

*Earthly Resources,
Eternal Impact*

2012
ANNUAL
REPORT



 *The*
BAPTIST
FOUNDATION
OF ALABAMA

ENVISION

(Imagine What We Can Do)



Just imagine what we can do



Now in my 12th year as The Baptist Foundation of Alabama's president, I continue to be blessed in serving Baptists throughout the state and am inspired by the pastors, churches and members we are allowed to serve.

We continue to be passionate about the overlooked concept of viewing estate planning through the lens of Biblical stewardship. As we think about stewardship, tradition and habit drive us to think only about our income. We confine our understanding and practice of stewardship to our "first fruits" or in modern terms our income. However, the average American has about 9% of their net worth in cash and 91% in assets. Assets include items such as the equity in our home, life insurance proceeds, farm, etc. According to Fred Smith with The Gathering, 96% of every gift to the evangelical church comes from cash assets. If that statistic holds true for Alabama Baptists, then we collectively only give 4% from our largest asset over which we are stewards—our estate.

Just imagine what would happen if we as Alabama Baptists collectively and consistently viewed estate planning through the lens of Biblical stewardship. I am convinced we could radically impact the world for Christ. If this is true, why has the church overlooked this important stewardship opportunity? The reasons are many and varied. However, I am pleased to tell you a number of churches have overcome these obstacles and are effectively serving their members as they view estate planning through the lens of Biblical stewardship. As these churches have launched their estate stewardship ministries, they have all acknowledged the following beliefs and strategies:

CORE BELIEFS

We believe:

- God is owner of **ALL** things.
- It is God's desire that we be good stewards of all He has entrusted to us: time, talent and treasure.
- God-focused, strategic estate planning is the largest act of financial stewardship most of us will ever undertake.

STRATEGIES

- We desire to **serve** our members by providing access to Christ-centered comprehensive estate planning services. We will **NOT** focus on obtaining gifts. By serving our members in this manner and providing Kingdom impacting gifting opportunities, we believe gifts will be a natural outcome for committed believers.
- We will establish funds within the church that provide gifting opportunities for Christ-centered ministries outside of the operating budget of the church. This could include ministries such as missions, benevolence, scholarships, building acquisition and maintenance, etc.
- We will routinely promote the idea of Christian estate planning and how we can collectively impact the world for Christ through the collective stewardship of our estate assets.

If your church would like to learn more about this exciting opportunity, please watch the following videos listed in the inset to the right and call The Foundation for further assistance. We are grateful to partner with all Alabama Baptists as we seek to serve our Lord and equip the saints.

May the Lord richly bless you and your family,

Barry Bledsoe, President

Big Jar Giving
<http://vimeo.com/47122965>

TBFA Investment Process
<http://vimeo.com/55141002>

PhilanthroCorp
<http://vimeo.com/59238858>

We've only reached the tip of the iceberg.



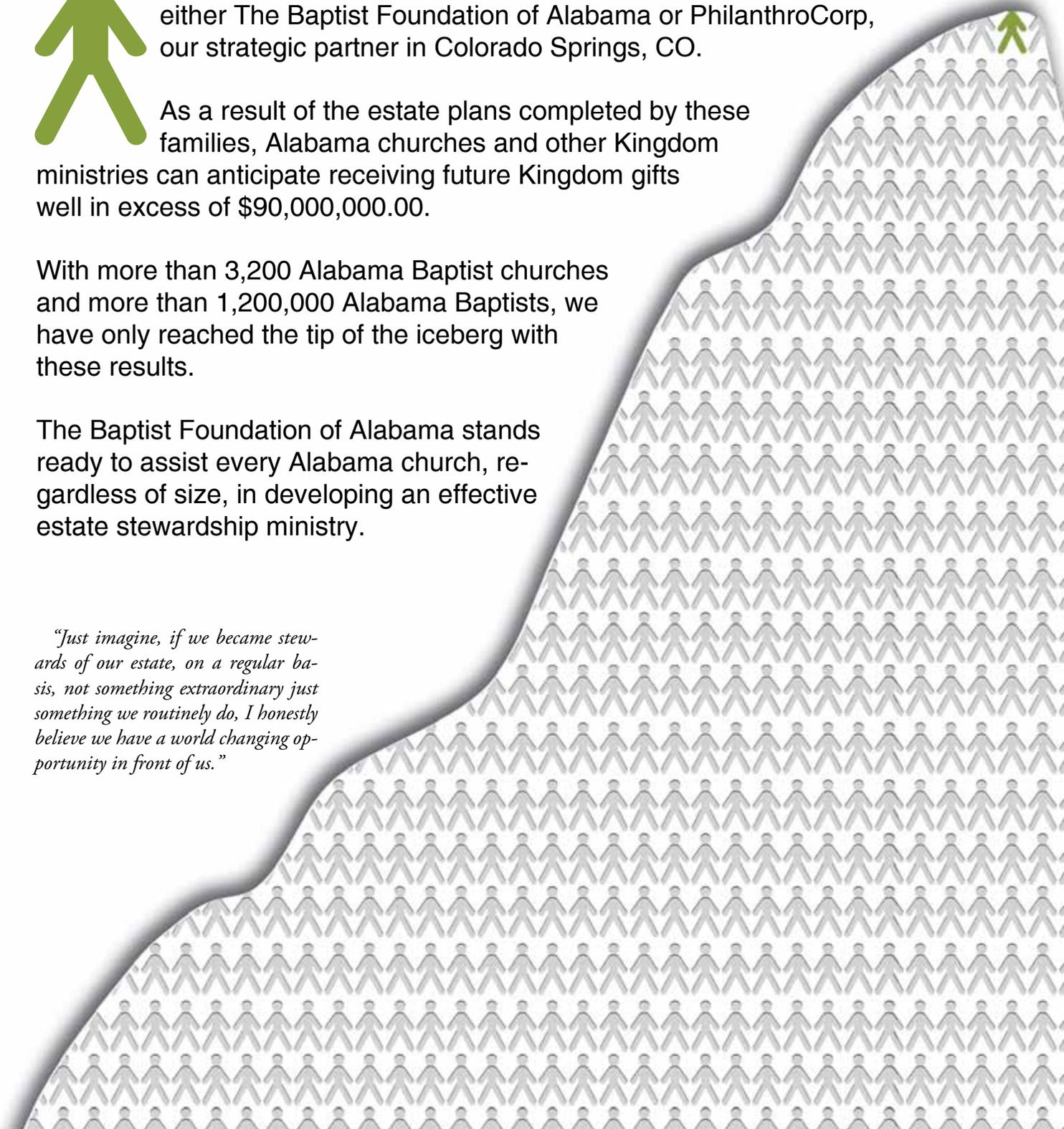
During the last two years more than 225 families from 15 Alabama churches have completed the estate planning process through either The Baptist Foundation of Alabama or PhilanthroCorp, our strategic partner in Colorado Springs, CO.

As a result of the estate plans completed by these families, Alabama churches and other Kingdom ministries can anticipate receiving future Kingdom gifts well in excess of \$90,000,000.00.

With more than 3,200 Alabama Baptist churches and more than 1,200,000 Alabama Baptists, we have only reached the tip of the iceberg with these results.

The Baptist Foundation of Alabama stands ready to assist every Alabama church, regardless of size, in developing an effective estate stewardship ministry.

"Just imagine, if we became stewards of our estate, on a regular basis, not something extraordinary just something we routinely do, I honestly believe we have a world changing opportunity in front of us."



In every church community, there is an opportunity to impact your area of the world for Christ and yet we've ignored the largest financial asset that we have, and that's our estate.

"The pastors have an opportunity for encouraging their members to view estate planning through the lens of Biblical stewardship. Correctly structured and promoted, an effective estate stewardship ministry is not asking their members for anything. It is serving their members by helping them in the most effective way possible to be stewards of their estate."

Barry Bledsoe, President
The Baptist Foundation
of Alabama

"Now to Him who is able to keep you from stumbling, and to present you faultless before the presence of His glory with exceeding joy, to God our Savior, who alone is wise, be glory and majesty, dominion and power, both now and forever, Amen."

Jude 24 & 25

PARTNERSHIP

(People Working Together Toward A Common Goal)



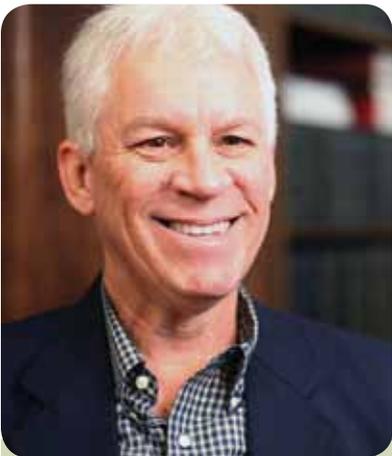
Big Jar Giving and Stewardship Workshops Inspire Local Pastors and Churches



"It's (Estate Stewardship Ministry) really expanding their (our members) view of stewardship and realizing that it's more than just a day by day thing, it's what will happen when I step out of this world and step into eternity. So, as we've done that as a pastor and then as a staff, it has been great to see our people open their eyes to it because a lot of them had not thought of that before.

I begin to think about the needs that we have with missionaries overseas, missionaries here, different aid missions, the compassion of justice, and evangelism. There is so much that could be done from the Christian community, if we effectively stewarded our estate assets to fund these Christ-honoring ministries."

Danny Wood, Pastor
Shades Mountain Baptist Church

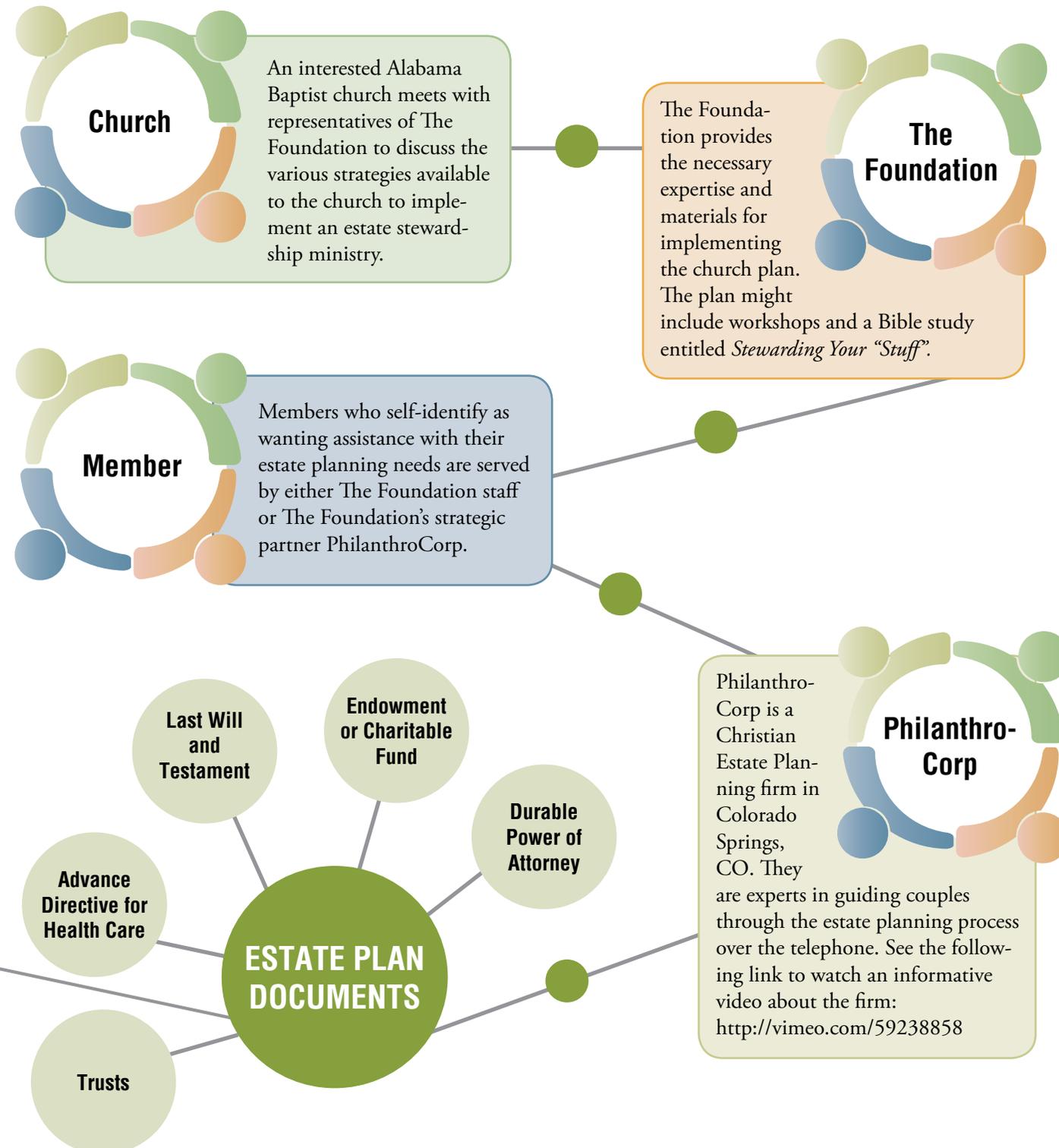


Scott White, Executive Pastor with First Baptist North Mobile, attended a meeting held at The Baptist Foundation of Alabama. Dave Keesling, from PhilanthroCorp, spoke about the firm's estate planning process and how it can assist church members and impact the world for Christ.

First Baptist North Mobile began their relationship with PhilanthroCorp in late 2012 and looks forward to seeing great things happen with their estate stewardship ministry in the coming year!



How Does a Church Establish an Estate Stewardship Ministry?



RESULTS

(Benefit Of God-Honoring Estate Stewardship)



Three Examples of the Effects of Christian Estate Stewardship



Jack Fitts

We finally did it!

My wife and I made the necessary provisions for our future care. We gave clear direction to our children as a witness to God's leadership for stewardship for now and forever.

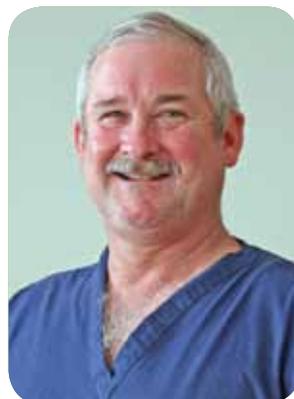
And even more importantly, we will be sharing in providing some of the critical funds for future ministry and mission efforts.

I am thrilled as well that others in our congregation have followed suit and I am confident that more will.

Thank God for the ministry and leadership of The Baptist Foundation of Alabama and PhilanthroCorp. Especially in light of the challenging financial environment today and the serious concern for Kingdom Stewardship in the future, The Baptist Foundation is more vital than ever!

I praise the Lord Jesus, we got it . . . and with their help we discovered how to use it and share it better for God's glory and His Kingdom growth.

Rev. Jack Fitts, Senior Pastor - FBC Brewton



Doug Halbrooks

I believe we all dread the prospect of drawing up legal papers dealing with end of life directives (for multiple reasons), but the reality was much more palatable than I expected.

My goal and desire was to continue the Kingdom's work and be a good steward of what the Lord has blessed

me with long after I'm walking in heaven.

The Baptist Foundation of Alabama rendered my fears unfounded by making the process simple, easy and quick; and, I achieved my goal of leaving a Kingdom legacy for those that follow.

Doug Halbrooks - Marion, AL

Member - Siloam Baptist Church - Marion, AL

With God, all things are possible.

Mark 10:27



Charlotte Walker

The Baptist Foundation of Alabama scholarship has been a huge blessing to me throughout my college experience. I am extremely thankful to be associated with an organization that chooses to use funds to help students like me become more equipped to minister to those around me.

The Baptist Foundation of Alabama scholarship has enabled me to go to school without having to focus so much of my attention on the monetary aspect of school. With this provision, I am able to devote more time into investing in those around me for the sake of the gospel!

*Charlotte Walker, Youth Ministry Intern
Billingsley Baptist Church*

How Big Jar Giving has Impacted One Alabama Church and Its Members



"If we are to do the work of Jesus Christ and extend his Kingdom, it needs financial fuel, therefore God called us to be stewards. He invites us to give up our resources our temporary, ephemeral earthly resources and use them in such a way that they will make an eternal impact."

*Jay Wolf, Pastor
FBC Montgomery*

As a result of utilizing workshops offered by The Baptist Foundation of Alabama, such as the Stewarding Your "Stuff" presentation and information on Big Jar Giving, First Baptist Church Montgomery has seen more than 50 couples sign up for Christian Estate Planning Services with PhilanthroCorp.

"It is a comfort to know that our plan is set and that our family won't have to worry with these arrangements. We encourage others to take advantage of this great service."

*Gil and Barbara Barrow
FBC Montgomery*

Grace Hudspeth

Although Grace Hudspeth stepped into Heaven in 2010, she is still building the Kingdom today! Grace was a long-time member of First Baptist Church Montgomery, and served in many areas of ministry. She had a love for God's children, and realized her best investment is in the people she will see in Heaven. Grace illustrated God's design for stewardship through her estate plan. Through an interest accruing endowment fund she established at The Baptist Foundation of Alabama, she has helped build churches in India, an orphanage in Haiti, scholarship for mission work in Africa and assisted the Montgomery based Nehemiah Center. Grace used her earthly resources to make an eternal impact.



Caleb Farrow

Caleb joined the FBC staff in January 2012. He grew up in the Birmingham area and graduated from Auburn University in 2011. He began attending New Orleans Baptist Seminary in the Fall of 2012. Caleb applied for and received a scholarship provided by a donor through First Baptist Foundation, Montgomery.

Ima Crawford

Mrs. Ima Crawford, a member of First Baptist Church Montgomery, passed away in 2012, and she is yet another example of how you can use your earthly resources to make an eternal impact. Mrs. Crawford spent her life in nursing and after retirement tirelessly volunteered through her church and community. Upon her death and through her will, she left funds that will be used to support nursing scholarships at Samford University, the First Baptist Church Children's Hope Ministry and the Elder Care Ministry of The Baptist Foundation of Alabama. Mrs. Crawford's legacy will continue forever as she impacts the ministries she supported through her generous gifts.



FINANCIAL POSITION



Statements of Financial Position December 31, 2012 and 2011 - Unaudited

At the time of printing the annual report, audited statements weren't available. When completed, audited copies of the financial statements are available upon request.

| Assets | 2012 | 2011 |
|--|-----------------------|--------------------|
| Cash and cash equivalents | \$ 883,922 | 898,147 |
| Accounts Receivable | 39,631 | 41,851 |
| Bequests Receivable | 162,800 | 202,844 |
| Investments | 49,470,483 | 44,977,270 |
| Investments held in charitable remainder trusts and gift annuities | 158,888 | 154,691 |
| Investments held for others | 168,683,712 | 156,221,909 |
| Property and equipment, net | 2,150,924 | 2,199,308 |
| | <u>\$ 221,550,360</u> | <u>204,696,020</u> |
| Liabilities and Net Assets | | |
| Accounts payable and accrued expenses | \$ 348,864 | 254,219 |
| Liabilities associated with charitable remainder trusts and gift annuities | 61,134 | 64,176 |
| Investments held for others | 168,683,712 | 156,221,909 |
| | <u>169,093,710</u> | <u>156,540,304</u> |
| Net assets | | |
| Unrestricted | 19,441,413 | 18,115,628 |
| Temporarily restricted | 8,335,614 | 6,785,977 |
| Permanently restricted | 24,679,623 | 23,254,111 |
| | <u>52,456,650</u> | <u>48,155,716</u> |
| | <u>\$ 221,550,360</u> | <u>204,696,020</u> |

Financial Distributions Chart

| ENTITY | DISTRIBUTION | PERCENTAGE |
|---|----------------------|-------------------|
| Alabama Baptist Ministries | \$ 3,248,559 | 27% |
| Churches and Associations | \$ 3,232,253 | 26% |
| Client Payments | \$ 2,502,936 | 20% |
| Alabama Baptist Children's Homes | \$ 1,373,438 | 11% |
| Scholarship Awards | \$ 808,351 | 7% |
| Miscellaneous & Non-Baptist Ministries | \$ 691,827 | 6% |
| Baptist Colleges, Universities & Seminars | \$ 344,354 | 3% |
| TOTALS | \$ 12,201,718 | 100% |



Investment Managers

MANAGER

Baird Investment Management
Brandes Investment Partners
Ceres Partners
Cornerstone Investment Advisors
Courage Capital Management
Dimensional Fund Advisors
International Farming Corporation
Private Advisors
Reinhart Partners
Resource Management Service
SSI Investment Management
Stonebridge Advisors
Thomas White Investments
Weaver Barksdale & Associates
Wedgewood Partners

ASSET CLASS

Small-Mid Value Equity
International/Emerging Market Equity
Farmland
Large Value Equity
Special Situation Hedge Fund
US Core/Emerging Core Equity
Farmland
Long/Short Equity Hedge Fund
Fixed Income
Timberland
Convertible Bonds
Preferred Equities
International/Emerging Market Equity
Fixed Income
Large Growth Equity

HEADQUARTERS

Milwaukee, WI
San Diego, CA
South Bend, IN
Atlanta, GA
Nashville, TN
Austin, TX
Kinston, NC
Richmond, VA
Mequon, WI
Birmingham, AL
Beverly Hills, CA
Wilton, CT
Chicago, IL
Nashville, TN
St. Louis, MO

PROCESS

Investment Process

The Baptist Foundation of Alabama was established in 1940. Today The Foundation is responsible for overseeing the management of more than \$200 million in assets.

The Foundation has worked hard to build and maintain an academically sound institutional investment process as it manages these funds for a variety of Christian causes.

One of our main objectives is to achieve the desired investment return of various accounts while incurring the least amount of risk possible. Investments are screened to avoid companies that are involved with alcohol, tobacco, gambling, pornography and abortion related goods and services. The Foundation reviews the risk (or loss of capital) associated with each asset class as it implements various portfolio allocations. Our investment process is founded upon three core principles:

- Asset allocation (or how the investments are mixed) is the most crucial decision in structuring any investment portfolio
- Downside protection is important in every portfolio
- Be transparent in all areas of investing, this includes management and associated fees

With these core principles and the assistance from an institutional consultant, The Foundation utilizes multiple professional money managers to structure investment portfolios available to clients. This investment process makes The Foundation as academically sound as any secular institution or endowment providing similar services.

In a world where investment advice is abundant, it is easy to let emotions drive investment decisions. At The Foundation it is essential to our ministry that we operate with a proven process built on our core beliefs as Christians, while striving to be as academically sound and professional as anyone in the secular market. In the end, The Foundation understands that the money it manages has a higher calling because it is God's money, given by God's people for God's purposes.

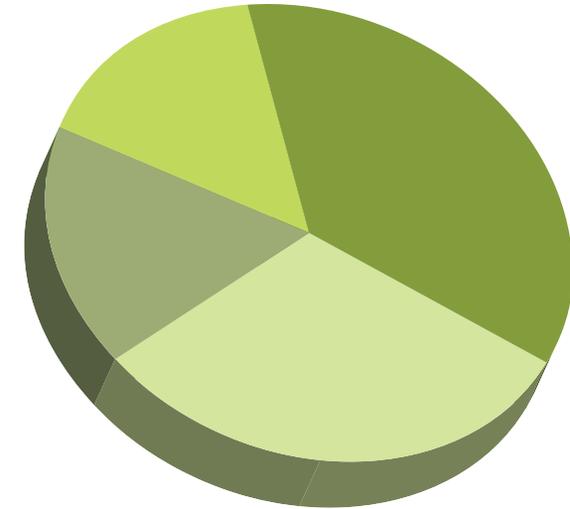
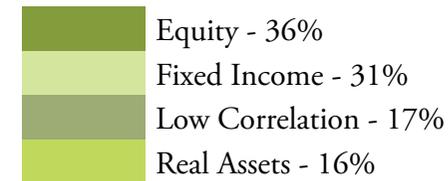


Balanced Fund

2012 Return: 8.91%

Last 3 Years Annualized Return: 7.76%

A diversified portfolio of stocks, bonds and alternative investments suited for long-term investors such as individuals, churches and endowments requiring annual spending, but seek real growth over time.

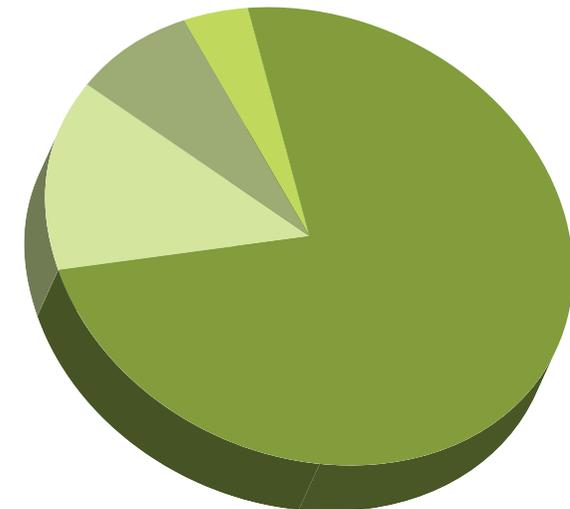
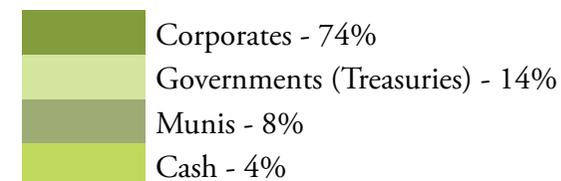


Income Fund

2012 Return: 3.25%

Last 3 Years Annualized Return: 2.97%

A diversified portfolio of bonds invested to earn income while combating risk to principal. This fund is an alternative to traditional money market funds and short term CDs.



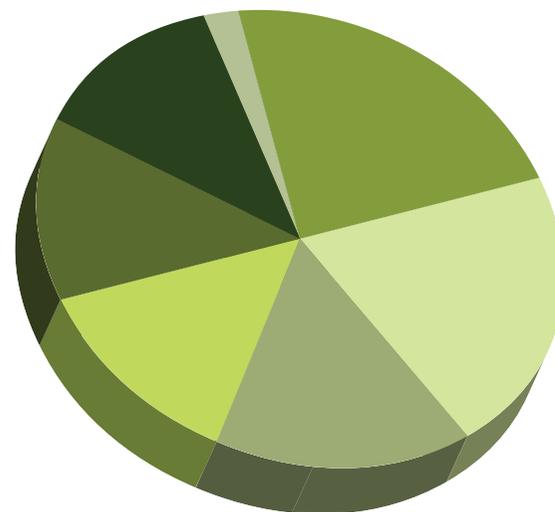
Investment Funds

Equity Fund

2012 Return: 15.01%

Last 3 Years Annualized Return: 7.89%

A diversified portfolio of stocks invested in long-only U.S. and international companies. This fund is managed for total return.

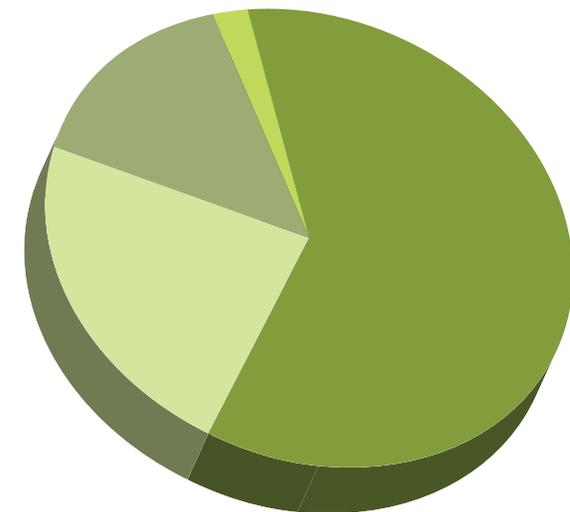


Bond Fund

2012 Return: 4.06%

Last 3 Years Annualized Return: 5.29%

A diversified portfolio of government and corporate bonds invested in intermediate maturities. This fund focuses on income and return of principal.



Board of Directors

(as of date of printing)

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Chairman

William T. Coplin - Demopolis
Morrell Dodd - Birmingham
Clifford L. Eubanks - Troy
Tommy Gaither - Eufaula
Rick Gibson - Tuscaloosa
Bill Harper - Montgomery
Kent Henslee - Gadsden
Diane Kennedy - Mobile
Spencer Knight - Prattville
Forrest S. Latta - Mobile
Larry Newman - Birmingham
Reyn Norman - Greenville
Doyle Powell - Montgomery
David S. Puckett - Birmingham
Earl Rhyne - Homewood
Stephen G. Rutledge - Montgomery
Lawson Swearingen - Fairhope
Janet Teer - Northport

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Barry Bledsoe - President - bbledsoe@tbfa.org
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J. Thomas Randall - Vice President, Ministry - trandall@tbfa.org