

Disclosure Statement



This Disclosure Statement (the “Disclosure”) describes the availability of certain investment funds and portfolios (the “Investment Funds”), and the terms and conditions under which The Baptist Foundation of California offers its investment services to Southern Baptists 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 ELIGIBLE PARTICIPANTS REGARDING THE INVESTMENT FUNDS 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.

The Investment Funds are not savings or deposit accounts or other obligations of a bank, and are not insured by the Federal Deposit Insurance Corporation (“FDIC”), any state bank insurance fund, or any other governmental agency. The Investment Funds are not obligations of, nor guaranteed by, the Foundation or by any church, conference, institution or agency affiliated with the Foundation. Investors must look to the Investment Funds directly for repayment of their investments.

Past performance is no guarantee of future performance.

This Disclosure is published by the Foundation annually. Current information is available upon request.

Who is The Baptist Foundation of California?

The Baptist Foundation of California is a California Nonprofit Religious Corporation (“the Foundation” or “BFC”) and was incorporated in 1952 by incorporators selected by the Executive Board of the California Southern Baptist Convention (“Baptist Convention”). BFC is governed by a board of directors elected by the Baptist Convention.

The Foundation’s income comes primarily from five sources: (a) management fees for assets managed by the Foundation through its Investment Management and Trust Division; (b) management and related fees earned through its Lending Services Division; (c) investment income; (d) gifts and (e) other miscellaneous sources.

The Foundation’s Investment Management and Trust Division manages assets as follows. The Foundation’s own investment funds (“Investment Funds”) invest across a broad range of asset classes. Investments are made in marketable securities (stocks, bonds, exchange traded funds, mutual funds, etc.), as well as in the private markets (Private Equity, Venture Capital, Private Credit, Hedge Funds, etc.). Some Investment Funds are primarily invested in church loans and church bonds. Such investments are viewed as Missional Impact Investments and are in keeping with the mission of the Foundation and the expectations of participants. Many of the church loans were originated by the Foundation’s Lending Services Division. Church loans consist of loans to churches primarily for the purchase of land, new construction, or renovation of existing facilities. All church loans are secured by first deeds of trust on the property and have maturities of up to sixteen (16) years. Church bonds are issued primarily for new construction, upgrading existing facilities or refinancing existing debt. Church bonds are secured by first deeds of trust on the property and have maturities of up to seventeen (17) years.

What is the purpose of The Baptist Foundation of California?

The Foundation exists to help resource the expansion of the Kingdom of God in California, across the nation, and around the world.

The primary purpose of the Foundation in fulfilling its mission is to generate perpetual resources for Baptist and other Christian causes by serving faithful stewards. The Foundation generates perpetual resources as it grows the trusts, endowments, and other assets it manages. Each year the Foundation distributes millions of dollars of earnings from these funds to Baptist entities and others within California, the US, and around the world. The Foundation grows the funds it manages by promoting charitable bequests through thoughtfully planned and properly drafted estate plans, assisting with the planning and implementing of charitable gift arrangements, and managing assets entrusted to the Foundation with the ultimate aim of providing support for the mission and ministry efforts of Southern Baptists and other like-minded Christians.

The Foundation encourages faithful stewardship by:

- Managing funds entrusted to it in an effective and socially responsible manner;
- Educating people in biblical stewardship, appropriate Christian inheritance planning, and financial management techniques;
- Providing fiduciary and fund management services which facilitate fiscally responsible investing and the resourcing of ministry;
- Striving for excellence and efficiency in all operational activities; and
- Operating with the highest Christian moral and ethical standards.

Who can invest with The Baptist Foundation of California?

The Foundation manages funds for any investor that is recognized as exempt from federal income tax under Section 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”: (1) Baptist institutions, agencies, commissions, foundations, organizations, associations, and churches affiliated with the California Southern Baptist Convention, the Southern Baptist Convention or other state Baptist Conventions (“Baptist Entity”); (2) a trust with either its total remainder or its income for a predetermined period designated for charitable organizations in accordance with IRS guidelines with at least half of the distributions designated to be made to a Baptist Entity; or (3) such other qualified charitable trusts or charitable entities, which may or may not be affiliated with said Baptist Conventions, the funds of which the Board of Directors of the Foundation has determined would be appropriate to receive and administer. None of the funds invested with the Foundation may be held as part of a Participant’s retirement plan (such as a 403b or 401k plan).

What are the investment options with The Baptist Foundation of California?

The Foundation offers multiple Investment Funds under the supervision and direction of its Board of Directors and the Investment Committee of the Board. As part of its stewardship, the Foundation may retain certain investment consultants and managers to assist the Foundation, the Board, and the Investment Committee to manage the Investment Funds. The Investment Funds available at this time include (for additional information for each Investment Fund, please see the fact sheets prepared by the Foundation):

Mid-Term Income Fund

The Mid-Term Income Fund’s objective is current income and preservation of principal for accounts with investment horizons of one (1) to two (2) years. As of December 31, 2023, the underlying assets in the Fund were 53% Church Loans, 46% US Treasuries, and 1% Cash and Cash Equivalents. Principal withdrawals from the Fund prior to satisfying the one-year investment commitment are subject to a penalty of the last three months of interest from the amount of principal withdrawn. The Foundation will not invade principal invested when calculating penalties for early withdrawal.

Long-Term Income Fund

The Long-Term Income Fund's objective is current income and preservation of principal for accounts with investment horizons of more than three (3) years. As of December 31, 2023, the underlying assets in the Fund were 59% Church Loans, 27% US Treasuries, 13% Church Bonds, and 1% Cash and Cash Equivalents. Principal withdrawals prior to satisfying the three-year investment commitment are subject to an interest adjustment on the amount of principal withdrawn. Principal withdrawn in the first year of investment will be subject to a six-month interest penalty, principal withdrawn in the second year of investment will be subject to a four-month interest penalty, and principal withdrawn in the third year of investment will be subject to a two-month interest penalty. The Foundation will not invade principal invested when calculating penalties for early withdrawal.

Endowment Income Fund

The Endowment Income Fund’s objective is current income and preservation of principal for permanently endowed funds and select institutions with an investment horizon of five (5) or more years. As of December 31, 2023, the underlying assets in the Fund were 75% Church Loans, 16% Publicly Traded Fixed Income, 8% Church Bonds, and 1% Cash and Cash Equivalents. Publicly traded fixed income includes government bonds, corporate bonds, and other fixed income securities.

Arizona Income Fund

The Arizona Income Fund's objective is current income and preservation of principal for legacy Arizona endowments. As of December 31, 2023, the underlying assets in the Fund were 39% Church Loans, 33% Church Bonds, 26% Publicly Traded Fixed Income, and 2% Cash and Cash Equivalents. Publicly traded fixed income includes government bonds, corporate bonds, and other fixed income securities.

Charitable Income Fund

The Charitable Income Fund's objective is current income and preservation of principal for charitable trusts held at the Foundation. As of December 31, 2023, the underlying assets in the Fund were 62% Church Loans, 22% Church Bonds, 15% Publicly Traded Fixed Income, and 1% Cash and Cash Equivalents. Publicly traded fixed income includes government bonds, corporate bonds, and other fixed income securities.

Global Equities Fund

The primary objective of the Global Equities Fund is growth of principal. The Global Equities Fund is invested through a direct indexing platform that allows the Foundation to emphasize certain investment factors in the construction of the portfolio. Current income is of secondary importance. This Fund is invested approximately 55% in domestic large capitalization stocks, 10% in domestic small/mid-capitalization stocks, 26% in international developed market stocks, and 9% in international emerging market stocks.

Global Equities Fund (Tax Managed)

The primary objective of the Global Equities Fund is growth of principal for charitable trusts held at the Foundation. The Global Equities Fund is invested through a direct indexing platform that allows the Foundation to emphasize certain investment factors in the construction of the portfolio and create tax alpha through the harvesting of gains and losses. Current income is of secondary importance. This Fund is invested approximately 55% in domestic large capitalization stocks, 10% in domestic small/mid-capitalization stocks, 26% in international developed market stocks, and 9% in international emerging market stocks.

Primary Alternatives Fund

The Primary Alternatives Fund's primary objective is growth of principal with long-term returns similar to the equity market, but with reduced correlation to the equity market. This fund invested in a faith-driven and redemptive manner where possible. Investment durations vary from liquid (0-3 months to liquidate), semi-liquid (4-12 months to liquidate), and illiquid (over 1 year to liquidate). Current income is low and of secondary importance. Oak City Consulting serves as Investment Manager Consultant for the Primary Alternatives Fund. This fund is invested approximately 47% in real assets (real estate and natural resources), 40% equities (Private Equity, Venture Capital, Hedging Long / Short), 9% in diversifying strategies (private credit, tactical allocation, global infrastructure), and 5% in cash and cash equivalents.

Liquid Alternatives Fund

The Liquid Alternatives Fund's primary objective is growth of principal with long-term returns similar to the equity market, but with reduced correlation to the equity market. This fund invested in a faith-driven and redemptive manner where possible. Underlying investment durations are liquid (0-3 months to liquidate). Current income is low and of secondary importance. This fund is primarily invested in marketable alternative investments through mutual funds and ETF's. This fund is designed for use in Charitable Trusts or other taxable accounts.

Biblically Responsible Investing

The Foundation, responding to the Biblical challenge of responsible stewardship, calls for conscious investment decisions consistent with Christian morality and ethical principles. Assets managed by the Foundation are managed with consideration for Christian moral and ethical values of investing. The Foundation encourages investment in those corporations that promote the common good and avoids, where administratively feasible, investment in companies whose principal business activities are

inconsistent with Christian moral and ethical values. An overview of the social screening characteristics applied to equity and debt investments is described in The Baptist Foundation of California Investment Policy. The policy is available upon request.

How does an Eligible Participant invest with the Foundation?

Any organization wishing to invest in one or more of the Investment Funds must sign an Investment Custodial Agreement. Once the signed agreement, assets, and other documentation are received in the Foundation's office, investments are made in the Investment Funds pursuant to an allocation selected by the investing organization. The investments are not held in the name of the Foundation but rather in a custodial account for the Eligible Participant.

Purchases of and withdrawals from the Investment Funds may be made in the form of check, ACH, or wire transfer. There is no minimum or maximum investment limit at this time. Additions to the Investment Funds may be made at any time. The Foundation has the right, in its discretion, to limit withdrawals, and the Foundation reserves the right to restrict investment in certain Investment Funds at any time. The Foundation has the right to call investments in the Investment Funds upon 60 days prior written notice. The Foundation reserves the right to distribute an Eligible Participant's assets in kind rather than be required to liquidate the assets.

Schedule of Fees

Fees for managed funds apply to those accounts managed by the Foundation. The fee is an annualized fee based on the assets under management. All fees shall be payable from the assets invested by the Eligible Participants in the Investment Funds. All asset management fees and additional fees for various services may apply and can be found in the BFC Fee Schedule. Fees are subject to change.

**Vision**

The Baptist Foundation of California will be the trusted operating foundation for California Southern Baptists through its faithful pursuit of excellence and relevance.

Mission

The Baptist Foundation of California exists to serve Baptists by raising, managing, and distributing financial resources for Kingdom causes.

Core Values:**God Honoring**

Holding God in highest regard as our ultimate authority, we strive to be Christ-centered and Biblically based in all that we do.

Integrity

Doing the right thing in all business transactions with transparency, so we remain true to our values while earning the trust of our clients and peers.

Excellence

Seeking to exceed expectations by delivering exceptional services, while displaying professional expertise and operational superiority.

Service

Displaying a true servant's heart for helping others by placing the needs of clients, colleagues and others above our own while showing courtesy and respect to everyone.