

GEORGIA BAPTIST HEALTH
CARE MINISTRY
FOUNDATION, INC.

Consolidated Financial Statements
With Independent Auditors' Report

December 31, 2022

GEORGIA BAPTIST HEALTH CARE MINISTRY FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Georgia Baptist Health Care Ministry Foundation, Inc.
Suwanee, Georgia

Opinion

We have audited the accompanying consolidated financial statements of Georgia Baptist Health Care Ministry Foundation, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2022, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Georgia Baptist Health Care Ministry Foundation, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Affiliate Relationship

The accompanying consolidated financial statements are those of Georgia Baptist Health Care Ministry Foundation, Inc., under common control with Georgia Baptist Mission Board, and are not those of the primary reporting entity. Consolidated financial statements of Georgia Baptist Mission Board for the year ended December 31, 2022, are issued separately with the independent auditors' report.

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 Consolidated Financial Statements* section of our report. We are required to be independent of Georgia Baptist Health Care Ministry Foundation, Inc. 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 Consolidated Financial Statements

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

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

Board of Trustees
Georgia Baptist Health Care Ministry Foundation, Inc.
Suwanee, Georgia

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Georgia Baptist Health Care Ministry Foundation, 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Georgia Baptist Health Care Ministry Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Capin Crouse LLP

Lawrenceville, Georgia
May 9, 2023

GEORGIA BAPTIST HEALTH CARE MINISTRY FOUNDATION, INC.

Consolidated Statement of Financial Position

Year Ended December 31, 2022

ASSETS:

Cash and cash equivalents	\$ 1,402,944
Investments	207,913,024
Beneficial interest in agreements held by others	<u>1,099,822</u>

Total Assets \$ 210,415,790

LIABILITIES AND NET ASSETS:

Liabilities:

Accounts payable and other liabilities	\$ 60,149
Total liabilities	<u>60,149</u>

Net assets:

Without donor restrictions	189,518,518
With donor restrictions	<u>20,837,123</u>
Total net assets	<u>210,355,641</u>

Total Liabilities and Net Assets \$ 210,415,790

See notes to consolidated financial statements

GEORGIA BAPTIST HEALTH CARE MINISTRY FOUNDATION, INC.

Consolidated Statement of Activities

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Investment income:			
Realized gains on investments	\$ 7,474,328	\$ 880,658	\$ 8,354,986
Unrealized losses on investments	(37,797,149)	(5,063,239)	(42,860,388)
Interest and dividends	3,834,212	368,639	4,202,851
Investment fees	(2,345,417)	(117,955)	(2,463,372)
Net investment income	(28,834,026)	(3,931,897)	(32,765,923)
Contributions	396,661	33,070	429,731
Change in value of beneficial interests in agreements held by others	-	(177,318)	(177,318)
Total Support and Revenue	(28,437,365)	(4,076,145)	(32,513,510)
RECLASSIFICATIONS:			
Net assets released from restrictions:			
Satisfaction of purpose or time	340,000	(340,000)	-
EXPENSES:			
Program services	8,178,480	-	8,178,480
Management and general	627,892	-	627,892
Total Expenses	8,806,372	-	8,806,372
Change in Net Assets	(36,903,737)	(4,416,145)	(41,319,882)
Net Assets, Beginning of Year	226,422,255	25,253,268	251,675,523
Net Assets, End of Year	\$ 189,518,518	\$ 20,837,123	\$ 210,355,641

See notes to consolidated financial statements

GEORGIA BAPTIST HEALTH CARE MINISTRY FOUNDATION, INC.

Consolidated Statements of Cash Flows

Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (41,319,882)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Change in value of beneficial interests in agreements held by others	177,318
Net realized and unrealized losses on investments	34,505,402
Changes in operating assets and liabilities:	
Other assets	3,550
Accounts payable & other liabilities	30,107
Net Cash Used by Operating Activities	<u>(6,603,505)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments	(4,232,640)
Proceeds from sale of investments	<u>10,929,323</u>
Net Cash Provided by Investing Activities	<u>6,696,683</u>

Net Change in Cash and Cash Equivalents 93,178

Cash and Cash Equivalents, Beginning of Year 1,309,766

Cash and Cash Equivalents, End of Year \$ 1,402,944

See notes to consolidated financial statements

GEORGIA BAPTIST HEALTH CARE MINISTRY FOUNDATION, INC.

Notes to Consolidated Financial Statements

December 31, 2022

1. NATURE OF ORGANIZATION:

Georgia Baptist Health Care Ministry Foundation, Inc. (GBHCMF), formerly known as Georgia Baptist Health Care System, Inc. (the Health System), was incorporated on October 28, 1993, as a non-profit corporation as described in Section 501(c)(3) of the Internal Revenue Service and is exempt from federal and state income taxes. The Health System was originally founded as the Baptist Tabernacle Infirmary in 1901. The Health System's original purpose was to provide a broad range of health care services to the residents of Georgia. During 2001, the Health System's board of trustees approved plans to discontinue all health care operations. GBHCMF currently operates as a foundation comprised primarily as a grant-making foundation and three wholly owned subsidiaries, which have little or no operating activity. The Georgia Baptist Mission Board (GBMB) exists to carry out the work of the Georgia Baptist Convention. GBMB controls GBHCMF by nature of its ability to appoint board members for GBHCMF and the ongoing economic interest in GBHCMF. The GBHCMF financial statements are consolidated with those of GBMB.

GBHCMF is a supporting organization that primarily provides financial support to the health care ministry of the Georgia Baptist Convention within the state of Georgia. Secondly, GBHCMF will assist Georgia communities and others we serve with worthwhile health care related grants. It holds charitable assets from which funds are expended in the form of grants supporting health care needs that benefit organizations and individuals within Georgia and other communities served. The main source of revenue is investment income.

The consolidated financial statements include GBHCMF and its three wholly owned subsidiaries. The subsidiaries are: Medical Center Services, Inc. (MCSI) (a Georgia for-profit corporation), Buford Manor LTD (a Georgia nonprofit corporation), and Physician's Group Practice (a Georgia for-profit corporation and wholly owned subsidiary of MCSI). During 2022, these subsidiaries had \$0 in total assets and in total revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements of GBHCMF and its three wholly owned subsidiaries have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness to the reader.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the operations of GBHCMF. All significant inter-company balances and transactions have been eliminated.

ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the consolidated financial statements. Actual results could differ from those estimates.

GEORGIA BAPTIST HEALTH CARE MINISTRY FOUNDATION, INC.

Notes to Consolidated Financial Statements

December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

Cash equivalents are defined as short-term, highly liquid debt securities that are both readily convertible to cash and have an original maturity of three months or less. At December 31, 2022, the GBHCMF's cash and cash equivalent balances with financial institutions exceeded federally insured limits by \$1,153,224.

INVESTMENTS

Investments in equity securities, exchange-traded funds, and mutual funds with readily determinable fair values and fixed income securities are recorded at fair value with gains and losses reported in the statement of activities. Private equity fund assets are reported at net asset value (NAV), as reported by fund managers, which represents GBHCMF's proportionate share of the fund. The private equity fund assets are not immediately liquid. Accordingly, their values are based upon guidelines established by the fund managers. Management believes this method provides a reasonable estimate of fair value. These values may differ significantly from values that would have been used had a readily available market existed for such investments, and the differences could be material to the change in net assets of GBHCMF. Donated investments are recorded at fair value at the date of donation and thereafter carried in conformity with the stated policy. Investment income is included in investment income without donor restrictions unless a donor preference or law restricts its use.

BENEFICIAL INTEREST IN AGREEMENTS HELD BY OTHERS

GBHCMF has received contributions in the form of beneficial interests in perpetual agreements and trusts, which include split interest agreements under which the donor designated beneficiary has a life interest. GBHCMF records its interest in these agreements based on the fair value of the assets. Initial recognition of a beneficial interest in these agreements is recognized as contribution revenue. Subsequent adjustments to the carrying value are recorded as change in value of beneficial interests in agreements held by others based on stipulations made by the donor. The agreements and trusts are maintained, and administered, by the Georgia Baptist Foundation, Inc. (GBF). GBF is a religious, not-for-profit corporation chartered in 1941 to promote, support and assist endeavors that are owned and or approved by the Georgia Baptist Convention or the Southern Baptist Convention, by providing fund management and income distribution, as well as other support services, to charitable organizations in order to enhance the opportunity to further Baptist causes. Distributions are made to GBHCMF during the term of the agreement based on the income spending policy of the GBF. Agreement and trust assets are invested in various pooled funds by GBF.

GEORGIA BAPTIST HEALTH CARE MINISTRY FOUNDATION, INC.

Notes to Consolidated Financial Statements

December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUND ACCOUNTING AND CLASSES OF NET ASSETS

To ensure observance of limitations and restrictions placed on the use of resources of GBHCMF, the accounts are maintained in accordance with the principles of fund accounting. Funds are established according to the nature and purpose of contributions provided by donors.

The financial statements report amounts by class of net assets:

- *Net assets without donor restrictions* are currently available for purposes under the direction of the board or designated by the board for specific use.
- *Net assets with donor restrictions* are those contributed with donor stipulations for specific operating purposes or programs, with time restrictions, with donor restricted investment income per agreements, or not currently available for use until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased. These include donor restrictions requiring the net assets to be held in perpetuity with only the income available to be disbursed.

SUPPORT, REVENUE, AND RECLASSIFICATIONS

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

Contributions are recorded as net assets with restrictions if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted support whose restrictions are met within the same year as received are reported as revenue without donor restrictions.

GEORGIA BAPTIST HEALTH CARE MINISTRY FOUNDATION, INC.

Notes to Consolidated Financial Statements

December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOCATION OF EXPENSES BY NATURE AND FUNCTION

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

The costs of providing the various program services and management and general activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and management and general activities benefited based on management's estimates.

3. LIQUIDITY:

As part of the GBHCMF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. GBHCMF considers general expenditures to be all expenditures related to its ongoing mission as well as the conduct of services undertaken to support those activities.

Financial assets, at year-end and available to meet

cash needs for general expenditures within one year:

Cash and cash equivalents	\$ 1,402,944
Investments	<u>207,913,024</u>
	<u>209,315,968</u>

Less those unavailable for general expenditures within one year due to:

Contractual or donor-imposed restrictions:

Alternative investments	(37,871,692)
Endowment corpus and accumulated earnings	<u>(19,659,814)</u>
	<u>(57,531,506)</u>

Financial assets available to meet cash needs for general
expenditures within one year

\$ 151,784,462

GBHCMF's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess in cash is invested in investments, including money market funds, equity securities, and fixed income funds.

GEORGIA BAPTIST HEALTH CARE MINISTRY FOUNDATION, INC.

Notes to Consolidated Financial Statements

December 31, 2022

4. INVESTMENTS:

Investments consist of:

Carried at cost:

Cash and cash equivalents	\$ 4,467,838
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Carried at fair value:

Equities	152,696,699
Fixed income	1,947,017
Exchange-traded funds	3,982,273
Mutual funds	6,947,505
	<u>165,573,494</u>

Carried at estimated fair value using net asset value:

Alternative investments	<u>37,871,692</u>
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\$ 207,913,024

5. NET ASSETS:

Net assets consist of:

Net assets without donor restrictions:

Undesignated	<u>\$ 189,518,518</u>
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Net assets with donor restrictions:

Endowment funds restricted in perpetuity	14,065,078
Accumulated endowment earnings	5,594,736
Beneficial interest in agreements held by others	1,099,822
Thankful Hearts	73,662
Verdery Center	3,825
	<u>20,837,123</u>

Total net assets	<u><u>\$ 210,355,641</u></u>
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GEORGIA BAPTIST HEALTH CARE MINISTRY FOUNDATION, INC.

Notes to Consolidated Financial Statements

December 31, 2022

6. FUNCTIONAL ALLOCATION OF EXPENSES:

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of GBHCMF, which are primarily allocated on estimates of time and effort. The following tables present the functional allocation of expenses for the year ended December 31, 2022:

	Program Services	Management and General	Total
Grants awarded	\$ 7,970,632	\$ -	\$ 7,970,632
Professional fees	132,195	396,584	528,779
Advertising	64,704	194,112	258,816
Board meetings and travel expenses	7,406	22,218	29,624
Other supporting services	3,543	14,978	18,521
	<u>\$ 8,178,480</u>	<u>\$ 627,892</u>	<u>\$ 8,806,372</u>

7. RELATED PARTY TRANSACTIONS:

GBHCMF has beneficial interest in agreements held and controlled by GBF in the amounts of \$1,099,822 as of December 31, 2022. GBHCMF also has invested \$188,253,207 in equities and other securities with GBF as of December 31, 2022. GBF does not have variance power over the funds invested, and GBHCMF may withdraw these funds at any time.

In October 2021, GBHCMF signed a management and operations agreement with GBMB. Per the agreement, GBMB will provide GBHCMF with management, administrative, operational, financial, accounting, and banking services. The agreement is for a period of three years and may be extended by written agreement of the parties. Either party may terminate the agreement at any time, without cause, by providing the other party written notice at least 30 days prior to termination. GBHCMF will pay GBMB monthly payments of \$30,052 in exchange for the services provided. Additionally, GBHCMF awarded grants to GBMB totaling \$2,532,623 for the year ended December 31, 2022.

GEORGIA BAPTIST HEALTH CARE MINISTRY FOUNDATION, INC.

Notes to Consolidated Financial Statements

December 31, 2022

8. FAIR VALUE MEASUREMENTS:

The *Fair Value Measurements and Disclosure* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. GBHCFM uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, GBHCFM measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

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

Equities, mutual funds, and exchange-traded funds—The fair values of these financial instruments are based on quoted market prices or dealer quotes.

Fixed income—The fair value of these financial instruments is based upon yields currently available on comparable securities of issuers with similar credit ratings.

Beneficial interests in agreements held by others—The value of investments in funds are based on the value of GBHCFM's per share interest in the pooled funds as reported by the fund managers. The funds consist of diversified funds which blend domestic and international portfolios to reduce risk through investment in various equity instruments. The equity funds are reported at fair value based on the quoted market price of the instrument or the net asset value of its holdings.

Alternative investments—Values of alternative investment assets are based upon the net asset value of the underlying investments as reported by the fund managers, which represents GBHCFM's proportionate interest in the capital of the invested funds.

GEORGIA BAPTIST HEALTH CARE MINISTRY FOUNDATION, INC.

Notes to Consolidated Financial Statements

December 31, 2022

8. FAIR VALUE MEASUREMENTS, continued:

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments at fair value:				
Equities:				
Industrials	\$ 33,627,033	\$ -	\$ -	\$ 33,627,033
Technology	31,739,081	-	-	31,739,081
Financial	20,802,820	-	-	20,802,820
Consumer staples	19,148,211	-	-	19,148,211
Health Care	15,106,123	-	-	15,106,123
Energy	11,326,424	-	-	11,326,424
Insurance	7,304,825	-	-	7,304,825
Transportation	5,304,526	-	-	5,304,526
Real estate	4,615,038	-	-	4,615,038
Other	3,722,618	-	-	3,722,618
	<u>152,696,699</u>	<u>-</u>	<u>-</u>	<u>152,696,699</u>
Fixed income:				
Mortgage-backed securities	-	581,886	-	581,886
U.S. government obligations	-	507,947	-	507,947
Corporate debt securities	-	857,184	-	857,184
	<u>-</u>	<u>1,947,017</u>	<u>-</u>	<u>1,947,017</u>
Mutual funds:				
Open-ended funds	6,357,245	-	-	6,357,245
Money market funds	590,260	-	-	590,260
	<u>6,947,505</u>	<u>-</u>	<u>-</u>	<u>6,947,505</u>
Exchange-traded funds:				
Financial	3,982,273	-	-	3,982,273
Total investments at fair value	<u>\$163,626,477</u>	<u>\$ 1,947,017</u>	<u>\$ -</u>	<u>\$ 165,573,494</u>
Beneficial interests in agreements held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,099,822</u>	<u>\$ 1,099,822</u>
Investments measured at net asset value:				
Alternative investments—private equity partnerships				<u>\$ 37,871,692</u>

GEORGIA BAPTIST HEALTH CARE MINISTRY FOUNDATION, INC.

Notes to Consolidated Financial Statements

December 31, 2022

8. FAIR VALUE MEASUREMENTS, continued:

GBHCMF uses the Net Asset Value (NAV) to determine the fair value for all private equity funds which (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 attributes of an investment company. The following table lists investments in other investment companies (in partnership format) by major category at December 31, 2022:

Investment Category	Strategy	Fair Value Determined Using NAV	\$ Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Private Equity Funds	Buyout	\$ 6,976,808	\$ 9,839,000	8-10 years	Illiquid with a lock-up period of 10-15 years	Yes	Yes
Private Equity Funds	Growth Equity	15,233,407	4,009,000	8-10 years	Illiquid with a lock-up period of 10-15 years	Yes	Yes
Private Equity Funds	Venture Capital	12,929,799	4,212,000	8-10 years	Illiquid with a lock-up period of 10-15 years	Yes	Yes
Private Equity Funds	Special Situations	<u>2,731,678</u>	<u>4,212,000</u>	8-10 years	Illiquid with a lock-up period of 10-15 years	Yes	Yes
		<u>\$ 37,871,692</u>	<u>\$ 22,272,000</u>				

GEORGIA BAPTIST HEALTH CARE MINISTRY FOUNDATION, INC.

Notes to Consolidated Financial Statements

December 31, 2022

9. ENDOWMENTS:

As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. GBHCMF has one particular endowment, established for a variety of religious and charitable purposes, that is classified as endowment funds restricted in perpetuity in accordance with the donor restriction. The assets funding the endowment are included in investments.

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

In accordance with UPMIFA, GBHCMF considers the following factors in making a determination to appropriate from or accumulate to this donor restricted endowment fund:

1. The duration and preservation of the fund
2. The purposes of GBHCMF 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 GBHCMF
7. The investment policies of GBHCMF

Endowment net asset composition by type of fund as of December 31, 2022:

	Without donor restrictions	With Donor Restrictions		Total
		Accumulated Gains (losses)	Original Gift	
Donor restricted funds	\$ -	\$ 5,594,736	\$ 14,065,078	\$ 19,659,814
	<u>\$ -</u>	<u>\$ 5,594,736</u>	<u>\$ 14,065,078</u>	<u>\$ 19,659,814</u>

GEORGIA BAPTIST HEALTH CARE MINISTRY FOUNDATION, INC.

Notes to Consolidated Financial Statements

December 31, 2022

9. ENDOWMENTS, continued:

Changes in endowment net assets for year ended December 31, 2022:

	Without donor restrictions	With Donor Restrictions		Total
		Accumulated Gains (losses)	Original Gift	
Endowment net assets, beginning of year	\$ -	\$ 9,866,633	\$ 14,065,078	\$ 23,931,711
Investment return:				
Interest and dividends	-	250,684	-	250,684
Net realized and unrealized losses	-	(4,182,581)	-	(4,182,581)
	-	(3,931,897)	-	(3,931,897)
Amounts appropriated for expenditure	-	(340,000)	-	(340,000)
	-	(4,271,897)	-	(4,271,897)
Endowment net assets, end of year	\$ -	\$ 5,594,736	\$ 14,065,078	\$ 19,659,814
With donor restrictions net assets:				
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA.				\$ 14,065,078
Total endowment funds restricted in perpetuity				\$ 14,065,078

GEORGIA BAPTIST HEALTH CARE MINISTRY FOUNDATION, INC.

Notes to Consolidated Financial Statements

December 31, 2022

9. ENDOWMENTS, continued:

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 GBHCMF to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in net assets with donor restrictions. As of December 31, 2022, there were no deficiencies of this nature.

Return Objectives and Risk Parameters—GBHCMF has adopted investment and spending policies for these particular endowment assets that attempt to provide a balance of yield and capital appreciation while distributing funds in a manner that meets the intent of the donor. These endowment assets include those assets of donor restricted funds that GBHCMF must hold in perpetuity. Under this policy, the assets of this particular endowment are invested in a manner that is intended to preserve the balance of the endowment. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives—To satisfy its long-term rate-of-return objectives, GBHCMF 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). GBHCMF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Related to Spending Policy—GBHCMF has a policy of appropriating for distribution each year amounts dependent on grant applications, which meet the criteria of the endowment, and allow for the preservation of the endowment. In establishing this policy, GBHCMF considered how a prudent official would interpret the donor's intent. This is consistent with the board's objective to preserve the balance of the endowment assets held in perpetuity as well as to provide additional growth through investment returns.

GEORGIA BAPTIST HEALTH CARE MINISTRY FOUNDATION, INC.

Notes to Consolidated Financial Statements

December 31, 2022

10. COMMITMENTS AND CONTINGENCIES:

On November 1, 1998, the Hospital Authority of Forsyth County issued \$56,000,000 of tax-exempt Series 1998 revenue anticipation certificates and loaned the proceeds to the Georgia Baptist Health Care System, Inc. (the Health System), now known as GBHCMF to finance or refinance various construction projects, fund the debt service fund, and pay certain costs of issuance of the 1988 certificates. The 1998 certificates bear interest ranging from 6% to 6.375%, and are due in varying installments through 2028.

In October 2002, the Health System, now known as GBHCMF, defeased the 1998 bonds by depositing with the escrow holders an amount sufficient to pay principal and interest on the defeased bonds as such becomes due. The principal amounts outstanding on the bonds was \$21,260,000 as of December 31, 2022. The assets held in escrow to pay the outstanding bonds was \$23,152,200 as of December 31, 2022.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through May 9, 2023, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.