

2015 ANNUAL REPORT
GEORGIA BAPTIST CONVENTION

awaken
2015

AUDITS
BAPTIST VILLAGE



BAPTIST VILLAGE, INC
FINANCIAL STATEMENTS
June 30, 2015

HIGGINSON & PAULK

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Baptist Village, Inc.

We have audited the accompanying financial statements of Baptist Village, Inc. (a non-profit organization) which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility


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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Baptist Village, Inc. as of June 30, 2015 and 2014, 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.


Waycross, Georgia

September 3, 2015

Baptist Village, Inc.
Statement of Financial Position
For the Years Ended June 30, 2015 and 2014

ASSETS

	6/30/2015	6/30/2014
Current assets		
Cash	\$ 1,970,670	\$ 1,228,067
Accounts receivable, less allowance for doubtful accounts of \$70,000 and \$70,000	1,536,416	1,335,514
Inventory	192,771	163,538
Prepaid expenses	182,101	186,723
Investments unrestricted	20,269,579	21,074,452
Debt service reserve fund	1,750,000	1,750,000
	25,901,537	25,738,294
Property and equipment		
Land	1,599,830	2,100,198
Land Improvements	3,230,526	3,134,085
Buildings	39,589,323	39,139,394
Furniture, fixtures and equipment	2,548,818	2,877,490
Vehicles	303,152	303,152
Intangible assets	20,000	20,000
Construction in Progress	-	142,785
Total property and equipment, gross	47,291,649	47,717,104
Less accumulated depreciation	(19,791,877)	(19,340,469)
Total property and equipment, net	27,499,772	28,376,635
Non- current assets		
Debt reserve fund long term debt	1,813,910	1,911,096
Investments permanently restricted	14,246,294	14,296,194
Deferred finance charges and bond issue	106,949	132,015
Total non-current assets	16,167,153	16,339,305
Total Assets	\$ 69,568,462	\$ 70,454,234

The Notes are an intergral part of the Financial Statements.

Baptist Village, Inc.
Statement of Financial Position
For the Years Ended June 30, 2015 and 2014

LIABILITIES AND NET ASSETS

	6/30/2015	6/30/2014
Current liabilities		
Accounts payable, other payables, and accrued expenses	\$ 1,662,017	\$ 1,395,494
Deferred income	180,128	189,037
Equipment Note Payable	10,847	10,847
Bonds payable	1,750,000	1,750,000
	3,602,992	3,345,378
Non-current liabilities		
Deferred Income Villas	1,378,328	1,538,401
Bonds payable	7,255,000	9,005,000
Equipment Note Payable	6,327	17,174
Total non-current liabilities	8,639,655	10,560,575
	12,242,647	13,905,953
Net Assets		
Unrestricted net assets	43,079,521	42,258,322
Temporarily restricted net assets	-	-
Permanently restricted net assets	14,246,294	14,289,959
	57,325,815	56,548,281
Total Liabilities and Net Assets	\$ 69,568,462	\$ 70,454,234

The Notes are an integral part of the Financial Statements.

Baptist Village, Inc.
Statement of Activities
For the Years Ended June 30, 2015 and 2014

	6/30/2015	6/30/2014
Changes in unrestricted net assets:		
Operating revenues and other support:		
Nursing and resident services	\$ 21,483,023	\$ 20,740,118
Contractual Allowances & Benevolent Ministries	(1,099,211)	(1,312,474)
Net assets released from restrictions	683,830	776,301
	21,067,643	20,203,945
Expenses:		
Operating:		
Nursing and resident services	9,975,687	9,983,702
Other resident services	6,260,334	5,662,004
Administrative and general	3,294,945	3,296,152
Property related expense	84,021	88,265
Depreciation and amortization	1,352,198	1,270,818
Interest	171,757	203,567
	21,138,942	20,504,508
Change in unrestricted net assets from operations	(71,299)	(300,563)
Non-operating revenues:		
Net unrealized gains/losses on investments	(214,308)	1,472,061
Income on investments and interest income	872,200	832,673
Private gifts and GBF Appropriations	635,709	494,257
Other income	-	-
Gain/Loss Sale of Assets/Impaired Assets	(421,225)	800
	872,376	2,799,791
Total non-operating revenues	872,376	2,799,791
Non-operating expense:		
Change in unrestricted net assets	\$ 801,077	\$ 2,499,228

The Notes are an integral part of the Financial Statements.

Baptist Village, Inc.
Statement of Activities
For the Years Ended June 30, 2015 and 2014

	6/30/2015	6/30/2014
Change in temporary restricted net assets:		
Gifts and Grants	\$ 20,000	\$ 100,000
Income on investments		-
Assets released from restriction	(20,000)	(100,000)
Change in temporarily restricted net assets	-	-
 Change in permanently restricted net assets:		
Net unrealized gains/losses on investments	(107,333)	1,303,413
Income on investments	559,577	439,689
Private gifts and Georgia Baptist Convention appropriations	188,043	11
Net assets released from restrictions	(663,830)	(676,301)
Change in permanently restricted net assets	(23,543)	1,066,812
Total change in net assets	777,534	3,566,040
Net assets at beginning of year	56,548,281	52,982,241
Net assets at end of year	\$ 57,325,815	\$ 56,548,281

The Notes are an integral part of the Financial Statements.

Baptist Village, Inc.
Statement of Cash Flows
For the Years Ended June 30, 2015 and 2014

	6/30/2015	6/30/2014
Cash Flow from operating activities		
Change in net assets	\$ 777,534	\$ 3,566,040
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and Amortization of Assets	1,352,191	1,270,816
Increase (Decrease) in deferred income villas	(236,159)	(217,271)
Net unrealized losses/(gains) on investments	228,835	(3,053,227)
Gain sale of assets/Impaired assets	421,225	800
Decrease/(increase) in accounts receivables, prepaids and other	(225,513)	162,353
Increase/(decrease) in accounts payables accrued expenses, and other payables	266,521	75,855
Net cash provided/(used) by operating activities	2,584,634	1,805,366
Cash flow from investing activities		
Purchase of capital additions	(994,958)	(908,229)
Proceeds from the sale or maturities of investments	2,630,111	2,252,231
Purchase of Investments	(1,906,988)	(1,726,303)
Proceeds from sale of assets	123,473	-
Net cash provided/(used) by investing activities	(148,362)	(382,301)
Cash flow from financing activities:		
Principal payment on debts	(1,750,000)	(1,750,000)
Principal payment on note payable	(10,847)	(4,519)
Decrease/(increase) in Villas - new contracts	97,000	235,000
Decrease/(increase) in Villas - refund contracts	(29,822)	(79,157)
Proceed from note payable	-	32,540
Net cash provided/(used) by financing activities	(1,693,669)	(1,566,136)
Net increase/(decrease) in cash and cash equivalents	742,603	(143,071)
Cash and cash equivalents at beginning of year (Includes assets restricted in use)	\$ 1,228,067	\$ 1,371,138
Cash and cash equivalents at year end	\$ 1,970,670	\$ 1,228,067
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 171,757	\$ 203,567

The Notes are an integral part of the Financial Statements.

Baptist Village, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

NOTE A - Organization and General

Baptist Village, Inc. (the Organization) is a non-profit corporation chartered in the state of Georgia. The Organization's primary purpose is to provide resident and nursing care to God's senior citizens.

The Trustees of the Organization are elected by the Georgia Baptist Convention, and all sales of the Organization's campus property must be approved by the Executive Committee of the Georgia Baptist Convention.

Baptist Village, Inc. is headquartered in Waycross, Georgia, with operating divisions in Lake Park and Macon, Georgia.

NOTE B - Summary of Significant Accounting Policies

Accrual Basis

The Organization prepares its financial statements using the accrual basis of accounting.

Basis of Presentation

The Organization presents its financial statements in accordance with FASB ASC 958-205.

Under these standards, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of assets permit the Organization to use all or part of the income earned on related investments for general activities of the Organization.

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 these estimates.

Subsequent Events

The Organization has evaluated subsequent events through September 22, 2015, the date which the financial statements were available to be issued.

Baptist Village, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and deposits with financial institutions with a maturity of 90 days or less. The bonded debt reserve fund of \$3,563,910 and \$3,661,096 for June 30, 2015 and 2014 is not included but reported as a non cash/equivalent item.

Accounts Receivable

Current operations are charged with an allowance for uncollectible accounts based upon experience and any unusual circumstances affecting the collectibility of receivables.

Accounts receivable are reported net of contractual adjustments. These adjustments represent the difference between established billing rates and estimated reimbursement from Medicare, Medicaid, and other third-party payers.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. The Organization believes that 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 effect on the Organization's financial statements.

Compliance with Medicare and Medicaid laws and regulations is subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. A significant amount of routine and ancillary service revenues are dependent upon continued participation in the Medicare and Medicaid reimbursement programs.

Contributions and Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Organization are reported at fair market value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair market value when the gifts are received.

When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Baptist Village, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

Inventories

Inventories consist primarily of goods held for consumption and not for resale. The gift shop inventory, the only resalable inventory, was considered immaterial in value. Inventory is priced at cost using the first-in, first-out method.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$5,000. This policy was followed for years ending June 30, 2015 and 2014. Lesser amounts are expensed at the time of purchase. Donations of property and equipment are recorded as contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire and equipment are reported as restricted contributions.

Absent donor stipulations regarding the length of time those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated using the straight-line method, with useful lives complying with the American Hospital Association estimated useful lives of depreciable hospital assets. The Series 2000 Hospital Authority of Ware County, Georgia bonds and the 1998 Bibb County Development Authority of Bibb County, Georgia bonds are secured by the 175 acres of land and improvements which comprise the Waycross Campus. Also, there is a negative pledge on the property in Bibb County, Georgia which includes the land and improvements consisting of 44 Apartments, 50 bed Personal Care facility and approximately 1.89 acres of adjacent land comprising Plantation Development in Macon, Georgia.

Investments

Investments in equity securities and debt securities are reported at fair value with all gains and losses reported in the statement of activities.

Donated Services

During the years ended June 30, 2015 and 2014, the value of donated services meeting the requirements for recognition in the financial statements was not material and was not recorded.

Baptist Village, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

Compensated Absences

The Organization recorded an accrual for compensated absences of \$475,996 and \$450,162 as of June 30, 2015 and 2014

Income Tax Status

The Organization is exempt from federal income taxes as determined by the Internal Revenue Service in accordance with Section 501 (c) (3) of the Internal Revenue Code.

NOTE C - Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization is limited to a specific time or purpose. There were no temporarily restricted net assets for fiscal years ending June 30, 2015 and June 30, 2014.

Permanently restricted net assets consist of the following:

A permanent endowment administered by the Georgia Baptist Foundation

The earnings of the endowment are available for transfer to the Unrestricted Net Assets of the Organization. The Georgia Baptist Foundation Endowment Committee may, at their discretion, supplement current year earnings for transfer to the Unrestricted Net Assets of the member institutions by transferring a portion of the principal. However, the corpus market value of approximately \$7,021,563 and \$6,901,396 as of June 30, 2015 and 2014 is otherwise restricted to provide income only to the Organization.

A beneficiary interest in perpetual trusts created by donors and managed by the Georgia Baptist Foundation

The market value of these funds was approximately \$1,408,769 and \$1,341,647 as of June 30, 2015 and 2014.

The Thomas and Mildred Beech Trust

The earnings of this trust are transferable quarterly to the Unrestricted Net Assets of the Organization. The principal may be encroached with permission of the Beech Trust trustees for the purpose of permanent capital additions. The market value of the trust was approximately \$5,815,962 and \$6,053,150 as of June 30, 2015 and 2014.

Baptist Village, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

NOTE D - Net Assets Released from Restriction

Net assets were released from donor restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors. Net assets released from restrictions were \$683,830 and \$776,301 as of June 30, 2015 and 2014.

NOTE E - Investments

Investments as of June 30, 2015 and 2014 are summarized as follows:

	Cost	Market Value	Carrying Value
Fiscal 2015			
Unrestricted:			
Professionally managed trusts	\$ 11,896,613	\$ 14,582,406	\$ 14,582,406
Other investments	5,370,371	5,687,174	5,687,174
Temporarily restricted:			
Professionally managed trusts	-	-	-
Permanently restricted:			
Professionally managed trusts	12,188,979	14,246,294	14,246,294
Totals	<u>\$ 29,455,963</u>	<u>\$ 34,515,874</u>	<u>\$ 34,515,874</u>
	Cost	Market Value	Carrying Value
Fiscal 2014			
Unrestricted:			
Professionally managed trusts	\$ 11,857,667	\$ 14,684,895	\$ 14,684,895
Other investments	5,982,713	6,389,556	6,389,556
Temporarily restricted:			
Professionally managed trusts	-	-	-
Permanently restricted:			
Professionally managed trusts	11,897,033	14,296,194	14,296,194
Totals	<u>\$ 29,737,413</u>	<u>\$ 35,370,645</u>	<u>\$ 35,370,645</u>

Baptist Village, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

The following schedule summarizes the investment return and its classifications in the statement of activities for the years ended June 30, 2015 and 2014. Investment income is net of custodial and advisory fees.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Fiscal 2015				
Investment income	\$ 872,199	\$ -	\$ 559,577	\$ 1,431,776
Unrealized gains	(214,308)	-	(107,333)	(321,641)
Total investment return	<u>\$ 657,891</u>	<u>\$ -</u>	<u>\$ 452,244</u>	<u>\$ 1,110,135</u>
Fiscal 2014				
Investment income	\$ 832,673	\$ -	\$ 439,689	\$ 1,272,362
Unrealized gains	1,472,061	-	1,303,413	2,775,474
Total investment return	<u>\$ 2,304,734</u>	<u>\$ -</u>	<u>\$ 1,743,102</u>	<u>\$ 4,047,836</u>

Note F - Fair Value Hierarchy

Generally Accepted Accounting Principles under topic 820, Fair Value Measurements and Disclosures establishes a fair value hierarchy for investments. The three levels are described as follows:

Level 1: The valuation measurement are quoted prices unadjusted in active markets for identical assets for the instrument or security to be valued.

Level 2: The valuation measurement are observable for the asset or liability, either directly or indirectly. These assets are traded less frequently and may be part of a pooled investment fund.

Level 3: The valuation measurement is supported by little or no market activity or are unobservable to the reporting entity. These assets may be valued by appraisal or other nonmarket means.

Baptist Village, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

The following table summarizes the valuation of the Organization's financial instruments as of June 30, 2015 and 2014 in accordance with ASC Topic 820 fair value measurement and disclosure:

Fiscal 2015

	Level 1	Level 2	Level 3
Cash and money market funds	\$ 57,119	\$ -	\$ -
Debt Securities	4,493,021	-	-
Domestic equity mutual funds	723,694	-	-
Total Investments	\$ 5,273,834	\$ -	\$ -
Cash and money market funds	\$ 641,664	\$ -	\$ -
Domestic equity mutual funds	2,021,013	12,657,006	-
Fixed income mutual funds	2,973,406	7,133,949	-
International funds	593,219	3,221,783	-
Total funds held in trust by others	\$ 6,229,301	\$ 23,012,738	\$ -
Total All Invested Funds	\$ 11,503,135	\$ 23,012,738	\$ -

Fiscal 2014

	Level 1	Level 2	Level 3
Cash and money market funds	\$ 366,645	\$ -	\$ -
Debt Securities	4,995,116	-	-
Domestic equity mutual funds	692,777	-	-
Total Investments	\$ 6,054,538	\$ -	\$ -
Cash and Money Market Funds	\$ 607,416		
Domestic equity mutual funds	\$ 1,968,053	\$ 13,986,043	-
Fixed income mutual funds	2,831,523	6,190,544	-
International funds	981,177	2,751,353	-
Total funds held in trust by others	\$ 6,388,169	\$ 22,927,940	\$ -
Total All Invested Funds	\$ 12,442,707	\$ 22,927,940	\$ -

Baptist Village, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

NOTE G - Prepaid Expenses

Prepaid expenses consist of unexpired insurance of \$182,101 and \$186,723 for the years ended June 30 2015 and 2014.

NOTE H - Concentrations of Credit Risk

The Organization routinely invests surplus cash and cash equivalent operating funds with major financial institutions in amounts exceeding the Federal Depository Insurance Corporation limits. However, management believes that the credit risk related to these is minimal.

NOTE I - Debt Service Reserve Fund

These assets are reserved for use according to designations by the Board of Trustees as of June 30, 2015 and 2014 as follows:

Designated for payment of debt obligations related to various bonded indebtedness.

	6/30/2015	6/30/2014
	\$ 3,563,910	\$ 3,661,096

NOTE J - Long - Term Debt

Bonds Payable

Bonds payable consist of the following at June 30, 2015 and 2014.

Series 1998 issued by the Development Authority of Bibb County, Georgia. The issuance required a principal payment of \$750,000 during fiscal year ending June 30, 2015 and 2014.

The bonds are held by SunTrust Bank. The interest rate is based on 67% of the sum of LIBOR rate plus 2.5%. Interest is calculated and paid monthly. The required debt service is for 4 annual payments ending August 1, 2018.

	6/30/2015	6/30/2014
	\$ 3,005,000	\$ 3,755,000

Baptist Village, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

Series 2000 issued by the Hospital Authority of Ware County, Georgia. Principal payments are due in annual installments of \$1,000,000 beginning November 1, 2006 and continuing through November 1, 2020.

The bonds are bank qualified bonds. The interest rate is based on 67% of the sum of LIBOR rate plus 2.5%. Interest is calculated and paid monthly. The required debt service is for 6 annual payments ending November 1, 2020.

	6,000,000	7,000,000
Total Bonds Payable	9,005,000	10,755,000
Current Maturities of Bonds Payable	(1,750,000)	(1,750,000)
Long-term Portion of Bonds Payable	\$ 7,255,000	\$ 9,005,000

The following schedule summarizes the principal maturities for bonds payable:

Year Ending June 30	Series 2000 Ware Co	Series 1998 Bibb City
2016	1,000,000	750,000
2017	1,000,000	750,000
2018	1,000,000	750,000
2019	1,000,000	755,000
Thereafter	2,000,000	-
	\$ 6,000,000	\$ 3,005,000

Interest

Cash payments of interest totaled \$171,757 and \$203,567 for the years ended June 30, 2015 and June 30, 2014.

NOTE K - Retirement Plans

Baptist Village, Inc. provided for all employees that so desire a defined contribution retirement plan. The amount of contributions for the fiscal years ending June 30, 2015 and 2014 were \$455,410 and \$422,630. The plan provides a non matching employer contribution of 5%.

Baptist Village, Inc. provides a 457 (b) Deferred Compensation plan for Non Qualified Church controlled organizations that are exempt from ERISA restrictions. The funds are held in a "Rabbi Trust" and are considered employer assets. Therefore, any funds invested in the plan could potentially be subject to the creditors in the event of insolvency. The Company contributed \$24,296 and \$27,540 for the fiscal years ending June 30, 2015 and 2014 respectively.

Baptist Village, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

NOTE L - Refundable Advanced Villa Fees:

As of June 30, 2003, forty five independent living units and the related infrastructure cost have been constructed with refundable advanced fees. The advanced fee, less a four percent administration fee, is refundable during the first ten years of occupancy on a straight line amortization basis. The Corporation reserves the right to refund the unearned fee upon the reoccupancy of the specific unit. The deferred income/liability of the advanced fees has been recalculated based upon a life expectancy of the occupants of each unit per Internal Revenue Service Publication 590. The Deferred Income/Liability for June 30, 2015 is \$1,558,456 and for June 30, 2014 is \$1,727,438.

NOTE M - Commitments and Contingencies

Litigation

As of June 30, 2015 and 2014, there were no recorded pending worker's compensation injury claims. The Organization did not accrue a contingent loss for workers' compensation claims because of the uncertainty of the eventual settlement. An estimate of the range of loss cannot be reasonably determined. There were no other pending suits as June 30, 2015 and 2014.