132,159</u>	<u>\$ 127,735,277</u>	<u>\$ 218,867,436</u>

See Notes to Financial Statements



**Mississippi College**  
**Statement of Functional Expenses**  
**Year Ended May 31, 2023**

	Program Services						Management and General	
	Instructional	Academic Support	Student Services	Student Aid	Auxiliary Services	Total Program Services	Institutional Support	Total
Salaries and benefits	\$ 24,469,967	\$ 2,098,756	\$ 6,302,595	\$ -	\$ 898,537	\$ 33,769,855	\$ 7,769,058	\$ 41,538,913
Student aid	3,000	-	-	5,002,433	-	5,005,433	22,680	5,028,113
Occupancy	96,602	80,971	43,157	-	2,635,281	2,856,011	371,768	3,227,779
Professional services	821,947	228,421	678,722	-	2,809,763	4,538,853	1,606,405	6,145,258
Supplies	625,475	67,234	456,544	-	157,722	1,306,975	855,359	2,162,334
Travel	509,369	135,916	1,539,577	-	9,407	2,194,269	132,589	2,326,858
Plant expenses, including depreciation	5,707,128	691,082	2,124,504	-	1,355,986	9,878,700	2,752,105	12,630,805
Information technology	12,823	718,303	11,646	-	-	742,772	72,161	814,933
Office expenses	277,843	20,877	210,438	-	70,136	579,294	415,527	994,821
Advertising	25,857	-	-	-	-	25,857	228,081	253,938
Other	970,017	17,411	1,110,798	5,250	27,360	2,130,836	1,938,372	4,069,208
	<u>\$ 33,520,028</u>	<u>\$ 4,058,971</u>	<u>\$ 12,477,981</u>	<u>\$ 5,007,683</u>	<u>\$ 7,964,192</u>	<u>\$ 63,028,855</u>	<u>\$ 16,164,105</u>	<u>\$ 79,192,960</u>

See Notes to Financial Statements

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**Mississippi College**  
**Statement of Functional Expenses**  
**Year Ended May 31, 2022**

	Program Services						Management and General	
	Instructional	Academic Support	Student Services	Student Aid	Auxiliary Services	Total Program Services	Institutional Support	Total
Salaries and benefits	\$ 24,923,624	\$ 1,936,850	\$ 6,176,156	\$ -	\$ 864,604	\$ 33,901,234	\$ 7,233,902	\$ 41,135,136
Student aid	3,000	-	-	6,227,381	-	6,230,381	54,572	6,284,953
Occupancy	95,925	76,934	46,605	-	2,377,613	2,597,077	398,361	2,995,438
Professional services	657,182	215,158	802,681	-	2,763,500	4,438,521	1,210,954	5,649,475
Supplies	1,105,297	43,165	654,502	-	171,638	1,974,602	1,084,765	3,059,367
Travel	313,465	99,501	1,139,779	-	6,386	1,559,131	102,711	1,661,842
Plant expenses, including depreciation	5,852,719	655,924	2,219,797	-	1,303,083	10,031,523	2,598,218	12,629,741
Information technology	14,556	759,845	7,097	-	-	781,498	90,211	871,709
Office expenses	225,400	6,902	263,016	-	47,212	542,530	332,913	875,443
Advertising	16,182	-	696,592	-	511	713,285	22,342	735,627
Other	781,626	14,924	884,982	5,250	32,954	1,719,736	1,959,894	3,679,630
	<u>\$ 33,988,976</u>	<u>\$ 3,809,203</u>	<u>\$ 12,891,207</u>	<u>\$ 6,232,631</u>	<u>\$ 7,567,501</u>	<u>\$ 64,489,518</u>	<u>\$ 15,088,843</u>	<u>\$ 79,578,361</u>

See Notes to Financial Statements

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# Mississippi College

## Statements of Cash Flows

### Years Ended May 31, 2023 and 2022

	2023	2022
<b>Operating Activities</b>		
Change in net assets	\$ (3,795,445)	\$ (2,449,814)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	6,830,279	6,706,153
Provision (recovery) for losses on accounts receivable and loans to students	3,549	(114,833)
Realized and unrealized (gains) losses on investments	(3,051,920)	3,118,599
Gain on disposal of fixed asset	-	(3,050)
Restricted nonoperating contributions	(952,120)	(2,155,912)
Change in investment in Baptist Healthplex	(463,998)	509,221
Change in beneficial interest in external trusts	570,077	940,586
Change in accrued pension obligation	(2,088,883)	(1,981,808)
Changes in		
Accounts receivable	(464,405)	3,224,693
Contributions receivable	496,093	(405,866)
Other assets	(68,787)	265,502
Accounts payable and accrued expenses	719,516	213,099
Accrued salaries	(78,122)	(401,683)
Deposits held for others	(8,645)	(5,172)
Other liabilities	(494,102)	5,768
Net cash provided by (used in) operating activities	<u>(2,846,913)</u>	<u>7,465,483</u>
<b>Investing Activities</b>		
Purchase of fixed assets	(8,628,001)	(7,179,088)
Purchase of investments	(1,004,452)	(2,171,883)
Proceeds from sale and maturities of investments	1,015,880	1,958,836
Repayments from student loans	156,370	205,879
Net cash used in investing activities	<u>(8,460,203)</u>	<u>(7,186,256)</u>
<b>Financing Activities</b>		
Payments of government advances for student loans	(28,315)	(126,267)
Payments of long-term debt	(1,764,927)	(12,406,562)
Proceeds from issuance of long-term debt	-	15,422,987
Restricted nonoperating contributions	952,120	2,155,912
Net cash provided by (used in) financing activities	<u>(841,122)</u>	<u>5,046,070</u>
<b>Net Change in Cash and Cash Equivalents</b>	(12,148,238)	5,325,297
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>43,218,102</u>	<u>37,892,805</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 31,069,864</u>	<u>\$ 43,218,102</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	\$ 379,042	\$ 439,602

See Notes to Financial Statements

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# Mississippi College

## Notes to Financial Statements

### May 31, 2023 and 2022

#### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

##### ***Nature of Operations***

Mississippi College (the University) is a private, not-for-profit institution of higher education. The University is governed by a 30-member board of trustees elected by the Mississippi Baptist Convention.

The University provides educational services at the undergraduate, graduate, and postdoctoral levels. Founded in 1826, the University is the oldest institution of higher learning and one of the largest private universities in the state of Mississippi. As a Christian institution, the University values the integration of faith and learning throughout the educational process.

The University has two campuses. The main campus is located in Clinton, Mississippi, and the School of Law is located approximately 20 miles away in Jackson, Mississippi. The University's revenues are predominantly derived from student tuition, room, and other fees. The majority of students come from the southeast United States; however, the University attracts students throughout the country and abroad.

The Mississippi College Foundation, Inc. (the Foundation) was formed in 2004. The Foundation is composed of members selected and approved by the Board of Trustees. The Foundation does not own any assets, and the University is the only voting member. The Foundation provides advisory management of the University's investment property and endowment assets to the Board of Trustees.

##### ***Basis of Presentation***

The financial statements of the University have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP), which require it to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the University. These net assets may be used at the discretion of the University's management and Board of Trustees.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some restrictions are temporary in nature; those restrictions will be met by actions of the University or by the passage of time. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

##### ***Measure of Operations***

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the University's ongoing educational activities and supporting services. Investment return not subject to restriction or endowment is treated as operating. Nonoperating activities are limited to resources

# **Mississippi College**

## **Notes to Financial Statements**

### **May 31, 2023 and 2022**

that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature or restricted for long-term purposes.

#### ***Cash and Cash Equivalents***

The University's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for funds on deposit with bond trustees or held in the investment portfolio which are invested for long-term purposes.

At May 31, 2023, the University's cash accounts exceeded federally insured limits by approximately \$26,854,000.

#### ***Concentrations of Credit Risk***

Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash and cash equivalents and investments. The University maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The University's cash and cash equivalents accounts have been placed with high, credit-quality financial institutions. The University has not experienced, nor does it anticipate, any losses with respect to such accounts.

#### ***Use of Estimates***

The preparation of financial statements in conformity with GAAP 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, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### ***Student Receivables, Loans, and Credit Policies***

The University's student accounts receivable are stated at the amount of consideration from students of which the University has an unconditional right to receive. The University records an allowance for doubtful accounts at the amount which represents management's estimate of the amount that will ultimately be uncollected. The University reviews the adequacy of its allowance for uncollectible accounts on an ongoing basis, using historical payment trends and analysis of receivables aging, and makes adjustments in the allowance as necessary. The University assesses a late penalty each semester on accounts that are not paid in accordance with University guidelines. Accounts are written off to bad debt expense and sent to a collection agency after the University has exhausted reasonable efforts to collect the balance owed. Any monies received as payment of old debts are recorded as miscellaneous income in the period received.

Loans receivable are primarily related to student financial aid programs funded principally with federal advances to the University under the Perkins Loan Program and certain other programs. The amount advanced to the University from the federal government is reported as government advances for student loans on the statements of financial position.

# **Mississippi College**

## **Notes to Financial Statements**

### **May 31, 2023 and 2022**

The allowance is based upon historical collection experience, management's judgment, and other relevant factors. Past due or delinquency is determined based on original contractual terms. Loans are charged off to bad debt only after all attempts for collection have been reasonably exhausted.

#### ***Investments and Investment Return***

Investments are recorded at estimated fair value. In the case of less marketable investments, principally real estate, value is based on either external events which substantiate a change in fair value or a reasonable methodology that exists to capture and quantify changes in fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. In some instances, those changes in fair value may require the use of estimates. Accordingly, such values may differ from the values that would have been used had a ready market for the investments existed.

The University's investments include various types of investment securities and investment vehicles. Investment securities are exposed to several risks, such as interest rate, currency, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the University's financial statements. Investments received by gift are recorded at fair value at the date of donation and are adjusted to fair value annually.

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in revenue with donor restrictions then released from restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The University maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

#### ***Beneficial Interest in External Trusts***

The University is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the University. The University has legally enforceable rights or claims to such assets, including the right to income therefrom. The fair value of these interests is recorded in the net assets with donor restrictions class, and the investment income (loss) of beneficial interest in external trusts is recorded in the with donor restrictions portion of the statements of activities.

# Mississippi College

## Notes to Financial Statements

### May 31, 2023 and 2022

#### ***Annuities and Split Interest Agreements***

The University manages various gift annuities as a trustee. Gift annuities consist of nontrust assets donated to the University in exchange for a fixed payment for the life of the beneficiary(ies). Gift annuity assets are recorded at their fair value. These assets are included in investments. The associated liabilities to beneficiaries are calculated based on various actuarial assumptions and are recorded in other liabilities.

The University's charitable remainder trusts held by third parties are shown at fair value of the underlying assets, which approximate the discounted present value of the anticipated cash flows as of May 31, 2023 and 2022. The recorded fair values were \$4,007,708 and \$4,342,585 at May 31, 2023 and 2022, respectively, and are recorded as beneficial interest in external trusts.

#### ***Property and Equipment***

Land, buildings, and equipment are shown at 1947 appraised values, with subsequent additions at cost or at fair value at the date of gift. The University capitalizes all capital purchases with a unit cost greater than \$5,000 and an expected useful life of more than one year. Purchases of books and other library media with lives extending beyond one year are capitalized as a group in the year purchased and depreciated over five years. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years. Interest cost incurred during construction is capitalized as part of the cost of capital projects. Fully depreciated assets are written off the books in the year following the final depreciation expense.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	35-40 years
Leasehold improvements	5-10 years
Machinery and equipment	3-5 years
Furniture and fixtures	3-5 years

#### ***Long-Lived Asset Impairment***

The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value, and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended May 31, 2023 and 2022.

#### ***Collections***

The University has capitalized its collections since its inception. If purchased, items accessioned into the collection are capitalized at cost, and, if donated, they are capitalized at their fair value on

# **Mississippi College**

## **Notes to Financial Statements**

### **May 31, 2023 and 2022**

the accession date. Gains or losses on the sale of collection items are reported in the statements of activities as with or without donor restrictions, depending on donor restrictions, if any, placed on the item at the time of accession. The University has a policy to use proceeds from deaccessioned items for the acquisition of new collection items.

#### ***Asset Retirement Obligations***

Asset retirement obligations (AROs) are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the University records changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The University eliminates ARO liabilities when the related obligations are settled. The ARO liability is included in other liabilities in the statements of financial position.

#### ***Deposits Held for Others***

Deposits held for others include deposits from various organizations for which the University serves as an agent as of May 31, 2023 and 2022.

#### ***Deferred Revenue***

Revenues that relate to summer school activities or other future activities are deferred to the period in which they are earned and are included in other liabilities in the statements of financial position.

#### ***Debt Issuance Costs***

Debt issuance costs are amortized by the effective interest method over the remaining terms of the related debt and are included in bonds and notes payable in the statements of financial position.

#### ***Self-funded Insurance***

The University maintains a self-funded health insurance benefit plan. Specific and aggregate stop-loss coverage on the health plan is maintained to limit the ultimate exposure of the University. A liability of \$343,501 and \$318,232 as of May 31, 2023 and 2022, respectively, is provided for estimated claims incurred but not reported and employee premiums withheld in advance. The liability is included in accounts payable and accrued expenses in the statements of financial position. Management reviews this accrual on an ongoing basis and believes it is adequate to cover such claims. A portion of net assets without donor restrictions has been designated for the specific use of the plan. The amount is approximately equal to the cash on hand for the plan less the liabilities as described above.

#### ***Contributions***

Contributions are provided to the University either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts –



# Mississippi College

## Notes to Financial Statements

### May 31, 2023 and 2022

with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the University overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year, as the present-value discount is amortized using the level-yield method.

When a donor 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. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

### ***Fundraising Activities***

Fundraising activities are recorded as institutional support expenditures as incurred and approximated \$1,400,000 and \$1,910,000 in 2023 and 2022, respectively.

# **Mississippi College**

## **Notes to Financial Statements**

### **May 31, 2023 and 2022**

#### ***Revenue Recognition***

Tuition revenue is recognized over the term of the semester as the University provides services to students. Revenue is reported at the amount of consideration which the University expects to be entitled in exchange for providing tuition and auxiliary services. The University determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided for scholarships, and other price concessions provided to students. Deferred tuition and fees are reported as deferred revenue and are included in other liabilities in the statements of financial position. Tuition and fees revenue, which is included as student income on the statements of activities, is generated from an enrolled student population of approximately 4,700. Student income is shown on the statements of activities net of tuition discounts of \$32,755,399 and \$32,561,968 in 2023 and 2022, respectively. A tuition discount represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student.

#### ***Coronavirus and Other Aid***

During the year ended May 31, 2021, the University was awarded \$8,421,563 of Higher Education Emergency Relief Fund (HEERF) funds through the American Rescue Plan (ARP). A portion of those funds, \$7,022,233, were drawn and expended during the year ended May 31, 2022, and \$1,051,840 was drawn and expended in the year ended May 31, 2023, and, therefore, were recognized in the financial statements. \$347,490 will be recognized in future periods.

During the year ended May 31, 2021, the University was awarded \$1,114,110 of Governor's Emergency Education Relief Fund (GEERF) funds through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, of which \$760,298 was drawn and expended during the year ended May 31, 2022, and, therefore, were recognized in the financial statements. An additional \$126,145 was drawn and expended during year ended May 31, 2023. Also during the year ended May 31, 2022, the University was awarded an additional \$2,261,297 of GEERF funds, of which \$763,234 was drawn and expended during the year ended May 31, 2023.

During the year ended May 31, 2023, the University was also awarded approximately \$144,000 and \$400,000 of federal work-study program and federal supplemental educational opportunity grants, respectively, to award during the year ending May 31, 2024. During the year ended May 31, 2022, the University was also awarded approximately \$144,000 and \$400,000 of federal work-study program and federal supplemental educational opportunity grants, respectively, to award during the year ending May 31, 2023. These awards have not been recognized in the financial statements.

#### ***Income Taxes***

The University is exempt from income tax under Internal Revenue Code (IRC) Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. The University has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The University has determined there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

# Mississippi College

## Notes to Financial Statements

### May 31, 2023 and 2022

#### ***Functional Allocation of Expenses***

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Direct identifiable expenses are charged to program services and management and general. Certain other costs have been allocated among program services and management and general benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Occupancy, plant expenses	Percent of total expenses

#### ***Significant Donor***

The University is affiliated with the Mississippi Baptist Convention Board (MBCB) and receives contributions for general operating purposes and capital needs. Contributions received from the MBCB totaled approximately \$2,238,000 and \$2,628,000 for the years ended May 31, 2023 and 2022, respectively. Additionally, for the year ended May 31, 2023, approximately 37% of contributions received came from one donor, who was the MBCB.

#### **Note 2: Revenue from Contracts with Students**

##### ***Tuition and Auxiliary Enterprises***

Revenue from contracts with students for tuition and auxiliary enterprises is reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing instruction, housing, meal plans, and other services. These amounts are due from students, third-party payers, and others and include variable consideration for institutional scholarships and awards.

Revenue is recognized as performance obligations are satisfied, which is ratable over the academic term. Generally, the University bills students prior to the beginning of the semester. Under the terms, students' accounts receivable are due in full before classes begin. Students must pay the previous semester balance in full prior to beginning a new semester.

If a student withdraws prior to the beginning of the academic term or prior to the last day of the first week, the student is entitled to a full refund. If a student withdraws after the first week, the refund is reduced ratably through the fifth week.

Tuition and auxiliary enterprises revenue are considered to be separate performance obligations. The University allocates the fees charged to student tuition, housing, meal plans, and other services based on standalone charges to students for tuition and those services.

# Mississippi College

## Notes to Financial Statements

### May 31, 2023 and 2022

#### ***Transaction Price and Recognition***

The University determines the transaction price based on standard charges for goods and services provided, reduced by certain institutional scholarships and aid provided in accordance with the University's policy for granting merit-based aid. The University determines its estimates of explicit price concessions based on its discount policies and merit awards.

#### ***Contract Balances***

The following table provides information about the University's receivables and contract liabilities (deferred revenue) from contracts with customers:

	<b>2023</b>	<b>2022</b>
Student receivables, beginning of year	\$ 495,070	\$ 472,305
Student receivables, end of year	163,437	495,070
Contract liabilities, beginning of year	1,683,574	1,701,152
Contract liabilities, end of year	1,191,774	1,683,574

#### ***Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations***

Because all of its performance obligations relate to contracts with a duration of less than one year, the University has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transactional price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to providing instruction and housing to students. The performance obligations for these contracts are generally completed when the academic term is completed.

The University expects to recognize \$1,191,774 of deferred revenue in fiscal year 2024. During 2023 and 2022, the University recognized \$1,683,574 and \$1,701,152, respectively, of deferred revenue.

#### ***Disaggregation of Revenue***

The composition of revenue recognized over time for the years ended May 31, 2023 and 2022 follows. The University has no revenue recognized at a point in time.

	<b>2023</b>	<b>2022</b>
Student income	\$ 41,394,637	\$ 43,593,113
Student housing	14,735,084	14,394,493
Other auxiliary revenue	251,867	235,577

**Mississippi College**  
**Notes to Financial Statements**  
**May 31, 2023 and 2022**

***Financing Component***

The University has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from students and third parties for the effects of a significant financing component due to the University's expectation that the period between the time the service is provided to a student and the time the student or a third-party payer pays for that service will be one year or less.

***Contract Costs***

The University has applied the practical expedient provided by FASB ASC 340-40-25-4, and all incremental student contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the University otherwise would have recognized is one year or less in duration.

**Note 3:   Accounts Receivable**

Accounts receivable are summarized as follows as of May 31:

	<u>2023</u>	<u>2022</u>
Student receivables	\$   863,437	\$  1,195,070
Less allowance for uncollectible accounts	<u>(700,000)</u>	<u>(700,000)</u>
Student receivables, net	163,437	495,070
Other receivables	<u>956,764</u>	<u>160,726</u>
	<u><u>\$  1,120,201</u></u>	<u><u>\$   655,796</u></u>

**Mississippi College**  
**Notes to Financial Statements**  
**May 31, 2023 and 2022**

**Note 4:   Loans Receivable**

Loans receivable are summarized as follows as of May 31:

	<u>2023</u>	<u>2022</u>
Perkins loan program	\$   28,604	\$   58,346
Nursing loan program	10,634	14,891
Institutional loan program	<u>622,150</u>	<u>730,627</u>
	661,388	803,864
Less allowance for uncollectible loans		
Beginning of year	(417,724)	(550,322)
Increases	(17,443)	-
Write-offs	<u>-</u>	<u>132,598</u>
	<u>(435,167)</u>	<u>(417,724)</u>
	<u><u>\$   226,221</u></u>	<u><u>\$   386,140</u></u>

The University made uncollateralized loans which were funded through the revolving loan funds for federal Perkins loans and federal Nursing loans, for which the University acted as an agent for the federal government in administering the loan program. The University also has a similar institutional loan program created by the University to assist students in funding their education. Currently, no new loans are being made under the Perkins or Nursing loan programs, and the University is refunding excess cash back to the federal government as loan payments are received.

The interest rates on these loans range from 0% to 7%. Maturity dates range up to ten years, but with potential cancellations and deferrals beyond that range, calculation of an average term to maturity is not practical.

Remaining funds advanced by the federal government of approximately \$25,000 and \$53,000 as of May 31, 2023 and 2022, respectively, are classified as liabilities in the statements of financial position. Outstanding loans cancelled under the programs result in a decrease in the liability to the government.

**Mississippi College**  
**Notes to Financial Statements**  
**May 31, 2023 and 2022**

<b>Aging of Loans Receivable as of May 31, 2023</b>	<b>Perkins Loans</b>	<b>Nursing Loans</b>	<b>Institutional Loans</b>
In default			
Less than 60 days	\$ 4,000	\$ 8,823	\$ 163,223
Greater than 60 days but less than 90 days	4,493	-	12,012
Greater than 90 days but less than 120 days	-	-	-
Greater than 120 days	20,111	1,811	446,915
Total past due	28,604	10,634	622,150
Current	-	-	-
Gross loans receivable	<u>\$ 28,604</u>	<u>\$ 10,634</u>	<u>\$ 622,150</u>
<b>Aging of Loans Receivable as of May 31, 2022</b>	<b>Perkins Loans</b>	<b>Nursing Loans</b>	<b>Institutional Loans</b>
In default			
Less than 60 days	\$ 1,368	\$ -	\$ 22,630
Greater than 60 days but less than 90 days	5,093	-	670
Greater than 90 days but less than 120 days	-	-	8,985
Greater than 120 days	23,946	5,982	425,702
Total past due	30,407	5,982	457,987
Current	27,939	8,909	272,640
Gross loans receivable	<u>\$ 58,346</u>	<u>\$ 14,891</u>	<u>\$ 730,627</u>

**Mississippi College**  
**Notes to Financial Statements**  
**May 31, 2023 and 2022**

**Note 5: Investments**

Fair value of investments is summarized as follows as of May 31:

	<b>2023</b>	<b>2022</b>
Cash and cash equivalents (a)	\$ 2,382,534	\$ 2,475,228
Mutual funds (b)		
Bond funds	344,982	383,677
Domestic Equity Funds	4,271,495	3,629,346
International Equity Funds	700,315	1,021,257
Other mutual funds	-	280,625
	<u>5,316,792</u>	<u>5,314,905</u>
Multi Strategy Bond Fund (c)	9,495,380	9,757,195
Multi Strategy Equity Fund (d)	57,356,291	56,327,700
Domestic equities (e)	134,115	302,846
Fixed income securities (f)	4,285,095	4,122,498
Private Equity Fund (g)	54,258	215,379
Real estate - land (h)	19,307,522	19,307,522
Real estate - timber (i)	6,858,304	4,297,442
Investments held by others (j)	574,409	607,375
Other various	<u>753,474</u>	<u>749,592</u>
	<u>\$ 106,518,174</u>	<u>\$ 103,477,682</u>

(a) **Cash and Cash Equivalents** - This category includes assets that are cash or readily convertible to cash, such as money market funds and certificates of deposit.

(b) **Mutual Funds** - This category includes investments in mutual funds that invest in long positions in publicly traded equities and fixed income securities. The majority of the investments are in U.S. focused companies. The public nature of the securities makes this category very liquid.

(c) **Multi-Strategy Bond Fund** - This category includes an investment in an actively managed, multi-manager mutual fund that invests in global debt markets. The fair value of the investment has been estimated using the NAV per share.

Redemptions may be made monthly with five business days' notice.

(d) **Multi-Strategy Equity Fund** - This category includes an investment in an actively managed, multi-manager mutual fund that invests in global equity markets. The fair value of the investment has been estimated using the NAV per share.

Redemptions may be made monthly with five business days' notice.



# Mississippi College

## Notes to Financial Statements

### May 31, 2023 and 2022

(e) **Domestic Equities** - This category includes investments directly in publicly traded equities of companies in the United States. The public nature of the securities makes this category very liquid.

(f) **Fixed Income Securities** - This category includes investments in publicly traded fixed income securities, including preferred stock, asset backed securities, corporate and municipal bonds, United States Treasury securities, and certificates of deposit.

(g) **Private Equity Fund** - This category includes investments in two private equity funds that invest across the private equity class, diversifying by industry, investment type, geography, and vintage year. Further, the funds seek to enhance returns through secondary and co-investments.

The University has unfunded commitments to the funds totaling \$138,279. The investment in this fund is for a fourteen-year term subject to two one-year extensions. Redemptions are automatic. The fair value of the investment in this category has been estimated using the NAV per share.

(h) **Real Estate - Land** - This category includes approximately 16,000 acres of land located in various counties in Mississippi. The majority of the land is leased to others or is planted in pine plantations. The land is valued approximately every three years by a qualified appraiser utilizing the comparable sales method of appraisal. An annual review of comparable land sales in each county is performed to insure no material decrease in value has occurred since the date of the last appraisal. Approximately 90% of the land was donated to the University and is permanently restricted for use as timberland.

(i) **Real Estate - Timber** - This category includes 12,520 acres and 6,246 acres of plantation managed pine timber ranging in age from 0 to 35 years at May 31, 2023 and 2022, respectively. During 2023, 6,274 acres were released from a long-term lease and are now the property of the University. The timber is valued using a discounted present value based on a projected stream of income over the estimated life of the timber. A discount rate of 7.65% and 7.42% for 2023 and 2022, respectively, was used in determining the present value.

(j) **Investments Held by Others** - This category includes investments that have been placed with the Mississippi Baptist Foundation (MBF), which maintains the investments with various broker dealers. The funds are invested in pooled funds of primarily common stock equities, bonds, and fixed income securities. Investments also include fund managers that invest in private investment funds as an alternative investment strategy, with the purpose of increasing the diversity of the holdings and being consistent with overall investment objectives. Investments include donated gift annuity funds and other endowments designated to be invested at MBF by the donors. The fair value of the investment in this category has been estimated using the NAV per share.

**Mississippi College**  
**Notes to Financial Statements**  
**May 31, 2023 and 2022**

Investment return, net includes the following for the years ended May 31:

	<u>2023</u>	<u>2022</u>
Investments		
Dividends and interest	\$ 1,361,341	\$ 265,836
Realized gains (losses)	(47,382)	457,159
Unrealized gains (losses)	3,099,302	(3,575,758)
Other income	1,194,569	765,055
Management fees	(154,981)	(199,379)
	<u>5,452,849</u>	<u>(2,287,087)</u>
Less investment income designated for operations	<u>(1,259,322)</u>	<u>(185,977)</u>
Investment return, net	<u>\$ 4,193,527</u>	<u>\$ (2,473,064)</u>

**Note 6: Contributions Receivable**

Contributions receivable consisted of the following:

<u>May 31, 2023</u>	<u>Related Parties</u>	<u>Unrelated Parties</u>	<u>Total</u>
Unconditional promises expected to be collected			
Less than one year	\$ 56,000	\$ 320,000	\$ 376,000
One year to five years	-	1,200,000	1,200,000
More than five years	-	1,600,000	1,600,000
	<u>56,000</u>	<u>3,120,000</u>	<u>3,176,000</u>
Less discount to present value (Range from 0.00% to 4.40%)	-	(666,066)	(666,066)
Less allowance for uncollectible contributions	-	-	-
	<u>\$ 56,000</u>	<u>\$ 2,453,934</u>	<u>\$ 2,509,934</u>

**Mississippi College**  
**Notes to Financial Statements**  
**May 31, 2023 and 2022**

May 31, 2022	Related Parties	Unrelated Parties	Total
Unconditional promises expected to be collected			
Less than one year	\$ 65,000	\$ 340,000	\$ 405,000
One year to five years	15,000	1,400,000	1,415,000
More than five years	-	1,700,000	1,700,000
	<u>80,000</u>	<u>3,440,000</u>	<u>3,520,000</u>
Less discount to present value (Range from 0.0% to 2.87%)	(1,083)	(512,890)	(513,973)
Less allowance for uncollectible contributions	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 78,917</u>	<u>\$ 2,927,110</u>	<u>\$ 3,006,027</u>

The related parties included Board of Trustees' members, Foundation board members, and employees.

**Note 7: Beneficial Interest in External Trusts**

At May 31, 2023 and 2022, the University had claims to various perpetual trust assets that are being managed by other outside trustees. The University's portion of these perpetual trust assets at May 31, 2023 and 2022 was \$8,438,902 and \$9,008,979, respectively. The income from these trusts was approximately \$282,000 and \$294,000 at May 31, 2023 and 2022, respectively. At May 31, 2023 and 2022, \$7,531,538 and \$8,066,367, respectively, of these trust assets are being managed by the MBF, an agency of the Mississippi Baptist Convention, which manages investment funds for Mississippi Baptist institutions.

**Note 8: Land, Buildings, and Equipment**

Land, buildings, and equipment are summarized as follows as of May 31:

	2023	2022
Land and improvements	\$ 17,686,848	\$ 17,499,574
Buildings	190,936,122	182,713,885
Equipment	8,544,516	8,229,853
Construction in progress	<u>2,307,416</u>	<u>2,403,589</u>
	219,474,902	210,846,901
Less accumulated depreciation	<u>(112,342,241)</u>	<u>(105,523,282)</u>
	<u>\$ 107,132,661</u>	<u>\$ 105,323,619</u>

# Mississippi College

## Notes to Financial Statements

### May 31, 2023 and 2022

Depreciation expense during the years ended May 31, 2023 and 2022 was \$6,818,959 and \$6,595,022, respectively.

#### **Note 9: Other Assets**

Other assets are summarized as follows as of May 31:

	<b>2023</b>	<b>2022</b>
Deposits and prepaid expenses	\$ 8,734	\$ 74,224
Investment in Healthplex	800,695	336,697
Other	365,865	231,588
	<u>\$ 1,175,294</u>	<u>\$ 642,509</u>

#### **Note 10: Investment in the Baptist Healthplex, Inc.**

The University has entered into an agreement with Mississippi Baptist Health Systems, Inc. (MBHS) to operate a health facility (the Healthplex) on the University campus. The Healthplex is incorporated as a separate tax-exempt, not-for-profit organization under Section 501(c)(3) of the IRC with the University and MBHS as two equal tax-exempt members.

The University has recorded its pro rata share of a nonoperating gain (loss) related to this arrangement of \$523,999 and \$(284,221) in the fiscal years ended May 31, 2023 and 2022, respectively. The carrying value of the investment is accounted for using the equity method of accounting for equity investments without a readily determinable fair value at cost plus or minus charges resulting from observable charges. The carrying value is \$800,695 and \$336,697 at May 31, 2023 and 2022, respectively, and is included in other assets

#### **Note 11: Bonds and Notes Payable**

Bonds and notes payable consist of the following as of May 31:

	<b>2023</b>	<b>2022</b>
Note payable - Alumni Hall	\$ 3,645,062	\$ 4,493,181
Series 2021 Bonds	13,944,205	14,868,161
	17,589,267	19,361,342
Less net debt issuance costs	(241,618)	(260,086)
	<u>\$ 17,347,649</u>	<u>\$ 19,101,256</u>

# Mississippi College

## Notes to Financial Statements

### May 31, 2023 and 2022

Interest expense during the years ended May 31, 2023 and 2022 approximated \$379,000 and \$440,000, respectively.

#### ***Note Payable – Alumni Hall***

During the year ended May 31, 2021, the University borrowed \$6,000,000 on a note payable with a commercial bank for the construction of an Alumni Hall building on the Clinton Campus. The note payable has a fixed interest rate of 1.98% and a maturity date of June 10, 2027.

The Alumni Hall Building is pledged as collateral on the outstanding note. Its approximate net carrying value was approximately \$8,002,000 and \$8,647,000 as of May 31, 2023 and 2022, respectively.

#### ***Series 2021 Bonds***

In July 2021, the University issued \$15,700,000 in bonds for the construction of residential housing located on the main campus, the acquisition and installation of LED lighting on the campus, improvements to the old Clinton Junior High School in Clinton, and the refunding of the Series 2015 bonds. Monthly interest and principal payments began on August 1, 2021.

The bonds have a fixed interest rate of 1.99% and a maturity date of July 1, 2036. The bonds are collateralized by the underlying property.

#### ***Line of Credit***

The University has a \$7,500,000 revolving line of credit with a commercial bank at May 31, 2023. The variable interest rate at May 31, 2023 and 2022 was 6.64% and 4.00%, respectively. No amounts were outstanding at May 31, 2023 and 2022. The line matures in December 2024.

Aggregate maturities of all the University's borrowing arrangements for the next five years and thereafter are as follows:

Years Ending May 31	
2024	\$ 1,807,648
2025	1,844,269
2026	1,881,464
2027	1,996,826
2028	1,020,536
Thereafter	<u>9,038,524</u>
	<u><u>\$ 17,589,267</u></u>

**Mississippi College**  
**Notes to Financial Statements**  
**May 31, 2023 and 2022**

Future amortization of debt issuance costs at May 31, 2023, is as follows:

Years Ending May 31	
2024	\$ 18,468
2025	18,468
2026	18,468
2027	18,468
2028	18,468
Thereafter	<u>149,278</u>
	<u>\$ 241,618</u>

**Note 12: Other Liabilities**

Other liabilities are summarized as follows as of May 31:

	<u>2023</u>	<u>2022</u>
Gift annuities payable	\$ 43,082	\$ 50,942
Deferred revenue	1,191,774	1,683,574
Asset retirement obligation	2,380,604	2,380,604
Other miscellaneous	<u>345,650</u>	<u>340,092</u>
	<u>\$ 3,961,110</u>	<u>\$ 4,455,212</u>

**Note 13: Retirement Plans**

***Defined Benefit Plan***

The University has a noncontributory defined benefit pension plan covering all full-time employees with one year of continuous service and who have reached the age of 21. Effective December 2002, benefits related to this plan were frozen in accordance with resolution passed by the University's Board of Trustees on August 15, 2002.

**Mississippi College**  
**Notes to Financial Statements**  
**May 31, 2023 and 2022**

The following table sets forth the plan's benefit obligations, fair value of plan assets, and funded status as of May 31:

	<b>2023</b>	<b>2022</b>
Accumulated benefit obligation	<u>\$ 26,972,452</u>	<u>\$ 30,353,960</u>
Projected benefit obligation for services rendered to date	\$ (26,972,452)	\$ (30,353,960)
Plan assets at fair value	<u>10,205,312</u>	<u>11,497,937</u>
Accrued pension obligation recognized in statements of financial position	<u>\$ (16,767,140)</u>	<u>\$ (18,856,023)</u>

Following is an analysis of the fair value of plan assets by category:

	<b>2023</b>	<b>2022</b>
Equity securities	\$ 2,141,074	\$ 2,412,268
Debt securities	7,957,082	8,964,941
Other	<u>107,156</u>	<u>120,728</u>
	<u>\$ 10,205,312</u>	<u>\$ 11,497,937</u>

As of May 31, 2023 and 2022, the fair value for debt securities in plan assets was measured at Level 2 inputs that include quoted prices for similar assets and liabilities in active markets. All other plan assets were measured at Level 1, quoted prices in active markets for identical assets, under FASB ASC 820, *Fair Value Measurements*.

**Mississippi College**  
**Notes to Financial Statements**  
**May 31, 2023 and 2022**

The following table sets forth the plan's net periodic pension cost, additional pension cost, the University's contribution, and benefits paid during the years ended May 31:

	<b>2023</b>	<b>2022</b>
Interest costs on projected benefit obligation	\$ 1,151,718	\$ 882,313
Expected return on plan assets	(654,333)	(791,237)
Net amortization and deferral	<u>1,220,018</u>	<u>1,511,055</u>
Net periodic pension cost	<u>1,717,403</u>	<u>1,602,131</u>
Additional minimum pension liability	<u>(2,506,285)</u>	<u>(2,283,939)</u>
 Total pension cost	 <u><u>\$ (788,882)</u></u>	 <u><u>\$ (681,808)</u></u>
 University contributions	 <u><u>\$ 1,300,000</u></u>	 <u><u>\$ 1,300,000</u></u>
 Benefit payments	 <u><u>\$ 2,393,083</u></u>	 <u><u>\$ 2,498,293</u></u>

At May 31, 2023 and 2022, there was no unrecognized prior service cost, and, accordingly, no intangible asset was recognized.

Items not yet reflected in net periodic benefit cost:

	<b>2023</b>	<b>2022</b>
Net actuarial loss	<u><u>\$ 7,153,806</u></u>	<u><u>\$ 9,660,091</u></u>
 Estimated amounts to be reclassified next year as net periodic benefit cost	 <u><u>\$ 2,675,921</u></u>	 <u><u>\$ 2,802,324</u></u>

No plan assets are expected to be returned to the University during the year ended May 31, 2024.

The change in the minimum pension asset and liability for the years ended May 31, 2023 and 2022 was \$2,506,285 and \$2,283,939, respectively. The net periodic pension cost for both years is included in expenses in the statements of activities, and the change in the additional minimum pension liability for both years is included in nonoperating activities. The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was 4.79% and 3.95% in 2023 and 2022, respectively.

The weighted average discount rate used in determining the net periodic pension cost was 4.79% and 3.95% in 2023 and 2022, respectively.

As a result of the plan being frozen, assumptions regarding the rate of increase in future compensation levels were not applicable in 2023 and 2022. The expected long-term rate of return of plan assets was 6% in both 2023 and 2022.



# Mississippi College

## Notes to Financial Statements

### May 31, 2023 and 2022

Pension plans are generally invested with the long-term objective of earning sufficient amounts to cover expected benefit obligations while assuming a prudent level of risk.

The expected long-term rate of return on plan assets reflects consideration of both historical performance and future expectations. The future expectations of the long-term rate of return are developed with consideration of plan asset allocation, economic conditions, the period over which benefits will be paid, and other relevant market data.

The University expects to contribute approximately \$1,300,000 to its pension plan in fiscal 2024.

The benefits that are expected to be paid for the pension plan for each year ended May 31, follows:

2024	\$ 2,675,291
2025	2,603,649
2026	2,544,416
2027	2,518,062
2028	2,453,971
2029-2032	11,070,238

#### ***Defined Contribution Plan***

The University also has a defined contribution plan covering substantially all of its employees. The University made contributions of approximately \$2,527,000 and \$1,860,000 during the years ended May 31, 2023 and 2022, respectively.

#### **Note 14: Other Nonoperating Changes**

Other nonoperating changes as reported in the statements of activities include the following for the years ended May 31:

	<b>2023</b>	<b>2022</b>
Changes in split interest obligations	\$ (2,793)	\$ 41,434
Equity income (loss) in the Healthplex	523,999	(284,221)
	<u>\$ 521,206</u>	<u>\$ (242,787)</u>

# Mississippi College

## Notes to Financial Statements

### May 31, 2023 and 2022

#### Note 15: Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of input that may be used to measure fair value.

**Level 1** - Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

**Level 2** - Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in nonactive markets;
- Inputs other than quoted prices that are observable for the asset/liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

**Level 3** - Unobservable inputs that cannot be corroborated by observable market data.

The following tables summarize the valuation of the University's financial assets and liabilities measured at fair value on a recurring basis as of May 31, based on the level of input utilized to measure fair value:

Fair Value Measurements at May 31, 2023	Fair Value	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments				
Cash and cash equivalents	\$ 2,382,534	\$ 2,382,534	\$ -	\$ -
Mutual funds	5,316,792	5,316,792	-	-
Domestic equities	134,115	134,115	-	-
Fixed income securities	4,285,095	4,285,095	-	-
Real estate - land and timber	26,165,826	-	26,165,826	-
Investments held by others	574,409	-	-	574,409
Other various	753,474	-	753,474	-
	39,612,245	<u>\$ 12,118,536</u>	<u>\$ 26,919,300</u>	<u>\$ 574,409</u>
Alternative investments (a)	<u>66,905,929</u>			
Total investments	<u>\$ 106,518,174</u>			
Beneficial interest in external trusts	<u>\$ 8,438,902</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,438,902</u>

**Mississippi College**  
**Notes to Financial Statements**  
**May 31, 2023 and 2022**

Fair Value Measurements at May 31, 2022	Fair Value	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments				
Cash and cash equivalents	\$ 2,475,228	\$ 2,475,228	\$ -	\$ -
Mutual funds	5,314,905	5,314,905	-	-
Domestic equities	302,846	302,846	-	-
Fixed income securities	4,122,498	4,122,498	-	-
Real estate - land and timber	23,604,964	-	23,604,964	-
Investments held by other	607,375	-	-	607,375
Other various	749,592	-	749,592	-
	37,177,408	<u>\$ 12,215,477</u>	<u>\$ 24,354,556</u>	<u>\$ 607,375</u>
Alternative investments (a)	66,300,274			
Total investments	<u>\$ 103,477,682</u>			
Beneficial interest in external trusts	<u>\$ 9,008,979</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,008,979</u>

(a) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended May 31, 2023. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

### **Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

### **Alternative Investments**

Investments in certain entities measured at fair value using the NAV per share as a practical expedient are further defined in *Note 5*.

# Mississippi College

## Notes to Financial Statements

### May 31, 2023 and 2022

#### ***Beneficial Interest in External Trusts***

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

#### ***Investments Held by Others***

Fair value is estimated using a discounted cash flow model. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

#### **Note 16: Endowment**

The University's Endowment (Endowment) consists of approximately 600 individual endowment funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The University also owns approximately 15,000 acres of donated land designated for use by the donor as timberland to be held in perpetuity. The University holds and manages these assets separately from what is normally considered Endowment under its endowment investment and spending policies. Currently, the University is using the net income generated by these properties for management and reforestation of the land.

#### ***Interpretation of Relevant Law***

In approving Endowment spending and related policies, as part of the prudent and diligent discharge of its duties, the Board of Trustees of the University, as authorized by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), has relied upon the actions, reports, information, advice, and counsel taken or provided by its duly constituted committees and the duly appointed officers of the University, including University counsel, and in doing so has interpreted the law to expand spending flexibility by allowing, subject to a standard of prudence, the University to spend from an endowment fund without regard to the book value of the corpus of the fund. This flexibility allows an expenditure that lowers the value of the corpus of an endowment fund below its book value.

As a result of this interpretation, the University classifies as net assets with donor restrictions the historic dollar value of gifts donated as donor-restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the direction of the applicable gift instruments. The remaining portion of the donor-restricted endowment is also included until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund

# Mississippi College

## Notes to Financial Statements

### May 31, 2023 and 2022

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

#### ***Funds with Deficiencies***

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The University has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At May 31, 2023, funds with original gift values of \$1,219,486, fair values of \$1,156,112, and deficiencies of \$63,374 were reported in net assets with donor restrictions. At May 31, 2022, funds with original gift values of \$631,446, fair values of \$618,861, and deficiencies of \$12,585 were reported in net assets with donor restrictions.

#### ***Spending Policy and How the Investment Objectives Relate to Spending Policy***

The University's Board of Trustees establishes a spending policy that determines how endowment distributions are made. The spending policy is designed to balance current and future spending requirements by ensuring that a portion of investment return is distributed for current expenditure, with the remainder reinvested to shield against inflation. The payout rate is approved annually by the Board of Trustees.

In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects its endowment to grow in excess of its annual appropriation.

This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as provide additional real growth through new gifts and investment return. The University approved a 5.0% spending rate for both years ended May 31, 2023 and 2022, respectively. Additionally, during 2023, the University's Board of Trustees voted to allow an administrative fee draw of up to 1.25% to be used to pay salaries, travel, and other expenses of the Foundation.

#### ***Return Objectives and Risk Parameters***

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy, in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and

**Mississippi College**  
**Notes to Financial Statements**  
**May 31, 2023 and 2022**

dividends). The University targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The University had the following endowment-related activities as follows:

**Year Ended May 31, 2023**

Endowment net assets, June 1, 2022	<u>\$ 93,536,425</u>
Investment return	
Investment income (expense), net	(519,390)
Unrealized and realized gains	<u>511,615</u>
Total investment return	(7,775)
Contributions	568,236
Amount appropriated for expenditure	<u>(3,258,184)</u>
Endowment net assets, May 31, 2023	<u><u>\$ 90,838,702</u></u>

**Year Ended May 31, 2022**

Endowment net assets, June 1, 2021	<u>\$ 99,527,049</u>
Investment return	
Investment income (expense), net	497,685
Unrealized and realized losses	<u>(3,890,962)</u>
Total investment return	(3,393,277)
Contributions	813,941
Amount appropriated for expenditure	<u>(3,411,288)</u>
Endowment net assets, May 31, 2022	<u><u>\$ 93,536,425</u></u>

**Mississippi College**  
**Notes to Financial Statements**  
**May 31, 2023 and 2022**

**Note 17: Net Assets**

***Net Assets With Donor Restrictions***

Net assets with donor restrictions at May 31 were as follows:

	<b>2023</b>	<b>2022</b>
Subject to expenditure for specified purpose		
Capital projects	\$ 1,044,385	\$ 2,035,146
Educational programs	8,927,280	13,748,348
Financial aid	9,128,674	7,301,139
Endowment pledges	1,000	1,000
	<u>19,101,339</u>	<u>23,085,633</u>
Subject to the passage of time		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	<u>2,287,473</u>	<u>2,387,110</u>
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Financial aid	16,354,727	18,869,232
Educational programs	4,271,017	4,816,485
Any activities of the University	1,028,066	1,175,642
	<u>21,653,810</u>	<u>24,861,359</u>
Subject to University endowment spending policy and appropriation		
Financial aid	55,224,341	54,512,939
Educational programs	10,157,504	10,296,649
Any activities of the University	3,803,047	3,865,478
	<u>69,184,892</u>	<u>68,675,066</u>
Total endowments	<u>90,838,702</u>	<u>93,536,425</u>
Not subject to spending policy or appropriation		
Beneficial interest in external trusts	<u>8,151,863</u>	<u>8,726,109</u>
	<u>\$ 120,379,377</u>	<u>\$ 127,735,277</u>

**Mississippi College**  
**Notes to Financial Statements**  
**May 31, 2023 and 2022**

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions at May 31 were as follows:

	<u>2023</u>	<u>2022</u>
Designated for self-funded insurance plan	\$ 1,535,647	\$ 2,178,034
Undesignated	<u>93,156,967</u>	<u>88,954,125</u>
	<u>\$ 94,692,614</u>	<u>\$ 91,132,159</u>

**Net Assets Released from Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors. Net assets released from restrictions consist of the following during the years ended May 31, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions		
Instruction and other support	\$ 6,884,826	\$ 7,955,933
Financial aid	4,999,633	4,809,242
Capital acquisitions	<u>1,861,957</u>	<u>291,929</u>
	<u>\$ 13,746,416</u>	<u>\$ 13,057,104</u>

**Note 18: Commitments and Contingencies**

The University receives grants under various federal and state sponsored programs. Specific requirements are to be met by the University concerning the grants, the most common being maintenance of a proper level of documentation.

The programs are subject to audit by either the agency administering the program or another agency. The University believes a repayment amount, if any, would not be material to its financial position or results of operations.

The University is involved in various legal proceedings and claims that arise in the ordinary course of its business. While the result of any litigation contains an element of uncertainty, the University believes that the outcome of any known, pending, or threatened legal proceeding will not have a material adverse effect on its financial statements.



**Mississippi College**  
**Notes to Financial Statements**  
**May 31, 2023 and 2022**

**Note 19: Liquidity and Availability**

The following table represents the University's financial assets as of May 31, reduced by amounts not available for general use because of contractual, donor-imposed restrictions, or board designations within one year of the statements of financial position date. Student loans receivable are not included in the analysis, as principal and interest on these loans are used solely to make new loans and are, therefore, not available to meet current operating needs. The financial assets included in other assets are not included in the analysis, as they are not available to meet current operating needs.

	<u>2023</u>	<u>2022</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 31,069,864	\$ 43,218,102
Accounts receivable, net	1,120,201	655,796
Loans receivable, net	226,221	386,140
Investments	106,518,174	103,477,682
Contributions receivable, net	2,509,934	3,006,027
Beneficial interest in external trusts	<u>8,438,902</u>	<u>9,008,979</u>
	149,883,296	159,752,726
Less amounts not available to be used within one year		
Restricted by donors with purpose restrictions	(6,747,266)	(14,831,119)
Subject to appropriation and satisfaction of donor restrictions	(90,838,702)	(93,536,425)
Noncurrent investments	(5,580,358)	(3,151,511)
Assets held in trust by others	(8,338,902)	(8,908,979)
Contributions receivable due in greater than one year or subject to purpose restrictions	(2,409,934)	(2,906,027)
Board designated for self-funded insurance	<u>(1,535,647)</u>	<u>(1,798,560)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 34,432,487</u>	<u>\$ 34,620,105</u>

The University's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$19,800,000). The University considers general expenditures to include program services, supporting services, and any other commitments or liabilities to be paid in the subsequent year without donor restricted funds. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. The University also operates with a balanced budget and anticipates collecting sufficient revenue to cover all general expenditures. In addition to financial assets available to meet general expenditures within one year, the University released \$8,386,783 during the year ended May 31, 2023 and anticipates releasing approximately \$5,000,000 during the year ended May 31, 2024 from donor-restricted and board-designated financial assets.

**Mississippi College**  
**Notes to Financial Statements**  
**May 31, 2023 and 2022**

The University has other assets limited to use for donor-restricted purposes, endowed investments and board-designated assets. These assets limited to use, which are more fully described in *Note 17*, are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

The University also has a \$7,500,000 line of credit available, as discussed in more detail in *Note 11*. No amounts were outstanding at May 31, 2023 and 2022.

**Note 20: U.S. Department of Education Financial Responsibility Information**

The following information is required by the U.S. Department of Education for the year ended May 31, 2023.

Property, plant, and equipment, net of accumulated depreciation - pre-implementation	\$ 83,701,533
Buildings	5,321,531
Less accumulated depreciation	<u>(590,917)</u>
Property, plant, and equipment, including construction in progress, net of accumulated depreciation - post-implementation with outstanding debt for original purchase	4,730,614
Property, plant, and equipment, including construction in progress, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	<u>18,700,514</u>
Total property, plant and equipment, net	<u><u>\$ 107,132,661</u></u>
Long-term debt obtained for long-term purposes - pre-implementation	\$ 9,518,862
Long-term debt obtained for long-term purposes - post-implementation	<u>5,056,849</u>
	<u><u>\$ 14,575,711</u></u>

**Mississippi College**  
**Notes to Financial Statements**  
**May 31, 2023 and 2022**

**Note 21: Subsequent Events**

The University has evaluated subsequent events through September 6, 2023, which is the date the financial statements were available to be issued.

During the prior two Regular Legislative Sessions of the Mississippi Legislature, the State of Mississippi awarded \$16,000,000 to the City of Clinton in the form of grants to fund infrastructure improvements for economic development purposes on a parcel of property across the highway from the southernmost boundary of the University's Clinton campus. A portion of the parcel of property is owned by the University. At this time, there are no estimates available for potential economic impacts for the University.

## **Supplementary Information**

**Mississippi College**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended May 31, 2023**

<b>Federal Grantor/Pass-Through Grantor Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Amount Passed Through to Subrecipients</b>	<b>Total Expenditures</b>
Student Financial Assistance Cluster				
U.S. Department of Education				
Federal Supplemental Educational Opportunity Grants	84.007		\$ -	\$ 322,367
Federal Work-Study Program	84.033		-	403,923
Federal Perkins Loan Program	84.038		-	58,346
Federal Pell Grant Program	84.063		-	3,282,250
Federal Direct Student Loans	84.268		-	39,112,514
Teacher Education Assistance for College and Higher Education Grants	84.379		-	107,568
U.S. Department of Health and Human Services				
Nursing Student Loans	93.364		-	14,891
Total Student Financial Assistance Cluster			-	43,301,859
Education Stabilization Fund				
U.S. Department of Education				
COVID-19 - Higher Education Emergency Relief Fund - Student Portion	84.425E		-	1,051,840
Passed through the State of Mississippi				
COVID -19 - Governor's Emergency Education Relief Fund	84.425C	GEER-00039	-	889,379
Total Education Stabilization Fund			-	1,941,219
U.S. Department of Education				
Business and Internatial Education Projects	84.153		-	50,433
Total U.S. Department of Education			-	45,293,511
Research and Development Cluster				
U.S. Department of Health and Human Services				
Passed through University of Southern Mississippi				
Biomedical Research and Research Training	93.859	P20GM103476	-	48,168
Total Research and Development Cluster			-	48,168
U.S. Department of the Interior				
Passed through University of Southern Mississippi				
Cultural Resources Management	15.946	P19AC01171	-	39,481
Total Passed through University of Southern Mississippi			-	87,649
Total Expenditures			\$ -	\$ 45,381,160

See accompanying Notes to Schedule of Expenditures of Federal Awards

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# Mississippi College

## Notes to Schedule of Expenditures of Federal Awards

### Year Ended May 31, 2023

#### Note 1: Basis of Accounting

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Mississippi College (the University) under programs of the federal government for the year ended May 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University.

#### Note 2: Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

#### Note 3: Federal Direct Student Loans

During the year ended May 31, 2023, the University processed the following amount of new loans under the Federal Direct Student Loans Program:

Program Title	Federal Assistance Listing Number	Amount Expended
Subsidized Stafford loans	84.268	\$ 2,740,797
Unsubsidized Stafford loans	84.268	21,723,445
Graduate PLUS loans	84.268	12,798,036
Parents' loans for undergraduate students	84.268	1,850,236
		<u>\$ 39,112,514</u>

The University is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program and, accordingly, these loans are not included on the University's financial statements; furthermore, it is not practical to determine the balance of loans outstanding to students and former students of the University under these programs at May 31, 2023.

**Mississippi College**  
**Notes to Schedule of Expenditures of Federal Awards (Continued)**  
**Year Ended May 31, 2023**

**Note 4: Federal Perkins Loan Program**

The Federal Perkins Loan Program is administered directly by the University, and balances and transactions relating to these programs are included in the University's financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at May 31, 2023 was \$28,604.

**Note 5: Nursing Student Loans**

The Nursing Student Loan Program is administered directly by the University, and balances and transactions relating to these programs are included in the University's financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at May 31, 2023 was \$10,634.

**Mississippi College**  
**U.S. Department of Education**  
**Financial Responsibility Supplemental Schedule**  
**Year Ended May 31, 2023**

Ratio Element	Reference to Financial Statements and/or Notes	
<b>Primary Reserve Ratio</b>		
<b>Expendable Net Assets</b>		
Net assets without donor restrictions	Statement of Financial Position	\$ 94,692,614
Net assets with donor restrictions	Statement of Financial Position	120,379,377
Subject to University endowment spending policy and appropriation	<i>Note 17</i>	69,184,892
Beneficial interest in external trusts	<i>Note 17</i>	8,151,863
Net assets with donor restrictions - restricted in perpetuity		<u>77,336,755</u>
Unsecured related-party receivables	<i>Note 6</i>	56,000
Post-employment and defined benefit pension plan liabilities	Statement of Financial Position	16,767,140
Property, plant and equipment, net of accumulated depreciation pre-implementation	<i>Note 20</i>	83,701,533
Property, plant and equipment, including construction in progress, net of accumulated depreciation - post-implementation with outstanding debt for original purchase	<i>Note 20</i>	4,730,614
Property, plant and equipment, including construction in progress, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	<i>Note 20</i>	<u>18,700,514</u>
Total property, plant and equipment, net		107,132,661
Long-term debt obtained for long-term purposes-pre-implementation	<i>Note 20</i>	9,518,862
Long-term debt obtained for long-term purposes-post-implementation	<i>Note 20</i>	5,056,849
<b>Total Expenses and Losses</b>		
Total expenses without donor restrictions	Statement of Activities	79,192,960
<b>Equity Ratio</b>		
<b>Modified Net Assets</b>		
Net assets without donor restrictions	Statement of Financial Position	94,692,614
Net assets with donor restrictions	Statement of Financial Position	120,379,377
Unsecured related-party receivables	<i>Note 6</i>	56,000
<b>Modified Assets</b>		
Total assets	Statement of Financial Position	259,728,007
Unsecured related-party receivables	<i>Note 6</i>	56,000
<b>Net Income Ratio</b>		
Change in net assets without donor restrictions	Statement of Activities	3,560,455
Total revenue and gains without donor restrictions	Statement of Activities	82,753,415





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**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**

**Independent Auditor's Report**

Management, Board of Trustees and Audit Committee  
Mississippi College  
Clinton, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Mississippi College (the University), which comprise the University's statement of financial position as of May 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 6, 2023.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FORVIS, LLP**

Jackson, Mississippi  
September 6, 2023



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## **Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance**

### **Independent Auditor's Report**

Management, Board of Trustees and Audit Committee  
Mississippi College  
Clinton, Mississippi

#### **Report on Compliance for Each Major Federal Program**

##### ***Opinion on Each Major Federal Program***

We have audited Mississippi College's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended May 31, 2023. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2023.

##### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

##### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**FORVIS, LLP**

Jackson, Mississippi  
September 6, 2023

**Mississippi College**  
**Schedule of Findings and Questioned Costs**  
**Year Ended May 31, 2023**

**Section I - Summary of Auditor's Results**

*Financial Statements*

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

☒ Unmodified      ☐ Qualified      ☐ Adverse      ☐ Disclaimer

2. Internal control over financial reporting:

Significant deficiency(ies) identified?      ☐ Yes    ☒ None reported

Material weakness(es) identified?      ☐ Yes    ☒ No

3. Noncompliance material to the financial statements noted?

☐ Yes    ☒ No

*Federal Awards*

4. Internal control over major federal awards programs:

Significant deficiency(ies) identified?      ☐ Yes    ☒ None reported

Material weakness(es) identified?      ☐ Yes    ☒ No

5. Type of auditor's report issued on compliance for major federal programs:

☒ Unmodified      ☐ Qualified      ☐ Adverse      ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)?    ☐ Yes    ☒ No

**Mississippi College**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended May 31, 2023**

7. Identification of major federal programs:

<b>Assistance Listing Number</b>	<b>Name of Federal Program or Cluster</b>
	Student Financial Assistance Cluster
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.379	Teacher Education Assistance for College and Higher Education Grants
93.364	Nursing Student Loans
84.425 E and C	Education Stabilization Fund

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

9. Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

**Section II – Financial Statement Findings**

No matters are reportable.

**Section III – Federal Award Findings and Questioned Costs**

No matters are reportable.

**Mississippi College**  
**Summary Schedule of Prior Year Findings**  
**Year Ended May 31, 2023**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
No matters are reportable.		



**Mississippi College**  
**Statements of Net Assets Without Donor Restrictions,**  
**Exclusive of Plant and Plant Related Debt (Unaudited)**  
**Years Ended May 31, 2023, 2022, and 2021**

	2023	2022	2021
Net assets without donor restrictions	\$ 94,692,614	\$ 91,132,159	\$ 91,827,109
Less plant assets	(107,132,661)	(105,323,619)	(104,736,503)
Add plant related debt	17,347,649	19,101,256	15,973,700
Net assets without donor restrictions, exclusive of plant and debt	<u>\$ 4,907,602</u>	<u>\$ 4,909,796</u>	<u>\$ 3,064,306</u>
Student income	\$ 41,394,637	\$ 43,593,113	\$ 45,054,552
Contributions and grants - operating	2,447,661	2,834,575	3,980,505
Auxiliary enterprises	14,986,951	14,630,070	15,206,272
Investment return	1,259,322	185,977	772,472
Sales and services	33,874	33,539	33,867
Other income	1,794,763	1,702,563	1,023,869
Net assets released from restrictions	11,884,459	12,765,175	12,737,492
Total revenues	<u>73,801,667</u>	<u>75,745,012</u>	<u>78,809,029</u>
Instructional	33,520,028	33,988,976	33,975,819
Academic support	4,058,971	3,809,203	3,652,172
Student services	12,477,981	12,891,207	13,554,153
Auxiliary services	7,964,192	7,567,501	15,232,699
Student aid	5,007,683	6,232,631	5,028,552
Institutional support	16,164,105	15,088,843	7,365,071
Total expenses	79,192,960	79,578,361	78,808,466
Other changes	(8,951,748)	(3,138,399)	(5,270,253)
Subtotal expenses and other changes	70,241,212	76,439,962	73,538,213
Add additions to property and construction in process (CIP)	8,628,001	7,179,088	5,452,181
Add payments of long-term debt related to property and CIP	1,764,927	12,406,562	1,508,104
Less proceeds from sale of property	-	3,050	-
Less depreciation and amortization	(6,830,279)	(6,706,153)	(6,390,641)
Less issuance of long-term debt	-	(15,422,987)	(6,000,000)
Total expenses	<u>73,803,861</u>	<u>73,899,522</u>	<u>68,107,857</u>
Change in net assets without donor restrictions, exclusive of plant and debt	<u>\$ (2,194)</u>	<u>\$ 1,845,490</u>	<u>\$ 10,701,172</u>

# WILLIAM CAREY UNIVERSITY

Ben Burnett, President

## YEAR IN REVIEW:

### July 2022

- Carey Athletics launched a new website, [www.GoWCUCrusaders.com](http://www.GoWCUCrusaders.com).
- Winters School of Music completed work on Tuscan Studios, a state-of-the-art sound studio.
- Dr. Kim Benton was selected to serve as Mississippi Interim State Superintendent of Education.
- College of Health Sciences introduced a “Second Degree” scholarship to allow undergraduate nursing, pre-pharmacy, and pre-physical therapy students with previous bachelor’s degrees to pursue these fields.

### August 2022

- WCU posted a modest enrollment increase for the fall – enough to break records for a third straight year.
- College of Osteopathic Medicine joined the country’s Top 100 Medical Schools in both rankings used by U.S. News & World Report to choose the best overall medical schools, “Primary Care” and “Research.”
- Baptist Student Union staff and 60 students went to an annual retreat at Harvest Ministries in Carson, Miss.
- Dr. Ben Burnett assumed his new duties as president of William Carey University on Aug. 16.
- Carey faculty/staff members began visiting Southern Baptist churches to thank them for their support.

### September 2022

- Baptist Student Union now hosts monthly chapel at WCU-Tradition campus. More than 70 people attend the services. They’re treated to free lunch, and pastors from six Gulf Coast churches deliver the devotions.
- School of Natural & Behavioral Sciences received a \$25,000 grant for curriculum and lab improvements to better prepare chemistry majors to enter pharmacy school.
- WCU offered K-12 teachers a free, online class to help them renew their Mississippi Educator Licenses.
- Cooper School of Missions & Ministry Studies hosted the 2022 CRV Banquet. There were 47 Church-Related Vocation students. Of these, 45 received Board of Ministerial Education aid from the MBCB.

### **October 2022**

- Dr. Ben Burnett was formally inaugurated as the 10<sup>th</sup> president of William Carey University.
- WCU hosted its 11th Annual Scholarship Dinner at Lake Terrace Convention Center, where 900 people gathered to hear guest speaker Tim Tebow.

### **November 2022**

- Dr. Rebekah Naylor of the International Mission Board visited for three days to talk about being an overseas medical missionary and how William Carey students and faculty can get involved. The first WCU-IMB overseas mission came in May 2023, when a WCU physical therapy/nursing team served at a rural clinic in Angola.

### **December 2022**

- “William Carey Wednesday” debuted on WDAM-TV – weekly, two-minute segments about the Hattiesburg campus. And it wasn’t long until WCU’s Biloxi campus launched “Tradition Tuesday” on WLOX-TV.
- William Carey University presented “Carey by Candlelight” during the Christmas season.

### **January 2023**

- WCU opened a new “Student Success Center” at King Student Center. It offers services like academic coaching, tutoring, career services, and workshops. Students can also consult two new mental health counselors.
- WCU School of Nursing introduced a hybrid “LPN to RN” program, making it possible for LPNs in Mississippi and Alabama to complete a bachelor’s degree in nursing while continuing to work at their current jobs.

### **February 2023**

- WCU launched an online apparel store with affordable choices for athletic teams and academic departments.

### **March 2023**

- WCU announced “Making College Affordable” – a major restructuring of its financial aid program. Starting in fall 2023, it means an average increase of 40 percent in scholarship amounts awarded to undergraduate students, free textbooks, and no tuition increase over fall 2022.
- WCU School of Education and PREPS hosted the 3<sup>rd</sup> Annual Rural Teacher of the Year awards.

- College of Health Sciences announced two new graduate programs for fall 2023: 1) master of science in health informatics & information management; and 2) practice doctorate to PhD in healthcare education.
- School of Pharmacy students and faculty went on a week-long mission trip to Guatemala as part of Christian Pharmacy Fellowship International. They served more than 1,000 people with medicine and vaccinations.
- Twenty students served during the BSU's spring break mission trip to Baltimore, Maryland.

### **April 2023**

- The WCU debate team clinched a national championship title during the 2023 National Team IPDA Tournament. IPDA stands for International Public Debate Association.
- Dr. Melissa Stephens of the WCU College of Osteopathic Medicine received the 2023 Evelyn Gandy Women's Leadership Award during the Mississippi Pinnacle Awards.
- WCU School of Pharmacy students received an Outstanding Professional Development Award from the ASHP Pharmacy Student Forum. It was one of only 25 chapters nationwide to receive this honor.

### **May 2023**

- For the second consecutive year, U.S. News & World Report ranked WCU College of Osteopathic Medicine No. 1 nationwide in producing the highest percentage of graduates serving in rural areas.
- The College of Osteopathic Medicine received a \$20 million infrastructure grant through AccelerateMS to build and establish a new Institute of Primary Care at the Hattiesburg campus.
- WCU baseball team ended its season with an overall record of 49-11 and 22-2 in conference play. The Crusaders hosted and won a national regional tournament and made it to the semifinals of the National Association of Intercollegiate Athletics World Series in Idaho – where Coach Halford picked up his 1,300th career win.
- Carey Athletics announced it will add three sports to its 2024-25 lineup. Men's and women's swimming will be based at WCU's Tradition/Biloxi campus. Competitive cheerleading will be based in Hattiesburg.
- WCU's Ph.D. in Nursing program earned a No. 5 national ranking from RegisteredNursing.org.
- The BSU sent 10 summer missionaries to four U.S. states and five international locations.

- WCU's undergraduate elementary education program was among only 160 in the U.S. to earn an "A" from the National Council on Teacher Quality for scientifically based reading instruction for elementary teacher candidates.

### **June 2023**

- For the seventh straight year, Carey Athletics won the Southern States Athletic Conference Commissioner's Cup.
- WCU Worship Choir & Band led worship at the Southern Baptist Convention 2023 Pastors' Conference in New Orleans. Dr. Ben Burnett delivered the conference's closing prayer.

### **Over the Summer**

- William Carey was voted "Best Place to Work" for the second year in a row in the Best of the Pine Belt contest – and student ensemble Thomas Hall won in the "Best Local Band" category.
- WCU announced the COM Direct Admission program, a partnership between the College of Osteopathic Medicine and the School of Natural & Behavioral Sciences that gives qualified undergraduate students the opportunity to earn guaranteed admission to the medical school.
- WCU's Doctor of Pharmacy program earned "Continued Accreditation" status through June 30, 2027.
- Carey Athletics broke ground for the Bobby Halford Fieldhouse to support the baseball and softball teams.
- WCU and Pearl River Community College signed an agreement to allow PRCC students to live in WCU dorms.
- WCU received a \$2.1 million grant from the U.S. Department of Education for a teacher residency program to create classroom teachers highly qualified in STEM areas – Science, Technology, Engineering and Mathematics.
- Carey Dinner Theatre presented "Pin-Up Girls" to sold-at houses.

### **By the numbers: Cooper School of Missions & Ministry Studies**

- Seven Christian Studies students interned with SBC churches and entities this past year.
- Thirteen Intercultural Studies students interned in North America, Asia, Europe, South America, and Africa.
- The first cohort in the Master of Arts in Christian Theology graduated in Spring 2023.
- Dr. Brett Golson and Dr. Brandon Knight created and co-hosted nine episodes of a new podcast, "Holding the Ropes," which addresses issues related to ministry and missions.

**WILLIAM CAREY UNIVERSITY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Years Ended June 30, 2022 and 2023**

# **WILLIAM CAREY UNIVERSITY**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
 William Carey University  
 Hattiesburg, Mississippi

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of William Carey University, which comprise the statements of financial position as of June 30, 2022 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of William Carey University as of June 30, 2022 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of William Carey University 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.

#### Responsibilities of Management for the Financial Statements

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



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To the Board of Trustees  
William Carey University  
Hattiesburg, Mississippi

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about William Carey University's ability to continue as a going concern for one year after the date that the financial statements are issued.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of William Carey University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about William Carey University'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.

To the Board of Trustees  
William Carey University  
Hattiesburg, Mississippi

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Schedule 1, as required by the Department of Education Title IV *Financial Responsibility Standards*, and Schedule 2, as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are 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 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, Schedules 1 and 2 are fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2023 on our consideration of William Carey University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of William Carey University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering William Carey University's internal control over financial reporting and compliance.



Hattiesburg, Mississippi  
September 13, 2023

## ***FINANCIAL STATEMENTS***

EXHIBIT A

**WILLIAM CAREY UNIVERSITY**

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2022**

	<b>ASSETS</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 18,940,368	\$ 5,571,047	\$ 24,511,415
Receivables, net	6,808,658	1,163,000	7,971,658
Prepaid expenses	341,691	-	341,691
Endowment investments	4,790,228	23,609,280	28,399,508
Other assets	1,581,621	-	1,581,621
Deferred compensation asset	2,245,519	-	2,245,519
Right of use - finance lease	77,478	-	77,478
Property, plant and equipment, net	187,156,385	-	187,156,385
<b>Total assets</b>	<b>\$ 221,941,948</b>	<b>\$ 30,343,327</b>	<b>\$ 252,285,275</b>
	<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>			
Accounts payable	\$ 941,192	\$ -	\$ 941,192
Accrued liabilities	143,679	-	143,679
Deferred compensation liability	2,245,519	-	2,245,519
Deferred revenue and student refunds	4,343,522	-	4,343,522
Lease obligations - finance lease	81,660	-	81,660
Notes and bonds payable	44,320,416	-	44,320,416
<b>Total liabilities</b>	<b>52,075,988</b>	<b>-</b>	<b>52,075,988</b>
<b>NET ASSETS</b>	<b>169,865,960</b>	<b>30,343,327</b>	<b>200,209,287</b>
<b>Total liabilities and net assets</b>	<b>\$ 221,941,948</b>	<b>\$ 30,343,327</b>	<b>\$ 252,285,275</b>

The accompanying notes are an integral part of these financial statements.

EXHIBIT B

**WILLIAM CAREY UNIVERSITY**

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2023**

<b>ASSETS</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 20,507,196	\$ 4,479,254	\$ 24,986,450
Receivables, net	6,160,122	756,713	6,916,835
Prepaid expenses	225,587	-	225,587
Endowment investments	5,189,836	25,706,855	30,896,691
Other assets	1,622,950	-	1,622,950
Deferred compensation asset	2,444,613	-	2,444,613
Right of use - finance lease	35,258	-	35,258
Property, plant and equipment, net	184,146,059	-	184,146,059
<b>Total assets</b>	<b>\$ 220,331,621</b>	<b>\$ 30,942,822</b>	<b>\$ 251,274,443</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,193,303	\$ -	\$ 1,193,303
Accrued liabilities	93,753	-	93,753
Deferred compensation liability	2,444,613	-	2,444,613
Deferred revenue and student refunds	3,168,369	2	3,168,371
Lease obligations - finance lease	38,267	-	38,267
Notes and bonds payable	42,229,564	-	42,229,564
<b>Total liabilities</b>	<b>49,167,869</b>	<b>2</b>	<b>49,167,871</b>
<b>NET ASSETS</b>	<b>171,163,752</b>	<b>30,942,820</b>	<b>202,106,572</b>
<b>Total liabilities and net assets</b>	<b>\$ 220,331,621</b>	<b>\$ 30,942,822</b>	<b>\$ 251,274,443</b>

The accompanying notes are an integral part of these financial statements.

EXHIBIT C

**WILLIAM CAREY UNIVERSITY**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Tuition:			
Undergraduate	\$ 16,285,330	\$ 2,059	\$ 16,287,389
Graduate	13,010,925	-	13,010,925
College of Medicine & Master of Biomedical Sciences	23,299,663	-	23,299,663
Physical Therapy & Pharmacy	7,780,208	-	7,780,208
Student fees	4,364,414	14,550	4,378,964
Net tuition and fees	64,740,540	16,609	64,757,149
Gifts and grants	4,170,146	4,797,250	8,967,396
Auxiliary income	3,357,977	124,127	3,482,104
Net assets released from donor restrictions	2,343,605	(2,343,605)	-
Total operating revenues	74,612,268	2,594,381	77,206,649
<b>OPERATING EXPENSES</b>			
Program			
Instructional:			
Regular	19,045,009	-	19,045,009
College of Medicine & Master of Biomedical Sciences	14,052,323	-	14,052,323
Physical Therapy & Pharmacy	4,946,372	-	4,946,372
Support:			
Academic	1,170,280	-	1,170,280
Student	3,461,479	-	3,461,479
Auxiliary	5,773,994	-	5,773,994
Total program	48,449,457	-	48,449,457
Management and general:			
Institutional support	9,168,246	-	9,168,246
Facilities	5,746,681	-	5,746,681
Depreciation and amortization expense	10,261,012	-	10,261,012
Total management and general	25,175,939	-	25,175,939
Fundraising	701,601	-	701,601
Total operating expenses	74,326,997	-	74,326,997
<b>Increase in net assets from operating activities</b>	285,271	2,594,381	2,879,652

The accompanying notes are an integral part of these financial statements.

EXHIBIT C  
PAGE TWO

**WILLIAM CAREY UNIVERSITY**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>NON-OPERATING REVENUES</b>			
Investment return	\$ (143,222)	\$ (4,506,787)	\$ (4,650,009)
Other income	6,855,618	1,025,565	7,881,183
Net assets released from donor restrictions	463,991	(463,991)	-
Total non-operating revenues	<u>7,176,387</u>	<u>(3,945,213)</u>	<u>3,231,174</u>
<b>NON-OPERATING EXPENSES</b>			
Management and general			
Other expense	6,957,532	-	6,957,532
Interest expense	1,067,212	-	1,067,212
Total non-operating expenses	<u>8,024,744</u>	<u>-</u>	<u>8,024,744</u>
<b><i>Decrease in net assets from non-operating activities</i></b>	<u>(848,357)</u>	<u>(3,945,213)</u>	<u>(4,793,570)</u>
<b><i>Change in Net Assets before Transfers</i></b>	<u>(563,086)</u>	<u>(1,350,832)</u>	<u>(1,913,918)</u>
<b>INTERFUND TRANSFERS</b>	<u>1,177,213</u>	<u>(1,177,213)</u>	<u>-</u>
<b><i>Change in Net Assets</i></b>	<u>614,127</u>	<u>(2,528,045)</u>	<u>(1,913,918)</u>
<b>NET ASSETS</b>			
Beginning of year	<u>169,251,833</u>	<u>32,871,372</u>	<u>202,123,205</u>
End of year	<u>\$ 169,865,960</u>	<u>\$ 30,343,327</u>	<u>\$ 200,209,287</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT D

**WILLIAM CAREY UNIVERSITY**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUES</b>			
Tuition:			
Undergraduate	\$ 12,810,838	\$ 16,962	\$ 12,827,800
Graduate	10,795,752	-	10,795,752
College of Medicine & Master of Biomedical Sciences	28,842,128	-	28,842,128
Physical Therapy & Pharmacy	7,798,818	-	7,798,818
Student fees	3,821,720	11,461	3,833,181
Net tuition and fees	64,069,256	28,423	64,097,679
Gifts and grants	3,083,081	4,672,921	7,756,002
Auxiliary income	3,575,052	134,881	3,709,933
Transfers for scholarships	1,977,960	(1,977,960)	-
Net assets released from donor restrictions	2,819,846	(2,819,846)	-
Total operating revenues	75,525,195	38,419	75,563,614
<b>OPERATING EXPENSES</b>			
Program			
Instructional:			
Regular	19,646,208	-	19,646,208
College of Medicine & Master of Biomedical Sciences	15,298,885	-	15,298,885
Physical Therapy & Pharmacy	4,857,317	-	4,857,317
Support:			
Academic	1,156,458	-	1,156,458
Student	4,255,720	-	4,255,720
Auxiliary	6,338,801	-	6,338,801
Total program	51,553,389	-	51,553,389
Management and general			
Institutional support	10,957,906	-	10,957,906
Facilities	6,057,069	-	6,057,069
Depreciation and amortization expense	6,285,185	-	6,285,185
Total management and general	23,300,160	-	23,300,160
Fundraising	579,605	-	579,605
Total operating expenses	75,433,154	-	75,433,154
<b>Increase in net assets from operating activities</b>	92,041	38,419	130,460

The accompanying notes are an integral part of these financial statements.



EXHIBIT D  
PAGE TWO

**WILLIAM CAREY UNIVERSITY**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>NON-OPERATING REVENUES</b>			
Investment return	\$ 643,725	\$ 1,748,602	\$ 2,392,327
Other income	1,559,460	736,324	2,295,784
Net assets released from donor restrictions	17,934	(17,934)	-
Total non-operating revenues	<u>2,221,119</u>	<u>2,466,992</u>	<u>4,688,111</u>
<b>NON-OPERATING EXPENSES</b>			
Management and general			
Other expense	1,788,854	-	1,788,854
Interest expense	1,132,432	-	1,132,432
Total non-operating expenses	<u>2,921,286</u>	<u>-</u>	<u>2,921,286</u>
<b><i>Increase (decrease) in net assets from non-operating activities</i></b>	<u>(700,167)</u>	<u>2,466,992</u>	<u>1,766,825</u>
<b><i>Change in Net Assets before Transfers</i></b>	(608,126)	2,505,411	1,897,285
<b>INTERFUND TRANSFERS</b>	<u>1,905,918</u>	<u>(1,905,918)</u>	<u>-</u>
<b><i>Change in Net Assets</i></b>	1,297,792	599,493	1,897,285
<b>NET ASSETS</b>			
Beginning of year	<u>169,865,960</u>	<u>30,343,327</u>	<u>200,209,287</u>
End of year	<u>\$ 171,163,752</u>	<u>\$ 30,942,820</u>	<u>\$ 202,106,572</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT E

**WILLIAM CAREY UNIVERSITY**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2022**

	<b>Total</b>	<b>Program</b>	<b>Management &amp; General</b>	<b>Fundraising</b>
Salaries and wages	\$ 34,916,721	\$ 30,091,161	\$ 4,528,099	\$ 297,461
Retirement	1,498,976	1,196,368	290,686	11,922
Other employee benefits	4,177,574	3,209,262	913,123	55,189
Payroll taxes	2,392,628	2,059,398	308,030	25,200
Advertising and promotion	451,993	182,687	253,772	15,534
Office expenses	145,687	117,529	26,066	2,092
Travel	868,272	815,152	47,477	5,643
Interest	1,067,212	-	1,067,212	-
Depreciation and amortization	10,261,012	-	10,261,012	-
Insurance	1,749,457	354,196	1,395,261	-
Unrelated business income tax	29,126	-	29,126	-
Other	24,793,083	10,423,704	14,080,819	288,560
<b>Total</b>	<b>\$ 82,351,741</b>	<b>\$ 48,449,457</b>	<b>\$ 33,200,683</b>	<b>\$ 701,601</b>

The accompanying notes are an integral part of these financial statements.

EXHIBIT F

**WILLIAM CAREY UNIVERSITY**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2023**

	<u>Total</u>	<u>Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>
Salaries and wages	\$ 35,214,697	\$ 30,189,883	\$ 4,779,401	\$ 245,413
Retirement	1,521,475	1,210,796	300,183	10,496
Other employee benefits	4,412,123	3,397,306	976,267	38,550
Payroll taxes	2,409,705	2,051,799	338,182	19,724
Advertising and promotion	785,182	302,243	474,390	8,549
Office expenses	114,142	88,521	23,974	1,647
Travel	1,149,711	1,099,220	45,814	4,677
Interest	1,132,644	-	1,132,644	-
Depreciation and amortization	6,285,185	-	6,285,185	-
Insurance	2,076,931	363,278	1,713,653	-
Unrelated business income tax	35,577	-	35,577	-
Other	23,217,068	12,850,343	10,116,176	250,549
<b>Total</b>	<u><u>\$ 78,354,440</u></u>	<u><u>\$ 51,553,389</u></u>	<u><u>\$ 26,221,446</u></u>	<u><u>\$ 579,605</u></u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT G

**WILLIAM CAREY UNIVERSITY**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2022 AND 2023**

	June 30,	
	2022	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,913,918)	\$ 1,897,285
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	10,276,974	6,301,148
Net realized loss (gain) on sale of investments	(358,446)	187,175
Unrealized (gain) loss on investments	5,867,085	(1,305,629)
Loss on involuntary conversion of property, plant, and equipment	1,534	-
Gain on termination of lease	(259)	-
Cash contributions restricted for long-term investment	(1,480,708)	(709,043)
(Increase) decrease in:		
Receivables	37,455	1,054,824
Prepaid expenses	(218,903)	116,104
Other assets	(22,533)	(41,329)
Deferred compensation asset	217,298	(199,094)
Increase (decrease) in:		
Accounts payable	(1,045,055)	252,111
Accrued liabilities	(518,901)	(49,924)
Deferred compensation liability	(217,298)	199,094
Deferred revenue and student refunds	(247,465)	(1,175,153)
Net cash provided by operating activities	<u>10,376,860</u>	<u>6,527,569</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(8,419,578)	(3,232,639)
Purchase of endowment investments	(7,087,225)	(1,685,468)
Proceeds from sale of endowment investments	404,501	306,738
Net cash used by investing activities	<u>(15,102,302)</u>	<u>(4,611,369)</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT G  
PAGE TWO

**WILLIAM CAREY UNIVERSITY**

**STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2022 AND 2023**

	<b>June 30,</b>	
	<b>2022</b>	<b>2023</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from gifts restricted for endowment	\$ 1,480,708	\$ 709,043
Payments on finance lease liabilities	(48,064)	(43,393)
Payments on long-term debt	(1,866,579)	(2,106,815)
Net cash used by financing activities	(433,935)	(1,441,165)
<b>NET INCREASE (DECREASE) IN CASH</b>	(5,159,377)	475,035
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	29,670,792	24,511,415
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 24,511,415</u>	<u>\$ 24,986,450</u>
<b>Displayed as:</b>		
Cash and cash equivalents, without donor restrictions	\$ 18,940,368	\$ 20,507,196
Cash and cash equivalents, with donor restrictions	5,571,047	4,479,254
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 24,511,415</u>	<u>\$ 24,986,450</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	<u>\$ 1,051,249</u>	<u>\$ 1,116,681</u>
Income taxes paid	<u>\$ 29,126</u>	<u>\$ 35,577</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Capitalization of interest	<u>\$ 120,080</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

## ***NOTES TO FINANCIAL STATEMENTS***

## WILLIAM CAREY UNIVERSITY

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 AND 2023

#### **NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

##### *Principal Activity*

**Organization** - William Carey University (the University) is a private, coeducational institution of higher learning which was founded in 1892. The University operates campuses in Hattiesburg, Mississippi, Biloxi, Mississippi and Baton Rouge, Louisiana. The majority of the University's revenues come from student tuition and fees. The University was incorporated as a not-for-profit corporation and is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code.

##### *Significant Accounting Policies*

**Basis of Presentation** - The University prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America (GAAP).

**Use of Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the University's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The University's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

**Net Assets** - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its organizational documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

**Net Assets With Donor Restrictions** - Net assets are subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**WILLIAM CAREY UNIVERSITY**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE TWO**

**YEARS ENDED JUNE 30, 2022 AND 2023**

***NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Cont.)***

***Classification of Transactions*** - All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

***Cash and Cash Equivalents*** - The University considers available bank balances, money market accounts, and other highly liquid investments with original maturities of three months or less as cash or cash equivalents. Cash is classified as either with or without donor restrictions. Cash with donor restrictions includes financial aid monies that the University has received but not disbursed and monies restricted for educational programs.

***Receivables*** - The University provides credit without collateral to students for charges such as tuition, books, fees, room and board. These receivables are stated at unpaid balances less allowances for doubtful accounts. The University provides for losses using the allowance method. The allowance is based on experience and other circumstances which may affect the ability of students to meet their obligations. Receivables are considered delinquent if full principal payments are not received in accordance with the contractual terms. It is the University's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Interest income is not accrued on outstanding accounts receivable.

***Short Term Investments*** - The University invests cash in excess of its immediate needs in money market funds and U.S. Government and Government Agency issues. Short term investments are reported at fair value. The investment policy specific to these investments is monitored by the Committee on Budget, Finance, Investments, and Audit of the University's Board of Trustees.

***Promises to Give*** - The University records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The University determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

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**WILLIAM CAREY UNIVERSITY**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE THREE**

**YEARS ENDED JUNE 30, 2022 AND 2023**

***NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Cont.)***

***Property, Plant and Equipment*** - Property and equipment are carried at cost or, if donated, at the estimated fair market value at the date of donation. The University uses cost and asset durability as determining factors for capitalization. Depreciation is expensed over the estimated useful life of depreciable assets, which is 15 years for land improvements, 20 to 60 years for buildings and improvements, 5 to 7 years for equipment and furniture and 20 years for library collections, and is computed using the straight line method. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Maintenance and repairs are charged to operations and significant purchases and improvements are capitalized. Property, plant and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Consistent with the accepted practice of not depreciating land, the FASB has declared that individual works of art or historical treasures whose economic benefit or service potential is not estimable should not be depreciated. The amounts included in other assets for these non-depreciable items were \$1,494,233 and \$1,542,187 as of June 30, 2022 and 2023, respectively.

Though William Carey University holds collections of various types, it is not the University's practice to deaccession any of the collection items, and it is not anticipated that any will be sold in the foreseeable future.

***Endowment and Long-term Investments*** - The University records purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return or loss is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses. Purchases and sales of investments are reported on the trade date. The investment and spending policies for the Endowment Fund are discussed in Note 5.

Endowment investments consist of investments purchased with the following resources:

- Donor-restricted perpetual endowments, which are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the University's activities.
- Board designated endowments are purchased with funds set aside by the University's Board of Trustees to support University activities.

Endowment investments also include investments purchased with unspent investment income and net gains on these resources.

**WILLIAM CAREY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**PAGE FOUR**  
**YEARS ENDED JUNE 30, 2022 AND 2023**

**NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Tuition and Fee Revenue** - The University recognizes revenue from student tuition and fees within the fiscal year in which educational services are provided. Payment is due in full by the Thursday before the term starts. Institutional aid, in the form of scholarships and grants-in-aid, reduces the price of tuition for students receiving such aid. As such, institutional aid is referred to as a tuition discount and represents the difference between the stated charges for tuition and fees and the amount that is billed to the student and/or third parties making payment on behalf of the student. Financial aid was provided to students in the amount of \$12,113,849 and \$14,901,214 for the years ended June 30, 2022 and 2023, respectively.

The University's summer term consists of ten instructional weeks offered during portions of June, July and August each year. Payments of tuition and housing for all of the summer terms are recognized as performance obligations are met. Because the academic term spans two reporting periods, a portion of the payments for the term is included in deferred revenue at June 30. Under Accounting Standards Codification (ASC) 606, contract liabilities are measured at the amount of consideration received from the student prior to services being delivered and are classified as deferred revenues (see Note 7).

**Auxiliary Services Revenue** - Auxiliary services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of auxiliary services is that they are managed as an essentially self-supporting activity.

Auxiliary services revenue includes revenues from contracts with customers to provide student housing and dining facilities, ticket sales for athletic and community events, a coffee house, a diner, and other miscellaneous activities. Payments for these services are due during the week prior to the start of the academic term. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, revenue from housing and dining services is recognized ratably as services are rendered. Ticket sales, coffee house, and diner revenue are recognized at the time of sale.

**Accounting for Contributions** - Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

**WILLIAM CAREY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**PAGE FIVE**  
**YEARS ENDED JUNE 30, 2022 AND 2023**

**NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

The University is a beneficiary under several donors' wills. Contributions from bequests are recognized as contributions receivable when the probate court declares that the will is valid, the University has an irrevocable right to the bequest, and the bequest amount may be calculated.

**Gifts-in-Kind Contributions** - The University receives contributions other than cash or investments. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use.

The University benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the University's program operations. However, the majority of the contributed services do not meet the criteria for recognition in the financial statements. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing those skills. The University did not receive any volunteer services meeting requirements for recognition for the years ended June 30, 2022 and 2023.

**Grant Revenue** - Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants.

**Functional Allocation of Expenses** - The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Advertising Costs** - Costs for advertising, including radio, television and newspaper advertisements, expensed as incurred. Total advertising costs for the years ended June 30, 2022 and 2023, were \$255,145 and \$458,611, respectively.

**Tax Status** - The University is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as "other than a private foundation". However, income from certain activities not directly related to the University's tax-exempt purpose is subject to taxation as unrelated business income.

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**NOTES TO FINANCIAL STATEMENTS**

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**YEARS ENDED JUNE 30, 2022 AND 2023**

**NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Deferred Financing Costs** - Deferred financing costs are being amortized over the life of the debt instrument, using the straight-line method. Pursuant to ASU 2015-03, amortization costs are included in interest expense and debt is presented net of these costs. See Note 10 - Notes and Bonds Payable, for additional information.

**Compensated Absences** - Employees are entitled to paid vacations, sick days and personal days off depending on length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. It is the University's policy to recognize the cost of compensated absences when actually paid.

**Change in Accounting Estimate** - On July 1, 2022, the University elected to change the useful life of buildings to 60 years, whereas in prior years a useful life of 40 years was used, and establish a residual value of 33.00% to better reflect the pattern of consumption of these assets.

The revisions were accounted for prospectively as a change in accounting estimate. This resulted in a reduction of depreciation expense taken over the remaining useful lives of the underlying assets, thereby increasing the University's change in net assets.

**Subsequent Events** - In preparing the financial statements, management has evaluated and disclosed all material subsequent events up to September 13, 2023, which is the date the financial statements were available to be issued.

**NOTE 2 - LIQUIDITY AND AVAILABILITY**

Financial assets without donor or other restrictions available for general expenditure within one year of June 30 are:

	June 30,	
	2022	2023
Cash and cash equivalents	\$ 18,940,368	\$ 20,507,196
Receivables, net	6,808,658	6,160,122
<b>Total</b>	<b>\$ 25,749,026</b>	<b>\$ 26,667,318</b>

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**NOTE 2 - LIQUIDITY AND AVAILABILITY (Cont.)**

The University's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment, as described in Note 5, totaled \$4,790,228 and \$5,189,836 at June 30, 2022 and 2023, respectively. Although the University does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

The University also has a line of credit available to meet short-term needs. See Note 8 for information about this arrangement.

**NOTE 3 - RECEIVABLES**

Receivables consist of the following:

	<b>June 30,</b>	
	<b>2022</b>	<b>2023</b>
Student accounts receivable	\$ 6,844,655	\$ 6,147,571
Less: Allowance for doubtful accounts	(451,723)	(416,658)
Student accounts receivable, net	<u>6,392,932</u>	<u>5,730,913</u>
Loans to students	107,421	58,534
Less: Allowance for doubtful accounts	(71,150)	(54,188)
Loans to students, net	<u>36,271</u>	<u>4,346</u>
Other receivables	<u>1,542,455</u>	<u>1,181,576</u>
<b>Total receivables</b>	<u><u>\$ 7,971,658</u></u>	<u><u>\$ 6,916,835</u></u>

For the years ended June 30, 2022 and 2023, other receivables included grants of \$1,000,000 and \$400,000, respectively.

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**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 4 - FAIR VALUE MEASUREMENTS**

The University reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the primary, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

- **Level 1** - Quoted prices (unadjusted) in active markets for identical assets that the University can access at the measurement date.
- **Level 2** - Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.
- **Level 3** - Unobservable inputs for the asset. In these situations, the University develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, considering factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the University's assessment of the quality, risk, or liquidity profile of the asset.

A significant portion of the University's investment assets are classified within Level 1 because they comprise funds with readily determinable fair values based on daily redemption values. The University also invests in fixed income securities primarily consisting of corporate bonds which are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rate, and market-rate assumptions and are classified within Level 2.

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**NOTE 4 - FAIR VALUE MEASUREMENTS (Cont.)**

The following sets forth by level, within the fair value hierarchy, the University's assets at fair value:

	<b>Total</b>	<b>Assets at Fair Value as of June 30, 2022</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Equity securities	\$ 1,719,472	\$ 1,719,472	\$ -	\$ -
Pooled cash and marketable securities	22,745,657	22,745,657	-	-
Fixed income securities	1,846,788	-	1,846,788	-
Cash portion of investments	2,087,591	-	-	-
<b>Total assets at fair value</b>	<b>\$ 28,399,508</b>	<b>\$ 24,465,129</b>	<b>\$ 1,846,788</b>	<b>\$ -</b>

	<b>Total</b>	<b>Assets at Fair Value as of June 30, 2023</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Equity securities	\$ 3,185,440	\$ 3,185,440	\$ -	\$ -
Pooled cash and marketable securities	24,844,894	24,844,894	-	-
Fixed income securities	2,698,126	-	2,698,126	-
Cash portion of investments	168,231	-	-	-
<b>Total assets at fair value</b>	<b>\$ 30,896,691</b>	<b>\$ 28,030,334</b>	<b>\$ 2,698,126</b>	<b>\$ -</b>

**NOTE 5 - ACCOUNTING FOR ENDOWMENTS**

**Endowment** - The University's endowment consists of approximately 324 donor-restricted individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, if any, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University's Board of Trustees has interpreted the Mississippi Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2022 and 2023, there were no such donor stipulations. As a result of this interpretation, the University retains in perpetuity (a) the original value of initial and subsequent gift amounts

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**NOTES TO FINANCIAL STATEMENTS**

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**YEARS ENDED JUNE 30, 2022 AND 2023**

***NOTE 5 - ACCOUNTING FOR ENDOWMENTS (Cont.)***

(including promises to give net of discount and allowance for doubtful accounts) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the University and the donor-restricted endowment funds, (3) general economic conditions, (4) the expected total return from income and the appreciation of investments, and (5) the University's investment policy.

The net asset composition of the University's donor-restricted endowments as of June 30, 2022 and 2023 are \$23,609,280 and \$25,706,855, respectively. The University's net asset composition of the board-designated endowment as of June 30, 2022 and 2023 is \$4,790,228 and \$5,189,836, respectively.

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**i - ACCOUNTING FOR ENDOWMENTS (Cont.)**

Endowment investments are comprised of the following:

<b>June 30, 2022</b>	<b>Cost</b>	<b>Market Value</b>	<b>Unrealized Gain*</b>	<b>Unrealized Loss*</b>	<b>Other than Temporary Loss</b>
Equity securities	\$ 1,809,301	\$ 1,719,472	\$ -	\$ 89,829	\$ -
Pooled cash and marketable securities	24,637,515	22,745,657	-	1,891,858	-
Fixed income securities	1,991,434	1,846,788	-	144,646	-
Cash portion of investments	2,087,591	2,087,591	-	-	-
<b>Total</b>	<b>\$ 30,525,841</b>	<b>\$ 28,399,508</b>	<b>\$ -</b>	<b>\$ 2,126,333</b>	<b>\$ -</b>

\* Unrealized gains and losses are shown net.

<b>June 30, 2023</b>	<b>Cost</b>	<b>Market Value</b>	<b>Unrealized Gain*</b>	<b>Unrealized Loss*</b>	<b>Other than Temporary Loss</b>
Equity securities	\$ 3,257,697	\$ 3,185,440	\$ -	\$ 72,257	\$ -
Pooled cash and marketable securities	25,498,732	24,844,894	-	653,838	-
Fixed income securities	2,792,736	2,698,126	-	94,610	-
Cash portion of investments	168,231	168,231	-	-	-
<b>Total</b>	<b>\$ 31,717,396</b>	<b>\$ 30,896,691</b>	<b>\$ -</b>	<b>\$ 820,705</b>	<b>\$ -</b>

\* Unrealized gains and losses are shown net.

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**NOTE 5 - ACCOUNTING FOR ENDOWMENTS (Cont.)**

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The University has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of this nature that are reported in net assets with donor restrictions for years ended June 30, 2022 and 2023 are shown in the following table:

	June 30,	
	2022	2023
Original endowment gift	\$ 13,056,549	\$ 14,019,968
Fair value	(11,998,312)	(13,049,352)
<b>Total deficiencies</b>	<b>\$ 1,058,237</b>	<b>\$ 970,616</b>

**Endowment Investment Policy** - The overall investment objective of the University's endowment is to preserve capital while achieving an appropriate rate of return with some capital appreciation that supports the overall mission of the University. The particular mix of investments among stocks, bonds, and other financial instruments is determined by the fund's managers to achieve the overall investment objective as determined by the Committee on Budget, Finance, Investments, and Audit of the Board of Trustees.

**Endowment Spending Policy** - The University seeks an annual endowment distribution rate of 3.00%-5.00% of market value subject to the constraints of long-term capital preservation. As conditions dictate, the University may receive distributions from underwater endowments in order to provide consistent support for scholarships and programs.

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**NOTE 5 - ACCOUNTING FOR ENDOWMENTS (Cont.)**

Changes in endowment net assets are as follows:

<b>June 30, 2022</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>
<b>Endowment net assets, beginning of year</b>	\$ -	\$ 27,225,423
Contributions	5,000,000	1,480,708
Investment return, net	4,065	776,263
Other revenue	-	2,231
Transfers	-	(132,826)
Net appreciation	(213,837)	(5,295,136)
Amounts appropriated for expenditure	-	(447,383)
<b>Endowment net assets, end of year</b>	<b>\$ 4,790,228</b>	<b>\$ 23,609,280</b>
<b>June 30, 2023</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>
<b>Endowment net assets, beginning of year</b>	\$ 4,790,228	\$ 23,609,280
Contributions	-	709,043
Investment return, net	340,520	892,801
Other revenue	-	2,361
Transfers	-	(311,288)
Net appreciation	59,088	807,723
Amounts appropriated for expenditure	-	(3,065)
<b>Endowment net assets, end of year</b>	<b>\$ 5,189,836</b>	<b>\$ 25,706,855</b>

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**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following:

	<b>June 30,</b>	
	<b>2022</b>	<b>2023</b>
Property, plant and equipment not being depreciated:		
Land	\$ 13,740,231	\$ 13,801,931
Construction in process	315,583	698,083
Total property, plant and equipment not being depreciated	<u>14,055,814</u>	<u>14,500,014</u>
Property, plant and equipment being depreciated:		
Land improvements	6,858,639	6,875,649
Buildings and improvements	199,469,861	199,996,613
Equipment and furniture	37,621,008	39,703,376
Library collections	4,673,400	4,714,424
Total property, plant and equipment being depreciated	<u>248,622,908</u>	<u>251,290,062</u>
Less: Accumulated depreciation	<u>(75,522,337)</u>	<u>(81,644,017)</u>
Total property, plant and equipment being depreciated, net	<u>173,100,571</u>	<u>169,646,045</u>
<b>Total</b>	<u><u>\$ 187,156,385</u></u>	<u><u>\$ 184,146,059</u></u>

Total depreciation expense for the years ended June 30, 2022 and 2023 was \$10,213,041 and \$6,242,965, respectively.

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**NOTE 7 - DEFERRED REVENUE AND STUDENT REFUNDS**

The activity and balances for deferred revenue and student refunds from contracts with customers for years ended June 30, 2022 and 2023 are shown in the following tables:

	<b>Summer Tuition and Housing</b>	<b>Other Deferred Revenue</b>	<b>Total</b>
Deferred revenue balance at June 30, 2021	\$ 3,988,785	\$ 527,376	\$ 4,516,161
Revenue recognized	(3,988,785)	(527,376)	(4,516,161)
Payments received for future performance obligations	3,649,964	555,197	4,205,161
Deferred revenue balance at June 30, 2022	<u>3,649,964</u>	<u>555,197</u>	<u>4,205,161</u>
Student refunds	<u>-</u>	<u>138,361</u>	<u>138,361</u>
<b>Total deferred revenue and student refunds</b>	<u><u>\$ 3,649,964</u></u>	<u><u>\$ 693,558</u></u>	<u><u>\$ 4,343,522</u></u>
	<b>Summer Tuition and Housing</b>	<b>Other Deferred Revenue</b>	<b>Total</b>
Deferred revenue balance at June 30, 2022	\$ 3,649,964	\$ 555,197	\$ 4,205,161
Revenue recognized	(3,649,964)	(555,197)	(4,205,161)
Payments received for future performance obligations	2,508,948	556,831	3,065,779
Deferred revenue balance at June 30, 2023	<u>2,508,948</u>	<u>556,831</u>	<u>3,065,779</u>
Student refunds	<u>-</u>	<u>102,592</u>	<u>102,592</u>
<b>Total deferred revenue and student refunds</b>	<u><u>\$ 2,508,948</u></u>	<u><u>\$ 659,423</u></u>	<u><u>\$ 3,168,371</u></u>

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**NOTES TO FINANCIAL STATEMENTS**

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**YEARS ENDED JUNE 30, 2022 AND 2023**

**NOTE 8 - LINE OF CREDIT**

The University has available one line of credit in the amount of \$3,000,079 for general operations which matures on March 29, 2026. The line of credit carries a variable rate of interest equal to 1.00% below the Wall Street Journal (WSJ) Prime Rate as reflected on the WSJ Market Page, on any outstanding principal balance adjusted daily. The line of credit is secured by real estate located in Hattiesburg and Gulfport, Mississippi and all of the University's present and after-acquired furniture, fixtures and equipment located at the Hattiesburg campus. All unpaid principal and interest are due at the date of maturity.

The available and outstanding balances under the University's line of credit were as follows:

	June 30,	
	2022	2023
Available balance	\$ 3,000,079	\$ 3,000,079
Outstanding balance	\$ -	\$ -

**NOTE 9 - LEASES**

The University has finance leases for equipment and vehicles used in operations. The University's leases have remaining lease terms from approximately 1 to 3 years, some of which include options to extend the leases. The exercise of lease renewal options is at management's sole discretion. Management has determined it is unlikely that the leases will be renewed.

The University recognizes a finance lease right-of-use asset and a finance lease obligation that represents the present value of the University's obligation to make payments over the lease terms. The present value of the lease payments is calculated using the incremental borrowing rate for finance leases, which was determined using a portfolio approach based on the rate of interest that the University would have to pay to borrow an amount equal to the lease payments on a collateralized basis over a similar term.

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**NOTE 9 - LEASES (Cont.)**

The University's lease cost consists of the following:

	<b>June 30,</b>	
	<b>2022</b>	<b>2023</b>
<b>Lease cost:</b>		
Amortization of right-of-use - finance lease	\$ 47,970	\$ 42,220
Interest on lease obligations - finance lease	4,559	2,452
<b>Total lease cost</b>	<b>\$ 52,529</b>	<b>\$ 44,672</b>

Other lease information is as follows:

	<b>June 30,</b>	
	<b>2022</b>	<b>2023</b>
Weighted-average remaining lease term - finance lease	2.01 years	1.24 years
Weighted-average discount rate - finance lease	4.00%	4.00%

The aggregate annual lease obligations are as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2024	\$ 31,536
2025	4,658
2026	2,073
Total lease payments	38,267
<b>Total finance leases payable</b>	<b>\$ 38,267</b>

Short-term and month-to-month rental agreements excluded from lease calculations amounted to \$563,270 and \$655,549, for the years ended June 30, 2022 and 2023, respectively.

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**NOTE 10 - NOTES AND BONDS PAYABLE**

Notes and bonds payable consist of the following:

	June 30,	
	2022	2023
Note payable, due in monthly installments of \$81,250, including interest at a fixed rate of 2.89% to April 23, 2025, thereafter converting to a variable interest rate equal to 0.50% below the WSJ Prime Rate as reflected on the WSJ Market Page, on any outstanding principal balance adjusted daily, maturing April 23, 2040, and is secured by the University's Hattiesburg Campus, including all furnitures and fixtures.	\$ 13,528,382	\$ 12,941,841
Bond payable, due in monthly installments of \$56,392, including interest at a fixed rate of 2.84%, to December 26, 2026, with a final balloon payment of \$5,982,652. A prepayment penalty equal to 1.00% of the outstanding balance is required if paid within the first five years. The bond is secured by the Tradition Campus property, accounts with lender or lender's affiliate, Regions Bank, and all tangible personal property owned, acquired, created or placed on property for which bond proceeds are used.	8,071,522	7,618,177
Bond payable, due in monthly installments of \$63,865, including interest at a fixed rate of 2.84%, to June 26, 2028, with a final balloon payment of \$6,728,670. A prepayment penalty equal to 1.00% of the outstanding balance is required if paid within the first five years. The bond is secured by the Tradition Campus property, accounts with lender or lender's affiliate, Regions Bank, and all tangible personal property owned, acquired, created or placed on property for which bond proceeds are used.	9,844,992	9,351,826

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**NOTE 10 - NOTES AND BONDS PAYABLE (Cont.)**

	<b>June 30,</b>	
	<b>2022</b>	<b>2023</b>
Bond payable, due in monthly installments of \$66,897, including interest at a fixed rate of 1.78%, to October 24, 2031, with a final balloon payment of \$7,415,624. Interest only payments began May 24, 2020 and ended October 24, 2021. The bond is secured by the Tradition Campus property, accounts with lender or lender affiliate, Regions Bank, and all tangible personal property owned, acquired, created or placed on property for which bond proceeds are used.	\$ 13,123,075	\$ 12,549,311
	44,567,971	42,461,155
Less: Unamortized loan origination fees	(247,555)	(231,591)
<b>Total notes and bonds payable</b>	<b>\$ 44,320,416</b>	<b>\$ 42,229,564</b>

Approximate maturities of the notes and bonds payable during the next five years are as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2024	\$ 2,167,555
2025	2,222,355
2026	2,272,611
2027	8,002,834
2028	8,535,958
Thereafter	19,259,842
Total	42,461,155
Less: Unamortized loan origination fees	(231,591)
<b>Total notes and bonds payable</b>	<b>\$ 42,229,564</b>

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**NOTE 11 - COMPOSITE FINANCIAL INDEX**

The University's Composite Financial Index consists of the following:

	June 30,	
	2022	2023
Primary reserve ratio	0.4342	0.4340
Strength factor	0.1330	0.1330
Weight	35.00%	35.00%
CFI score	1.14	1.14
Viability ratio	0.7268	0.7751
Strength factor	0.4170	0.4170
Weight	35.00%	35.00%
CFI score	0.61	0.65
Return on net assets ratio	(0.0095)	0.0095
Strength factor	0.0200	0.0200
Weight	20.00%	20.00%
CFI score	(0.09)	0.09
Return on revenue ratio	0.0038	0.0012
Strength factor	0.0070	0.0070
Weight	10.00%	10.00%
CFI score	0.05	0.02
<b>Total CFI</b>	<b>1.71</b>	<b>1.90</b>

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**YEARS ENDED JUNE 30, 2022 AND 2023**

**NOTE 12 - NET ASSETS WITHOUT DONOR RESTRICTIONS EXCLUSIVE OF PLANT**

Net assets without donor restrictions exclusive of plant consist of the following:

	<b>June 30,</b>	
	<b>2022</b>	<b>2023</b>
Net assets without donor restrictions	\$ 169,865,960	\$ 171,163,752
Less: Non-depreciable plant	(1,494,233)	(1,542,187)
Property, plant, and equipment, net	(187,156,385)	(184,146,059)
Property, plant, and equipment related debt	44,402,076	42,267,831
Construction accounts payable	8,200	208,750
<b>Total</b>	<b>\$ 25,625,618</b>	<b>\$ 27,952,087</b>

**NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS**

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

	<b>June 30,</b>	
	<b>2022</b>	<b>2023</b>
<b>Subject to expenditure for specified purpose:</b>		
Building programs	\$ 2,242,496	\$ 1,374,901
Educational programs	3,654,539	3,334,032
Financial aid	837,012	527,032
Total subject to expenditure for specified purpose	6,734,047	5,235,965
<b>Endowments:</b>		
Subject to appropriation and expenditure when a specified event occurs:		
Restricted by donors for:		
General use	3,954,107	4,084,091
Educational programs	8,522,932	9,591,184
Financial aid	11,132,241	12,031,580
Total endowments	23,609,280	25,706,855
<b>Total net assets with donor restrictions</b>	<b>\$ 30,343,327</b>	<b>\$ 30,942,820</b>

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**WILLIAM CAREY UNIVERSITY**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE TWENTY-TWO**

**YEARS ENDED JUNE 30, 2022 AND 2023**

**NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS (Cont.)**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows:

	June 30,	
	2022	2023
<b>Net assets released from donor restrictions</b>		
Satisfaction of purpose restrictions:		
Educational programs	\$ 1,832,839	\$ 2,474,359
Financial aid	974,757	363,421
<b>Total net assets released from donor restrictions</b>	<b>\$ 2,807,596</b>	<b>\$ 2,837,780</b>

**NOTE 14 - RETIREMENT PLAN**

The University's employees participate in two 403(b) defined contribution retirement plans. Substantially all of the University's employees participate in one of these plans. The University contributes a percentage (3.00% to 15.00%) of participating employee's salaries depending on years of service. The University contributed \$1,498,976 and \$1,521,474, for the years ended June 30, 2022 and 2023, respectively, to these plans.

**NOTE 15 - COMMITMENTS AND CONTINGENCIES**

Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget's audit requirements for federal awards and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the University's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the University.

In fiscal year 1987, the University received a donation of land and timber located adjacent to the Hattiesburg campus, with a fair market value at the date of donation of \$445,000. The donation included a restriction that should the property ever cease to be used for University purposes, title to the property would revert to the donor. As a condition for donating the land, the donor is requiring that the University build a three-lane boulevard to the University and to additional property owned by the donor. Future plans for financing and construction of the boulevard have not been completed and require approval of the Board of Trustees.

**WILLIAM CAREY UNIVERSITY**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE TWENTY-THREE**

**YEARS ENDED JUNE 30, 2022 AND 2023**

***NOTE 15 - COMMITMENTS AND CONTINGENCIES (Cont.)***

The University works in cooperation with the Mississippi Baptist Convention (MBC) which provides funding through allocation to the University of gifts to the MBC. The amount of such gifts allocated is determined based on the number of student credit hours earned and other factors related to the University's service to the MBC. The University received gifts from the MBC of approximately \$2,834,190 and \$2,461,321 in fiscal years 2022 and 2023, respectively.

***NOTE 16 - CONCENTRATIONS OF RISK***

Financial instruments that potentially subject the University to concentrations of credit and market risk consist principally of bank deposit accounts and student accounts receivable. The University maintains its cash balances in financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The University had \$24,651,995 and \$23,682,547 over the FDIC federally insured limits as of June 30, 2022 and 2023, respectively. Cash equivalents, other securities, and limited amounts of cash held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to \$500,000 of protection for each brokerage account, with a limit of \$250,000 for claims of uninvested cash balances. Additional brokerage insurance, in addition to SIPC protection, is provided through private insurers. The SIPC insurance does not protect against market losses on investments.

Concentrations of credit risk with respect to student accounts receivable are limited due to the large number of students comprising the University's student base.

The University's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the University's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Approximately 80.41% of the total fair value of investments is held with the MBF. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

***NOTE 17 - RELATED PARTIES***

Payments for information technology services were made to a vendor owned by a member of the Board of Trustees. Payments for the years ended June 30, 2022 and 2023 were \$99,362 and \$99,604, respectively.

**WILLIAM CAREY UNIVERSITY**

**NOTES TO FINANCIAL STATEMENTS  
PAGE TWENTY-FOUR  
YEARS ENDED JUNE 30, 2022 AND 2023**

**NOTE 17 - RELATED PARTIES (Cont.)**

Payments for vehicle and repairs were made to a vendor owned by a member of the Board of Trustees. Payments for the years ended June 30, 2022 and 2023 were \$53,708 and \$26,878, respectively.

Payments for information technology services were made to a vendor owned by an employee of the University. Payments for the years ended June 30, 2022 and 2023 were \$8,000 and \$21,066, respectively.

**NOTE 18 - FINANCIAL RESPONSIBILITY**

The Department of Education issued regulations on February 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Federal Title IV regulations. The University has elected to report all leases as post-implementation leases.

<b>Property, Plant and Equipment, Net</b>	<b>Amount</b>
Ending balance for the year ended June 30, 2019	\$ 181,195,822
Less subsequent depreciation and disposals	(30,569,816)
Property, plant and equipment, including construction in progress, net of accumulated depreciation - pre-implementation	150,626,006
Property, plant and equipment, including construction in progress, net of accumulated depreciation - post-implementation with outstanding debt for original purchase	12,491,003
Property, plant and equipment, including construction in progress, net of accumulated depreciation - post-implementation without outstanding debt for original purchase	21,029,050
<b>Total property, plant and equipment, net</b>	<b>\$ 184,146,059</b>

Construction in progress post-implementation totaled \$698,083 for the year ended June 30, 2023.

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**WILLIAM CAREY UNIVERSITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**PAGE TWENTY-FIVE**  
**YEARS ENDED JUNE 30, 2022 AND 2023**

**NOTE 18 - FINANCIAL RESPONSIBILITY (Cont.)**

<b>Notes and Bonds Payable</b>	<b>Amount</b>
Ending balance for the year ended June 30, 2019	\$ 35,768,829
Less payments subsequent to June 30, 2019	(18,902,041)
Notes and bonds payable obtained for long-term purposes, net - pre-implementation	16,866,788
Notes and bonds payable obtained for long-term purposes, net - post-implementation	25,362,776
<b>Total notes and bonds payable</b>	<b>\$ 42,229,564</b>
<b>Net Assets with Donor Restrictions: Restricted in Perpetuity</b>	<b>Amount</b>
Endowments, perpetual in nature, earnings from which are subject to endowment spending policy and appropriation	\$ 25,706,855
Other funds, restricted in perpetuity	384,298
<b>Total net assets with donor restrictions: restricted in perpetuity</b>	<b>\$ 26,091,153</b>

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**WILLIAM CAREY UNIVERSITY**

**NOTES TO FINANCIAL STATEMENTS  
PAGE TWENTY-SIX  
YEARS ENDED JUNE 30, 2022 AND 2023**

**NOTE 19 - RISK AND UNCERTAINTIES**

Allocations from state aid and several rounds of federal COVID-19 grant relief (HEERF 1, 2, and 3) have resulted in much-needed assistance for the University and its students during this difficult and uncertain period. The table below summarizes the amounts, uses, and remaining balances for years ended June 30, 2022 and 2023.

<b>2022</b>	<b>Beginning Balance</b>	<b>Used</b>	<b>Ending Balance</b>	<b>Uses</b>
HEERF 2 Student	\$ 128	\$ -	\$ 128	Direct student aid
HEERF 2 Institutional	760,607	760,377	230	Direct student aid, COVID-19 expenses, indirect cost recovery
HEERF 2 SIP	196,141	-	196,141	COVID-19 expenses
HEERF 3 Student	4,166,680	3,993,875	172,805	Direct student aid
HEERF 3 Institutional	4,054,868	2,791,063	1,263,805	Direct student aid, COVID-19 expenses, distance education improvements
HEERF 3 SIP	366,702	-	366,702	COVID-19 expenses
<b>2023</b>	<b>Beginning Balance</b>	<b>Used</b>	<b>Ending Balance</b>	<b>Uses</b>
HEERF 2 Student	\$ 128	\$ -	\$ 128	Direct student aid
HEERF 2 Institutional	230	-	230	Direct student aid, COVID-19 expenses, indirect cost recovery
HEERF 2 SIP	196,141	-	196,141	COVID-19 expenses
HEERF 3 Student	172,805	-	172,805	Direct student aid
HEERF 3 Institutional	1,263,805	244,778	1,019,027	Direct student aid, COVID-19 expenses, indirect cost recovery
HEERF 3 SIP	366,702	-	366,702	COVID-19 expenses

The University administration continues to closely monitor conditions related to the pandemic and takes the appropriate actions to promote safety foremost as well as operational stability.



## ***SUPPLEMENTARY INFORMATION***

**WILLIAM CAREY UNIVERSITY**

SCHEDULE 1

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE  
YEAR ENDED JUNE 30, 2023**

<b>Ratio Element</b>	<b>Element Amount</b>	<b>Reference to Financial Statements and/or Notes</b>
<b>Primary Reserve Ratio</b>		
<i>Expendable Net Assets</i>		
<u>Net Assets</u>		
Net assets without donor restrictions	\$ 171,163,752	Exhibit B
Net assets with donor restrictions	30,942,820	Exhibit B
Net assets with donor restrictions: restricted in perpetuity	(26,091,153)	Note 18
<u>Property, Plant and Equipment, net</u>		
Property, plant and equipment, including construction in progress - pre-implementation	(150,626,006)	Note 18
Property, plant and equipment, including construction in progress - post-implementation with outstanding debt for original purchase	(12,491,003)	Note 18
Property, plant and equipment, including construction in progress - post-implementation without outstanding debt for original purchase	(21,029,050)	Note 18
<u>Right of use - finance lease, net</u>		
Right of use - finance lease, net - pre-implementation	-	Not applicable
Right of use - finance lease, net - post-implementation	(35,258)	Exhibit B

See the independent auditor's report.

**WILLIAM CAREY UNIVERSITY**

SCHEDULE 1

PAGE TWO

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE**

**YEAR ENDED JUNE 30, 2023**

<b>Ratio Element</b>	<b>Element Amount</b>	<b>Reference to Financial Statements and/or Notes</b>
<u>Notes and bonds payable obtained for long-term purposes</u>		
Notes and bonds payable obtained for long-term purposes, net - pre-implementation	\$ 16,866,788	Note 18
Notes and bonds payable obtained for long-term purposes, net - post-implementation	25,362,776	Note 18
<u>Lease Obligations</u>		
Lease obligations - pre-implementation	-	Not applicable
Lease obligations - post-implementation	38,267	Exhibit B
<u>Other Items</u>		
Intangible assets	-	Not applicable
Secured and unsecured related party receivables	-	Not applicable
Post-employment defined benefit pension liabilities	-	Not applicable
Annuities, term endowments, life income funds with donor restrictions	-	Not applicable
<b>Total expendable net assets</b>	<b>\$ 34,101,933</b>	
<u>Expenses and Losses</u>		
Total operating expenses without donor restrictions	\$ 75,433,154	Exhibit D
Total non-operating expenses without donor restrictions	2,921,286	Exhibit D
Net investment losses	-	Exhibit D
Pension-related changes other than net periodic costs	-	Not applicable
<b>Total expenses and losses</b>	<b>\$ 78,354,440</b>	
<b>Primary Reserve Ratio</b>	<b>0.4352</b>	
<b>Strength Factor Score: 10 x Ratio</b>	<b>4.3523</b>	
<b>Weighted Score: 40% of Strength Factor</b>	<b>1.7409</b>	

See the independent auditor's report.

**WILLIAM CAREY UNIVERSITY**

SCHEDULE 1  
PAGE THREE

**FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE  
YEAR ENDED JUNE 30, 2023**

<b>Ratio Element</b>	<b>Element Amount</b>	<b>Reference to Financial Statements and/or Notes</b>
<b>Equity Ratio</b>		
<i>Modified Net Assets</i>		
Net assets without donor restrictions	\$ 171,163,752	Exhibit B
Net assets with donor restrictions	30,942,820	Exhibit B
Intangible assets	-	Not applicable
Secured and unsecured related party receivables	-	Not applicable
<b>Total modified net assets</b>	<b>\$ 202,106,572</b>	
<i>Modified Assets</i>		
Total assets	\$ 251,274,443	Exhibit B
Right of use - finance lease, net - pre-implementation	-	Not applicable
Secured and unsecured related party receivables	-	Not applicable
Intangible assets	-	Not applicable
Lease obligations - pre-implementation	-	Not applicable
<b>Total modified assets</b>	<b>\$ 251,274,443</b>	
<b>Equity Ratio</b>	<b>0.8043</b>	
<b>Strength Factor Score: 6 x Ratio</b>	<b>4.8260</b>	
<b>Weighted Score: 40% of Strength Factor</b>	<b>1.9304</b>	
<b>Net Income Ratio</b>		
Change in net assets without donor restrictions	\$ (608,126)	Exhibit D
Total revenue and gains without donor restrictions	\$ 77,746,314	Exhibit D
<b>Net Income Ratio</b>	<b>-0.0078</b>	
<b>Strength Factor Score: 1+(25 x Ratio)</b>	<b>0.8045</b>	
<b>Weighted Score: 20% of Strength Factor</b>	<b>0.1609</b>	
<b>Financial Responsibility Composite Score</b>	<b>3.0</b>	

See the independent auditor's report.

WILLIAM CAREY UNIVERSITY

SCHEDULE 2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Agency or Passthrough #</u>	<u>Federal Expenditures</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Direct programs:			
<i>Student Financial Aid Cluster</i>			
Federal Supplemental Educational Opportunity Grants	84.007	--	\$ 427,717
Federal Work-Study Program	84.033	--	312,243
Federal Perkins Loan Program	84.038	--	58,437
Federal Pell Grant Program	84.063	--	4,757,347
Federal Direct Student Loans	84.268	--	65,782,729
Teacher Education Assistance for College and Higher Education (TEACH) Grants	84.379	--	56,417
Total Student Financial Aid Cluster			<u>71,394,890</u>
COVID-19 Education Stabilization Fund	84.425F	--	244,778
Total COVID-19 Education Stabilization Fund			<u>244,778</u>
Total U.S. Department of Education			<u>71,639,668</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 71,639,668</u></u>

See the independent auditor's report.

**WILLIAM CAREY UNIVERSITY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2023**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of William Carey University (the University) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 - INDIRECT COST RATE**

The University prepares an indirect cost rate proposal as needed subject to approval by the United States Department of Health and Human Services. For the year ended June 30, 2023, the approved final indirect cost rate for federally funded programs was 28.99% based upon the most recent Certificate of Indirect Cost dated November 26, 2019. The approved rate contained in the most recent Certificate of Indirect Cost is approved to be used through June 30, 2023.

**NOTE 3 - LOANS OUTSTANDING**

The University had the following loan balances outstanding at June 30, 2023. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA#</u>	<u>Amount</u>
Federal Perkins Loan Program	84.038	\$ 58,437

During the year ended June 30, 2023, there were no disbursements for new loans and miscellaneous expenses totaled \$7,279 for the Federal Perkins Loan Program.

**NOTE 4 - FEDERAL PELL GRANT PROGRAM**

During the year ended June 30, 2023, expenditures for the Federal Pell Grant Program totaled \$4,757,347, of which \$4,757,347 was disbursed to students.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
William Carey University  
Hattiesburg, Mississippi

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of William Carey University (a Mississippi nonprofit corporation), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 13, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered William Carey University's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of William Carey University's internal control. Accordingly, we do not express an opinion on the effectiveness of William Carey University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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To the Board of Trustees  
William Carey University  
Hattiesburg, Mississippi

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether William Carey University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Hattiesburg, Mississippi  
September 13, 2023





INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Trustees  
William Carey University  
Hattiesburg, Mississippi

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited William Carey University's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on William Carey University's major federal program for the year ended June 30, 2023. William Carey University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, William Carey University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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To the Board of Trustees  
William Carey University  
Hattiesburg, Mississippi

We are required to be independent of William Carey University and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of William Carey University's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to William Carey University's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on William Carey University's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about William Carey University's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 William Carey University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

To the Board of Trustees  
William Carey University  
Hattiesburg, Mississippi

- Obtain an understanding of William Carey University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of William Carey University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Report on Internal Control Over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Hattiesburg, Mississippi  
September 13, 2023

**WILLIAM CAREY UNIVERSITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency identified not considered to be material weakness?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency identified not considered to be material weakness?	None reported
Type of auditor's report issued on compliance for major program:	
Student Financial Aid Cluster	Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)?

No

**Identification of Major Programs:**

**CFDA Number(s)**

**Name of Federal Program or Cluster**

84.007	Student Financial Aid Cluster:
84.033	Federal Supplemental Educational Opportunity Grants
84.038	Federal Work-Study Program
84.063	Federal Perkins Loan Program
84.268	Federal Pell Grant Program
84.379	Federal Direct Student Loans
	Teacher Education Assistance for College and Higher Education (TEACH) Grants

**WILLIAM CAREY UNIVERSITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**PAGE TWO**

**YEAR ENDED JUNE 30, 2023**

***Section I - Summary of Auditor's Results (Cont.)***

**Identification of Major Programs (Cont.)**

Dollar threshold used to distinguish between  
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

***Section II - Financial Statement Findings***

No matters were reported.

***Section III - Federal Awards Findings and Questioned Costs***

No matters were reported.

***REPORTS and AUDITS***  
*of other*  
***INSTITUTIONS***  
*and*  
***AGENCIES***

*Baptist Memorial Health Care System*

*Christian Action Commission, Inc.*

*Mississippi Baptist Foundation*

*Mississippi Baptist Historical Commission*

*The Baptist Children's Village*

## **BAPTIST MEMORIAL HEALTH CARE SYSTEM**

**Memphis, Tennessee**  
**Jason Little, President and CEO**

Baptist Memorial Health Care began as a 150-bed hospital in downtown Memphis in 1912. It was formed by the Southern Baptist Conventions of Tennessee, Mississippi and Arkansas because they recognized a tremendous need for a health care facility in this part of the country. The hospital's early days were rough – at one point, it almost closed – but eventually it grew to become the largest private hospital in the world. The hospital played a very important role in the history of health care in the 20th century, celebrating many firsts along the way.

The Baptist Memorial Health Care system was created in 1981 to provide an integrated health care delivery system offering a full continuum of care to communities throughout the Mid-South. Today, a total of 22 hospitals in Arkansas, Tennessee and Mississippi; an 800-member physician group; and dozens of other entities are affiliated with Baptist.

Baptist Memorial Health Care's staff chaplains are a part of the health care team. Patients, family members or employees know that they can ask for a chaplain at any time to augment our health care with spiritual or emotional care. In our hospitals, our chaplains represent their own faith but often deal with spiritual issues that transcend denominational lines.

The Rev. Jimmy Terry Preaching Series, hosted by Baptist's Pastoral Care Department, observed its sixth anniversary this year. The series, named in memory of a beloved member of Baptist's Board of Trustees and the founder of Tabernacle Baptist Church in Clarksville, Tennessee, welcomes a speaker – usually an ordained Baptist minister – each month to deliver an evangelical message to employees, physicians, patients and visitors from Baptist's flagship hospital, and is broadcasted live to all 22 Baptist hospitals. Video recordings of each event on our Facebook page have been viewed more than 199,900 times and have reached 181,846 people in the past year.

In November, Baptist Memorial Health Care celebrated the groundbreaking for a new 10,000-square-foot physician office building in Madison. The medical facility, which will provide general and specialty medical care, represents an estimated \$35 million investment in the community.

When a violent EF-4 tornado tore through the small community of Rolling Fork, Baptist Memorial Hospital-Yazoo and its dedicated team of health care providers responded quickly to help storm victims. The hospital, just 20 miles away from the most devastating destruction, treated many storm victims, even though a number of Baptist Yazoo team members emerged from the storm with damaged homes, and others experienced total loss of their homes. Hospital CEO and administrator Mac Flynt said, "When you walk

into the hospital, it doesn't take long to understand the family atmosphere and amount of heart our team members have for serving others. They understand their calling." To make health care more affordable and accessible to underinsured Mississippians, Baptist created a partnership with several other Mississippi hospitals to establish a new managed care organization called TrueCare. The company was created to become one of the three Medicaid managed care insurance companies in Mississippi to administer the plan on behalf of the state.

The Leapfrog Group awarded "A" Leapfrog Hospital Safety Grades to Baptist Golden Triangle, Baptist Booneville, Baptist Union County and Mississippi Baptist Medical Center. It was the 21st consecutive time Baptist Golden Triangle earned an "A," making it one of only 22 hospitals nationwide to earn an "A" in every grading cycle since 2012. Baptist Booneville earned a Top Rural Hospital designation in addition to its "A." The Leapfrog Hospital Safety Grade is the only ratings program for hospitals that's based exclusively on prevention of medical errors and harms to patients.

For the second year in a row, Baptist Booneville earned a five-star rating in the Center for Medicare and Medicaid Services' Overall Hospital Quality Star Ratings for 2022. Only 429 hospitals nationwide were given a rating of five stars, and Baptist Booneville was one of only two in Mississippi to gain the recognition in 2022.

Baptist North Mississippi and Mississippi Baptist Medical Center were among the four highest performing hospitals in BlueCross BlueShield of Mississippi's Comprehensive Quality Model, a value-based hospital performance model supported by national measures that evaluates a hospital's performance in patient safety, clinical quality and efficiency, and health outcomes. Hospitals participating in the Comprehensive Quality Model program perform close to, or meet, the national average for defect-free treatment of heart attacks; reduce variations in care for treatment of pregnancy-related high blood pressure and obstetrical bleeding; and have better than national average readmissions rates.

A request to open a Baptist Health Sciences University (BHSU) "off-campus instructional site" in Jackson, Mississippi, was approved. BHSU's main campus is located in the heart of the medical district in Memphis, preparing graduates for careers of service and leadership by providing a comprehensive health sciences education within an integrated environment of learning and Christian principles. This new satellite classroom allows the University to extend its reach and its teaching mission.



## **Baptist Memorial Health Care Corporation and Affiliates**

Combined Financial Statements as of and for the  
Years Ended September 30, 2022 and 2021, and  
Independent Auditor's Report

**BAPTIST MEMORIAL HEALTH CARE CORPORATION AND AFFILIATES**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Baptist Memorial Health Care Corporation  
Memphis, Tennessee

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying combined financial statements of Baptist Memorial Health Care Corporation (a Tennessee nonprofit corporation) and affiliates (collectively, BMHCC), all of which are under common ownership and common management, which comprise the combined balance sheets as of September 30, 2022 and 2021, and the related combined statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of BMHCC as of September 30, 2022 and 2021, and the changes in 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BMHCC 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.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS and *Government 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 combined financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the combined 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 the BMHCC'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 BMHCC'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.

*Deloitte & Touche LLP*

December 15, 2022

## BAPTIST MEMORIAL HEALTH CARE CORPORATION AND AFFILIATES

### COMBINED BALANCE SHEETS AS OF SEPTEMBER 30, 2022 AND 2021 (Amounts in thousands)

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 212,086	\$ 606,227
Short-term investments	20,560	2,276
Patient accounts receivable—net	447,615	472,929
Other receivables—net	14,677	20,816
Inventory	72,262	68,565
Prepaid expenses	70,720	69,941
Other current assets	12,303	14,956
Estimated settlements with third parties	14,310	13,330
Total current assets	864,533	1,269,040
INVESTMENTS	913,425	1,151,627
ASSETS WHOSE USE IS LIMITED	48,656	67,622
RIGHT-OF-USE ASSET—Operating	164,078	150,756
RIGHT-OF-USE ASSET—Financing	12,219	12,772
PROPERTY AND EQUIPMENT—Net	1,299,763	1,338,899
GOODWILL	10,615	10,615
OTHER INTANGIBLE ASSETS	8,000	8,162
OTHER LONG-TERM ASSETS	67,770	78,537
TOTAL	<u>\$3,389,059</u>	<u>\$4,088,030</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt	\$ 46,100	\$ 47,619
Current portion of lease liability—operating	34,050	32,379
Current portion of lease liability—financing	4,013	4,408
Accounts payable	80,655	75,588
Accrued expenses and other	270,363	274,761
Medicare accelerated payments	1,917	331,331
Estimated settlements with third parties	29,505	23,761
Total current liabilities	466,603	789,847
LONG-TERM DEBT	826,657	850,114
LONG-TERM PORTION OF LEASE LIABILITY—Operating	134,027	121,756
LONG-TERM PORTION OF LEASE LIABILITY—Financing	13,304	13,692
OTHER LONG-TERM LIABILITIES	196,140	235,886
COMMITMENTS AND CONTINGENCIES (Note 20)		
<b>NET ASSETS:</b>		
Without donor restrictions	1,575,337	1,880,197
With donor restrictions	176,991	196,538
Total net assets	1,752,328	2,076,735
TOTAL	<u>\$3,389,059</u>	<u>\$4,088,030</u>

See notes to combined financial statements.

## BAPTIST MEMORIAL HEALTH CARE CORPORATION AND AFFILIATES

### COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021 (Amounts in thousands)

	2022	2021
REVENUE AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS:		
Net patient service revenues	\$ 3,209,101	\$ 3,182,478
Other revenue	<u>191,589</u>	<u>219,046</u>
Total revenue and other support without donor restrictions	<u>3,400,690</u>	<u>3,401,524</u>
EXPENSES:		
Salaries and benefits	1,914,413	1,748,462
Supplies and drugs	846,176	800,048
Purchased services and other	502,114	507,702
Gain on sale of assets	(354)	(5,766)
Professional fees	188,749	166,677
Depreciation and amortization	137,933	141,524
Interest	<u>31,906</u>	<u>31,589</u>
Total expenses	<u>3,620,937</u>	<u>3,390,236</u>
(LOSS) INCOME FROM OPERATIONS	<u>(220,247)</u>	<u>11,288</u>
NONOPERATING (LOSS) INCOME:		
Interest and dividend income from investments	28,716	22,521
Net unrealized (loss) gain on investments—equity	(159,210)	100,128
Net realized gains on investments	44,431	31,614
Equity in investments	11,498	5,036
Gain from change in fair value of interest rate swap	14,633	7,633
Noncontrolling interest	(7,664)	(7,186)
Other	<u>12,478</u>	<u>14,966</u>
Total nonoperating (loss) income	<u>(55,118)</u>	<u>174,712</u>
(EXPENSES IN EXCESS OF REVENUE)/REVENUE IN EXCESS OF EXPENSES	<u>(275,365)</u>	<u>186,000</u>

(Continued)

## BAPTIST MEMORIAL HEALTH CARE CORPORATION AND AFFILIATES

### COMBINED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021 (Amounts in thousands)

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
(Expenses in excess of revenue) / revenue in excess of expenses	\$ (275,365)	\$ 186,000
Net unrealized (loss) gain on investments—debt	(35,157)	(6,609)
Postretirement—related changes	4,877	(3,173)
Other	<u>782</u>	<u>(2,049)</u>
Change in net assets without donor restrictions	<u>(304,863)</u>	<u>174,169</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Net unrealized (loss) gain on investments	(43,389)	22,496
Contributions and other	35,242	25,940
Net assets released from restrictions	<u>(11,397)</u>	<u>(8,948)</u>
Change in net assets with donor restrictions	<u>(19,544)</u>	<u>39,488</u>
CHANGE IN NET ASSETS	(324,407)	213,657
NET ASSETS—Beginning of year	<u>2,076,735</u>	<u>1,863,078</u>
NET ASSETS—End of year	<u>\$ 1,752,328</u>	<u>\$ 2,076,735</u>

See notes to combined financial statements.

(Concluded)

## BAPTIST MEMORIAL HEALTH CARE CORPORATION AND AFFILIATES

### COMBINED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021 (Amounts in thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES AND NONOPERATING INCOME:		
Change in net assets	\$(324,407)	\$ 213,657
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities and nonoperating income:		
Depreciation and amortization	137,933	141,524
Bond premium amortization	(3,826)	(4,115)
Change in fair value of interest rate swaps	(15,125)	(7,220)
ROU asset—operating amortization	37,669	38,007
Equity in earnings of investments in affiliates	(6,610)	(4,806)
Distributions from investments in affiliates	6,411	5,538
Net realized gain on sales of investments, fixed assets, and other	(66,565)	(46,771)
Net unrealized loss (gain) on investments	236,134	(116,015)
Changes in operating assets and liabilities:		
Net patient accounts receivable	(279,568)	(144,726)
Other receivable	6,139	(5,767)
Inventory	(3,697)	(6,346)
Prepaid expenses	(779)	582
Other current assets	3,495	(8,152)
Accounts payable, accrued expenses, and other liabilities	(32,652)	(271)
Deferred governmental grants	-	(79,129)
Other long-term liabilities	(26,087)	13,793
Net cash used in operating activities and nonoperating income	<u>\$(331,535)</u>	<u>(10,217)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(88,300)	(104,065)
Proceeds from sales of fixed assets	1,495	10,087
Purchases of long-term investments	(240,170)	(278,132)
Sales of long-term investments	328,516	120,738
Sales of short-term investments	2,276	17,584
Change in assets whose use is limited	(24,613)	7,671
Investment in affiliates	(2,557)	(2,177)
Proceeds from sale of joint ventures	16,318	-
Other	(5,079)	7,629
Net cash used in investing activities	<u>(12,114)</u>	<u>(220,665)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of medicare accelerated payments	(24,532)	-
Proceeds from issuance of debt	50,265	17,187
Principal payments on debt and capital lease obligations	(72,076)	(48,413)
Bond issuance costs	(275)	-
Premium on bonds	300	-
Principal payments on ROU liability—financing	(4,174)	(3,249)
Net cash used in financing activities	<u>(50,492)</u>	<u>(34,475)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>\$(394,141)</u>	<u>(265,357)</u>
CASH AND CASH EQUIVALENTS—Beginning of year	<u>606,227</u>	<u>871,584</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 212,086</u>	<u>\$ 606,227</u>
CASH PAID FOR INTEREST DURING THE YEAR	<u>\$ 31,406</u>	<u>\$ 31,485</u>

See notes to combined financial statements.



# BAPTIST MEMORIAL HEALTH CARE CORPORATION AND AFFILIATES

## NOTES TO COMBINED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Affiliation and Combination**—Baptist Memorial Health Care Corporation (the “Corporation”) is a nonprofit corporation. The accompanying combined financial statements include the financial statements of the Corporation and its affiliates under common ownership and common management (collectively, BMHCC). The Corporation is the member (parent) organization of most of the not-for-profit affiliates that comprise BMHCC. Such affiliates include hospitals offering both inpatient and outpatient services, as well as surgery centers, physician practices, and other ancillary businesses. All intercompany accounts and transactions have been eliminated. Investments in 50%- or less-owned companies and partnerships are generally accounted for using the equity method.

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

**Cash and Cash Equivalents**—For purposes of the combined statements of cash flows, BMHCC considers certificates of deposit, overnight reverse repurchase agreements, and other highly liquid investments with original maturities of less than three months to be cash equivalents.

**Revenues and Accounts Receivable**—BMHCC reports revenues from patient services at its hospitals and affiliated facilities at the amounts that reflects the consideration to which BMHCC expects to be entitled in exchange for providing patient care. These amounts are due from patients, governmental programs and third-party payors such as Medicare, Medicaid, health maintenance organizations, preferred provider organizations, private insurers and others, and include variable consideration for retroactive revenue adjustments due to settlements of audits, reviews and investigations. Generally, BMHCC bills the patient and third-party payors several days after the services are performed or after the patient is discharged. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by BMHCC. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges for services anticipated to be provided. BMHCC believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in BMHCC’s hospitals receiving inpatient acute care services. BMHCC measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and BMHCC does not believe it is required to provide additional goods or services to the patient.

BMHCC determines the transaction price based on standard billing rates for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients and patient responsibility after insurance in accordance with BMHCC's policy, and/or implicit price concessions provided to uninsured patients and patient responsibility after insurance. BMHCC determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. BMHCC determines its estimate of implicit price concessions based on its historical collection experience with this portfolio of patients.

**Third-Party Payors**—A summary of the payment arrangements with major third-party payors is as follows:

**Medicare**—Payment for inpatient services and most outpatient services is generally based on prospectively determined rates.

**Arkansas Medicaid**—Payment for inpatient services is generally based on prospectively determined daily rates subject to cost report settlements. Payment for outpatient services is generally based on prospectively determined rates.

**Mississippi Medicaid**—Payment for inpatient and outpatient services is generally based on prospectively determined rates.

**TennCare**—TennCare covers the medical needs of Tennessee's indigent and uninsured population and is administered by state-approved managed care organizations who enroll eligible participants and contract with Providers (both physicians and hospitals) for medical services. Payment for inpatient and outpatient services is based on prospectively determined rates.

**Blue Cross**—Inpatient services are reimbursed at prospectively determined daily rates.

BMHCC has also entered into payment agreements with numerous commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to BMHCC under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The final settlement of amounts to be paid to or from BMHCC by the Medicare program is subject to audit and adjustment by the respective programs. Estimated settlements to or from represent the difference between interim payments and tentative settlements received and estimated reimbursable costs.

During 2022 and 2021, BMHCC adjusted its estimates of settlement of prior years' cost reports and other revenue recognition estimates. The revised estimates reflect filings of the 2022 and 2021 cost reports, final settlement of previously filed cost reports, and reopening or appeal of past cost report filings, as well as other changes in revenue recognized for prior years' services. The net effect of these adjustments increased net patient service revenue by approximately \$3,699,000 and \$2,924,000 for the years ended September 30, 2022 and 2021, respectively.

Currently, each of the states in which BMHCC operates participates in supplemental reimbursement programs for the purpose of providing reimbursement to providers to offset a portion of the cost of providing care to Medicaid patients. These programs are designed with input from the Centers for Medicare and Medicaid Services (CMS) and are funded with a combination of state and federal resources, including, in certain instances, fees or taxes levied on the providers. BMHCC recognizes revenue and related expenses in the period in which amounts are estimable and collection is

reasonably assured. Reimbursement received via these programs, as reflected in net patient service revenues, was approximately \$164,919,000 and \$156,685,000 for the years ended September 30, 2022 and 2021, respectively. Fees and tax assessments relative to such programs were approximately \$68,021,000 and \$66,709,000 for the years ended September 30, 2022 and 2021, respectively, and are recorded as purchased services and other in the accompanying combined statements of operations and changes in net assets. As these programs are approved for a defined period of time (one year or multiple years), future receipts of reimbursement under such supplemental reimbursement programs are not guaranteed.

**CARES Act**—The Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) authorized \$100 billion in funding to hospitals and other health care providers to be distributed through the Public Health and Social Services Emergency Fund (“Relief Funds”). Furthermore, the Paycheck Protection Program and Health Care Enhancement Act (“PPHCE Act”) enacted on April 24, 2020, provides an additional \$75 billion in emergency appropriations to eligible providers for COVID-19 response including distributions to safety net hospitals to compensate for lost revenues and qualified expenses, loan forgiveness and capacity expansion. The American Rescue Plan Act (“ARP Act”) enacted on March 10, 2021, provides \$7.6 billion for community health centers and community care to carry out vaccine related activities and an additional \$47.8 billion is dedicated to funding COVID-19 mitigation efforts such as testing, diagnosing, and tracing infections. The CARES Act, PPHCE Act, and ARP Act are collectively referred to herein as the Acts. Payments from Relief Funds are intended to compensate health care providers for lost revenues and qualified expenses incurred in response to the COVID-19 pandemic and are not required to be repaid; provided that the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using Relief Funds to reimburse expenses or losses that other sources are obligated to reimburse. BMHCC received \$75,966,000 and \$35,790,000 in payments under the Acts during the fiscal years ending September 30, 2022 and 2021, respectively. For the years ended September 30, 2022 and 2021, \$7,058,000 and \$4,502,000 were recorded as deferred revenue in the combined balance sheets. For the years ended September 30, 2022 and 2021, BMHCC recorded grants of \$73,410,000 and \$110,417,000, respectively, as other revenue under the Acts in the combined statements of operations and changes in net assets. (See Note 2).

**Charity Care**—BMHCC provides care to uninsured and indigent patients (those patients with a demonstrated inability to pay) at either no charge or at substantially reduced rates. For indigent patients, no effort is made to pursue collection of any amounts charged after the determination of indigency of the patient has been made. Discounts are granted to uninsured patients who do not meet the requirements for indigency. Since management does not expect payment for charity care, the charges forgone are excluded from net patient service revenue. The amount of charity care provided at BMHCC’s established rates, inclusive of discounts for uninsured patients based upon charges foregone, was approximately \$628,421,000 and \$548,384,000 in 2022 and 2021, respectively. BMHCC estimates the cost of charity care by calculating a ratio of cost to gross charges and applying that ratio to the gross uncompensated charges associated with providing care to patients who qualify for charity care. The estimated cost of charity care provided in 2022 and 2021 was approximately \$146,393,000 and \$123,022,000, respectively (see Note 3).

**Investments**—Investments classified as current assets are available to BMHCC entities for current working capital needs. Investments are managed under BMHCC’s investment policy and are reported at fair value. Investment income or loss (including realized gains and losses on investments, unrealized gains and losses on equity securities, interest, and dividends) is included in the excess of revenues over

expenses, unless the income or loss is restricted by donor or law. Unrealized gains and losses on debt securities are excluded from the excess of revenues over expenses and are reflected in changes in net assets.

**Assets Whose Use is Limited**—Assets whose use is limited include assets held by trustees under indenture and assets restricted as to use by the board of directors.

**Financial Instruments and Hedging**—BMHCC occasionally uses derivative financial instruments to manage movements in interest rates. Interest rate swaps are contractual agreements between two parties for the exchange of interest payments on a notional principal amount at agreed-upon fixed or floating rates for defined periods. BMHCC does not enter into derivative instruments for trading purposes. These financial instruments are not designated as hedges and are presented at estimated fair market value in the accompanying combined balance sheet. BMHCC recognizes changes in the fair values of derivatives as nonoperating gains or losses in the combined statements of operations and changes in net assets. The cash settlements resulting from these interest rate swaps are reported as interest expense in the combined statements of operations and changes in net assets.

**Inventory**—Inventory is stated at the lower of cost (weighted-average method) or net realizable value.

**Property and Equipment**—Property and equipment are recorded at cost when purchased or at fair market value when received by donation. Property and equipment are depreciated on a straight-line basis over their estimated useful life. Property and equipment held under capital leases are amortized evenly over the lesser of the lease term or their estimated useful life.

Property and equipment also consist of capitalized software costs, which are amortized on a straight-line basis over the estimated useful life of the software that ranges from three to eight years. As of September 30, 2022, capitalized software costs included in property and equipment are approximately \$93,807,000 and accumulated amortization on those costs is approximately \$89,516,000. As of September 30, 2021, capitalized software costs included in property and equipment are approximately \$92,975,000 and accumulated amortization on those costs is approximately \$88,439,000.

BMHCC capitalizes interest on borrowings during the active construction period of major capital projects. Capitalized interest is added to the cost of underlying assets and is amortized over the useful lives of the assets. There were no material amounts of interest capitalized in 2022 and 2021.

**Right-of-Use Asset/Lease Liabilities**—BMHCC adopted FASB ASU 2016-02, *Leases*, (Topic 842) effective October 1, 2019, which required BMHCC to recognize a lease liability for the obligation to make lease payments and a right-of-use (ROU) asset for the right to use the underlying asset for all leases with terms of more than twelve months. Expenses related to leases determined to be operating leases are recognized on a straight-line basis, while expenses related to leases determined to be financing leases are recognized based on an effective interest method in which interest and amortization are presented separately in the statement of operations and changes in net assets. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of BMHCC's leases do not provide an implicit rate, BMHCC uses an estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. BMHCC uses the implicit rate when readily determinable. BMHCC recognized \$164,078,000 and \$150,756,000 of ROU assets and \$168,077,000 and \$154,135,000 of lease liabilities associated with operating leases as of September 30, 2022 and 2021, respectively. The accounting for finance leases or leases formerly classified as capital leases remained substantially unchanged.

**Goodwill**—Goodwill is included in the accompanying combined balance sheets and represents the excess of costs over the fair value of assets of businesses acquired. In accordance with Financial Accounting Standards Board (FASB) ASC Topic 958, *Not-for-Profit Entities*, BMHCC performs an annual impairment assessment of goodwill. BMHCC performs the impairment test at the reporting unit level at least annually or when events occur that require an evaluation to be performed at an interim date. If BMHCC determines the carrying value of goodwill is impaired, or if the carrying value of a business that is to be sold or otherwise disposed of exceeds its fair value, then management reduces the carrying value, including any allocated goodwill, to fair value. Estimates of fair value are based on appraisals, established market prices for comparative assets, or internal estimates of future net cash flows. BMHCC has selected June 30 as the date on which it will perform its annual impairment assessment. There was no impairment of goodwill during the years ended September 30, 2022 and 2021. There can be no assurance that future goodwill impairment tests will not result in a charge to operations.

**Impairment of Long-Lived Assets**—BMHCC evaluates the carrying value of its long-lived assets under the provisions of FASB ASC Topic 360, *Property, Plant, and Equipment*. Under FASB ASC Topic 360, when events, circumstances, or operating results indicate that the carrying value of property and equipment assets may be impaired, BMHCC prepares projections of the undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the projections identify impairment, BMHCC compares the assets' current carrying value to the assets' fair value. Fair value is based on current market values or discounted future cash flows. No impairment charge was recorded for the years ended 2022 and 2021.

**Asset Retirement Obligations**—BMHCC recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred if a reasonable estimate of the fair value of the obligation can be made. When a liability is initially recorded, BMHCC capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the combined statements of operations and changes in net assets. Asset retirement obligations of approximately \$1,615,000 and \$1,596,000 relating to a hospital in Mississippi are included in other long-term liabilities in the accompanying combined balance sheets as of September 30, 2022 and 2021, respectively.

**Classification of Net Assets**—Net assets are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

**Net Assets without Donor Restrictions**—Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

**Net Assets with Donor Restrictions**—Amounts subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the passage of time or purpose. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds to be maintained in perpetuity.

Net assets with donor restrictions as of September 30, 2022 and 2021, are restricted to the following (in thousands):

	2022	2021
Educational activities	\$ 95,211	\$ 104,398
Charitable and religious activities	56,346	62,918
Capital additions	17,484	17,110
Science and research	6,528	7,240
Charitable remainder trust	<u>1,422</u>	<u>4,872</u>
Total	<u>\$ 176,991</u>	<u>\$ 196,538</u>

**Income Taxes**—The majority of BMHCC is a nonprofit corporation and has been recognized as tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Certain affiliates are subject to income taxes. Such activities and income taxes are not significant to the combined financial statements.

As of September 30, 2022, BMHCC had not identified any uncertain tax positions under FASB ASC Topic 740, *Income Taxes*, requiring adjustments to its combined financial statements. In the event BMHCC were to recognize interest and penalties related to uncertain tax positions, it would be recognized in the combined financial statements as interest expense. Generally, BMHCC is no longer subject to income tax examinations for tax years prior to 2018 (fiscal year ended September 30, 2019).

**Business Combinations**—BMHCC follows the authoritative guidance contained in ASC Topic 958-805, *Not-for-Profit Entities—Business Combinations*. This guidance establishes principles and requirements for how an acquirer: (a) recognizes and measures in its combined financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (b) recognizes and measures the goodwill acquired in a business combination, gain from a bargain purchase; or inherent contribution; and (c) determines what information to disclose to enable users of the combined financial statements to evaluate the nature and the financial effects of the business combination.

**Fair Value Measurements**—BMHCC follows the authoritative guidance contained in FASB ASC Topic 820, *Fair Value Measurements and Disclosures*. Fair value is generally defined as the exit price at which an asset or liability could be exchanged in a current transaction between willing unrelated parties, other than in a forced liquidation or sale. The guidance establishes a fair value hierarchy, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data, and requires disclosures for assets and liabilities measured at fair value based on their level in the hierarchy.

The fair value framework requires the categorization of assets and liabilities into a hierarchy of inputs based upon the assumptions used to value the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The hierarchy is defined as follows:

**Level 1**—Unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

**Level 2**—Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

**Level 3**—Unobservable inputs reflecting management’s own assumption about the inputs used in pricing the asset or liability at the measurement date.

**Net Asset Value (NAV)**—For these assets, FASB Accounting Standard Update (ASU) No. 2015-07, *Fair Value Measurement: Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, eliminated the requirement that investments for which fair value is measured at NAV per share (or its equivalent) using the practical expedient be categorized in the fair value hierarchy.

Most investments classified within the NAV category consist of the shares/units (or equivalent ownership interest in partner’s capital) in investment funds rather than direct ownership in the funds’ underlying assets.

Assets measured at fair value based on the fair value framework include investments, assets whose use is limited, long-lived assets acquired in a business combination, and goodwill.

**Newly Adopted Accounting Pronouncements**—In March 2020, FASB issued ASU 2020-04, *“Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting”*. Subject to meeting certain criteria, the new guidance provides optional expedients and exceptions to applying contract modification accounting under existing U.S. GAAP, to address the expected phase out of the London Interbank Offered Rate (“LIBOR”). This ASU is effective for all entities upon issuance as of March 12, 2020 through December 31, 2022. In January 2021, the FASB also issued ASU 2021-01, *“Reference Rate Reform (Topic 848),”* which provides additional optional expedients and exceptions applicable to all entities that have derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. This ASU is effective for all entities upon issuance as of January 7, 2021 through December 31, 2022 and can be applied prospectively. BMHCC adopted the standard during the current year. The adoption of this standard did not have a material impact to BMHCC’s financial statements or disclosures.



## 2. COVID-19 PANDEMIC

In January 2020, the Secretary of the U.S. Department of Health and Human Services (“HHS”) declared a national public health emergency due to a novel strain of coronavirus. In March 2020, the World Health Organization declared the outbreak of COVID-19, a disease caused by this coronavirus, a pandemic. The resulting measures to contain the spread and impact of COVID-19 and other developments related to COVID-19 have materially affected BMHCC’s results of operations during 2020. As a result of the COVID-19 pandemic, federal and state governments have passed legislation, promulgated regulations and taken other administrative actions intended to assist healthcare providers in providing care to COVID-19 and other patients during the public health emergency. Sources of relief include the CARES Act, which was enacted on March 27, 2020, the PPPHCE Act, which was enacted on April 24, 2020, and the ARP Act, which was enacted on March 10, 2021. Together, the CARES Act and the PPPHCE Act include \$175 billion in funding to be distributed to eligible providers through the Public Health and Social Services Emergency Fund (the “PHSSEF”). The ARP Act includes 55.4 billion to be distributed to eligible providers. In addition, the CARES Act provides for an expansion of the Medicare Accelerated and Advance Payment Program whereby inpatient acute care hospitals and other eligible providers may request accelerated payment of up to 100% of their Medicare payment amount for a six-month period to be repaid through withholding of future Medicare fee-for-service payments. Various other state and local programs also exist to provide relief, either independently or through distribution of monies received via the CARES Act. During the fiscal years ended September 30, 2022, 2021, and 2020, BMHCC was a beneficiary of these stimulus measures, including the Medicare Accelerated and Advance Payment Program. BMHCC’s accounting policies for the recognition of these stimulus monies is as follows:

**CARES Act, PPPHCE Act, ARP Act Funds**—During the years ended September 30, 2022, 2021 and 2020, BMHCC received payments through the PHSSEF, ARP Act, and various state and local programs. The recognition of amounts received is conditioned upon the provision of care for individuals with possible or actual cases of COVID-19 after January 31, 2020, certification that payment will be used to prevent, prepare for and respond to coronavirus; and reimburse BMHCC only for healthcare-related expenses or lost revenues, as defined by HHS, that are attributable to coronavirus, as well as receipt of the funds. Amounts are recognized as other operating revenue only to the extent BMHCC is reasonably assured that underlying conditions are met.

BMHCC’s assessment of whether the terms and conditions for amounts received have been met considers all frequently asked questions and other interpretive guidance issued by HHS.

On September 19, 2020, HHS issued a Post-Payment Notice of Reporting Requirements (the “September 19, 2020 Notice”) which indicates that providers may recognize reimbursement for healthcare-related expenses, as defined therein, attributable to coronavirus that another source has not reimbursed and is not obligated to reimburse. Additionally, amounts received from the PHSSEF that are not fully expended on eligible healthcare-related expenses may be recognized as reimbursement for lost revenues, represented as a negative change in year-over-year net patient care operating income. Providers may apply payments to lost revenues up to the amount of the 2019 net gain from healthcare-related sources or, for entities that reported a negative net operating loss in 2019, receipts from the PHSSEF may be recognized up to a net zero gain/loss in 2020.

On October 22, 2020, HHS issued an updated Post-Payment Notice of Reporting Requirements and a Reporting Requirements Policy Update (together, the “October 22, 2020 Notice”) which, among other changes, revised the definition of lost revenues to include a negative change in net patient service



revenue less COVID related expenses. In addition, on November 2, 2020, HHS issued another release which changed the definition again on lost revenues to be the negative change in net patient service revenue.

On January 15, 2021, HHS updated guidance that superseded the November 2, 2020 Notice. The primary change in the updated guidance addressed the definition of revenue loss and provided for three options that providers could choose to apply PRF payments toward lost revenues incurred from January 1, 2020 through June 30, 2021. These options are: 1) The change in actual patient care revenue from 2019 to 2020 and 2021 to 2019; 2) The change in actual 2020 patient care revenue to 2020 budgeted patient care revenue; and 3) Any reasonable method of estimating revenue loss. BMHCC elected to utilize a reasonable method of estimating revenue loss that utilizes components of both option one and option two to calculate the impact of COVID-19 on patient volumes and the resulting loss of net revenues, as compared to the budget and prior year period. On June 11, 2021, HHS updated guidance that superseded the January 15, 2021, guidelines. The primary change was the update of reporting time periods and reporting requirements.

Amounts received through the PHSEF or state and local programs that had not yet been recognized as other operating revenues are reflected within deferred revenues in the combined balance sheets. Such unrecognized amounts may be recognized as other operating revenues in future periods if the underlying conditions for recognition are met.

#### **Advanced Payment Programs**

**Medicare Accelerated Advanced Payments**—The CARES Act provided for expansion of the Medicare Accelerated and Advanced Payment Program whereby inpatient acute care hospitals and other eligible providers could request accelerated payment of up to 100% of their Medicare payment amount for a six-month period to be repaid through withholding of future Medicare fee-for-service payments. Medicare advanced accelerated payments requested by BMHCC for its acute care hospitals and physician practices of approximately \$437,064,000 were received by BMHCC. Payments under the Medicare Accelerated and Advance Payment program are advances that must be repaid. As of September 30, 2020, the program required CMS to begin recouping payments 120 days after receipt by the provider, although no payments were recouped during the fiscal year ended September 30, 2020.

Effective October 1, 2020, the program was amended such that providers are required to repay accelerated payments beginning one year after the payment was issued. After such one-year period, Medicare payments owed to providers will be recouped according to the repayment terms. The repayment terms specify that for the first 11 months after repayment begins, repayment will occur through an automatic recoupment of 25% of Medicare payments otherwise owed to the provider. At the end of the eleven-month period, recoupment will increase to 50% for six months. At the end of the six months (29 months from the receipt of the initial accelerated payment), Medicare issued letters for full repayment of any remaining balance. For the years ended September 30, 2022 and 2021, there were approximately \$329,414,000 and \$105,733,000, respectively, recouped by or repaid to Medicare. This amount is treated as a noncash reduction in Medicare accelerated payments and net patient accounts receivable on the accompanying statements of cash flow. As of September 30, 2022 and 2021, approximately \$1,917,000 and \$331,331,000, respectively, are reflected within Medicare accelerated payments in the combined balance sheets. The remaining September 30, 2022, balance of \$1,917,000 was repaid in October and November 2022 to Medicare.

**Arkansas Blue Cross Blue Shield Advanced Payments**—In May 2020, Arkansas Blue Cross Blue Shield established a one-time discretionary cash advance payment program. Two Arkansas based hospitals received approximately \$2,727,000 from the program and are reflected within Medicare accelerated payments in the combined balance sheets. The advances were recouped by Arkansas Blue Cross over a six-month period, beginning on October 15, 2020 through and including March 15, 2021.

### 3. COMMUNITY BENEFIT

A summary of the costs (estimated using applicable cost-to-charge ratio) of certain of BMHCC's community services provided to the indigent and to the broader community for the years ended September 30, 2022 and 2021, is as follows (in thousands):

	2022	2021
Benefits for the indigent:		
Traditional charity care—at cost	\$ 146,393	\$ 123,022
Unpaid costs of Medicaid/TennCare programs	<u>45,233</u>	<u>20,003</u>
Total benefits for the indigent	<u>191,626</u>	<u>143,025</u>
Benefits for the broader community:		
Uncompensated care—uninsured and underinsured—at cost	65,563	58,645
Unpaid costs of Medicare programs	<u>254,374</u>	<u>137,630</u>
Total benefits for the broader community	<u>319,937</u>	<u>196,275</u>
Total	<u>\$ 511,563</u>	<u>\$ 339,300</u>

This summary of community services costs above does not include impact of assessment programs (see Note 1 for additional disclosures).

Benefits for the indigent include services provided to persons who cannot afford health care because of inadequate resources and/or who are uninsured. This includes the cost of providing traditional charity care and the unpaid costs of treating Medicaid/TennCare beneficiaries. Services provided to traditional charity care patients are not reported as patient revenue in the accompanying combined statements of operations and changes in net assets.

Benefits for the broader community include the cost of services provided for which a fee has been assessed but not collected or only a portion of the cost of the rendered service has been recovered and unpaid costs in excess of government payments for treating Medicare beneficiaries.

BMHCC provides many educational programs and activities, including professional and technical schools, a graduate medical education program, and numerous continuing education programs for doctors, nurses, and other staff. BMHCC also broadly participates in medical research activities.

BMHCC engages in numerous health promotion and other community service activities. It sponsors health fairs and screenings, including inner city health screenings for cancer detection and prevention, diabetes, and high blood pressure. It also works through other community organizations, such as United Way, Goals for Memphis, and charitable foundations, for medical research, such as the American Cancer Society, American Heart Association, and Kidney Foundation, among others.

The value of BMHCC's overall charitable, educational, health promotion, and community services is not readily determinable.

#### 4. NET PATIENT SERVICE REVENUE

The following represents the components of net patient service revenue presented net of implicit and explicit price concessions (in thousands):

	2022	2021
Medicare	\$ 1,468,945	\$ 1,445,762
Medicaid	406,729	398,797
Blue Cross	658,004	675,350
Commercial and managed care	507,584	522,789
Other	<u>167,839</u>	<u>139,780</u>
Total	<u>\$ 3,209,101</u>	<u>\$ 3,182,478</u>

#### 5. BUSINESS AND CREDIT CONCENTRATIONS

BMHCC provides health care services through both inpatient and outpatient care facilities in Tennessee, Mississippi, and Arkansas. The hospitals grant credit to patients, substantially all of whom are local area residents. The hospitals generally do not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits from Medicare, Medicaid, Blue Cross, health maintenance organizations, and commercial insurance policies or similar insurance programs or policies.

The mix of accounts receivable, net of implicit and explicit price concessions from patients and third-party payors, as of September 30, 2022 and 2021, is as follows:

	2022	2021
Medicare	19 %	17 %
Medicaid	9	9
Blue Cross	17	17
Other third-party payors	43	47
Patients (self-pay)	<u>12</u>	<u>10</u>
Total	<u>100 %</u>	<u>100 %</u>

#### 6. INVESTMENTS

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the combined balance sheets.

The composition of investments as of September 30, 2022 and 2021, is as follows (in thousands):

	2022	2021
Cash and cash equivalents	\$ 113,025	\$ 83,685
US government debt obligations	7,314	10,464
Corporate obligations	193,198	248,040
Municipal obligations	29,943	29,969
Common stocks	481,275	624,764
Mutual funds	216,910	234,549
Private equity funds	4,152	4,853
Real estate funds	<u>1,193</u>	<u>1,264</u>
Total	1,047,010	1,237,588
Less cash	(113,025)	(83,685)
Less short-term investments	<u>(20,560)</u>	<u>(2,276)</u>
Total	<u>\$ 913,425</u>	<u>\$ 1,151,627</u>

The composition of net investment (loss) income for the marketable investment portfolio for the years ended September 30, 2022 and 2021, is as follows (in thousands):

	2022	2021
Without donor restrictions:		
Interest and dividend income	\$ 28,716	\$ 22,521
Unrealized gain (loss) on equity securities—net	(159,210)	100,128
Net realized gains on investments	<u>44,431</u>	<u>31,614</u>
Total	<u>\$ (86,063)</u>	<u>\$ 154,263</u>
With donor restrictions:		
Interest and dividend income	\$ 5,504	\$ 4,459
Unrealized gain (loss) on equity securities—net	(39,340)	22,942
Net realized gains on investments	<u>19,329</u>	<u>9,859</u>
Total	<u>\$ (14,507)</u>	<u>\$ 37,260</u>

There were no significant investments considered “under water” or other-than-temporary impaired as of September 30, 2022 and 2021.

**Marketable Equity Securities**—BMHCC believes the stocks owned represent financially sound companies and, over time, will experience growth in earnings and dividends resulting in long-term price appreciation. BMHCC intends to hold the remaining common stocks for a period of time sufficient to experience the recovery of fair value.

## 7. FAIR VALUE MEASUREMENTS

BMHCC's assets and liabilities by asset class and fair value hierarchy level as of September 30, 2022, are presented in the following table (in thousands):

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Total
Assets—investments:					
Cash and cash equivalents	\$ 113,025	\$ -	\$ -	\$ -	\$ 113,025
US government obligations	-	7,314	-	-	7,314
Corporate obligations	-	193,198	-	-	193,198
Municipal obligations	-	29,943	-	-	29,943
Common stocks	481,275	-	-	-	481,275
Mutual funds	216,910	-	-	-	216,910
Private equity funds	-	-	-	4,152	4,152
Real estate funds	-	-	-	1,193	1,193
Total assets—investments	<u>\$ 811,210</u>	<u>\$ 230,455</u>	<u>\$ -</u>	<u>\$ 5,345</u>	<u>\$ 1,047,010</u>
Other assets—interest rate swap	<u>\$ -</u>	<u>\$ 437</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 437</u>
Liabilities—interest rate swap	<u>\$ -</u>	<u>\$ (8,515)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,515)</u>

BMHCC's assets and liabilities by asset class and fair value hierarchy level as of September 30, 2021, are presented in the following table (in thousands):

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Total
Assets—investments:					
Cash and cash equivalents	\$ 83,685	\$ -	\$ -	\$ -	\$ 83,685
US government obligations	-	10,464	-	-	10,464
Corporate obligations	-	248,040	-	-	248,040
Municipal obligations	-	29,969	-	-	29,969
Common stocks	624,764	-	-	-	624,764
Mutual funds	234,549	-	-	-	234,549
Private equity funds	-	-	-	4,853	4,853
Real estate funds	-	-	-	1,264	1,264
Total assets—investments	<u>\$ 942,998</u>	<u>\$ 288,473</u>	<u>\$ -</u>	<u>\$ 6,117</u>	<u>\$ 1,237,588</u>
Other assets—interest rate swap	<u>\$ -</u>	<u>\$ 492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 492</u>
Liabilities—interest rate swap	<u>\$ -</u>	<u>\$ (23,203)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,203)</u>

Common and preferred stock and mutual funds are valued using quoted prices in principal active markets for identical assets as if the valuation date were used (Level 1).

Certain government and corporate debt securities are valued using either the yields currently available on comparable securities of issuers with similar credit ratings or using a discounted cash flows approach that utilizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks (Level 2). The impact of such unobservable inputs is not significant to the overall fair value measurement.

BMHCC uses fund NAV as a practical expedient to estimate the fair value of all investments that (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments in investment companies by major category (in thousands):

Category of Investment	Investment Strategy	Fair Value Determined Using NAV at September 30, 2022	Unfunded Commitments (Approximate)	Remaining Life	Redemption Frequency	Redemption Notice
Private equity funds <sup>(a)</sup>	Special situations	\$ 930	\$ 548	2 years	N/A	N/A
Private equity funds <sup>(b)</sup>	Fund of funds	3,222	1,215	2 years	N/A	N/A
Real estate funds <sup>(c)</sup>	Diversified	1,193	820	1 year	Monthly	N/A

Category of Investment	Investment Strategy	Fair Value Determined Using NAV at September 30, 2021	Unfunded Commitments (Approximate)	Remaining Life	Redemption Frequency	Redemption Notice
Private equity funds <sup>(a)</sup>	Special situations	\$1,566	\$ 553	2 years	N/A	N/A
Private equity funds <sup>(b)</sup>	Fund of funds	3,287	1,215	2 years	N/A	N/A
Real estate funds <sup>(c)</sup>	Diversified	1,264	820	1 year	Monthly	N/A

There is approximately \$5,344,000 across three funds that are undergoing full redemption.

- (a) Includes investments in funds and private equity companies that invest in assets focused on real estate, energy, healthcare, industrial, financial services or retail/consumer, and other private equity-related investments.
- (b) Includes investments in global and domestic closed-end private equity funds. These closed-end funds consist of those that are established to take advantage of investment opportunities arising from financial distress via purchase of distressed debt, and to build a diversified portfolio comprised primarily of investments in real estate and real estate-related debt.
- (c) Includes real estate-related investments primarily consisting of debt instruments secured by real estate or issued by real estate-related entities and similar preferred equity instruments, which may include equity or equity derivatives, such as warrants, options, common stock or convertible debt, special or distressed investments, instruments, assets or liabilities.

The fair value of the interest rate swap agreement is primarily determined using valuation techniques consistent with the market approach. Significant observable inputs to the valuation model include interest rates, US Treasury yields, and credit spreads (Level 2).

The carrying amounts of cash and cash equivalents, accounts receivable, inventory, prepaids, other assets, accounts payable, and accrued expenses approximate fair value based on their short-term nature.

## 8. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<b>2022</b>
Financial assets at year-end:	
Cash and cash equivalent	\$ 212,086
Short-term investments	20,560
Patient receivable—net	447,615
Less cash used for Medicare accelerated payments (See Note 2)	<u>(1,917)</u>
Financial assets available to meet general expenditures within one year	<u><b>\$ 678,344</b></u>

During March 2020, BMHCC requested and received \$437,291,000 of cash advances from accelerated Medicare payment requests under the CARES Act and Arkansas Blue Cross Blue Shield advanced payments. During the fiscal year ended September 30, 2021, an additional \$2,500,000 was received. These amounts were recorded as cash and cash equivalents, and recorded within current liabilities as Medicare accelerated payments in the combined balance sheets as of September 30, 2022 and 2021 (See Note 2). As of September 30, 2022, approximately \$435,147,000 has been recouped in accordance with the terms of the program and the balance of \$1,917,000 is recorded as cash and cash equivalents, and current liabilities as Medicare accelerated payments in the combined balance sheets. The remaining balance of \$1,917,000 was repaid to Medicare in October and November 2022.

BMHCC manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. In addition, cash in excess of daily requirements are invested in short-term investments and money market funds. BMHCC holds \$933,985,000 of investments that can be sold to cover operational needs, if required.

## 9. ASSETS WHOSE USE IS LIMITED

These assets whose use is limited are invested as of September 30, 2022 and 2021, in the following (in thousands):

Description	September 30, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Baptist Memorial Foundation Scholarships:				
Corporate obligations	\$ -	\$ 129	\$ -	\$ 129
Municipal obligations	-	28	-	28
Common stocks	659	-	-	659
Mutual funds	<u>326</u>	<u>-</u>	<u>-</u>	<u>326</u>
Total Baptist Memorial Foundation Scholarships	985	157	-	1,142
Real estate property	-	-	672	672
Assets held by trustee for higher education requirement—cash and cash equivalents	40,794	-	-	40,794
Assets held by trustee for self-insurance funding—cash and cash equivalents	4,016	-	-	4,016
Assets held by trustee for acquisition—cash and cash equivalents	<u>2,032</u>	<u>-</u>	<u>-</u>	<u>2,032</u>
Total assets whose use is limited	<u>\$ 47,827</u>	<u>\$ 157</u>	<u>\$ 672</u>	<u>\$ 48,656</u>

Description	September 30, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Baptist Memorial Foundation Scholarships:				
Corporate obligations	\$ -	\$ 6,711	\$ -	\$ 6,711
Municipal obligations	-	1,023	-	1,023
Common stocks	26,087	-	-	26,087
Mutual funds	<u>11,319</u>	<u>-</u>	<u>-</u>	<u>11,319</u>
Total Baptist Memorial Foundation Scholarships	37,406	7,734	-	45,140
Real estate property	-	-	672	672
Assets held as collateral under interest rate swap agreement—cash and cash equivalents	15,099	-	-	15,099
Assets held by trustee for self-insurance funding—cash and cash equivalents	4,680	-	-	4,680
Assets held by trustee for acquisition—cash and cash equivalents	<u>2,031</u>	<u>-</u>	<u>-</u>	<u>2,031</u>
Total assets whose use is limited	<u>\$ 59,216</u>	<u>\$ 7,734</u>	<u>\$ 672</u>	<u>\$ 67,622</u>



## 10. PROPERTY AND EQUIPMENT

The composition of property and equipment as of September 30, 2022 and 2021, is as follows (in thousands):

	Useful Lives	2022	2021
Land and land improvements	3–25 years	\$ 271,838	\$ 271,179
Buildings and improvements	5–47 years	1,638,608	1,613,705
Equipment	2–25 years	1,350,409	1,325,709
Construction in progress		<u>31,786</u>	<u>28,072</u>
Total property and equipment		3,292,641	3,238,665
Less accumulated depreciation and amortization		<u>(1,992,878)</u>	<u>(1,899,766)</u>
Property and equipment—net		<u>\$ 1,299,763</u>	<u>\$ 1,338,899</u>

Depreciation expense for the years ended September 30, 2022 and 2021, was \$133,445,000 and \$139,428,000, respectively. BMHCC has property and equipment expenditures totaling \$2,076,000 and \$15,973,000 accrued in accounts payable in the accompanying consolidated balance sheets as of September 30, 2022 and 2021, respectively, and has excluded these amounts in determining cash flows.

## 11. GOODWILL

Information on changes in the carrying value of goodwill, which is included in the accompanying combined balance sheets, as of September 30, 2022 and 2021, is as follows (in thousands):

Balance—September 30, 2020	\$ 10,648
Other	<u>(33)</u>
Balance—September 30, 2021	10,615
Other	<u>-</u>
Balance—September 30, 2022	<u>\$ 10,615</u>

## 12. OTHER LONG-TERM ASSETS

The composition of other assets as of September 30, 2022 and 2021, is as follows (in thousands):

	2022	2021
Investments in affiliates	\$ 46,367	\$ 55,157
Land held for investment	14,991	10,433
Deferred compensation (Note 18)	1,087	1,659
Notes receivable	1,530	1,133
Interest rate swap receivable	437	-
Cash surrender value of life insurance	1,087	968
Deferred charges and other assets	<u>2,271</u>	<u>9,187</u>
Total	<u>\$ 67,770</u>	<u>\$ 78,537</u>

Included in Investments in affiliates, BMHCC has ownership interests between 20% and 50% in certain joint ventures, which generally are accounted for under the equity method.

In October 2021, Memphis Medical Center Air Ambulance, d/b/a Hospital Wing, sold the company to Med-Trans Corporation. BMHCC, having a 33% ownership in the company received a cash distribution in the amount of \$15,667,000. The cost of investment at the time of sale was \$10,800,000. The gain was recorded in nonoperating income (loss) other in the combined statements of operations and changes in net assets.

### 13. LONG-TERM DEBT

A summary of long-term debt as of September 30, 2022 and 2021, is as follows (in thousands):

	Maturing Through	Coupon Rates	Unpaid Principal	
			2022	2021
System trust indenture debt:				
Fixed rate:				
Series 2022A revenue bonds	2044	5.88 %	\$ 49,975	\$ -
Series 2020A1 revenue bonds	2044	5.00	45,970	45,970
Series 2020A2 revenue bonds	2036	3.15	45,760	45,760
Series 2020B1 revenue bonds	2044	5.00	136,400	136,400
Series 2020B2 revenue bonds	2044	5.00	44,840	44,840
Series 2017A revenue bonds	2047	2.43	39,075	40,638
Series 2017B revenue bonds	2047	2.43	9,225	9,594
Series 2016A revenue bonds	2046	5.00	212,030	212,030
Series 2016B revenue bonds	2026	3.72	75,000	75,000
Series 2015A revenue bonds	2024	5.00	28,505	40,355
Series 2011 special obligation bonds	2036	3-5.75	4,710	4,940
Series 2007A revenue bonds	2029	5.00	44,260	50,310
Notes payable to banks and others	2023 - 2027	0.0-4.45	16,171	17,609
Total fixed rate			<u>751,921</u>	<u>723,446</u>
Variable rate:				
Series 2015B3 revenue bonds	2044	-	1.60 %	-
Series 2015B4 revenue bonds	2044	2.98	0.20	50,000
Total variable rate			<u>50,000</u>	<u>100,000</u>
Series 2009 Taxable Commercial Paper	2022	3.75	0.55	25,726
Unpaid principal-system trust indenture			827,647	849,172
Unamortized premium—net			49,136	52,662
Unamortized debt issuance costs			<u>(5,442)</u>	<u>(5,804)</u>
System trust indenture debt—including premium and discounts—net			871,341	896,030
Other long-term debt—notes payable to banks and others	2026		<u>1,416</u>	<u>1,703</u>
Total long-term debt			872,757	897,733
Less current portion			<u>(46,100)</u>	<u>(47,619)</u>
Long-term debt			<u>\$ 826,657</u>	<u>\$ 850,114</u>

Included in the foregoing table are notes and bonds with a principal balance outstanding as of September 30, 2022 and 2021, of approximately \$827,647,000 and \$849,172,000, respectively, that are part of a system trust indenture dated as of September 1, 2004, with US Bank, as trustee, as amended and supplemented thereto, as of August 15, 2017 (System Trust Indenture). The System Trust Indenture permits BMHCC and certain hospitals and affiliated corporations (the "Obligated Group") to finance certain activities. All members of the Obligated Group are jointly and severally liable for obligations due under the System Trust Indenture.

Obligations under the System Trust Indenture are secured by pledge of the gross revenue of each member of the Obligated Group. The System Trust Indenture includes certain covenants and restrictions with which the Obligated Group must comply.

In July 2022, BMHCC issued Series 2022A revenue bonds for \$49,975,000. The proceeds were used to pay down Series 2015B3 revenue bonds and paid certain expenses incurred in connection with the issuance of the bonds. The bonds were issued with a premium of \$300,000.

At September 30, 2020, notes payable associated with the New Market Tax Credit program for Baptist Medical Center-Leake, Inc. totaled \$25,420,000. In November 2020, the compliance period associated with this program ended, and notes payable totaling \$17,187,000 were refinanced with Pinnacle Bank. BMHCC exercised its option to purchase the outstanding interest in Baptist Leake QEI, LLC, which held the remaining \$8,233,000 in outstanding debt. As a result of this transaction, BMHCC recorded a gain of \$8,233,000 in nonoperating income (loss) in the combined statements of operations and changes in net assets

In 2009, BMHCC established a \$150,000,000 commercial paper program ("Commercial Paper"). The Commercial Paper is available to be drawn for any corporate purpose. Each note issued from the Commercial Paper will mature on a business day not later than 270 days after the date of issuance of such note. Interest on a note is payable at maturity and the notes are not subject to redemption prior to their maturity date. The notes are general obligations of BMHCC and treated as short-term debt for accounting purposes. The outstanding balance under this program was \$25,726,000 for the years ended September 30, 2022 and 2021.

The scheduled maturities of long-term debt subsequent to September 30, 2022, are as follows (in thousands):

<b>Years Ending September 30</b>	<b>Long-Term Debt</b>
2023	\$ 46,100
2024	28,437
2025	60,631
2026	94,446
2027	64,883
Thereafter	<u>534,566</u>
<b>Total</b>	<b>829,063</b>
Plus net unamortized premium on bonds	49,136
Less deferred debt issuance costs	<u>(5,442)</u>
<b>Total</b>	<b><u>\$ 872,757</u></b>

#### 14. LEASES

BMHCC enters into operating leases for real estate, including medical office buildings, corporate and other administrative offices, medical equipment and vehicle. BMHCC's finance leases consist primarily of administrative offices and medical equipment.

The following table provides summary of the components of lease costs (in thousands):

	<b>Classification in Combined Statements of Operations and Changes in Net Assets</b>	<b>2022</b>	<b>2021</b>
Operating lease costs:			
Operating lease cost		\$ 42,406	\$ 38,007
Variable lease cost		8,848	7,643
Short-term rent expense		<u>6,455</u>	<u>8,182</u>
Total operating lease costs	Purchased services and other	<u>\$ 57,709</u>	<u>\$ 53,832</u>
Finance lease costs:			
Amortization of right-of-use assets	Depreciation and amortization	\$ 4,968	\$ 3,365
Interest on lease liabilities	Interest	<u>261</u>	<u>224</u>
Total finance lease costs		<u>\$ 5,229</u>	<u>\$ 3,589</u>

The following table provides the weighted-average lease terms and discount rates used for BMHCC's operating and finance leases:

	<b>2022</b>	<b>2021</b>
Weighted-average remaining lease term (years):		
Operating leases	7.2	6.6
Finance leases	3.0	3.2
Weighted-average discount rate:		
Operating leases	2.9 %	2.4 %
Finance leases	2.9	2.8

The following table provides supplemental cash flow information related to leases (in thousands):

	<b>2022</b>	<b>2021</b>
Cash paid for amounts in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 38,563	\$ 34,953
Operating cash flows from finance leases	259	254
Financing cash flows from finance leases	3,764	3,425

The following table provides a summary of lease liability maturities for the next five years and thereafter (in thousands):

<b>Years Ending September 30</b>	<b>Operating Leases</b>	<b>Finance Leases</b>
2023	\$ 38,345	\$ 4,259
2024	31,319	9,921
2025	25,665	2,590
2026	20,737	1,380
2027	17,638	431
Thereafter	<u>53,723</u>	<u>-</u>
Total lease payments	187,427	18,581
Less imputed interest	<u>19,350</u>	<u>1,264</u>
Total lease obligations	168,077	17,317
Less current portion	<u>34,050</u>	<u>4,013</u>
Total long-term lease obligations	<u>\$ 134,027</u>	<u>\$ 13,304</u>

Certain affiliate hospitals are obligated to their respective counties under finance leases. The initial lease terms range from 30 to 35 years. As of September 30, 2022 and 2021, the balance for these leases is \$6,127,000 and \$5,673,000, respectively, and is recorded as lease liability-financing on the combined balance sheets.

#### 15. DERIVATIVE FINANCIAL INSTRUMENTS

BMHCC has executed derivative financial instruments in the normal course of its business. As a component of the debt portfolio, BMHCC entered into interest rate swap and total return swap agreements that effectively convert certain fixed-rate debt to variable rates and variable-rate debt to fixed rates. BMHCC's derivatives are not designated as hedging instruments for the years ended September 30, 2022 and 2021.

The following table summarizes the general terms for each of BMHCC's interest rate and total return swap agreements as of September 30, 2022 (in thousands):

Effective Date	Notional Amount	BMHCC Pays	BMHCC Receives	Expiration Date
August 16, 2017 <sup>(a)</sup>	\$ 16,865	SIFMA, plus 0.65 %	5.00 %	January 25, 2027
August 16, 2017 <sup>(b)</sup>	39,190	SIFMA, plus 0.65 %	5.00 %	April 10, 2024
May 15, 2022 <sup>(c)</sup>	80,000	3.602 %	67% of one-month SOFR	August 15, 2036
July 1, 2022 <sup>(d)</sup>	49,975	SIFMA, plus 0.89%	5.88 %	July 1, 2029

In July 2022, BMHCC entered into the following transactions.

- (a) Amended the total return swap agreement related to Series 2007A revenue bonds to extend the maturity date from August 15, 2022 to January 25, 2027.
- (b) Amended the total return swap agreement related to Series 2007A revenue bonds to extend the maturity date from August 15, 2022 to April 10, 2024.
- (c) Novated the interest return swap agreement with Deutsche Bank to BNY Mellon using Secured Overnight Financing Rate (SOFR).
- (d) Entered into total return swap agreement in relation to the issuance of Series 2022A revenue bonds.

The following table summarizes BMHCC's derivatives as of September 30, 2022 and 2021 (in thousands):

Effective Date	2022		2021	
	Fair Value	Gain (Loss)	Fair Value	Gain (Loss)
May 24, 2001	\$ -	\$ -	\$ -	\$ 78
March 1, 2007	(8,515)	14,688	(23,203)	7,671
August 16, 2017	113	(49)	162	3
August 16, 2017	194	(136)	330	(41)
July 1, 2022	130	130	-	-
Total	<u>\$ (8,078)</u>	<u>\$ 14,633</u>	<u>\$ (22,711)</u>	<u>\$ 7,711</u>

BMHCC had a fair value swap agreement terminated during 2021. The swap with an effective date of May 24, 2001 was settled on its scheduled maturity date in May 2021. Accordingly, no gain or loss was recognized in the combined statements of operations and changes in net assets.

The fair value of BMHCC's interest rate and total return swaps is recorded in other assets in the combined balance sheet. The fair value of interest rate swap liabilities is recorded in other liabilities in the combined balance sheet. The gain (loss) on the interest rate swap effective May 24, 2001 is included in interest expense in the combined statements of operations and changes in net assets. The gain (loss) on the other total return swaps are included in nonoperating gain/(loss) in the combined statements of operations and changes in net assets.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position was approximately \$8,515,000 and \$23,203,000 as of September 30, 2022 and 2021, respectively. Under certain circumstances, the swaps are subject to termination prior to the scheduled termination date or BMHCC may be required to post collateral to secure obligations that would be owed to the counterparty under such transaction if terminated, regardless of whether such

transaction is actually terminated. BMHCC has complied with these provisions as required. As of September 30, 2022, BMHCC was not required to post collateral to secure the obligation. As of September 30, 2021, BMHCC has posted collateral of approximately \$15,099,000. BMHCC does not anticipate nonperformance by its counterparties.

#### 16. ACCRUED EXPENSES AND OTHER

The composition of accrued expenses and other as of September 30, 2022 and 2021, is as follows (in thousands):

	2022	2021
Compensation and benefits	\$ 127,270	\$ 127,278
Health claims incurred but not reported	14,160	20,435
Deferred payroll taxes	21,408	21,408
Other	85,613	84,697
Other current liabilities	12,511	14,043
Deferred governmental grants	7,058	4,502
Current portion of postretirement health care benefits	<u>2,343</u>	<u>2,398</u>
Total	<u>\$ 270,363</u>	<u>\$ 274,761</u>

#### 17. OTHER LONG-TERM LIABILITIES

The composition of other long-term liabilities as of September 30, 2022 and 2021, is as follows (in thousands):

	2022	2021
Reserve for self-insurance	\$ 123,964	\$ 122,918
Postretirement benefit obligations and supplemental retirement benefits	23,047	28,715
Interest rate swap liability	8,515	23,203
Noncontrolling interests	13,080	12,371
Liabilities under deferred compensation agreements	739	1,389
Asset retirement obligation	1,615	1,596
Deferred Payroll Taxes	-	21,408
Other	<u>25,180</u>	<u>24,286</u>
Total	<u>\$ 196,140</u>	<u>\$ 235,886</u>

#### 18. EMPLOYEE RETIREMENT PLANS

**Defined Contribution Plan**—Certain BMHCC entities sponsor a Section 403(b) defined contribution employee benefit plan administered through Guidestone Financial Resources of the Southern Baptist Convention. For those entities, employees who are at least 21 years of age and have completed 1,000 hours of service during a 12-month period are eligible to participate. Participants may make matched tax-deferred contributions of 2% to 5% of eligible earnings, as defined. These contributions are then matched on a graduated scale based on years of service from 50% of eligible contributions up to 150% of eligible contributions by BMHCC, up to 5% of the participants' annual base salaries. Participants may also make unmatched tax-deferred contributions up to applicable Internal Revenue Service limitations. Participants vest in BMHCC's matching contributions 20% after two years of service,



with subsequent annual increases of 20% to 100% after six years of service. During 2022 and 2021, BMHCC's matching contribution approximated \$37,849,000 and \$36,225,000, respectively, and was recorded in salaries and benefits within the combined statements of operations and changes in net assets.

The BMHCC retirement program offers participants access to diversified investment lineups that typically include options such as a stable value/guaranteed account, bond, equity, and asset allocation funds. The BMHCC retirement plan utilizes institutional share classes in the retirement plans unless participants can receive access to a lower net cost by utilizing an alternative share class. If an investment share class is used that provides revenue sharing, BMHCC will have the record keeper credit all revenue sharing back to participants.

**Deferred Compensation**—Certain BMHCC entities and employees have entered into a deferred compensation agreement whereby employees may defer all or a portion of their compensation, up to the Internal Revenue Service statutory limits. BMHCC, directed by the employee, invests the deferred compensation amounts in various types of investments. These investments are reported at fair value as other assets in the accompanying combined balance sheets. Also, BMHCC may make discretionary contributions to the accounts under the plan described in the preceding paragraph. No significant amounts were expensed for the years ended September 30, 2022 and 2021. During the fiscal year ended September 30, 2021, MBHS changed their deferred compensation plan that reduced the plan asset and liability balance by \$10,425,000.

**Postretirement Health Care Benefits**—BMHCC provides medical and dental benefits to certain retirees of BMHCC. Employees are generally eligible for postretirement benefits upon retirement and completion of a specified number of years of credited service. Participation in this plan is currently frozen to those employees having met these requirements in prior years. The plan is contributory, with retiree payments based on the year of retirement, age at retirement, and years of employment. BMHCC does not prefund these benefits and has the right to modify or terminate the plan in the future.

Net periodic postretirement benefit cost for the years ended September 30, 2022 and 2021, includes the following components (in thousands):

	2022	2021
Service cost	\$ 511	\$ 539
Interest cost on accumulated postretirement benefit obligation	709	605
Net amortizations	7	9
Recognized actuarial loss	<u>199</u>	<u>-</u>
Total	<u>\$ 1,426</u>	<u>\$ 1,153</u>

The change in benefit obligation and reconciliation of funded status as of September 30, 2022 and 2021, is as follows (in thousands):

	2022	2021
Benefit obligation—beginning of year	\$ 30,146	\$ 28,371
Service cost	511	539
Interest cost	709	605
Plan participants' contributions	1,367	1,382
Actuarial (gain) loss	(4,671)	3,182
Benefits paid	(3,951)	(3,933)
Retiree drug subsidy reimbursement	192	-
	<u>24,303</u>	<u>30,146</u>
Benefit obligation—end of year	24,303	30,146
Plan assets	<u>-</u>	<u>-</u>
Funded status	<u>\$ (24,303)</u>	<u>\$ (30,146)</u>

Amounts recognized in the combined balance sheets as of September 30, 2022 and 2021, consist of the following (in thousands):

	2022	2021
Current liabilities	\$ 2,343	\$ 2,398
Noncurrent liabilities	21,959	27,748

Amounts recognized as changes in unrestricted net assets arising from a postretirement benefit plan, but not yet included in net periodic benefit cost as of September 30, 2022 and 2021, consist of the following (in thousands):

	2022	2021
Net gain	\$ (629)	\$ 4,241
Prior service cost	<u>-</u>	<u>7</u>
Total	<u>\$ (629)</u>	<u>\$ 4,248</u>

Other Changes in Plan Assets and Benefits—Obligations recognized in unrestricted net assets as of September 30, 2022 and 2021, are as follows (in thousands):

	2022	2021
Net (gain)/loss	\$ (4,671)	\$ 3,182
Recognized actuarial (gain)/loss	(199)	-
Amortization of prior service cost	<u>(7)</u>	<u>(9)</u>
Total recognized in unrestricted net assets	<u>\$ (4,877)</u>	<u>\$ 3,173</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$ (3,451)</u>	<u>\$ 4,326</u>

The estimated prior-service cost for the postretirement benefit plan that will be amortized from accumulated unrestricted net assets into net periodic benefit cost over the next fiscal year is not material to the combined financial statements.

Benefit payments, net of plan participants' contributions, are expected to be paid as of September 30, 2022, are as follows (in thousands):

<b>Years Ending September 30</b>	
2023	\$ 2,343
2024	2,335
2025	2,419
2026	2,475
2027	2,510
2028–2032	11,413

Weighted-average assumptions used to determine net periodic benefit cost for the years ended September 30, 2022 and 2021, consist of the following:

	<b>2022</b>	<b>2021</b>
Discount rate	<u>2.45 %</u>	<u>2.22 %</u>

Weighted-average assumptions used to determine benefit obligations as of September 30, 2022 and 2021, consist of the following:

	<b>2022</b>	<b>2021</b>
Discount rate	<u>5.16 %</u>	<u>2.45 %</u>

Assumed health care cost trend rates as of September 30, 2022 and 2021, consist of the following:

	<b>2022</b>	<b>2021</b>
Post-65 health care cost trend rate assumed for next year	6.00 %	5.70 %
Rate to which the cost trend rate is assumed to (the ultimate trend rate)	4.50	4.50
Year that the rate reaches the ultimate trend rate	2033	2032

BMHCC expects to contribute approximately \$2,343,000 to its postretirement benefit plan in 2022.

In 2006, eligible retirees of BMHCC had available to them the Medicare Part D prescription drug plan. BMHCC has chosen to continue to offer comparable prescription drug coverage, which the organization believes to be actuarially equivalent to the Medicare Part D coverage and, as a result, receives a direct subsidy of 28% of eligible plan expenses from the federal government.

**19. ENDOWMENT FUNDS—WITH DONOR RESTRICTION**

BMHCC's endowment consists of approximately 158 individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. There are no board-designated endowment funds.

Net assets associated with endowment funds, including funds designated by BMHCC's board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. All permanently restricted net assets as of September 30, 2022 and 2021, are donor-restricted endowments.

Changes in endowment funds, for the years ended September 30, 2022 and 2021, consisted of the following (in thousands):

	2022	2021
Endowment net assets—beginning of year	\$ 89,889	\$ 71,697
Contributions and bequests	653	271
Transfers	267	1,499
Interest and dividends	31	24
Net realized and unrealized (loss) gain	(10,499)	16,398
Endowment net assets—end of year	<u>\$ 80,341</u>	<u>\$ 89,889</u>

## 20. COMMITMENTS AND CONTINGENCIES

**COVID-19 Pandemic**—In March 2020, the global COVID-19 pandemic began to significantly affect BMHCC's patients, communities, employees and business operations. Patient volumes and the related revenue for most of BMHCC's health care services were impacted from mid-March through September 2020, and fiscal years 2021 and 2022.

Early in the COVID-19 pandemic, various policies were implemented by federal, state and local governments that caused restrictions on nonessential medical services, travel bans, physical distancing and shelter-in-place orders. These policies forced BMHCC to reduce hours and temporarily close certain operations, as well as significantly reduce surgical procedures, outpatient diagnostic and treatment services, and physician patient visits. A significant reduction in emergency care visits was experienced as well. BMHCC's response to the COVID-19 pandemic also required additional staff and supply resources. These circumstances had a material negative impact on operating results in fiscal year 2020, 2021 and 2022. In addition, even with appropriate protective measures, exposure to COVID-19 increases the risk that clinicians and others in BMHCC may contract the virus, which could further limit the ability to treat all patients who seek care. If more COVID-19 surges were to occur, BMHCC could experience workforce disruptions. Supply chain disruptions, including shortages, delays and significant price increases in medical supplies, pharmaceuticals and personal protective equipment, have impacted and are expected to continue to impact BMHCC's operations. In addition, broad economic factors resulting from the COVID-19 pandemic, including increased continuing unemployment rates and reduced consumer spending, are impacting service mix, revenue mix and patient volumes.

**Health Care Regulatory Environment**—The health care industry is subject to numerous and complex laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, privacy, government health care program participation requirements and government reimbursement for patient services, fraud and abuse requirements, and requirements for tax-exempt organizations. The CARES Act's, the PPPHCE Act's and ARP Act's terms and conditions require attestation to accept related funding. In addition, requirements to earn the funds are numerous and guidance as to the requirements have been continually updated, and continue to be updated, by the HHS. Laws and regulations concerning government programs, including Medicare, Medicaid, CARES Act, PPPHCE Act, and ARP Act are subject to varying

interpretation. Compliance with such laws and regulations is complex and can be subject to future government review and interpretation as well as significant regulatory enforcement actions, including fines, penalties and potential exclusion from government health care programs such as Medicare and Medicaid. There can be no assurance that regulatory authorities will not challenge BMHCC's compliance with these laws and regulations. In addition, the contracts BMHCC has with commercial payers also provide for retroactive audit and review of claims. The health care industry in general is experiencing an increase in these activities as federal and state governments increase their enforcement activities and institute new programs designed to identify potential irregularities in reimbursement or quality of patient care. Based on the information received to date, management does not believe the ultimate resolution of these matters will have a material adverse effect on BMHCC's future financial position or results of operations.

On October 1, 2016, BMHCC entered into a lease agreement with Calhoun County, Mississippi, to lease a hospital and nursing home located in Calhoun City, Mississippi. The leased assets will be used for the business of a critical access hospital and a nursing home and other health-related activities ancillary to the operation of those businesses. The initial lease term commenced on October 1, 2016, and will continue for 30 consecutive years, expiring on September 30, 2046 ("Primary Term"); however, BMHCC shall have the option to extend the lease for two consecutive 10-year terms. BMHCC has the right to terminate the lease if certain negative operating or financial conditions occur and a mutually acceptable modification cannot be made with the lessor. In lieu of rent for the leased assets, BMHCC shall make capital improvements to the hospital and nursing home totaling \$30,000,000 over the course of the Primary Term.

**Liabilities for Self-Insurance**—The entities comprising BMHCC participate in a pooled risk program managed by the Corporation. Premiums are assessed by the Corporation to BMHCC entities based on their claims history and other factors. Except as provided below, BMHCC is self-insured for general and professional liability, employee health and workers' compensation risks, and employment practices.

**Professional and General Liability**—BMHCC accrues an estimated liability for its uninsured exposure and self-insured retention based on historical loss patterns and actuarial projections. BMHCC's estimated liability for the self-insured portion of professional and general liability claims was approximately \$97,025,000 and \$97,000,000 as of September 30, 2022 and 2021, respectively. These estimated liabilities represent the present value of estimated future professional liability claims payments based on expected loss patterns using a weighted-average discount rate of 3.5% in both 2022 and 2021, respectively.

BMHCC has procured excess hospital and general liability insurance through three (3) insurance carrier placements to establish a total excess of \$24,000,000 on a claims-made basis. As of September 30, 2022 and 2021, BMHCC's deductible is the first \$6,000,000 per claim, including defense costs, for the Tennessee and Mississippi facilities. In Arkansas, the deductible is the first \$1,000,000 per claim. In excess of this deductible, Illinois Union Insurance Company provides excess coverage of \$4,000,000; National Fire and Marine provides a following form excess for the next \$10,000,000, followed by Pro Assurance Specialty providing the next \$10,000,000 layer, to equal the \$24,000,000 total.

On September 1, 2013, BMHCC obtained a fronted professional and general liability policy covering claims in the state of Arkansas. BMHCC is responsible for managing and paying all claims under the policy and effective June 1, 2019, the Iron Shore Letter of Credit for the Arkansas fronted policy was increased to \$5,000,000. This was due to the inclusion of the physician plan of self-insurance.

In addition, BMHCC and its other affiliates are defendants in various actions arising from their health care service activities. It is the opinion of management that the foregoing actions will not have a material adverse effect on BMHCC's combined financial position.

**Physician Professional Liability**—Effective June 1, 2019, BMHCC elected to self-insure its Physician Professional Liability exposure which was previously insured by State Volunteer Mutual Insurance Company (SVMIC). SVMIC provided individual and extender professional liability limits of \$1,000,000 each claim and \$3,000,000 aggregate. BMHCC is responsible for claims reported after June 1, 2019, and would also include incidents occurring prior to June 1, 2019, incurred but not reported (IBNR), or tail coverage. SVMIC will remain responsible for claims reported prior to June 1, 2019.

BMHCC also has approximately 120 physicians, all located in the state of Mississippi, who purchase first dollar professional liability insurance from Mutual Assurance Company of Mississippi (MACM) with minimum limits of \$1,000,000 each claim, \$3,000,000 aggregate.

BMHCC retains the "buffer limit" between the limit of liability provided by MACM in their \$6,000,000 per claim self-insured retention, which is then followed by their \$24,000,000 excess limit of liability provided by Illinois Union, National Fire and Marine and Pro Assurance.

**Employee Health**—BMHCC offers subsidized health insurance to its employees through a self-insured plan. Self-insurance reserves for the employee health program were approximately \$14,160,000 and \$20,435,000 as of September 30, 2022 and 2021, respectively. The estimated reserves for employee health claims are based on actual claims history.

**Workers' Compensation**—BMHCC is self-insured for workers' compensation liability for the first \$1,000,000 per accident in the states of Arkansas, Mississippi, and Tennessee, and has excess coverage up to applicable statutory limits for each state on a claims-made basis. The workers' compensation self-insurance reserves were approximately \$11,392,000 and \$12,792,000 as of September 30, 2022 and 2021, respectively.

**Employment Practices Liability**—BMHCC is self-insured for employment practices liability (EPL) for the first \$750,000 per claim and for \$1,000,000 per claim for our wage earners making over \$150,000 and physicians. The reserves were approximately \$6,772,000 and \$7,004,000 as of September 30, 2022 and 2021, respectively. BMHCC has EPL coverage as part of the directors' and officers' liability policy, which has a \$10,000,000 limit.

**Physician Commitments**—BMHCC has committed to provide certain financial assistance pursuant to recruiting agreements with various physicians practicing in the communities it serves. In consideration for a physician relocating to one of its communities and agreeing to engage in private practice for the benefit of the respective community, BMHCC may provide loans to those physicians, normally over a period of one year, to assist in the establishment of the physician's practice. The actual amount of such commitments to be advanced to physicians often depends upon the financial results of a physician's private practice during the term of the agreement. The maximum potential amount of future payments under these commitments were approximately \$2,221,000 and \$2,813,000 as of September 30, 2022 and 2021, respectively. A portion of such payments is recoverable by BMHCC from physicians who do not fulfill their commitment period, which varies by contract, to the respective community.

**Other Industry Risks**—The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters, such as licensure, accreditation, government health care program participation requirements,

reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for amounts previously received for patient services. BMHCC believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material impact on its combined financial position or results of operations. Compliance with these and other laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

## 21. FUNCTIONAL EXPENSES

BMHCC provides both inpatient and outpatient services, as well as surgery centers, physician practices, and other ancillary businesses. The cost of providing these services and supporting activities has been summarized on a functional basis in the table below. As summarized below, the expenses are directly attributable to a specific activity and only general and administrative expenses are allocated based on the time and effort spent in supporting the operations.

Expense Category	Method of Allocation
Nonphysician salaries and wages	Actual salaries and wages
Physician salaries and wages	Actual salaries and wages
Employee benefits	Actual cost of benefits
Supplies and drugs	Actual supplies and drugs
Purchased services and other	Actual purchased services and other
Professional fees	Actual professional fees
Depreciation and amortization	Actual depreciation and amortization
Interest	Actual interest
Gain (loss) on sale of assets	Actual gain loss on sale of assets

The functional expenses related to BMHCC's operations as of September 30, 2022 and 2021, are as follows (in thousands):

	For the Year Ended September 30, 2022						
	Health Care Services			Support Services			Total
	Hospital	Physician	Research	Administrative	Student Instruction	Fund-Raising	
Nonphysician salaries and wages	\$ 572,784	\$ 179,231	\$ 3,119	\$ 604,283	\$ 10,809	\$ 1,482	\$ 1,371,708
Physician salaries and wages	23,179	155,055	28	63,088	-	-	241,350
Employee benefits	118,026	51,440	688	128,411	2,437	353	301,355
Supplies and drugs	441,649	69,692	50	333,017	1,648	120	846,176
Purchased services and other	201,084	48,247	(272)	246,269	3,928	2,858	502,114
Professional fees	111,827	(22,958)	140	98,332	122	1,286	188,749
Depreciation and amortization	62,577	4,946	44	69,707	659	-	137,933
Interest	17,392	128	-	14,260	-	126	31,906
Gain (loss) on sale of assets	11	28	-	(393)	-	-	(354)
Total	<u>\$ 1,548,529</u>	<u>\$ 485,809</u>	<u>\$ 3,797</u>	<u>\$ 1,556,974</u>	<u>\$ 19,603</u>	<u>\$ 6,225</u>	<u>\$ 3,620,937</u>

For the Year Ended September 30, 2021							
	Health Care Services			Support Services			Total
	Hospital	Physician	Research	Administrative	Student Instruction	Fund-Raising	
Nonphysician salaries and wages	\$ 485,092	\$180,416	\$2,744	\$ 549,798	\$ 9,465	\$1,999	\$1,229,514
Physician salaries and wages	23,199	146,982	16	52,086	-	-	222,283
Employee benefits	115,586	52,728	647	125,094	2,210	400	296,665
Supplies and drugs	427,922	57,450	46	313,046	1,463	121	800,048
Purchased services and other	207,779	46,510	(353)	247,927	3,009	2,830	507,702
Professional fees	104,102	(23,149)	124	84,492	70	1,038	166,677
Depreciation and amortization	60,639	4,331	22	75,972	560	-	141,524
Interest	17,254	96	-	14,084	-	155	31,589
Gain (loss) on sale of assets	(5,691)	(46)	-	(29)	-	-	(5,766)
Total	<u>\$1,435,882</u>	<u>\$465,318</u>	<u>\$3,246</u>	<u>\$1,462,470</u>	<u>\$16,777</u>	<u>\$6,543</u>	<u>\$3,390,236</u>

## 22. SUBSEQUENT EVENTS

Management has evaluated events and transactions that have occurred through December 15, 2022, which is the date that the combined financial statements were issued for possible recognition or disclosure in the combined financial statements.

\* \* \* \* \*



## **CHRISTIAN ACTION COMMISSION, INC.**

**Kenny Digby, Executive Director-Treasurer**

**Rebekah Peavy, Administrative Secretary**

November 1 will be my seventh anniversary as executive director of the Christian Action Commission for our Mississippi Baptist Convention. I am so grateful for seven wonderful years serving the churches of our state. May 13, 2023 was my 53rd anniversary of preaching the gospel. God is good.

On November 16, 2022, I had the privilege of participating in the swearing in ceremony of Larry Akers in Hamilton, Alabama, as a county commissioner (supervisor). When the general election in Mississippi in November is over, we would like to assist associations and churches with "God and country" rallies where we can pray for our newly elected officials.

We had the privilege of meeting with other state leaders at the Ethics and Religious Liberty Commission in Nashville, on Thursday, December 1, and Friday, December 2, 2022. To compare notes and strategies with others who do what the CAC does here in Mississippi is very helpful. Our next meeting will convene November 30 and December 1, 2023.

We attended the apologetics conference at New Orleans Baptist Theological Seminary – "Defend," January 2-5, 2023. We are still celebrating the overturn of Roe v. Wade on June 24, 2022. We attended "Stand for Life" in Washington, D.C., January 18-20, 2023, and also participated in the walk for life on the National Mall, January 20, 2023.

Since its inception, the Memorial to the Missing has provided a total of \$197,140.16 in support for pregnancy resource centers and other Pro-Life ministries across Mississippi. \$25,430 of that total has been awarded just in the last year.

We were blessed to have our governor speak at our legislative prayer breakfast on February 1, 2023. He also kicked off our fifth annual Christian Leadership Institute at Blue Mountain Christian University on July 10, 2023. We welcome your teenagers at the 2024 CLI July 8-12.

Robert Morgan, author of "The Red Sea Rules," was the keynote speaker at our first Christian Action Lecture Series at Blue Mountain Christian University on March 30-31, 2023.

The CAC partnered with our State Convention to sponsor MinistrySafe conferences all over the state.

I had the privilege, 12 times, of teaching the annual Bible study from Ephesians in churches and associations (two clusters with Mike Bell in Monroe Association). I taught on the End Times for Panola Baptist Association with Jimmy Thornhill. We preached at a rotating revival in Perry County for Bob Goolsby.

We actively participated in key legislation in the state legislature protecting our children, honoring our ladies, and holding to traditional Biblical values. I preached at the Capitol prayer group on Tuesday morning, March 28.

What a privilege it is to serve you across the street and across the state. My calendar is open; my middle name is still "Available."



MATTHEWS  
CUTRER *and*  
LINDSAY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

**MISSISSIPPI BAPTIST CHRISTIAN ACTION COMMISSION, INC.  
OF THE MISSISSIPPI BAPTIST CONVENTION  
JACKSON, MISSISSIPPI**

**FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2022 AND 2021**

*Ridgeland, Clinton, and Yazoo City,  
Mississippi*

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MISSISSIPPI BAPTIST CHRISTIAN ACTION COMMISSION, INC.  
OF THE MISSISSIPPI BAPTIST CONVENTION

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**MATTHEWS  
CUTRER and  
LINDSAY, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Mississippi Baptist Christian Action Commission, Inc.  
of The Mississippi Baptist Convention  
Jackson, Mississippi

### ***Report on the Audit of the Financial Statements***

#### ***Opinion***

We have audited the accompanying financial statements of MS Baptist Christian Action Commission, Inc. (a division of the Mississippi Baptist Convention Board and a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MS Baptist Christian Action Commission, Inc. of the Mississippi Baptist Convention as of December 31, 2022 and 2021, 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 Financial Statements section of our report. We are required to be independent of MS Baptist Christian Action Commission, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MS Baptist Christian Action Commission, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MS Baptist Christian Action Commission, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

***Report on Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Comparative Schedule of Actual Revenues and Expenses with Budgeted Revenues and Expenses on pages 18–19 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 has been subjected to the auditing procedures applied in the audits 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.

A handwritten signature in black ink, reading "Matthews, Carter & Lindsey, P.A." in a cursive script.

Ridgeland, Mississippi  
August 15, 2023



MISSISSIPPI BAPTIST CHRISTIAN ACTION COMMISSION, INC.  
OF THE MISSISSIPPI BAPTIST CONVENTION

STATEMENTS OF FINANCIAL POSITION  
AT DECEMBER 31, 2022 AND 2021

ASSETS	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Due from MS Baptist Convention Board	\$ 42,685	\$ 76,735
Prepaid insurance	<u>2,361</u>	<u>2,361</u>
	45,046	79,096
INVESTMENTS	665,459	762,536
EQUIPMENT, net	<u>2,550</u>	<u>-</u>
	<u>\$ 713,055</u>	<u>\$ 841,632</u>
LIABILITIES AND NET ASSETS		
NET ASSETS		
Without donor restrictions	\$ 391,749	\$ 440,550
With donor restrictions	<u>321,306</u>	<u>401,082</u>
	<u>\$ 713,055</u>	<u>\$ 841,632</u>

See Notes to the Financial Statements.

MISSISSIPPI BAPTIST CHRISTIAN ACTION COMMISSION, INC.  
OF THE MISSISSIPPI BAPTIST CONVENTION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Cooperative program receipts	\$ 297,970	\$ -	\$ 297,970
Contributions	-	3,077	3,077
Christian Leadership Institute receipts	6,703	-	6,703
Interest and dividends	8,324	12,104	20,428
Realised and unrealized loss on investments	(50,300)	(81,055)	(131,355)
Miscellaneous receipts	3,935	-	3,935
Net assets released from restrictions	<u>13,902</u>	<u>(13,902)</u>	<u>-</u>
	<u>280,534</u>	<u>(79,776)</u>	<u>200,758</u>
<b>EXPENSES</b>			
Program	274,418	-	274,418
Management and general	<u>54,917</u>	<u>-</u>	<u>54,917</u>
	<u>329,335</u>	<u>-</u>	<u>329,335</u>
<b>CHANGE IN NET ASSETS</b>	(48,801)	(79,776)	(128,577)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>440,550</u>	<u>401,082</u>	<u>841,632</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 391,749</u>	<u>\$ 321,306</u>	<u>\$ 713,055</u>

See Notes to the Financial Statements.

MISSISSIPPI BAPTIST CHRISTIAN ACTION COMMISSION, INC.  
OF THE MISSISSIPPI BAPTIST CONVENTION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Cooperative program receipts	\$ 290,070	\$ -	\$ 290,070
Contributions	-	1,475	1,475
Christian Leadership Institute receipts	7,100	-	7,100
Interest and dividends	7,667	11,737	19,404
Realized and unrealized gain on investments	11,258	20,091	31,349
Miscellaneous receipts	984	-	984
Net assets released from restrictions	<u>11,855</u>	<u>(11,855)</u>	<u>-</u>
	<u>328,934</u>	<u>21,448</u>	<u>350,382</u>
<b>EXPENSES</b>			
Program	266,964	-	266,964
Management and general	<u>53,055</u>	<u>-</u>	<u>53,055</u>
	<u>320,019</u>	<u>-</u>	<u>320,019</u>
<b>CHANGE IN NET ASSETS</b>	8,915	21,448	30,363
<b>NET ASSETS AT BEGINNING OF YEAR</b>	444,019	367,250	811,269
<b>TRANSFER BETWEEN NET ASSETS</b>	<u>(12,384)</u>	<u>12,384</u>	<u>-</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 440,550</u>	<u>\$ 401,082</u>	<u>\$ 841,632</u>

See Notes to the Financial Statements.

MISSISSIPPI BAPTIST CHRISTIAN ACTION COMMISSION, INC.  
OF THE MISSISSIPPI BAPTIST CONVENTION

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Full-time salaries	\$ 116,543	\$ 21,777	\$ -	\$ 138,320
FICA taxes	1,472	981	-	2,453
Annuity	13,143	2,823	-	15,966
Medical insurance	<u>26,615</u>	<u>14,298</u>	<u>-</u>	<u>40,913</u>
	157,773	39,879	-	197,652
Audit	-	5,800	-	5,800
Basic department operation	5,661	-	-	5,661
CAC area banquet	696	-	-	696
Christian Leadership Institute	32,157	-	-	32,157
Commissions meetings	5,157	-	-	5,157
Depreciation	185	47	-	232
Ethical/social issues	12,789	-	-	12,789
Insurance	3,697	935	-	4,632
Legislative prayer breakfast	132	-	-	132
Memorial to the Missing	12,047	-	-	12,047
Research	120	-	-	120
SBC program	45	-	-	45
Space allocation	26,821	6,779	-	33,600
State-wide programs	11,299	-	-	11,299
Support services	237	60	-	297
Telephone services	2,348	594	-	2,942
Web support	<u>3,254</u>	<u>823</u>	<u>-</u>	<u>4,077</u>
	<u>\$ 274,418</u>	<u>\$ 54,917</u>	<u>\$ -</u>	<u>\$ 329,335</u>

See Notes to the Financial Statements.

MISSISSIPPI BAPTIST CHRISTIAN ACTION COMMISSION, INC.  
OF THE MISSISSIPPI BAPTIST CONVENTION

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Program</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Full-time salaries	\$ 113,137	\$ 21,977	\$ -	\$ 135,114
FICA taxes	1,862	1,241	-	3,103
Annuity	12,761	2,587	-	15,348
Medical insurance	<u>26,104</u>	<u>12,525</u>	<u>-</u>	<u>38,629</u>
	153,864	38,330	-	192,194
Affiliate programs	300	-	-	300
Audit	-	5,500	-	5,500
Basic department operation	6,528	-	-	6,528
Christian Leadership Institute	23,168	-	-	23,168
Commissions meetings	3,950	-	-	3,950
Ethical/social issues	28,892	-	-	28,892
Insurance	3,400	847	-	4,247
Lamplighter Conferences	131	-	-	131
Legislative prayer breakfast	98	-	-	98
Memorial to the Missing	11,855	-	-	11,855
Research	139	-	-	139
SBC program	1,001	-	-	1,001
Space allocation	27,950	6,963	-	34,913
State-wide programs	8	-	-	8
Support services	196	49	-	245
Telephone services	2,363	589	-	2,952
Web support	<u>3,121</u>	<u>777</u>	<u>-</u>	<u>3,898</u>
	<u>\$ 266,964</u>	<u>\$ 53,055</u>	<u>\$ -</u>	<u>\$ 320,019</u>

See Notes to the Financial Statements.

MISSISSIPPI BAPTIST CHRISTIAN ACTION COMMISSION, INC.  
OF THE MISSISSIPPI BAPTIST CONVENTION

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (128,577)	\$ 30,363
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	232	-
Realized and unrealized (gain) loss on investment	131,355	(31,349)
Change in:		
Due from MS Baptist Convention Board	<u>34,050</u>	<u>2,342</u>
Net cash provided by operating activities	<u>37,060</u>	<u>1,356</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(2,782)	-
Purchase of investments	(62,038)	(21,354)
Proceeds from sale of investments	<u>27,760</u>	<u>19,998</u>
Net cash used in investing activities	<u>(37,060)</u>	<u>(1,356)</u>
NET CHANGE IN CASH	-	-
CASH AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>
CASH AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

See Notes to the Financial Statements.

MISSISSIPPI BAPTIST CHRISTIAN ACTION COMMISSION, INC.  
OF THE MISSISSIPPI BAPTIST CONVENTION

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Mississippi Baptist Christian Action Commission, Inc. (the Commission) is a division of the Mississippi Baptist Convention Board (MSBCB) which is a nonprofit organization. The Commission was established to emphasize the biblical teaching that related to various areas of work including: alcohol and drugs, church-state relations, Christian citizenship, Christian home life, pornography, human relations, and other moral and social problems. The Commission provides aids, materials and services and assist the churches to be informed of facts, trends and conditions related to the areas of work assigned to them. When feasible, the Commission shall work with existing Convention agencies, institutions and departments of Baptist work. The Commission is supported primarily by the Mississippi Baptist Convention Board. Support is determined annually approved by the board members at the convention.

Basis of Accounting

The Commission prepares its financial statements on the accrual basis of accounting.

Use of Estimates

The Commission prepares its financial statements in accordance with accounting principles generally accepted in the United States, which require that management make estimates and assumptions that affect the reported amounts. Actual amounts could differ from those results. In the opinion of management, such differences would not be significant.

Financial Statement Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Commission to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Commission's management and the board of directors.

MISSISSIPPI BAPTIST CHRISTIAN ACTION COMMISSION, INC.  
OF THE MISSISSIPPI BAPTIST CONVENTION

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Commission or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Commission considers all investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the combined statement of financial position. Unrealized gain or loss on investments is reflected in the statement of activities. The valuations of the Commission's investments according to the fair value hierarchy are all Level 1.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities that the Commission has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 – Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 – Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.



MISSISSIPPI BAPTIST CHRISTIAN ACTION COMMISSION, INC.  
OF THE MISSISSIPPI BAPTIST CONVENTION

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Equipment

All equipment is reported at cost, if purchased, or fair value at the date of donation. Depreciation is computed on a straight-line basis over the estimated useful life of the assets, primarily five years.

Income Taxes

The Commission is a division of MSBCB, which is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal and State income taxes pursuant to Section 501(a) of the Code. MSBCB is not classified as a private foundation for income tax purposes.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purposed 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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

MISSISSIPPI BAPTIST CHRISTIAN ACTION COMMISSION, INC.  
OF THE MISSISSIPPI BAPTIST CONVENTION

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

2. EQUIPMENT

Equipment at December 31, 2022 and 2021, are summarized below:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 4,621	\$ 1,839
Less: accumulated depreciation	<u>(2,071)</u>	<u>(1,839)</u>
	<u>\$ 2,550</u>	<u>\$ -</u>

3. INVESTMENTS

Investments in marketable securities are recorded at fair value using level 1 fair value measures. Investments are maintained in three separate accounts managed by the MS Baptist Foundation.

The cost and fair value of the Commission's investments are summarized as follows:

	<u>2022</u>		
	<u>Cost</u>	<u>Fair Value</u>	Unrealized <u>Loss</u>
Memorial to the Missing			
Cash and cash equivalents	\$ 10,908	\$ 10,908	\$ -
Common trusts	<u>322,121</u>	<u>294,573</u>	<u>(27,548)</u>
	<u>333,029</u>	<u>305,481</u>	<u>(27,548)</u>
Austin Lee Digby Memorial			
Cash and cash equivalents	15,449	15,449	-
Common trusts	<u>28,457</u>	<u>26,876</u>	<u>(1,581)</u>
	<u>43,906</u>	<u>42,325</u>	<u>(1,581)</u>
Reserve Fund			
Cash and cash equivalents	121,302	121,302	-
Common trusts	<u>222,393</u>	<u>196,351</u>	<u>(26,042)</u>
	<u>343,695</u>	<u>317,653</u>	<u>(26,042)</u>
Total	<u>\$ 720,630</u>	<u>\$ 665,459</u>	<u>\$ (55,171)</u>

MISSISSIPPI BAPTIST CHRISTIAN ACTION COMMISSION, INC.  
OF THE MISSISSIPPI BAPTIST CONVENTION

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

3. INVESTMENTS – Continued

	<u>2021</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Memorial to the Missing			
Cash and cash equivalents	\$ 10,173	\$ 10,173	\$ -
Common trusts	<u>330,729</u>	<u>370,035</u>	<u>39,306</u>
	<u>340,902</u>	<u>380,208</u>	<u>39,306</u>
Austin Lee Digby Memorial			
Cash and cash equivalents	2,481	2,481	-
Common trusts	<u>23,052</u>	<u>26,894</u>	<u>3,842</u>
	<u>25,533</u>	<u>29,375</u>	<u>3,842</u>
Reserve Fund			
Cash and cash equivalents	106,302	106,302	-
Common trusts	<u>228,131</u>	<u>246,652</u>	<u>18,521</u>
	<u>334,433</u>	<u>352,954</u>	<u>18,521</u>
Total	<u>\$ 700,868</u>	<u>\$ 762,537</u>	<u>\$ 61,669</u>

4. RETIREMENT PLAN CONTRIBUTIONS

The Commission and its employees participate in a retirement plan administered by the Southern Baptist Annuity Board. An employee is eligible to join immediately upon employment and receives a 10% employer contribution. However, after 3 years of service, the employee can receive up to a maximum of 5% match in addition to the employer contribution. During the year ended December 31, 2022 and 2021, the Commission's contributions to the plan totaled \$15,966 and \$15,348, respectively.

MISSISSIPPI BAPTIST CHRISTIAN ACTION COMMISSION, INC.  
OF THE MISSISSIPPI BAPTIST CONVENTION

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

5. LIQUIDITY

The following reflects the Commission's financial assets as of December 31, 2022 reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions.

Financial assets available:	
Due from MS Baptist Convention Board	\$ 42,685
Investments	<u>665,459</u>
	708,144
Less those unavailable for general expenditures within one year:	
Net assets with donor restrictions	<u>(321,306)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 386,838</u>

The Commission does maintain an operating reserve account to cover the average monthly operating costs, excluding depreciation and other noncash expenses. However, the average monthly costs were approximately \$27,000 for the year ended December 31, 2022. The Commission had fourteen months of financial assets available to meet its average monthly operating costs for the year ended December 31, 2022.

6. NET ASSETS WITH DONOR RESTRICTIONS

The net assets with donor restrictions of the Commission are contributions with donor-imposed stipulations. These stipulations are removed when the Commission expends the funds for the purposes specified or returns the money to the donor. The restrictions consist of the following:

	<u>2022</u>	<u>2021</u>
Memorial to the Missing	\$ 305,481	\$ 380,208
Austin Lee Digby Memorial	<u>15,825</u>	<u>20,874</u>
	<u>\$ 321,306</u>	<u>\$ 401,082</u>

MISSISSIPPI BAPTIST CHRISTIAN ACTION COMMISSION, INC.  
OF THE MISSISSIPPI BAPTIST CONVENTION

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

7. RELATED PARTY TRANSACTIONS

The Commission functions under the Mississippi Baptist Convention Board. MSBCB handles the Commission's receipts and disbursements in its business office.

8. SUBSEQUENT EVENTS

In accordance with FASB Accounting Standards Codification Topic 855, *Subsequent Events*, the Commission has evaluated subsequent events through August 15, 2023, which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of August 15, 2023, have been incorporated into these financial statements.

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## SUPPLEMENTAL INFORMATION

MISSISSIPPI BAPTIST CHRISTIAN ACTION COMMISSION, INC.  
OF THE MISSISSIPPI BAPTIST CONVENTION

COMPARATIVE SCHEDULE OF ACTUAL REVENUES  
AND EXPENSES WITH BUDGETED REVENUES AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>REVENUE</b>			
Cooperative program receipts	\$ -	\$ 297,970	\$ 297,970
Contributions	-	3,077	3,077
Christian Leadership Institute receipts	-	6,703	6,703
Interest and dividends	-	20,428	20,428
Realized and unrealized loss on investments	-	(131,355)	(131,355)
Miscellaneous receipts	-	3,935	3,935
	<u>-</u>	<u>200,758</u>	<u>200,758</u>
<b>EXPENSES</b>			
Basic department operation	10,200	5,661	4,539
Ethical/social issues	14,544	12,789	1,755
SBC program	2,040	45	1,995
State-wide programs	1,326	11,299	(9,973)
Affiliate programs	1,530	-	1,530
Research	510	120	390
Support services	1,224	297	927
Church support materials	1,020	-	1,020
Legislative prayer breakfast	2,040	132	1,908
Christian Leadership Institute	1,530	32,157	(30,627)
CAC area banquets	1,020	696	324
Lamplighter confrence	1,020	-	1,020
Commissions meetings	5,100	5,157	(57)
Depreciation	-	232	(232)
Audit	6,120	5,800	320
Full-time salaries	136,221	138,320	(2,099)
FICA taxes	3,151	2,453	698
Medical insurance	41,585	40,913	672
Annuity	15,966	15,966	-
Insurance	6,120	4,632	1,488
Space allocation	33,600	33,600	-
Telephone services	2,983	2,942	41
Web support	6,120	4,077	2,043
Memorial to the Missing	-	12,047	(12,047)
	<u>294,970</u>	<u>329,335</u>	<u>(34,365)</u>



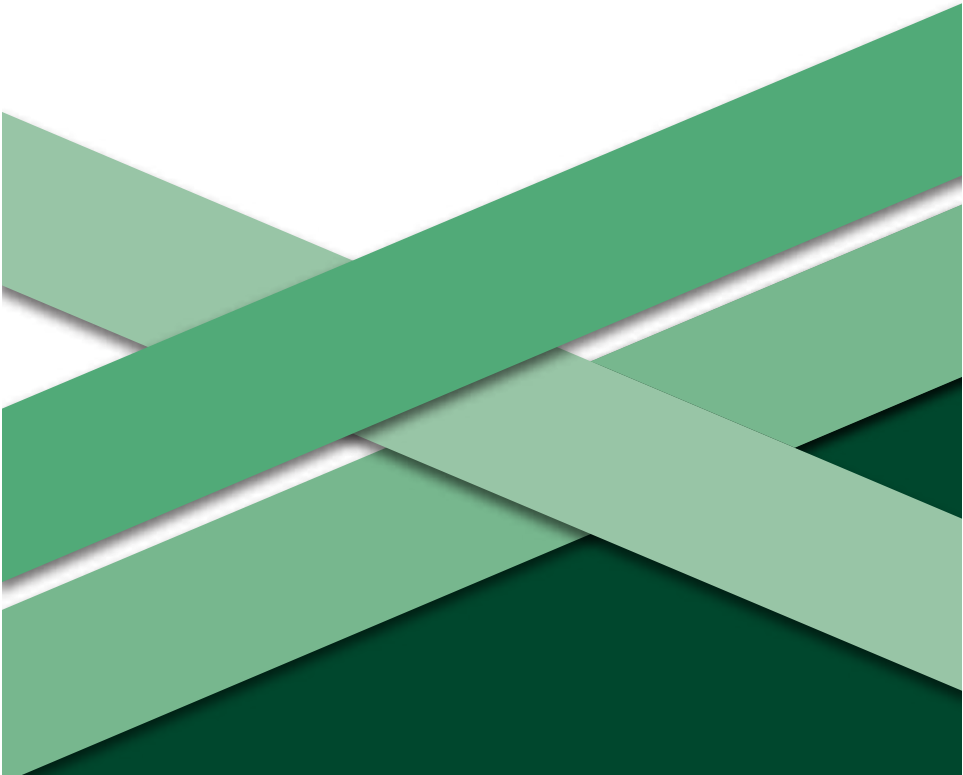
MISSISSIPPI BAPTIST CHRISTIAN ACTION COMMISSION, INC.  
OF THE MISSISSIPPI BAPTIST CONVENTION

COMPARATIVE SCHEDULE OF ACTUAL REVENUES  
AND EXPENSES WITH BUDGETED REVENUES AND EXPENSES - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Excess of budgeted expenses over budgeted revenues	<u>\$ (294,970)</u>	<u>\$ (128,577)</u>	<u>\$ 166,393</u>



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<b>MISSISSIPPI BAPTIST FOUNDATION</b>
---------------------------------------

**Daniel C. Hall, Ph. D., Executive Director**  
**E. Harold Fisher, Director of Finance/Operations**  
**Amy Reed, Accounting/Operations**  
**Rob Dent, Communications/Ministry Advancement**  
**Gina Phelps, Executive Assistant**

*"The earth is the LORD's and everything in it, the world, and all who live in it."  
Psalm 24:1 (NIV)*

### OUR MINISTRY

Happy Birthday to the MBF! The Mississippi Baptist Foundation is officially an octogenarian as we celebrate our 80<sup>th</sup> birthday in 2023. Established in 1943 as the trust agency for the Mississippi Baptist Convention, the Foundation continues to serve as a means through which Mississippi Baptists can leave current and perpetual gifts to bless and strengthen Christian ministry primarily through Baptist causes. To this end, the Foundation encourages "Big Jar" giving by assisting individuals and families frame their legacy of generosity and financial stewardship through the prayerful and careful preparation of a Last Will and Testament, endowment, charitable trust, gift annuity, or another avenue for Kingdom giving.

In addition to encouraging estate stewardship and legacy planning, the Mississippi Baptist Foundation serves as a money-management partner with Mississippi Baptist churches and associations, institutions and agencies such as our Baptist colleges and the Baptist Children's Village, MBCB church planting, camp ministry, disaster relief and Baptist Student Union ministry at colleges and universities across the state...just to name a few. Furthermore, the Foundation also provides financial resources and support for a host of Southern Baptist Convention-affiliated mission and ministry endeavors including theological education through our seminaries, mission efforts through the International Missions Board and the North American Missions Board, and special ministries such as *Mission: Dignity* through GuideStone.

### The Year in Review:

In keeping with the overview presented above and similar to the role of Aaron and Hur who came alongside of Moses to encourage and support the Israelite's mission at Rephidim (Exodus 17), the Mississippi Baptist Foundation strives to encourage and support our many pastors, AMDs, the administration/faculty of our Baptist colleges/universities, the leadership of Baptist Children's Village and Mississippi Baptist Convention-related ministries as "laborers together with God." With this purpose in mind, the pie-chart graph featured below offers a snapshot of the financial blessings distributed to our ministry partners by the Foundation during fiscal year 2023 (12 months ending June 2023).

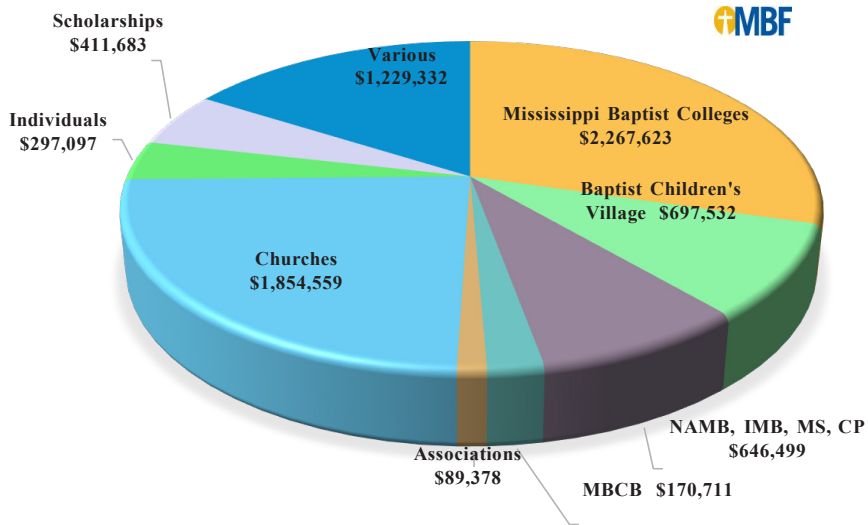
Seeing the graph of recent distributions for missions and ministry reminds me of the *"7 Realities of Experiencing God"* as presented in the discipleship study authored by Henry Blackaby and Claude King entitled *"Experiencing God: Knowing and Doing the Will of God."* Specifically, *"God is always at work around you"* and *"He invites you to join him in His work."* The distributions for missions and ministry totaling \$ 7.67 million were derived largely from the historic generosity of faithful Mississippi Baptist that accepted God's invitation to join Him in His work. Many of these stewards established a perpetual endowment with the Mississippi Baptist Foundation either as an outright gift during their lifetime or from an estate plan that included provisions in a Last Will and Testament to provide ongoing support for Christian ministries until our Lord returns.

Other aspects of experiencing God and joining him where he is working includes faith and action that requires major adjustments in one's life in order to follow Him. Reflection on these realities of experiencing God further reminds me of the words to a hymn written by B. B. McKinney entitled *"All on the Altar"* the first stanza of which is *"All on the altar, dear Jesus, Master, I hear Thy call; Somewhere I know Thou canst use me, I must surrender my all."* Inasmuch as God issues an invitation, we can agree with both McKinney's conviction that *"Somewhere I know Thou canst use me"* and the reality of experiencing God offered by Blackaby regarding the necessity of major adjustments in priorities and practice in order to join Him where He is working.

The words to the third stanza of McKinney's hymn express dedication and devotion with *"All on the altar, dear Jesus, Only Thy will is mine; Let my lips tell the sweet story, Tell of Thy love divine."* In addition to the \$ 10.48 million received by the Foundation to establish new ministry accounts or to be added to existing missions accounts, nearly 50 estate plans representing over \$ 11.12 million in charitable gifts were completed during the past fiscal year. These plans echoed *"All on the altar, dear Jesus, Only Thy will is mine"* as individuals included *"God's will in their Will"* in the formulation of their estate documents. Most of these plans were developed utilizing the services of **PhilanthroCorp**. Several Mississippi Baptist churches and other Baptist institutions have enlisted the services of **PhilanthroCorp** to assist with planned giving promotion. Headquartered in Colorado Springs, CO, **PhilanthroCorp** has a proven track record of helping Christian stewards navigate the oft-unfamiliar waters of estate planning.

By placing one's *"all on the altar"* with a spirit of surrender, God *"canst use you"* to *"tell the sweet story...of Thy love divine."* Thus, whether financial gifts come in the form of current offerings or as Kingdom bequests through a Last Will and Testament, God multiplies the blessing through the stewardship of those who join him in his work.

Ministry Distributions, Fiscal Year 2022-23



Investment Options:

The Mississippi Baptist Foundation provides money management services for Mississippi Baptist churches, institutions, agencies, and for other Foundation accounts. Available Foundation investment services include the following.

- MBF Equity Fund – This growth stock fund is designed for capital appreciation with little emphasis on income. Invested in stock offerings of U.S. and international corporations, the Fund is managed by six outside professional money managers.
- MBF Fixed Income Fund – This bond fund is designed to produce income with little attention given to capital appreciation. This Fund, which is managed by three outside professional money managers, includes U.S. government securities, corporate bonds, and international investments.
- MBF Short Term Cash Fund – This fund is a money market-type fund which is designed to out-perform both the current yields associated with six- and twelve-month certificates of deposits and the 91-day Treasury bill rate. With this approach, the Short-Term Cash Fund

matches a competitive rate of return with full liquidity. The Fund is managed by the Southern Baptist Foundation.

- **MBF General Endowment Fund** – The General Endowment Fund is designed to address the long-term investment objectives of perpetual endowment accounts. The Endowment Fund seeks to provide income while guarding against the effects of inflation. The Endowment Fund is invested in stocks and bonds according to a preset allocation. The current investment allocation of the Endowment Fund is approximately 45% in equities (MBF Equity Fund and MBF Dividend Growth Fund) and 55% in fixed income investments inclusive of the MBF Fixed Income Fund, the MBF MLP Fund and the MBF REIT Fund.
- **MBF Total Return Fund** – Perpetual endowments comprise the investible assets for this fund. While income is the primary focus of the General Endowment Fund, total return is the objective with this particular investment option. Allocation among available asset classes is designed to achieve this goal.
- Other investment options include the MBF Dividend Growth Fund (equities), the MBF MLP Fund (Master Limited Partnerships), and the MBF REIT Fund (investment in real estate).

#### Services Offered:

- **Estate Stewardship/Legacy Planning** - The Mississippi Baptist Foundation promotes estate stewardship by offering seminars that focus on Last Will and Testament, Investments, and the nature, method, and benefits of making Financial Gifts. While the format of each seminar is appropriate for Discipleship Training sessions, group luncheons, and other gatherings, we can also offer these informational/educational opportunities through a technology-driven approach as may be desired. We would be happy to participate with your church or association in a virtual “lunch and learn” or through other opportunities.
- **Cash Management** -The Mississippi Baptist Foundation assist churches and associations administer available funds through the MBF Short-Term Fund (see above), national market certificates of deposit, and other opportunities.
- **Charitable Giving Fund** – The Mississippi Baptist Foundation assists individuals achieve current stewardship goals through the MBF

Charitable Giving Fund. Administered as a Donor-Advised Fund, the Foundation's CGF offers flexibility in charitable giving.

- Ministry Accounting – *“Go, make disciples...and leave the accounting to us”* is our slogan intended to encourage churches to enlist the MBF to handle their accounting needs so the church can focus on what really counts.

Please call the Mississippi Baptist Foundation at (601) 292-3210 for assistance in fulfilling your stewardship, funds administration, ministry accounting, and estate planning goals.





MISSISSIPPI BAPTIST FOUNDATION  
FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

MISSISSIPPI BAPTIST FOUNDATION  
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**WATKINS, WARD and STAFFORD**  
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Certified Public Accountants

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Justin H. Keller, CPA

**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
Mississippi Baptist Foundation  
Jackson, Mississippi

**Opinion**

We have audited the accompanying financial statements of the Mississippi Baptist Foundation (a nonprofit organization), which comprise the statements of financial position, as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets and cash flows for the years then ended, and related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Mississippi Baptist Foundation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mississippi Baptist Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mississippi Baptist Foundation'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.

#### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 14 to 18 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 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.

Ridgeland, Mississippi  
August 31, 2023

MISSISSIPPI BAPTIST FOUNDATION  
Statements of Financial Position  
June 30, 2023 and 2022

	<u>Assets</u>	
	2023	2022
Cash and cash equivalents		
Cash and cash equivalents - operating fund	\$ 702,679	\$ 552,117
Cash and cash equivalents - agencies and trusts	<u>21,099,876</u>	<u>19,124,468</u>
Total cash and cash equivalents	<u>21,802,555</u>	<u>19,676,585</u>
Accrued interest receivable	<u>354,064</u>	<u>255,611</u>
Investments		
U.S. Government and agency securities	8,901,136	10,492,609
Corporate and municipal bonds	15,824,157	15,789,529
Corporate stocks	95,715,386	89,014,937
Mutual funds	36,361,534	30,823,559
Real estate	250,000	250,000
Certificates of deposit and other assets	<u>5,301,926</u>	<u>390,955</u>
Total investments	<u>162,354,139</u>	<u>146,761,589</u>
Total Assets	<u>\$ 184,510,758</u>	<u>\$ 166,693,785</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Liabilities to beneficial owners		
Assets held for agencies and trusts	<u>\$ 183,808,079</u>	<u>\$ 166,141,668</u>
Net Assets		
Without donor restrictions	<u>702,679</u>	<u>552,117</u>
Total Liabilities and Net Assets	<u>\$ 184,510,758</u>	<u>\$ 166,693,785</u>

The accompanying notes to financial statements are an integral part of these financial statements.

MISSISSIPPI BAPTIST FOUNDATION  
Statements of Activities and Changes in Net Assets  
Years ended June 30, 2023 and 2022

	2023	2022
Revenue and other support		
Cooperative program allocation	\$ 389,862	\$ 443,086
Ministry accounting	30,150	7,150
Fees for asset management and trust administration	626,186	732,361
Interest and dividends	16,681	1,158
Contributions	<u>1,220</u>	<u>1,156</u>
Total revenue and other support	<u>1,064,099</u>	<u>1,184,911</u>
Expenses		
Program services		
Estate planning, trust, investment and administrative services	<u>223,480</u>	<u>248,514</u>
Total program services	<u>223,480</u>	<u>248,514</u>
Management and general		
Personnel	642,665	583,545
General and administrative	<u>47,392</u>	<u>51,743</u>
Total management and general	<u>690,057</u>	<u>635,288</u>
Total expenses	<u>913,537</u>	<u>883,802</u>
Change in net assets	150,562	301,109
Net assets at beginning of year	<u>552,117</u>	<u>251,008</u>
Net assets at end of year	<u><u>\$ 702,679</u></u>	<u><u>\$ 552,117</u></u>

The accompanying notes to financial statements are an integral part of these financial statements.

MISSISSIPPI BAPTIST FOUNDATION  
Statements of Cash Flows  
Years ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 150,562	\$ 301,109
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss (gain) on sale of investments	1,385,972	(4,795,876)
Unrealized (gain) loss on investments	(10,327,643)	40,809,167
Changes in operating assets and liabilities		
Decrease (increase) in accrued interest receivable	(98,453)	34,550
Increase (decrease) in accrued expenses	-	(11,150)
Increase (decrease) in liability to beneficial owners	<u>17,666,411</u>	<u>(21,311,439)</u>
Net cash provided by operating activities	<u>8,776,849</u>	<u>15,026,361</u>
Cash Flows from Investing Activities		
Purchase of investments	(16,949,236)	(41,290,997)
Sales and maturities of investments	<u>17,962,771</u>	<u>38,372,141</u>
Net cash provided (used) by investing activities	<u>1,013,535</u>	<u>(2,918,856)</u>
Cash Flows from Financing Activities		
Distributions to or on behalf of beneficial owners	<u>(7,664,414)</u>	<u>(6,682,883)</u>
Net cash used by financing activities	<u>(7,664,414)</u>	<u>(6,682,883)</u>
Net increase in cash and cash equivalents	2,125,970	5,424,622
Cash and cash equivalents, beginning of year	<u>19,676,585</u>	<u>14,251,963</u>
Cash and cash equivalents, end of year	<u>\$ 21,802,555</u>	<u>\$ 19,676,585</u>
Recap of cash and cash equivalents:		
Cash and cash equivalents - operating fund	\$ 702,679	\$ 552,117
Cash and cash equivalents - agencies and trusts	<u>21,099,876</u>	<u>19,124,468</u>
Total cash and cash equivalents	<u>\$ 21,802,555</u>	<u>\$ 19,676,585</u>

The accompanying notes to financial statements are an integral part of these financial statements.

MISSISSIPPI BAPTIST FOUNDATION  
Notes to Financial Statements

**NOTE 1 – ORGANIZATION OF THE FOUNDATION**

The Mississippi Baptist Foundation (the Foundation) was established and incorporated in 1943 as the trust agency of the Mississippi Baptist Convention, offering a means whereby Mississippi Baptists can provide perpetual support for Mississippi Baptist and Southern Baptist causes.

As the trust agency, the Foundation promotes Christian estate stewardship, receives, invests, and manages endowment gifts, and distributes earnings, as specified by donors, to Baptist ministries. The Foundation serves as a money manager for Baptist churches, institutions, and agencies.

The Foundation is directed by a Board of Trustees elected and approved annually by the Mississippi Baptist Convention.

Funds administered by the Foundation are managed according to the Investment Policy instituted by the Trustees. With the goal of receiving maximum returns on investments with minimalized risk and volatility, the Foundation utilizes supplementary active investment managers. These active managers also assist the Foundation in avoiding investments with companies whose primary products or services are inconsistent with traditional Christian principles and values. Supplementary active managers are selected and evaluated at least annually based on strategy, method, and performance by the Trustees. These managers are monitored by the Foundation staff and Investment Committee.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

Basis of accounting

The Foundation's financial statements have been prepared on the accrual basis of accounting.

Cash and cash equivalents

Cash and cash equivalents consist primarily of money market and checking accounts, some of which may or may not be federally insured. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

Investments

Investments in marketable debt and equity securities are stated at fair value based on available market quotations. Real estate held for investment is stated at fair value based on best available market information. Fair value of certificates of deposit is estimated to be at face value of the certificates. Other investments consisting of cash surrender value of life insurance policies are carried at the cash surrender value as reported by the issuer of the policy.

Office furniture and equipment

Expenditures for office furniture and equipment are capitalized at cost. The Foundation has established a minimum capitalization threshold of \$5,000 and a useful life in excess of one year. Depreciation of property and equipment is provided over the estimated useful lives on a straight-line basis. No provision is made for depreciation on properties carried as investments.

Compensated absences

The Foundation allows employees to receive compensation for vacation and sick leave. Compensated absences for vacation and sick pay have not been accrued, but are expensed as incurred. The Foundation does not consider the accrued compensation to be material to the financial statements.



MISSISSIPPI BAPTIST FOUNDATION  
Notes to Financial Statements

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Liabilities to beneficial owners

The Foundation has recorded liabilities for assets held as trustee, intermediary, custodian, or agent for beneficial owners of income or remainder interests. Generally, the Foundation's liability is limited to assets held within a specific trust or account.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Basis of presentation of net assets

The Foundation reports net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. Net assets without donor restrictions are available to be used in general operations or set aside as a board designated reserve as follows:

	2023	2022
MBF Reserve Fund	\$ 464,958	\$ 342,493
MBF Depreciation Reserve Fund	69,199	63,222
MBF Special Reserve Fund	140,405	125,000
Total net assets	<u>\$ 674,562</u>	<u>\$ 530,715</u>

Contributions to Foundation assets

Contributions to the Foundation are recorded when received.

Contributions to assets held for agencies and trusts

Contributions to assets held for agencies and trusts are invested according to donor designations. If no designation is given, funds are invested at the discretion of the Foundation.

Income from investments

Income from investments in the pooled funds is normally distributed to participants' funds monthly to the extent income cash is available. The Foundation uses the "market value unit method" to allocate income to individual funds. Under this method the amount of income allocated to participating funds is determined by the number of units owned by each fund at the beginning of each month. The initial unit ownership (established as of July 1, 1993) was based on ratios using individual fund balances, the total of all fund balances, and the market value of the investment portfolio. Interest income from debt securities is recorded as earned. Dividend income from stocks and mutual funds is recorded as received, which method does not differ materially from the accrual method.

Related party - rental expense

The Foundation's office space and certain furnishings are owned by the Mississippi Baptist Convention Board and are rented to the Foundation on a month-to-month basis. Rental expense for 2023 and 2022 was \$32,875 and \$32,625, respectively.

Income taxes

The Foundation is recognized as a religious organization exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for taxes has been made in the accompanying financial statements. The Foundation believes that it has appropriate support for any tax positions taken and does not have any uncertain tax positions requiring recognition or disclosure in the financial statements. The Foundation is no longer subject to income tax examination for years prior to 2020.

MISSISSIPPI BAPTIST FOUNDATION  
Notes to Financial Statements

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Fair Value of Financial Instruments

All financial instruments for which it is practical to estimate fair value are carried in the accompanying financial statements.

Estimates

The process of preparing financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual amounts could differ from those estimates.

Revenue recognition

The Foundation recognizes revenue from fees for asset management and administrative services at a specific time. Services are considered complete at the end of each quarter and are reported at net realizable value. The Foundation's contracts have a single performance obligation as the promise to transfer the services is not separately identifiable from other promises in the contract.

**NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

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

	<u>2023</u>	<u>2022</u>
Financial assets at year-end	\$ 184,260,758	\$ 166,443,785
Less those unavailable for general expenditures within one year due to:		
Financial assets restricted to beneficial owners of agencies and trusts other than the Foundation	(183,558,079)	(165,891,668)
Board designated reserves	<u>(674,562)</u>	<u>(530,715)</u>
Financial assets available to meet cash needs for expenditure within one year	<u>\$ 28,117</u>	<u>\$ 21,402</u>

As a Mississippi Baptist agency, the Foundation receives partial funding from an allocation of the Cooperative Program of the Mississippi Baptist Convention. The Foundation expects to receive approximately \$185,000 over the remaining six months of 2023 from the Cooperative Program. Additional revenue to support Foundation operations and ministries is provided by a Cost Recovery Assessment for asset management.

Additionally, the Foundation has board designated reserves in the amount of \$674,562 that could be used to fund current operations if necessary.

Financial assets available to meet cash needs for general expenditure within one year, including the board designated reserves, consists of \$702,679 held in cash and cash equivalents which could cover approximately eight months of general expenditures.

MISSISSIPPI BAPTIST FOUNDATION  
Notes to Financial Statements

**NOTE 4 – PENSION PLAN**

All employees of the Foundation are eligible to participate in a defined contribution pension plan administered by the Guidestone Financial Resources of the Southern Baptist Convention. The Foundation contributes an amount equal to 10% of participating employees' salaries and matches any voluntary employee contributions. Total pension expense for 2023 and 2022 was \$59,387 and \$68,993, respectively.

**NOTE 5 – OFFICE FURNITURE AND EQUIPMENT**

The following is a summary of office furniture and equipment at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Office furniture and equipment	\$ 18,126	\$ 18,126
Computer equipment	<u>100,244</u>	<u>100,244</u>
	118,370	118,370
Less accumulated depreciation	<u>(118,370)</u>	<u>(118,370)</u>
	<u>\$ -</u>	<u>\$ -</u>

There was no depreciation expense charged to operations for the years ended June 30, 2023 and 2022.

**NOTE 6 – INVESTMENTS**

Investments at June 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	
	<u>Cost</u>	<u>Market</u>
U.S. Government and agency securities	\$ 9,801,366	\$ 8,901,136
Corporate and municipal bonds	17,231,195	15,824,157
Corporate stocks	83,340,468	95,715,386
Mutual funds	44,913,458	36,361,534
Real estate	-	250,000
Certificates of deposit and other assets	<u>5,907,598</u>	<u>5,301,926</u>
	<u>\$ 161,194,085</u>	<u>\$ 162,354,139</u>

	<u>2022</u>	
	<u>Cost</u>	<u>Market</u>
U.S. Government and agency securities	\$ 11,336,954	\$ 10,492,609
Corporate and municipal bonds	17,241,053	15,789,529
Corporate stocks	87,665,861	89,014,937
Mutual funds	38,294,353	30,823,559
Real estate	-	250,000
Certificates of deposit and other assets	<u>390,958</u>	<u>390,955</u>
	<u>\$ 154,929,179</u>	<u>\$ 146,761,589</u>

MISSISSIPPI BAPTIST FOUNDATION  
Notes to Financial Statements

**NOTE 6 – INVESTMENTS -CONTINUED**

Pooled funds

Investments of the various funds under management of the Foundation are primarily held in pooled investments. Pooled investments consist of domestic equities, international equities and fixed income instruments. Trust and custodial accounts participate in the respective pools based upon investment models and are designed for current income or capital appreciation. Entry or withdrawal from the pools is based upon the market value of a pool unit. Market value of a pool unit is determined by dividing the total assets by the total units outstanding. The pooled investments are exempt from federal securities laws registration requirements according to the exemption provided by the Philanthropy Protection Act of 1995 (P.L. 104-62) for collective investment funds and similar funds maintained by charitable organizations.

Following is a summary of the various pooled funds:

Mississippi Baptist Foundation Fixed Income Fund

The Foundation maintains a pooled fund with the investment objective of income production. Assets of the fund include U.S. Government securities and corporate bonds, fixed income mutual funds and other fixed income instruments and cash equivalents. The income rates of return for the year ended 2023 and 2022 were 4.610% and 4.070%, respectively, based on average market values.

Mississippi Baptist Foundation Equity Fund

The Foundation maintains a pooled fund with the investment objective of long-term growth. Assets of this fund include common stocks and cash equivalents. The income rates of return for the year ended 2023 and 2022 were 1.352% and .899%, respectively, based on average market values.

Mississippi Baptist Foundation Endowment Fund

The Foundation maintains a pooled fund designed to meet long term investment objectives of a perpetual endowment account. The fund utilizes a pre-determined asset allocation between the MBF Equity Fund and the MBF Fixed Income Fund. The income rates of return for the year ended 2023 and 2022 were 3.928% and 3.057%, respectively, based on average market values.

Mississippi Baptist Foundation Endowment Total Return Fund

The Foundation maintains a pooled fund designed to meet long term investment objectives of perpetual endowment accounts. The Fund follows a distribution policy approach as approved by the Trustees. The current Distribution Policy is 4.00% of a moving 16 quarter market value of investments. The Board reviews the distribution policy rate and makes adjustments annually given investment returns and economic conditions.

The Foundation paid \$1,243,084 and \$1,685,038 in investment management and custodial fees to various institutional investment managers during the years ended June 30, 2023 and 2022, respectively. These fees were paid from the earnings of the various investments.

**NOTE 7 – FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. In the absence of actively quoted prices and observable inputs, the Foundation estimates prices based on available historical data and near-term future pricing information

MISSISSIPPI BAPTIST FOUNDATION  
Notes to Financial Statements

**NOTE 7 – FAIR VALUE MEASUREMENTS -CONTINUED**

that reflects its market assumptions. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets and liabilities.

Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

Fair values of assets measured on a recurring basis at June 30, 2023 and 2022 are as follows:

<u>June 30, 2022</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Government and agency securities	\$ 10,492,609	\$ 10,492,609	\$ -	\$ -
Corporate and municipal bonds	15,789,529	15,789,529	-	-
Corporate stocks	89,014,937	89,014,937	-	-
Mutual funds	30,823,559	30,823,559	-	-
Real estate	250,000	-	-	250,000
Certificates of deposit and other assets	390,955	-	390,955	-
Total investments	<u>\$ 640,955</u>	<u>\$ -</u>	<u>\$ 390,955</u>	<u>\$ 250,000</u>

<u>June 30, 2022</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S. Government and agency securities	\$ 10,492,609	\$ 10,492,609	\$ -	\$ -
Corporate and municipal bonds	15,789,529	15,789,529	-	-
Corporate stocks	89,014,937	89,014,937	-	-
Mutual funds	30,823,559	30,823,559	-	-
Real estate	250,000	-	-	250,000
Certificates of deposit and other assets	390,955	-	390,955	-
Total investments	<u>\$ 640,955</u>	<u>\$ -</u>	<u>\$ 390,955</u>	<u>\$ 250,000</u>

Investment securities

Fair value of investment securities is determined by reference to quoted market prices and other relevant information generated by market transactions.

Real estate

Fair value of real estate held for investment purposes is determined using the best information available which may include market values reported by appraisers, property tax assessors and purchase and sale agreements.

Certificates of deposit and other assets

Fair value of certificates of deposit is estimated to be at face value of the certificate and life insurance is valued at cash surrender value as reported by the issuer of the policy.

MISSISSIPPI BAPTIST FOUNDATION  
Notes to Financial Statements

**NOTE 8 – FUNCTIONAL EXPENSES**

The Foundation allocates its expenses on a functional basis among their various programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Summary of functional expenses for the year ended June 30, 2023 and 2022 is as follows:

June 30, 2023

	Estate planning, trust, investment and administrative services	Management and general	Total expenses
Salaries and Benefits	\$ -	\$ 642,665	\$ 642,665
Accounting and Technology	75,118	-	75,118
Legal and Professional Services	76,617	-	76,617
Promotion and Development	9,915	-	9,915
Ministry and Mission Support	61,830	-	61,830
Insurance	-	7,709	7,709
Rent and space allocation	-	32,875	32,875
Telephone and internet	-	6,808	6,808
Total Expenses	\$ 223,480	\$ 690,057	\$ 913,537

June 30, 2022

	Estate planning, trust, investment and administrative services	Management and general	Total expenses
Salaries and Benefits	\$ -	\$ 583,545	\$ 583,545
Accounting and Technology	59,199	-	59,199
Legal and Professional Services	86,976	-	86,976
Promotion and Development	27,021	-	27,021
Ministry and Mission Support	75,318	-	75,318
Insurance	-	12,633	12,633
Rent and space allocation	-	32,625	32,625
Telephone and internet	-	6,485	6,485
Total Expenses	\$ 248,514	\$ 635,288	\$ 883,802

MISSISSIPPI BAPTIST FOUNDATION  
Notes to Financial Statements

**NOTE 9 – THE MISSISSIPPI MISSION ENDOWMENT CAMPAIGN**

The Mississippi Baptist Foundation holds funds for the benefit of Mississippi College, William Carey University, Blue Mountain College and the Baptist Children's Village which were given by institutions and individuals during the Mississippi Mission Endowment Campaign. The income is distributed from these funds according to the donor's designation or terms of the campaign agreement. These funds had a market value of \$9,806,766 and \$9,348,672 at June 30, 2023 and 2022, respectively

**NOTE 10 – CONCENTRATIONS AND CREDIT RISKS**

The Foundation maintains cash and cash equivalent balances at multiple financial institutions. Some of these accounts are secured by the Federal Deposit Insurance Corporation. Balances regularly exceed federally insured limits. The Foundation has not experienced any losses in these accounts. Management believes that the Foundation is not exposed to any significant credit risk with respect to its cash and cash equivalents.

The Foundation's investments include domestic and foreign equities, U.S. government securities, corporate and municipal debt instruments, corporate stocks, mutual funds and various alternative investments. Investment securities, in general are subject to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

**NOTE 11 – SUBSEQUENT EVENTS**

Events that occur after the statement of financial position date but before the financial statements are available to be issued, must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. The Foundation has evaluated subsequent events through August 31, 2023, the date which the financial statements were available to be issued, and determined that there were no subsequent events that should be noted in the financial statements or notes to the financial statements.

MISSISSIPPI BAPTIST FOUNDATION

Schedule of Assets

June 30, 2023

	Assets held for agencies and trusts	Assets of the Foundation	Total
Cash and cash equivalents	<u>\$ 21,099,876</u>	<u>\$ 702,679</u>	<u>\$ 21,802,555</u>
Investments			
U.S. Government and agency securities	8,901,136	-	8,901,136
Corporate and municipal bonds	15,824,157	-	15,824,157
Corporate stocks	95,715,386	-	95,715,386
Mutual funds	36,361,534	-	36,361,534
Real estate	250,000	-	250,000
Certificates of deposit and other assets	<u>5,301,926</u>	<u>-</u>	<u>5,301,926</u>
Total investments	<u>162,354,139</u>	<u>-</u>	<u>162,354,139</u>
Accrued interest receivable	<u>354,064</u>	<u>-</u>	<u>354,064</u>
Total Assets	<u>\$ 183,808,079</u>	<u>\$ 702,679</u>	<u>\$ 184,510,758</u>



MISSISSIPPI BAPTIST FOUNDATION

Schedule of Assets

June 30, 2022

	Assets held for agencies and trusts	Assets of the Foundation	Total
Cash and cash equivalents	<u>\$ 19,124,468</u>	<u>\$ 552,117</u>	<u>\$ 19,676,585</u>
Investments			
U.S. Government and agency securities	10,492,609	-	10,492,609
Corporate and municipal bonds	15,789,529	-	15,789,529
Corporate stocks	89,014,937	-	89,014,937
Mutual funds	30,823,559	-	30,823,559
Real estate	250,000	-	250,000
Certificates of deposit and other assets	<u>390,955</u>	<u>-</u>	<u>390,955</u>
Total investments	<u>146,761,589</u>	<u>-</u>	<u>146,761,589</u>
Accrued interest receivable	<u>255,611</u>	<u>-</u>	<u>255,611</u>
Total Assets	<u>\$ 166,141,668</u>	<u>\$ 552,117</u>	<u>\$ 166,693,785</u>

MISSISSIPPI BAPTIST FOUNDATION  
Schedule of Changes in Assets Held for Agencies and Trusts  
Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenue, gains and other support		
Investment earnings		
Interest and dividends	\$ 5,882,276	\$ 5,129,225
Mineral receipts	23,262	22,389
Realized (loss) gain on sale of investments	(1,385,972)	4,795,876
Unrealized gain (loss) on investments	10,327,643	(40,809,167)
Other support and revenue		
Contributions	<u>10,483,616</u>	<u>16,233,121</u>
Total revenue, gains and other support	25,330,825	(14,628,556)
 Distributions		
Funds distributed	<u>7,664,414</u>	<u>6,682,883</u>
 Change in assets held for agencies and trusts	17,666,411	(21,311,439)
 Assets held for agencies and trusts at beginning of year	<u>166,141,668</u>	<u>187,453,107</u>
 Assets held for agencies and trusts at end of year	<u><u>\$ 183,808,079</u></u>	<u><u>\$ 166,141,668</u></u>

MISSISSIPPI BAPTIST FOUNDATION  
Schedule of Activities of Assets Held for Agencies and Trusts and Operating Fund Net Assets  
Ten - Year Review

	Ten Year Total (memo only)	2023	2022	2021	2020	2019
Assets Held for Agencies and Trusts and Operating Fund Net Assets, beginning	\$ 113,266,952	\$ 166,693,785	\$ 187,704,115	\$ 151,739,066	\$ 152,501,494	\$ 139,783,137
Gifts	73,185,919	10,484,836	16,234,277	5,073,090	4,483,102	6,884,266
Interest and dividends	43,221,815	5,898,957	5,130,383	4,772,300	4,695,793	4,050,712
Mineral receipts	219,643	23,262	22,389	9,442	13,219	17,697
MBC Cooperative Program allocation	4,012,443	389,862	443,086	380,184	396,594	397,243
Fees for asset management, trust administration and ministry accounting	4,234,521	656,336	739,511	604,932	444,425	381,470
	124,874,341	17,453,253	22,569,646	10,839,948	10,033,133	11,731,388
Realized gain (loss) on sale of investments, net	31,574,930	(1,385,972)	4,795,876	10,670,584	1,704,958	436,091
Unrealized gain (loss) on investments, net	(5,225,643)	10,327,643	(40,809,167)	23,342,955	(3,988,415)	7,925,323
	26,349,287	8,941,671	(36,013,291)	34,013,539	(2,283,457)	8,361,414
Distributions for agency and trust account holders	(72,422,253)	(7,664,414)	(6,682,883)	(8,101,888)	(7,666,330)	(6,591,871)
Operating expenditures	(7,557,569)	(913,537)	(883,802)	(786,550)	(845,774)	(782,574)
	(79,979,822)	(8,577,951)	(7,566,685)	(8,888,438)	(8,512,104)	(7,374,445)
Total increase (decrease)	71,243,806	17,816,973	(21,010,330)	35,965,049	(762,428)	12,718,357
Assets Held for Agencies and Trusts and Operating Fund Net Assets, end	\$ 184,510,758	\$ 184,510,758	\$ 166,693,785	\$ 187,704,115	\$ 151,739,066	\$ 152,501,494
Change in Assets Held for Agencies and Trusts and Operating Fund Net Assets:						
Amount	\$ 71,243,806	\$ 17,816,973	\$ (21,010,330)	\$ 35,965,049	\$ (762,428)	\$ 12,718,357
Percentage	62.9%	10.7%	-11.2%	23.7%	-0.5%	9.1%

MISSISSIPPI BAPTIST FOUNDATION  
Schedule of Activities of Assets Held for Agencies and Trusts and Operating Fund Net Assets  
Ten - Year Review (Continued)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets Held for Agencies and Trusts and Operating Fund Net Assets, beginning	\$ 137,990,243	\$ 131,050,489	\$ 129,189,417	\$ 127,984,118	\$ 113,266,952
Gifts	4,688,533	5,185,809	5,719,198	6,856,165	7,576,643
Interest and dividends	3,762,687	3,575,212	3,954,651	3,808,181	3,572,939
Mineral receipts	19,161	16,118	19,450	45,032	33,873
MBC Cooperative Program allocation	396,729	397,959	404,206	405,484	401,096
Fees for asset management and trust administration	315,477	297,231	283,367	275,822	235,950
	<u>9,182,587</u>	<u>9,472,329</u>	<u>10,380,872</u>	<u>11,390,684</u>	<u>11,820,501</u>
Realized gain (loss) on sale of investments, net	9,028,637	788,196	(466,068)	3,034,816	2,967,812
Unrealized gain (loss) on investments, net	(6,460,587)	2,714,492	1,560,353	(4,748,370)	4,910,130
	<u>2,568,050</u>	<u>3,502,688</u>	<u>1,094,285</u>	<u>(1,713,554)</u>	<u>7,877,942</u>
Distributions for agency and trust account holders	(9,199,521)	(5,305,581)	(8,962,267)	(7,856,028)	(4,391,470)
Operating expenditures	(758,222)	(729,682)	(651,818)	(615,803)	(589,807)
	<u>(9,957,743)</u>	<u>(6,035,263)</u>	<u>(9,614,085)</u>	<u>(8,471,831)</u>	<u>(4,981,277)</u>
Total increase (decrease)	<u>1,792,894</u>	<u>6,939,754</u>	<u>1,861,072</u>	<u>1,205,299</u>	<u>14,717,166</u>
Assets Held for Agencies and Trusts and Operating Fund Net Assets, end	\$ 139,783,137	\$ 137,990,243	\$ 131,050,489	\$ 129,189,417	\$ 127,984,118
Change in Assets Held for Agencies and Trusts and Operating Fund Net Assets:					
Amount	\$ 1,792,894	\$ 6,939,754	\$ 1,861,072	\$ 1,205,299	\$ 14,717,166
Percentage	<u>1.3%</u>	<u>5.3%</u>	<u>1.4%</u>	<u>0.9%</u>	<u>13.0%</u>

## MISSISSIPPI BAPTIST HISTORICAL COMMISSION

Dr. Anthony Kay, Executive Director  
Heather Moore, Librarian  
[mc.libguides.com/mbhc](http://mc.libguides.com/mbhc)

**The year 2023 marks the 135<sup>th</sup> year** that the Mississippi Baptist Historical Commission and/or Historical Society has been actively involved in collecting and preserving the history of Mississippi Baptists.

**63 churches had significant anniversaries, 4 celebrated 200 years, 19 celebrated 175 years, 12 celebrated 150 years, 17 celebrated 125 years and 11 celebrated 100 years.**

### Logo

We had a logo designed for the Historical Commission. This is the first time that the Historical Commission has had its own logo.



### Mississippi Baptist History Book

Great progress has been made on the history book. All 13 chapters are complete, along with an epilogue. We are in the process of working on edits, with hopes to have the book sent to the printers by the beginning of 2024.

### Updates to Preservation

In our renovations over the past two years we moved all the microfilm from both the MC library and the MBHC, as well as, the microfilm reader/printer into the MC Thesis Room. An ideal environment for microfilm is less than 70 degrees and less than 50% humidity. The microfilm has definitely not had that in the MC library. Over the summer of 2022 Mrs. Moore noticed that the vinegar smell was getting stronger, so she started pulling film and realized many reels has significant Vinegar Syndrome damage. We ended up doing test strips in over 600 reels of film. Almost all of those had some level of damage.

We sent a total of 247 reels of microfilm to The Crowley Company to be digitized. We are now working to combine those digital files into digital church record books, annual associational minutes, etc. We have had to discard approx. 250 reels that had significant damage. All of these had either been digitized, or were too damaged for digitization.

This is going to be a long-term project and we'll just keep moving through the digital files as we can.

Taking all of this into consideration, the Board of Trustees for the Historical Commission approved the purchase of new equipment to aid in the preservation and digitization of the Commission's materials. We purchased a new over-head book scanner and microfilm scanner. This will allow us to digitize materials in-house, so that hopefully we can help more churches in preserving their records.

#### **Other Activities**

- We provided research assistance to over 700 individuals in person, or through phone and email services.
- We held three Church Anniversary Workshops around the state during the month of February. This is the first time we've been able to do this since Covid.
- We hosted an open house during MC's homecoming.
- We hosted three college interns, two from Mississippi College and one from Blue Mountain College.
- We prepared History Highlights for 15 churches. These highlights included statistical information and anecdotes from associational annual minutes.
- Mrs. Moore spoke at the Tri-County Baptist Association Leadership Conference.

#### **Goals for 2024:**

- To intensify the effort to acquire additional church records to preserve for safekeeping.
- To continue to work through the Vinegar Syndrome microfilm material.
- To begin in-house digitization of Baptist materials.
- To host more genealogy and local history groups.
- To have a published revision of *A History of Mississippi Baptists* and begin distribution to churches.

## THE BAPTIST CHILDREN'S VILLAGE

Sean A. Milner, Executive Director

In 2022, The Baptist Children's Village (BCV) celebrated 125 years of service to Mississippi's at-risk children and families. God continues to minister to children and families through His servants at the BCV. To glorify God, and honor Him, the Village ministers with the highest standard of compassion, professionalism and expertise. Constant and honest self-examination helps ensure that the Village will continue to provide the highest standard of care to the ones who need it the most and can afford it the least. For those whom God is pursuing, we dare not do less. This report informs about the BCV's efforts and results in the year 2022.

The US Supreme Court's decision in *Dobbs v. Jackson Women's Health Organization*, 142 S.Ct. 2228, 2023, inspired and challenged all of us to support human life, all human life. As reported last year, your BCV had already ". . . embarked on developing a strategic mindset to be able to timely respond to the opportunities . . ." that the lord may reveal. Your BCV worked with the legislature to pass human life affirming legislation and legislation that is financially beneficial to the BCV's supporters as well as the BCV. We thank God and give him all glory for this opportunity and the blessings he bestowed therein.

As part of the Mississippi Southern Baptist Church, the BCV created new ways to "take the good news of Jesus Christ to at-risk children and families." In December of 2022, we began the Youth Detention Intervention Program (YDIP) wherein you are sending people into youth detention facilities to share the gospel of Jesus Christ. Please look forward to a fantastic report in 2024. We began ministering in Youth Courts and schools by providing trauma informed training to those tasked to deal with Mississippi's out of home youth. This is done through the Consulting & Training Ministry of the BCV.

There are those of us who argue that our passion for life does not extend to the passion for the child once born. This is simply not true. In your residential ministry you have supported children and families for over 125 years. In 2022, you provided children with 295 medical appointments, 63 psychiatric appointments, 7 psychiatric hospitalizations, 70 eye doctor visits, 145 dental appointments, 14 emergency room visits, and 3 hospitalizations. The percentage of children exposed to the gospel in 2022, is 100%. You provided 14 homes across the state of Mississippi. You provided case managers, campus directors and house parents to love and care for every need of living children. You provided college education for three children.

You also support the family unit. In 2022, your Dorcas ministry served 111 families throughout the state of Mississippi. That number includes 167 parents or parent figures. The total number of children served in your residential and non-residential

ministry in 2022 is approximately 316. Do not let anyone tell you that you do not care for the living.

It is an exciting time to be a part of the effort to take the good news of Jesus to at-risk children and families. I am extremely grateful that you are a part of this effort known as The Baptist Children's Village.





MATTHEWS  
CUTRER *and*  
LINDSAY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

**THE BAPTIST CHILDREN'S VILLAGE**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

*Ridgeland, Clinton, and Yazoo City,  
Mississippi*

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## **THE BAPTIST CHILDREN'S VILLAGE**

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**MATTHEWS  
CUTRER *and*  
LINDSAY, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
The Baptist Children's Village  
Ridgeland, MS

### Opinion

We have audited the accompanying financial statements of The Baptist Children's Village, which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Baptist Children's Village as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Baptist Children's Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Baptist Children's Village'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.

### Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental data on page 21 are presented for the purpose 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 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 statement 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.



Ridgeland, Mississippi  
August 25, 2023

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**THE BAPTIST CHILDREN'S VILLAGE**  
**STATEMENTS OF FINANCIAL POSITION**  
**AT JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 2,329,187	\$ 1,714,507
Accounts receivable	517,683	508,552
Investments	8,470,710	7,710,285
Other current assets	18,866	52,565
	<u>11,336,446</u>	<u>9,985,909</u>
<b>LONG TERM INVESTMENTS</b>		
Endowment investments	9,912,294	9,414,863
Other long term investments	144,162	189,638
	<u>10,056,456</u>	<u>9,604,501</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	834,740	834,740
Building, furnishings and equipment, net	2,779,628	2,983,426
	<u>3,614,368</u>	<u>3,818,166</u>
	<u>\$ 25,007,270</u>	<u>\$ 23,408,576</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 90,380	\$ 30,945
Accrued expenses	14,540	26,272
	<u>104,920</u>	<u>57,217</u>
<b>NET ASSETS</b>		
Without donor restrictions	14,815,261	13,741,858
With donor restrictions	10,087,089	9,609,501
	<u>24,902,350</u>	<u>23,351,359</u>
	<u>\$ 25,007,270</u>	<u>\$ 23,408,576</u>

See notes to financial statements.

**THE BAPTIST CHILDREN'S VILLAGE**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

	Activities without donor <u>restrictions</u>	Activities with donor <u>restrictions</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>			
Contributed income	\$ 5,753,687	\$ 55,250	5,808,937
Interest and dividends	413,328	328,897	742,225
Gain (loss) on sale of securities	(485,647)	(70,979)	(556,626)
Gain on sale of assets	10,504	-	10,504
In-kind Contribution	91,778	-	91,778
Net assets released from restrictions	<u>399,682</u>	<u>(399,682)</u>	<u>-</u>
	<u>6,183,332</u>	<u>(86,514)</u>	<u>6,096,818</u>
<b>EXPENSES</b>			
Program	4,638,102	-	4,638,102
Management and general	862,645	-	862,645
Fundraising	<u>726,427</u>	<u>-</u>	<u>726,427</u>
	<u>6,227,174</u>	<u>-</u>	<u>6,227,174</u>
<b>DEFICIENCY OF REVENUES OVER EXPENSES</b>	<b>(43,842)</b>	<b>(86,514)</b>	<b>(130,356)</b>
<b>CHANGE IN NET UNREALIZED GAINS AND LOSSES ON INVESTMENTS</b>	<u><b>1,117,245</b></u>	<u><b>564,102</b></u>	<u><b>1,681,347</b></u>
<b>CHANGE IN NET ASSETS</b>	<b>1,073,403</b>	<b>477,588</b>	<b>1,550,991</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u><b>13,741,858</b></u>	<u><b>9,609,501</b></u>	<u><b>23,351,359</b></u>
<b>NET ASSETS, END OF YEAR</b>	<u><u><b>\$ 14,815,261</b></u></u>	<u><u><b>\$ 10,087,089</b></u></u>	<u><u><b>\$ 24,902,350</b></u></u>

See notes to financial statements.

**THE BAPTIST CHILDREN'S VILLAGE**  
**STATEMENT OF ACTIVITIES - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Activities without donor restrictions	Activities with donor restrictions	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>			
Contributed income	\$ 5,158,834	\$ 470,409	5,629,243
Interest and dividends	322,091	307,053	629,144
Gain (loss) on sale of securities	(16,490)	311,769	295,279
Gain on sale of assets	5,000	-	5,000
Loss on sale of investments	(90,800)	-	(90,800)
Gain on sale of stock	10,513	-	10,513
In-kind Contribution	313,717	-	313,717
Net assets released from restrictions	<u>501,193</u>	<u>(501,193)</u>	<u>-</u>
	<u>6,204,058</u>	<u>588,038</u>	<u>6,792,096</u>
<b>EXPENSES</b>			
Program	3,931,412	-	3,931,412
Management and General	699,162	-	699,162
Fundraising	<u>758,577</u>	<u>-</u>	<u>758,577</u>
	<u>5,389,151</u>	<u>-</u>	<u>5,389,151</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	814,907	588,038	1,402,945
<b>CHANGE IN NET UNREALIZED GAINS AND LOSSES ON INVESTMENTS</b>	<u>(2,977,829)</u>	<u>(2,307,489)</u>	<u>(5,285,318)</u>
<b>CHANGE IN NET ASSETS</b>	(2,162,922)	(1,719,451)	(3,882,373)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>15,904,780</u>	<u>11,328,952</u>	<u>27,233,732</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 13,741,858</u>	<u>\$ 9,609,501</u>	<u>\$ 23,351,359</u>

See notes to financial statements.

**THE BAPTIST CHILDREN'S VILLAGE**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2023**

	Program <u>Services</u>	Management <u>and General</u>	Fundraising	<u>Total</u>
Activities	\$ 75,982	\$ 1,973	\$ 350	\$ 78,305
Administration	32,109	147,424	15,386	194,919
Allowance	19,245	-	-	19,245
Audit and Legal	-	23,205	-	23,205
Buildings and Grounds	52,930	26,717	-	79,647
Christmas	3,455	26,333	-	29,788
Clothing	28,740	-	-	28,740
Conferences and Conventions	118,577	16,038	4,716	139,331
Development	14,189	5,535	261,990	281,714
Food Service	135,934	7,638	4,940	148,512
Insurance	563,846	85,647	64,236	713,729
Medical and Dental	35,300	1,712	-	37,012
Miscellaneous	60,921	9,517	-	70,438
Repair and Replacement	71,736	373	11	72,120
Retirement	255,609	38,827	29,120	323,556
Salaries	2,350,952	360,515	278,825	2,990,292
School	48,015	-	-	48,015
Taxes	177,266	26,927	20,195	224,388
Utilities	187,666	23,380	2,109	213,155
Vehicle	155,555	22,898	16,059	194,512
	<u>4,388,027</u>	<u>824,659</u>	<u>697,937</u>	<u>5,910,623</u>
Depreciation and Amortization	<u>250,075</u>	<u>37,986</u>	<u>28,490</u>	<u>316,551</u>
	<u>\$ 4,638,102</u>	<u>\$ 862,645</u>	<u>\$ 726,427</u>	<u>\$ 6,227,174</u>
	74%	14%	12%	

See notes to financial statements.

**THE BAPTIST CHILDREN'S VILLAGE**

**STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services	Management and General	Fundraising	Total
Activities	\$ 67,828	\$ 577	\$ 480	\$ 68,885
Administration	15,907	127,638	10,451	153,996
Allowance	14,148	-	-	14,148
Audit and Legal	-	23,422	-	23,422
Buildings and Grounds	63,792	33,163	-	96,955
Christmas	6,590	12,856	-	19,446
Clothing	20,394	-	-	20,394
Conferences and Conventions	21,843	11,994	3,619	37,456
Development	8,120	3,611	252,727	264,458
Food Service	87,537	15,738	2,528	105,803
Insurance	566,445	63,725	77,886	708,056
Medical and Dental	24,051	1,383	-	25,434
Miscellaneous	47,103	7,390	3,261	57,754
Repair and Replacement	28,870	201	635	29,706
Retirement	238,911	26,878	32,850	298,639
Salaries	1,996,093	271,857	299,451	2,567,401
School	13,743	-	-	13,743
Taxes	155,351	17,477	21,361	194,189
Utilities	165,845	21,662	2,325	189,832
Vehicle	121,948	29,565	14,305	165,818
	<u>3,664,519</u>	<u>669,137</u>	<u>721,879</u>	<u>5,055,535</u>
Depreciation and Amortization	<u>266,893</u>	<u>30,025</u>	<u>36,698</u>	<u>333,616</u>
	<u>\$ 3,931,412</u>	<u>\$ 699,162</u>	<u>\$ 758,577</u>	<u>\$ 5,389,151</u>
	73%	13%	14%	

See notes to financial statements.

**THE BAPTIST CHILDREN'S VILLAGE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,550,991	\$ (3,882,373)
Adjustments to reconcile change in net assets to net cash provided by operating expenses		
Depreciation and amortization	316,551	333,616
Net unrealized (gain) loss on investment	(1,124,721)	4,990,039
Contributions received for long-term purposes	(70,640)	(322,631)
Interest and dividends restricted for long-term purposes	(328,897)	(307,053)
Loss on sale of investments for short-term purposes	-	90,800
(Gain) loss on sale of securities restricted for long-term purpose	70,979	(311,769)
Gain on sale of assets	(10,504)	(5,000)
(Increase) Decrease in		
Accounts receivable	(9,131)	(30,680)
Other current assets	33,699	(32,044)
Increase (Decrease) in		
Accounts payable	59,435	29,838
Accrued expenses	(11,732)	387
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>476,030</u>	<u>553,130</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment and improvements	(112,753)	(236,942)
Proceeds from sale of assets	10,504	5,000
(Increase) decrease in endowment investments	(451,955)	1,724,451
(Increase) decrease in investments	364,296	(1,914,422)
Investment in permanent endowment	70,640	322,631
Interest and dividends restricted for permanent reinvestment	328,897	307,053
Gain on sale of securities restricted for permanent reinvestment	(70,979)	311,769
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>138,649</u>	<u>519,540</u>
<b>NET INCREASE IN CASH</b>	614,680	1,072,670
<b>CASH, BEGINNING OF YEAR</b>	<u>1,714,507</u>	<u>641,837</u>
<b>CASH, END OF YEAR</b>	<u>\$ 2,329,187</u>	<u>\$ 1,714,507</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES</b>		
In-kind contributions	<u>\$ 91,778</u>	<u>\$ 313,717</u>

See notes to financial statements.

**THE BAPTIST CHILDREN'S VILLAGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING ACTIVITIES**

**Nature of Organization**

The Baptist Children's Village (The Village) is a residential childcare ministry, operating as a nonprofit corporation under the statutes of the State of Mississippi. It is an official agency of the Mississippi Baptist Convention.

**Method of Accounting**

The financial statements of the Village have been prepared on the accrual basis.

**Financial Statement Presentation**

The financial statements of the Village have been prepared in accordance with the U.S. generally accepted accounting principles ("U.S. GAAP"), which require the Village to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as board designation.

Net assets with donor restrictions: Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. Donor restrictions may be for a specified time or purpose limitation, or the donor may specify that the corpus of their original and certain subsequent gifts be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

**THE BAPTIST CHILDREN'S VILLAGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING ACTIVITIES - CONTINUED**

Contributions

Contributions received, including unconditional promises to give, are recognized as revenue in the period received. Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities.

Credit and Market Risk

Credit risk: Financial instruments that potentially subject the Village to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At June 30, 2023 and 2022, the Village had balances in the banks that exceeded the federally insured limits by approximately \$2,111,626 and \$1,494,158, respectively.

Market value risk: The Village invests in a professionally managed portfolio that contains various types of marketable securities. Such investments are exposed to market and credit risks and may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



**THE BAPTIST CHILDREN'S VILLAGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING ACTIVITIES – CONTINUED**

Contributed Services

The Village recognizes the estimated fair value of those contributed services that meet the requirements for recognition in the financial statements.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Properties acquired by gift are stated at market value on the date of acquisition. Depreciation and amortization are provided using the straight-line method at rates based on the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	10 - 40
Furnishings and equipment	5 - 10
Vehicles	5
Software	3

Income Taxes

The Village is exempt from Federal income taxes, under Section 501(c)(3) of the Internal Revenue Code of 1986, and state income taxes.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Leases

The Association determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets could also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Association does not report ROU asset and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line over the lease term.

**THE BAPTIST CHILDREN'S VILLAGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING ACTIVITIES – CONTINUED**

Recent Accounting Pronouncements

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right of use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Association's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance will be effective for the year ending June 30, 2023.

In September 2020, the FASB issued amended guidance for contributed nonfinancial assets. The guidance requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, disclosures of the disaggregated amount by type, and disclosure of qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period as well as a description of the programs or other activities in which the assets were used. The guidance also requires disclosure of any donor-imposed restrictions and a description of valuation techniques. The amendments in the guidance are effective for fiscal years beginning after June 15, 2021.

The Village adopted and implemented both pronouncements. The adoption did not have a material impact on its financial statements.

**NOTE 2 – FAIR VALUE MEASUREMENTS**

FASB ASC 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Village has the ability to access.

**THE BAPTIST CHILDREN'S VILLAGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 2 – FAIR VALUE MEASUREMENTS – CONTINUED**

Level 2 – Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Valuation methodologies used for assets measured at fair value are: shares of registered investment companies and bonds are valued at quoted market prices which represent the net asset value of shares held by the Village at year-end; and participant notes receivable are valued at cost which approximates fair value. There have been no changes in the methodologies used at June 30, 2023.

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Village believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumption to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Village's unrestricted investments at fair value by level as of June 30, 2023 are:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investments:				
Cash and equivalents	\$ 227,104	\$ -	\$ -	\$ 227,104
Common trusts	8,074,388	-	-	8,074,388
Corporate stock	169,218	-	-	169,218
	<u>\$ 8,470,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,470,710</u>

**THE BAPTIST CHILDREN'S VILLAGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 2 – FAIR VALUE MEASUREMENTS – CONTINUED**

The Village's unrestricted investments at fair value by level as of June 30, 2022 are:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investments:				
Cash and equivalents	\$ 140,735	\$ -	\$ -	\$ 140,735
Common trusts	7,392,773	-	-	7,392,773
Corporate stock	176,777	-	-	176,777
	<u>\$ 7,710,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,710,285</u>

The Village's long-term investments at fair value by level as of June 30, 2023 are:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Long-term investments				
Cash and equivalents	\$ 191,807	\$ -	\$ -	\$ 191,807
Common trusts	9,768,349	-	-	9,768,349
Real estate and mineral interest	-	96,300	-	96,300
	<u>\$ 9,960,156</u>	<u>\$ 96,300</u>	<u>\$ -</u>	<u>\$ 10,056,456</u>

The Village's long-term investments at fair value by level as of June 30, 2022 are:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Long-term investments				
Cash and equivalents	\$ 127,472	\$ -	\$ -	\$ 127,472
Common trusts	9,380,729	-	-	9,380,729
Real estate and mineral interest	-	96,300	-	96,300
	<u>\$ 9,508,201</u>	<u>\$ 96,300</u>	<u>\$ -</u>	<u>\$ 9,604,501</u>

Long-term investments consist of deferred compensation investments and endowment investments. Endowment investments are net assets with donor restrictions and are restricted to investment in perpetuity, with only the income from the investments to be utilized for support.

**THE BAPTIST CHILDREN'S VILLAGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 3 – PROPERTY, PLANT AND EQUIPMENT**

A summary of the depreciable assets and the related accumulated depreciation at June 30, 2023 is presented below:

	<u>2023</u>	<u>2022</u>
Building and improvements	\$ 5,884,881	\$ 5,842,876
Furnishings and equipment	706,047	701,347
Software	255,994	255,994
Vehicles	<u>1,017,441</u>	<u>970,401</u>
	7,864,363	7,770,618
Less: Accumulated depreciation	<u>(5,084,735)</u>	<u>(4,787,192)</u>
	<u>\$ 2,779,628</u>	<u>\$ 2,983,426</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$316,551 and \$333,616, respectively.

**NOTE 4 – RETIREMENT PLAN CONTRIBUTIONS**

The Village and its employees participate in a retirement plan administered by the Southern Baptist Annuity Board. Employer contributions to the plan are based on a percentage of compensation. The Village's contribution to this plan for the years ended June 30, 2023 and 2022 amounted to \$323,556 and \$298,639, respectively.

**NOTE 5 – LIQUIDITY**

The following reflects the Village's financial assets as of June 30, 2023 reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions. Amounts not available include amounts set aside as Board designated net assets that could be drawn upon if the governing board approves that action.

**THE BAPTIST CHILDREN'S VILLAGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 5 – LIQUIDITY - CONTINUED**

Cash and cash equivalents	\$ 2,329,187
Investments	18,522,990
Accounts receivable	517,683
Other assets	<u>18,866</u>
Financial assets available	21,388,726
Less those unavailable for general expenditures within one year due to:	
Investments held in perpetuity	10,056,456
Subject to expenditure for specified purpose	30,633
Board designated net assets	<u>248,739</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 11,052,898</u></u>

The Village does not maintain an operating reserve account to cover the average monthly operating costs, excluding depreciation, in-kind, and other noncash expenses. However, the average monthly cost was approximately \$492,500 for the year ended June 30, 2023. The Village had approximately 23 months of financial assets available to meet its average monthly operating cost for the year ended June 30, 2023. The Village does not have a policy regarding the investment of cash in excess of daily requirements.

**NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS**

An analysis of the net assets without donor restrictions for the years of June 30, 2023 and 2022 is presented below:

	<u>2023</u>	<u>2022</u>
Board Designated		
Capital Needs Fund	\$ 248,739	\$ 136,603
Without donor restrictions	<u>14,566,522</u>	<u>13,605,255</u>
	<u><u>\$ 14,815,261</u></u>	<u><u>\$ 13,741,858</u></u>

**THE BAPTIST CHILDREN'S VILLAGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,176	\$ 4,176
Investments administered by the Mississippi Baptist Foundation	9,809,301	9,318,263
Investments administered by the Southern Baptist Foundation	102,993	96,600
Funds held in trust by others	43,686	89,162
Real estate and mineral interests	96,300	96,300
Donor restricted contributions	<u>30,633</u>	<u>5,000</u>
	<u>\$ 10,087,089</u>	<u>\$ 9,609,501</u>

**NOTE 8 – ENDOWMENT NET ASSETS WITH DONOR RESTRICTIONS**

The Village's net assets with donor restrictions are held in perpetuity. The Village's Board of Directors has interpreted the law that underlies the Village's net asset classification of donor-restricted endowment funds as requiring the preservation of the fair value of the original gift. As a result of the interpretation, the Village classifies as net assets with donor restrictions held in perpetuity (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

The Village has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Village must hold in perpetuity or for donor-specified periods. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a balanced portfolio comprised of cash, fixed income securities, and equities. To satisfy its long-term objectives, the Village relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

**THE BAPTIST CHILDREN'S VILLAGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 8 – ENDOWMENT NET ASSETS WITH DONOR RESTRICTIONS - CONTINUED**

Endowment net assets, beginning of year	9,414,863
Investment return	
Investment income	328,897
Net appreciation	<u>493,123</u>
Total investment return	822,020
Contributions	70,640
Net assets released	<u>(395,229)</u>
Endowment net assets, end of year	<u><u>\$ 9,912,294</u></u>

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 UPMIFA requires the Village to retain as a fund of perpetual duration. As of December 31, 2023, deficiencies of this nature exist in donor-restricted endowment funds, which together have an original gift value of \$1,225,401, a current fair value of \$1,121,368, and a deficiency of \$104,033. These deficiencies resulted from unfavorable market conditions during the year.

**NOTE 9 – IN-KIND CONTRIBUTIONS**

The Village recognizes revenues from donated property or goods at the estimated value of the good at the time of the donation. The Village received donated property valued at \$50,652 and \$11,491 for the years ended June 30, 2023 and 2022.

For the years ended June 30, 2023 and 2022, investments assets were contributed with a fair market value of \$41,126 and \$302,226, respectively.

**NOTE 10 – RECLASSIFICATION**

Certain amounts in the summarized 2022 financial statements have been reclassified for comparative purposes to conform with presentation in the 2023 financial statements.

**NOTE 11 – SUBSEQUENT EVENTS**

In accordance with the FASB Accounting Standards Codification Topic 855, Subsequent Events, the Village has evaluated subsequent events through August 25, 2023, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of August 25, 2023, have been incorporated into these financial statements.



## **SUPPLEMENTAL DATA**

20

360

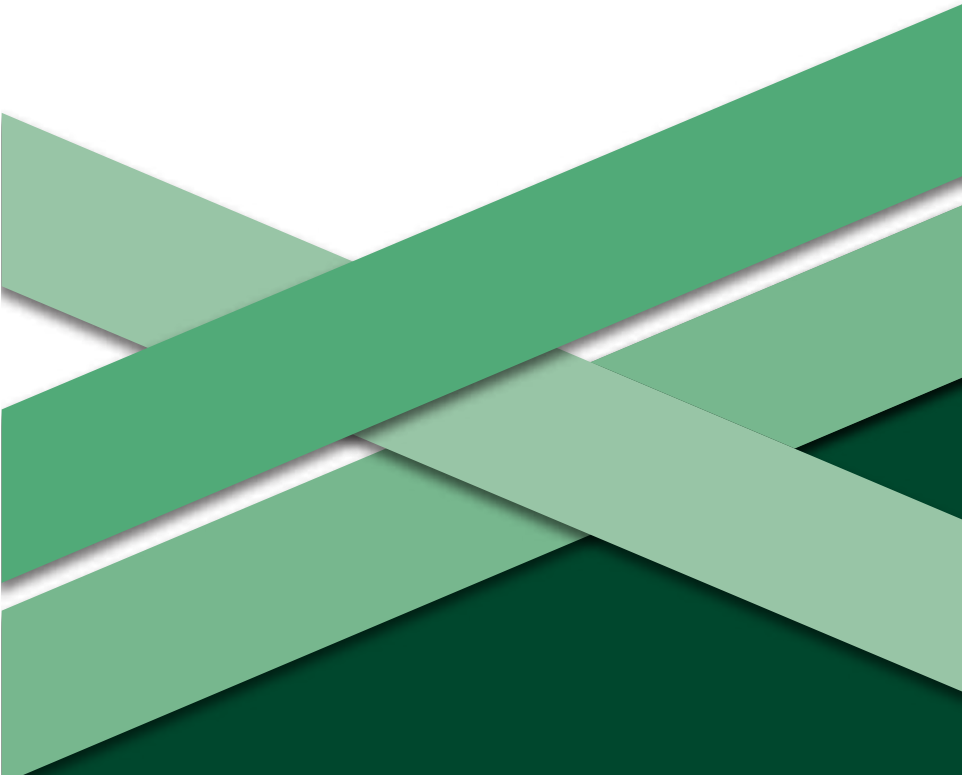
**THE BAPTIST CHILDREN'S VILLAGE**  
**SCHEDULE OF CONTRIBUTED INCOME**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CONTRIBUTED INCOME		
Cooperative program	\$ 750,223	\$ 810,069
Mother's day	121,032	148,460
Christmas	263,558	228,678
Easter	43,506	50,046
Back to school	111,830	155,217
Parental support	4,475	7,150
Children's Promise Act	1,182,314	889,935
General gifts	3,119,333	2,787,086
Bequests	99,828	513,192
First Century	-	15,680
Second Century	18,945	-
Giving Tuesday	36,968	-
Champions Heart	4,935	-
Thanksgiving	36,771	21,136
Other	<u>15,219</u>	<u>2,594</u>
	<u>\$ 5,808,937</u>	<u>\$ 5,629,243</u>

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***FACTS***  
***CONCERNING***  
***MISSISSIPPI***  
  
***and***  
  
***MISSISSIPPI***  
***BAPTISTS***

# **STATISTICAL FACTS** **CONCERNING MISSISSIPPI AND MISSISSIPPI BAPTISTS**

Census Bureau total estimated population in Mississippi for 2022....2,940,057

## **SUMMARY OF MISSISSIPPI CHURCHES 2022\***

Associations .....	66
Churches .....	2,063
Total churches reporting.....	1,521
Baptisms .....	7,688
Other Additions .....	9,292
Total Members.....	519,404
Sunday School Enrollment .....	205,117
Sunday School/Bible Study/Small Group Average Attendance ....	109,783
Men's Ministry Enrollment .....	8,890
WMU Enrollment .....	13,384
Cooperative Program Gifts** .....	\$30,296,439
Associational Missions Gifts.....	\$13,744,239
Total Designated/Undesignated Gifts.....	\$526,494,577
Church Debt .....	\$91,990,433

**\* Statistics were taken from the 2022 Annual Church Profile.**

**\*\* Cooperative Program total taken from MBCB church receipts January-December, 2022**

<b>TEN YEARS OF MISSISSIPPI BAPTISTS GIVING TO THE COOPERATIVE PROGRAM</b>
--

2022 .....	\$ 30,296,439
2021 .....	\$ 33,757,572
2020 .....	\$ 31,044,999
2019 .....	\$ 31,478,702
2018 .....	\$ 32,454,559
2017 .....	\$ 31,288,656
2016 .....	\$ 31,772,716
2015 .....	\$ 31,799,102
2014 .....	\$ 32,119,685
2013 .....	\$ 32,134,658

**Ten-year total (2013 – 2022) - \$ 318,147,088**

<b>NUMBER OF CHURCHES BY SIZE OF TOTAL MEMBERSHIP *</b>
---

<u>Size</u>	<u>2021</u>	<u>2022</u>
1-49.....	154.....	170
50-99.....	249.....	259
100-149.....	184.....	190
150-199.....	134.....	133
200-299.....	199.....	206
300-399.....	147.....	143
400-499.....	101.....	95
500-749.....	115.....	126
750-999.....	58.....	52
1,000 and up.....	99.....	96

\* Statistics were taken from the 2021 and 2022 Annual Church Profile.

<b>TOP TEN MISSISSIPPI BAPTIST CHURCHES IN BAPTISMS *</b>
---

<b>2022</b>	<b>Church</b>	<b>Pastor</b>	<b>Baptisms</b>
	Pinelake Church, Brandon .....	Chip Henderson .....	688
	Venture Church, Hattiesburg .....	Jeff Clark .....	143
	Cold Springs BC, Collins .....	West Garner .....	89
	Northcrest BC, Meridian.....	Dan Lanier.....	74
	Hickory Ridge BC, Florence.....	Terry Fant.....	74
	Temple BC, Hattiesburg.....	David Whitten .....	73
	Wade BC, Moss Point .....	Brannon Lott.....	70
	Broadmoor BC, Madison .....	Josh Braddy.....	66
	Crossgates BC, Brandon .....	David Jett .....	59
	New Hope BC, Meridian .....	Doug Goodman .....	57

<b>2021</b>	<b>Church</b>	<b>Pastor</b>	<b>Baptisms</b>
	Pinelake Church, Brandon .....	Chip Henderson .....	310
	Venture Church, Hattiesburg .....	Jeff Clark .....	144
	Cold Springs BC, Collins .....	West Garner.....	92
	Crossgates BC, Brandon .....	David Jett .....	91
	Hickory Ridge BC, Florence.....	Terry Fant.....	82
	Journey Church, Laurel.....	Robby Johnson.....	73
	Northcrest BC, Meridian.....	Dan Lanier.....	68
	Longview Point BC, Hernando.....	Wade Stevens .....	53
	Temple BC, Hattiesburg.....	David Whitten .....	48
	Broadmoor BC, Madison .....	Josh Braddy.....	44

- Statistics were taken from the 2021 and 2022 Annual Church Profile.



## SUMMARY OF AUDITS

### Mississippi Baptist Convention Board Audit (Year Ended 12/31/22)

Income -----	\$ 54,615,634
Expenditures -----	<u>\$ 52,646,989</u>
	\$ 1,968,645

### Board of Ministerial Education Financial Report (Year Ended 12/31/22)

Income -----	\$ 338,221
Expenditures -----	<u>\$ 463,272</u>
	\$ (75,051)

### Blue Mountain Christian University Audit (Year Ended 6/30/23)

Income -----	\$15,108,586
Expenditures -----	<u>\$14,179,789</u>
	\$ 928,797

### Mississippi College Audit (Year Ended 5/31/23)

Income -----	\$ 75,397,515
Expenditures -----	<u>\$ 79,192,960</u>
	\$ (3,795,445)

### William Carey University Audit (Year Ended 6/30/23)

Income -----	\$ 80,251,725
Expenditures -----	<u>\$ 78,354,440</u>
	\$ 1,897,285

### Baptist Memorial Health Care Corporation and Affiliates Audit (Year Ended 9/30/22)

Income -----	\$ 3,380,814,000
Expenditures -----	<u>\$ 3,705,221,000</u>
	\$ (324,407,000)

### Mississippi Baptist Christian Action Commission, Inc. Audit (Year Ended 12/31/22)

Income -----	\$ 200,758
Expenditures -----	<u>\$ 329,335</u>
	\$ (128,577)

### Mississippi Baptist Foundation Audit (Year Ended 6/30/23)

Income -----	\$ 26,394,924
Expenditures -----	<u>\$ 8,577,951</u>
	\$ 17,816,973

### The Baptist Children's Village Audit (Year Ended 6/30/23)

Income -----	\$ 7,778,165
Expenditures -----	<u>\$ 6,227,174</u>
	\$ 1,550,991





**Mississippi Baptist Convention Board**

Shawn Parker, Executive Director-Treasurer

515 Mississippi Street, 39201

P.O. Box 530

Jackson, MS 39205

(601) 968-3800

*A Ministry of the Cooperative Program*