

# Disclosure Statement



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# The Baptist Foundation of Alabama

## Disclosure Statement

This Disclosure Statement (the "Disclosure") describes the availability of certain Common Investment Funds (as defined below) and Term Investments (as defined below) (together, the "Investment Funds"), and the terms and conditions under which The Baptist Foundation of Alabama, an Alabama nonprofit corporation ("The Foundation"), offers its investment services to Baptist and other qualifying charitable, tax-exempt organizations and manages the Investment Funds. This Disclosure is given in compliance with the Philanthropy Protection Act of 1995 (P.L. 104-62) (the "Act") and is addressed only to organizations in the categories described below (the "Eligible Participants"). This Disclosure provides written information describing the material terms of the operation of The Foundation's Investment Funds to Eligible Participants. This Disclosure is not intended to be distributed to any other person or entity, or for any other purpose. There are certain investment risks associated with participation in the Investment Funds as described in this Disclosure.

PURSUANT TO THE ACT, THE FOUNDATION IS EXEMPT AND IS NOT REGISTERED AS AN INVESTMENT COMPANY AND DOES NOT PROVIDE INVESTMENT ADVICE TO PARTICIPANTS REGARDING THE COMMON INVESTMENT FUNDS OR TERM INVESTMENTS DESCRIBED HEREIN. NEITHER THIS DISCLOSURE, NOR A REGISTRATION STATEMENT RELATING TO THE INVESTMENT FUNDS, HAS BEEN FILED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION ("SEC") OR ANY OTHER FEDERAL OR STATE REGULATORY AUTHORITY.

THE INVESTMENT FUNDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS DISCLOSURE AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THE INVESTMENT FUNDS OR APPROVED, DISAPPROVED, OR ENDORSED THE INVESTMENT FUNDS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE ACT ALSO EXEMPTS THE INVESTMENT FUNDS FROM THE BROKER-DEALER PROVISIONS OF THE FEDERAL SECURITIES LAWS PURSUANT TO AN EXEMPTION OF ANY TRUSTEE, DIRECTOR, OFFICER, EMPLOYEE, OR VOLUNTEER OF A CHARITY ACTING WITHIN THE SCOPE OF SUCH PERSON'S EMPLOYMENT OR DUTIES FOR A CHARITY WHOSE FUND IS EXEMPT FROM REGISTRATION REQUIREMENTS. NO PERSONS RECEIVE ANY COMMISSION BASED ON THE NUMBER OR THE VALUE OF INVESTMENTS MADE TO THE FOUNDATION'S INVESTMENT FUNDS.

IN MAKING AN INVESTMENT DECISION, ELIGIBLE PARTICIPANTS MUST RELY ON THEIR OWN EXAMINATION OF THE FOUNDATION AND THE TERMS OF THE INVESTMENT FUNDS, INCLUDING THE DISCLOSURE, MERITS, AND RISKS INVOLVED.

### **Who is The Baptist Foundation of Alabama?**

The Foundation was the dream of early Alabama Baptists who envisioned a day when faithful individuals could fund Baptist ministries through funds and estate gifts. They knew a foundation was needed to receive and handle those gifts and fuel mission work for generations to come. Following study and consideration by various committees, a recommendation was made to the 1940 Alabama Baptist State Convention that an agency be created to encourage, receive, and administer trust gifts for denominational causes. Later that year, The Foundation was formed as an Alabama nonprofit corporation by incorporators selected by the Executive Board of the Alabama Baptist State Convention. Directors were selected to govern The Foundation's operation, and in 1941, The Foundation received its first gift.

Today, the dream of those early Baptists has been realized as generous individuals have faithfully responded to the stewardship call. The Foundation now manages over \$300 million dollars in endowment and long-term funds for ministries of Alabama Baptists and other qualified charitable trusts or entities. The Foundation distributes approximately \$15 million annually to Kingdom-advancing causes. While staying true to the vision of its founders, The Foundation has grown to a broader mission of helping Alabama Baptist churches thrive financially. Through investments, legacy planning, vision campaigns, educational scholarships, church loans, online giving, and more, The Foundation strives to help Alabama Baptists unlock more financial resources to do more ministry across the state and around the world. To better serve churches, The Foundation staff has expanded to include staffing for fund management, stewardship, planned giving, trust administration, and legal matters. The Foundation is led by its President and governed by a Board of Directors who are selected from the Alabama Baptist community and approved by the Alabama Baptist State Convention.

### **What is the purpose of The Foundation?**

The vision of The Foundation is to help Alabama Baptist churches and ministries thrive financially.

The mission of The Foundation is to help individuals, churches, and ministries unlock more financial resources to do more ministry across the state and around the world. The Foundation fulfills its mission by:

- Managing funds entrusted to it in an effective and principle-based manner,
- Educating people in appropriate Christian estate stewardship and financial management techniques,
- Providing trustee services to facilitate good financial management,
- Encouraging individuals to be good Christian stewards,

- Educating individuals about tax effective means of contributing to Christian causes while maintaining an income stream for themselves or their family or friends,
- Granting college and seminary scholarships for Alabama Baptists,
- Facilitating church loans,
- Managing endowments for Alabama Baptists churches and entities,
- Facilitating online giving solutions for churches,
- Assisting with capital campaigns for Alabama Baptist Churches and entities,
- Striving for excellence and continuous improvement in its operation, and
- Operating with the highest Christian moral and ethical standards, as exemplified by its membership in the Evangelical Council for Financial Accountability.

In the fulfillment of its mission, The Foundation seeks to serve Alabama Baptist institutions by offering investment opportunities that are faith-aligned and Kingdom-advancing. In selecting investments, we both screen out investments in industries or activities that do not honor God and select investments that are positively advancing the Kingdom. All this is done with the goal of meeting or exceeding relevant benchmarks. The Foundation also seeks to build endowments for future Baptist ministries at state, national, and worldwide levels through development and planned giving services.

### **Who can invest with The Foundation?**

The Foundation manages funds for any investor who is recognized as exempt from federal income tax under §501(c)(3) of the Internal Revenue Code of 1986, as amended, and falls into one, or more, of the following categories of “Eligible Participants”: (i) Baptist institutions, agencies, commissions, foundations, associations, and churches affiliated with the Alabama Baptist State Convention, the Southern Baptist Convention, or other state Baptist Conventions; (ii) a trust with either its total remainder or its income for a predetermined period designated for charitable organizations in accordance with IRS guidelines and at least one-half the distribution designated to be made to a Baptist institution, agency, commission, association, or church affiliated with the Alabama Baptist State Convention, the Southern Baptist Convention, or other state Baptist Conventions; or (iii) such other qualified charitable trust or entity, which may or may not be affiliated with said Baptist Conventions, the funds of which the Board of Directors of The Foundation determines it will receive and administer. None of the funds invested with The Foundation may be held for retirement plans.

### **What are the risks?**

Investing in the securities markets, whether domestic or international, involves risk of possible loss of principal and/or income. Even though The Foundation believes long-term investment of these Investment Funds will result in positive rates of return, there is no guarantee of such return, written or implied. The value of the Investment Funds will fluctuate. Past performance is no guarantee of future performance.

Eligible Participants should review a potential investment in the Investment Funds, and the risks associated therewith, with their tax and professional advisors. This Disclosure is provided in accordance with the Act and does not constitute tax, legal, investment, or other professional advice.

### **What are the investment options with The Foundation?**

The Foundation manages approximately \$300 million in its Investment Funds. The Foundation offers multiple Common Investment Funds, each managed by one or more professional investment managers at the direction of The Foundation's Board of Directors and officers. At this time, Oak City Consulting serves as The Foundation's institutional investment consultant ("Institutional Consultant"). For investors requiring exposure to specific sectors of the market, where appropriate, The Foundation may offer access to individually customized portfolios and allocations. The Common Investment Funds available at this time include:

- Endowment Fund – (Balanced Asset Allocation): The Endowment Fund is a diversified portfolio of assets for investors that require annual spending and real growth over a long period of time;
- Income Fund – (Short-term Fixed Income Allocation): The Income Fund is designed for investors whose priorities are safety and income;
- Equity Fund – (Balanced Stock Allocation): The Equity Fund is a portfolio for investors seeking exposure to the equity markets, designed to be fully invested in long-term stocks from U.S., international, and emerging markets;
- Bond Fund – (Intermediate-term Fixed Income Allocation): The Bond Fund is invested in intermediate term Government and Corporate fixed income securities and is designed for investors whose priority is income;
- Fixed Emphasis Fund – (Long-term Fixed Income Allocation): The Fixed Emphasis Fund is designed for investors primarily seeking current income with some exposure to the equity markets; and
- CRUT/CRAT Fund – (Split Interest Allocation): The CRUT/CRAT Fund is designed for investors in split interest trusts such as charitable remainder unitrusts (CRUT) and charitable remainder annuity trusts (CRAT).

The Foundation also offers Term Investments, which are managed at the direction of The Foundation's Board of Directors and officers. The Term Investments may involve early redemption penalties. The Term Investments available at this time include:

- Ministry Investments Fund – Unsecured debt securities offered and sold to The Foundation, with one month, three month, six month, nine month, one year, two year, three year, or five year terms. The Ministry Investments Fund Term Investments are not FDIC insured.
- Open Market Certificates of Deposit Fund – Brokered Certificates of Deposit offered and sold to The Foundation that are FDIC insured and offer varying maturities.

### **How does The Foundation select investments for Kingdom impact?**

The Foundation, responding to the Biblical challenge of responsible stewardship, calls for conscious investment decisions consistent with Christian morality and ethical principles of Alabama Baptists. Investment objectives for the Investment Funds are pursued with consideration for the Christian moral and ethical implications of investing. The Foundation encourages investments in companies that promote the common good and avoids investment in companies whose principal business activities are inconsistent with Christian moral and ethical principles of Alabama Baptists. An overview of the social screening characteristics applied to equity and debt investments is described in The Foundation’s Investment Policy Statement with more detail provided in The Foundation’s Investment Guidelines. These Foundation policies will be made available upon request.

### **Who is involved in Investment Fund management for The Foundation?**

A Board of Directors who represents the breadth and diversity of the Alabama Baptist State Convention governs The Foundation. The Directors meet at least two times each year and also act through an Administration/Executive Committee when necessary. The Foundation has a staff overseen by the Investment Committee composed of four (4) or more Directors chosen for expertise and experience in the field of institutional money management. The Foundation staff, Investment Committee, and Institutional Consultant review investment policy and investment processes and evaluate performance of the various money managers. The Foundation reserves the right to change any or all investment managers at any time without notice to participants. Regions Trust Services provides custodial services for the funds invested through The Foundation. The Foundation provides administration and reporting to investors. Details regarding any of the foregoing can be obtained through The Foundation office.

### **What does it cost to invest with The Foundation?**

The Foundation seeks to keep the costs to its Eligible Participants as low as possible. Those costs are charged directly to and paid out of the assets of each respective Investment Fund. The total current costs are explained in other documents. Information concerning such costs is available upon request.

### **How does an organization invest with The Foundation?**

Each organization wishing to invest in one or more of The Foundation Investment Funds described above must sign an Investment Custodial Agreement (“Agreement”). Once the signed Agreement, assets, and other documentation are received in The Foundation office, investments are made in the desired Investment Fund(s). All investments made pursuant to the Agreement will be held in the name of The Foundation (or such other entity selected by The Foundation) as nominee for the Eligible Participant, with actual ownership of the investments remaining in the Eligible Participant. Each Eligible Participant is responsible for choosing one or more of the Investment Funds and/or portfolios into which it wishes to direct its investment. Further, each investment manager utilized by The Foundation with respect to Eligible Participant assets is to be considered as acting for each Eligible Participant for whose benefit the investment manager has invested assets.

Each Eligible Participant will be assigned an interest (an “Ownership Interest”) in the assets of each chosen Investment Fund or portfolio reflecting the pro rata interest of the Eligible Participant in the assets of the particular Common Investment Fund or portfolio. The value of an Eligible Participant’s Ownership Interest may fluctuate as the value of the particular Common Investment Fund or portfolio fluctuates. Purchases and withdrawals may be made in the form of check, wire transfer, or direct deposit.

For Term Investments, The Foundation will create an account for an Eligible Participant and, at the time such Eligible Participant chooses the particular Term Investment, The Foundation will purchase the Term Investment and hold it at the Eligible Participant account level.

### **When may purchases or redemptions occur?**

The assets of the Common Investment Funds are valued on the last business day of each month and a net asset value of the Ownership Interests in the assets of each of the Common Investment Funds is calculated.

Ownership Interests in the assets of Common Investment Funds may be purchased or redeemed at net asset value at month end, provided that written notice has been received at The Foundation office at least ten (10) calendar days before such month end. Any properly requested redemption checks for all Funds are disbursed by the 15th business day following each month end valuation date.

In order to protect the assets of the Common Investment Funds, timing of redemptions of \$1,000,000 or more within a calendar month shall be negotiated with The Foundation as large redemptions may impact the Common Investment Fund. Further information including current portfolio size, performance, fees, and updates of this information for participants, can be obtained from The Foundation office.

For Term Investments, purchases may occur at any time, but redemptions prior to maturity, if allowed, may involve early redemption penalties.



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