
NORTHWEST BAPTIST FOUNDATION

REPORT ON AUDIT OF FINANCIAL STATEMENTS

Year Ended December 31, 2008

with

Supplementary Financial Information

and

Independent Auditor's Report

NORTHWEST BAPTIST FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Northwest Baptist Foundation
Vancouver, Washington


McDONALD JACOBS

Jake Jacobs, CPA

Susan J. Marks, CPA

Dennis C. Johnson, CPA

Mark A. Clift, CPA

Karin S. Wandtke, CPA

Sang Ahn, CPA

*Jill Oswald
Principal*

*James R. McDonald, CPA
of counsel*

We have audited the accompanying statement of financial position of Northwest Baptist Foundation (the Foundation) as of December 31, 2008, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Baptist Foundation as of December 31, 2008, and changes in its net assets and its cash flows for the year then ended in conformity with accounting standards generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary financial information, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "Support Services as a Percent of Total Assets, " which is unaudited and upon which we express no opinion or any other form of assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McDonald Jacobs, P.C.

March 31, 2009

Strength in Numbers

ACCOUNTANTS & CONSULTANTS

McDonald Jacobs, PC

520 SW Yamhill Suite 500 Portland, Oregon 97204

P: 503 227 0581 F: 503 274 7611

mail@mcdonaldjacobs.com www.mcdonaldjacobs.com

NORTHWEST BAPTIST FOUNDATION

Statement of Financial Position

December 31, 2008

		<u>General Fund</u>	<u>Church Loan</u>	<u>Endowment</u>	<u>Trust</u>	<u>Total</u>
ASSETS						
1	Cash and cash equivalents	\$ -	\$ 5,721	\$ 809,434	\$ 393,812	\$ 1,208,967
2	Investments (Note 2)	-	-	2,235,736	18,818,142	21,053,878
3	Accrued interest receivable	-	2,897	33,671	267,558	304,126
4	Notes and contracts receivable (Note 3)	-	995,784	3,520,557	5,020,525	9,536,866
5	Contributions receivable	-	-	-	-	-
6	Equipment - net of accumulated depreciation of \$122,060 (Note 4)	110,440	-	-	-	110,440
7	Real estate (Note 5)	2,950	-	336,655	5,363,820	5,703,425
8	Other assets	23,886	-	110,154	546,460	680,500
9	Total assets	\$ 137,276	\$ 1,004,402	\$ 7,046,207	\$ 30,410,317	\$ 38,598,202
LIABILITIES AND NET ASSETS						
Liabilities:						
10	Book overdraft	\$ 89,999	\$ -	\$ -	\$ -	\$ 89,999
11	Accounts payable	17,142	-	1,744	209,221	228,107
12	Accrued distributions	-	32,129	108,884	-	141,013
13	Accrued vacation	23,529	-	-	-	23,529
14	Notes payable (Note 6)	-	-	44,016	36,235	80,251
15	Agency, non-charitable and revocable trust funds (Note 7)	-	-	2,146,560	23,401,895	25,548,455
16	Liability under split-interest agreements (Note 8)	-	-	-	2,154,893	2,154,893
17	Total liabilities	130,670	32,129	2,301,204	25,802,244	28,266,247
Net Assets:						
Unrestricted:						
18	Available for general operations	(103,834)	100,490	327,791	242,694	567,141
19	Board-directed endowment (Notes 9, 19)	-	200,209	277,355	-	477,564
20	Net investment in equipment	110,440	-	-	-	110,440
21	Total unrestricted	6,606	300,699	605,146	242,694	1,155,145
22	Temporarily restricted (Note 9)	-	179,308	498,027	1,396,409	2,073,744
23	Permanently restricted (Notes 9, 19)	-	492,266	3,641,830	2,968,970	7,103,066
24	Total net assets	6,606	972,273	4,745,003	4,608,073	10,331,955
25	Total liabilities and net assets	\$ 137,276	\$ 1,004,402	\$ 7,046,207	\$ 30,410,317	\$ 38,598,202

The accompanying notes are an integral part of the financial statements.

NORTHWEST BAPTIST FOUNDATION

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2008

	<u>General Fund</u>	<u>Church Loan</u>	<u>Endowment</u>	<u>Trust</u>	<u>Total</u>
Changes in unrestricted net assets:					
1 Revenues and gains:					
2 Contributions	\$ 3,778	\$ -	\$ -	\$ 164,340	\$ 168,118
3 Administrative fees and other income	410,489	-	-	-	410,489
4 Appropriations - Northwest Baptist Foundation	18,000	-	-	-	18,000
5 In-kind contributions (<i>Note 10</i>)	39,600	-	-	-	39,600
6 Loan fees	105,622	-	-	-	105,622
7 Interest, dividends and other investment income	-	42,408	78,497	19,444	140,349
8 Net realized gains (losses) on investments and equipment	(1,218)	2	(93,676)	(433)	(95,325)
9 Net appreciation (depreciation) in the fair value of investments	1,130	-	7,753	(926)	7,957
10 Management fees related to investment income	-	-	(1,174)	-	(1,174)
11 Transfers (<i>Note 11</i>)	77,659	(25,160)	(56,678)	-	(4,179)
12 Change in value of split-interest agreements	-	-	-	(67,366)	(67,366)
13 Net assets released from restrictions (<i>Note 12</i>)	-	19,058	225,685	40,073	284,816
14 Total revenues and gains	<u>655,060</u>	<u>36,308</u>	<u>160,407</u>	<u>155,132</u>	<u>1,006,907</u>
Expenses (<i>Note 13</i>):					
15 Program services					
16 Trust administration and care services	185,071	5,119	7,972	27,101	225,263
17 Scholarships	31,275	9,000	49,445	-	89,720
18 Distributions of charitable trust and endowment income	37,874	23,493	224,417	12,972	298,756
19 Estate planning, church financing and other programs	173,128	-	-	-	173,128
20 Total program service	<u>427,348</u>	<u>37,612</u>	<u>281,834</u>	<u>40,073</u>	<u>786,867</u>
21 Support services:					
22 General and administrative	203,427	-	-	-	203,427
23 Development	50,115	-	-	-	50,115
24 Total support services	<u>253,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,542</u>
25 Total expenses	<u>680,890</u>	<u>37,612</u>	<u>281,834</u>	<u>40,073</u>	<u>1,040,409</u>
26 Increase (decrease) in unrestricted net assets (Carried forward)	<u>(25,830)</u>	<u>(1,304)</u>	<u>(121,427)</u>	<u>115,059</u>	<u>(33,502)</u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST BAPTIST FOUNDATION
Statement of Activities and Changes in Net assets - Continued

Year Ended December 31, 2008

	<u>General Fund</u>	<u>Church Loan</u>	<u>Endowment</u>	<u>Trust</u>	<u>Total</u>
27 Increase (decrease) in unrestricted net assets (Brought Forward)	\$ (25,830)	\$ (1,304)	\$ (121,427)	\$ 115,059	\$ (33,502)
Changes in temporarily restricted net assets:					
28 Gifts and contributions	-	-	125,051	50,989	176,040
29 Interest, dividends and other investment income	-	29,998	184,447	146,652	361,097
30 Net realized losses on investments	-	(7,729)	(74,150)	(23,838)	(105,717)
31 Net appreciation (depreciation) in the fair value of investments	-	15	(14,413)	(1,993)	(16,391)
32 Management fees related to investment income	-	(484)	(142)	(1,221)	(1,847)
33 Transfers (Note 11)	-	-	-	(4,324)	(4,324)
34 Change in value of split-interest agreements	-	-	-	(97,217)	(97,217)
35 Net assets released from restrictions	-	(19,058)	(225,685)	(40,073)	(284,816)
36 Increase (decrease) in temporarily restricted net assets	<u>-</u>	<u>2,742</u>	<u>(4,892)</u>	<u>28,975</u>	<u>26,825</u>
Changes in permanently restricted net assets:					
37 Gifts and contributions	-	1,197	46,997	326,000	374,194
38 Interest, dividends and other investment income	-	2,898	3,486	159,678	166,062
39 Net realized gains (losses) on investments	-	64	(590,758)	(77,871)	(668,565)
40 Net depreciation in the fair value of investments	-	(61)	(108,831)	(59,971)	(168,863)
41 Management fees related to investment income	-	(773)	(4,052)	(48,717)	(53,542)
42 Transfers (Note 11)	-	-	88,210	(79,707)	8,503
43 Change in value of split-interest agreements	-	-	-	33,436	33,436
44 Increase (decrease) in permanently restricted net assets	<u>-</u>	<u>3,325</u>	<u>(564,948)</u>	<u>252,848</u>	<u>(308,775)</u>
45 Increase (decrease) in net assets	<u>(25,830)</u>	<u>4,763</u>	<u>(691,267)</u>	<u>396,882</u>	<u>(315,452)</u>
46 Net assets, beginning of year	<u>32,436</u>	<u>967,510</u>	<u>5,436,270</u>	<u>4,211,191</u>	<u>10,647,407</u>
47 Net assets, end of year	<u>\$ 6,606</u>	<u>\$ 972,273</u>	<u>\$ 4,745,003</u>	<u>\$ 4,608,073</u>	<u>\$ 10,331,955</u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST BAPTIST FOUNDATION

Statement of Cash Flows

Year Ended December 31, 2008

	<u>General Fund</u>	<u>Church Loan</u>	<u>Endowment</u>	<u>Trust</u>	<u>Total</u>
Cash flows from operating activities:					
1 Increase (decrease) in net assets	\$ (25,830)	\$ 4,763	\$ (691,267)	\$ 396,882	\$ (315,452)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:					
2 Depreciation	30,705	-	-	-	30,705
3 Net depreciation (appreciation) in fair value of investments	(1,130)	46	115,491	62,890	177,297
4 Net realized losses on investments	1,218	7,663	758,584	102,142	869,607
5 Permanently restricted contributions	-	(1,197)	(46,997)	(326,000)	(374,194)
Net change in:					
6 Accrued interest receivable	-	588	(3,188)	(32,496)	(35,096)
7 Other assets	1,346	485	60,568	(12,697)	49,702
8 Accounts payable	5,717	-	592	8,991	15,300
9 Accrued vacation	4,268	-	-	-	4,268
10 Revocable trust and agency funds	-	-	(259,172)	199,718	(59,454)
11 Accrued distributions	-	7,665	(16,773)	-	(9,108)
12 Liability under split-interest agreements	-	-	-	(77,435)	(77,435)
13 Net cash provided (used) by operating activities	<u>16,294</u>	<u>20,013</u>	<u>(82,162)</u>	<u>321,995</u>	<u>276,140</u>
Cash flows from investing activities:					
14 Net sales of investments	-	92,975	1,450,104	473,234	2,016,313
15 Purchases of equipment	(51,778)	-	-	-	(51,778)
16 Proceeds from sale of equipment	2,000	-	-	-	2,000
17 Net increase in notes and contracts receivable	-	(140,351)	(1,791,350)	(1,875,706)	(3,807,407)
18 Net cash used by investing activities	<u>(49,778)</u>	<u>(47,376)</u>	<u>(341,246)</u>	<u>(1,402,472)</u>	<u>(1,840,872)</u>
Cash flows from financing activities:					
19 Permanently restricted contributions	-	1,197	46,997	326,000	374,194
20 Book overdraft	38,919	-	-	-	38,919
21 Proceeds from (payments on) notes payable	(5,435)	-	10,591	(79,486)	(74,330)
22 Net cash provided (used) by financing activities	<u>33,484</u>	<u>1,197</u>	<u>57,588</u>	<u>246,514</u>	<u>338,783</u>
23 Net decrease in cash and cash equivalents	-	(26,166)	(365,820)	(833,963)	(1,225,949)
24 Cash and cash equivalents, beginning of year	-	31,887	1,175,254	1,227,775	2,434,916
25 Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 5,721</u>	<u>\$ 809,434</u>	<u>\$ 393,812</u>	<u>\$ 1,208,967</u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST BAPTIST FOUNDATION

Notes to Financial Statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations - Northwest Baptist Foundation (the Foundation) is incorporated under the laws of the State of Oregon as a nonprofit organization. The Foundation provides interim financing for church construction, bond financing services, and student loans and scholarships; serves as trustee for various revocable and irrevocable trusts, charitable trusts and endowments; and assists individuals in their estate and financial planning.

Constituency of the Foundation consists of messengers elected by Southern Baptist churches cooperating with the activities of the Northwest Baptist Convention. These churches are located primarily in Oregon, Washington and Idaho, and the Foundation operates from offices located in Vancouver, Washington. The Foundation's Board of Directors, elected annually by the Northwest Baptist Convention, has responsibility for the work of the Foundation in the intervals between the Convention's annual sessions.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors and/or the Foundation.

Basis of Presentation - Net assets and all balances and transactions are based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

In the accompanying financial statements, the Foundation's assets, liabilities and net assets are also reported in four self-balancing fund groups, as follows:

- *General* - Representing expendable funds that are available for support of the Foundation's activities.
- *Church Loan* - Representing expendable funds used principally in support of short-term financing of Northwest Baptist Convention church construction and other projects.

NORTHWEST BAPTIST FOUNDATION

Notes to Financial Statements - Continued

1. Nature of Operations and Summary of Significant Accounting Policies - Continued

Basis of Presentation - Continued -

- *Endowment* - Representing funds subject to the restriction of gift instruments requiring in perpetuity that the principal be invested and only the income be utilized. While the Board of Directors has established Board-directed endowment funds for the same purposes as endowment funds, any portion of these funds may be expended. Term endowment funds are funds under which the terms of gift release the principal from inviolability following a particular event or the passage of a stated period of time. Some perpetual trusts are for the benefits of other charitable organizations, an agency relationship, and are therefore reflected as a liability unless the Foundation has been granted variance power by the donor.
- *Trust* - Representing both revocable and irrevocable trusts established by donors under separate trust agreements. Revocable trusts are not present gifts to the Foundation, and the donor retains the right to withdraw the trust principal at any time, therefore these funds are reflected in the accompanying financial statements as a liability. In addition, some of the irrevocable trusts either do not provide for any charitable benefits, or provide benefits only for other charitable organizations. As such, the Foundation, acting as trustee, is considered to be an agent for accounting purposes. Therefore, those assets are reflected in the accompanying financial statements as a liability.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated time period has elapsed or use restriction has been satisfied) are reported as net assets released from restrictions.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, gains and expenses during the reporting period. Actual results could differ from those estimates.

Contributions - Contributions, which include unconditional promises to give, are recognized as revenues in the period the commitment was received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

The Foundation has adopted Financial Accounting Standards Board Statement No. 136, *Transfer of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*. This Statement requires the Foundation to recognize the fair value of those assets donated to benefit others as a liability to the specified beneficiary concurrent with recognition of the assets received from the donor. However, if the donor explicitly grants the Foundation variance power, or if the recipient organization and the specified beneficiary are financially interrelated organizations, the recipient organization is required to recognize the fair value of any assets it receives as a contribution received.

NORTHWEST BAPTIST FOUNDATION

Notes to Financial Statements - Continued

1. Nature of Operations and Summary of Significant Accounting Policies - Continued

Contributions of Long-Lived Assets - Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire property and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Administrative Fees - The Foundation charges an annual fee equal to one percent of the corpus of most endowment, church loan and trust funds managed. In addition, a fee is charged when the Foundation is managing an estate. Additional fees are charged for professional services that are not part of the normal management of the trust or estate.

Earnings on the Investment of Endowment Funds - Income and realized and unrealized net gains on the investment of endowment and similar funds are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- As increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of income; and
- As increases in unrestricted net assets in all other cases.

Cash and Investments - Cash and cash equivalents consist primarily of money market and open checking accounts. Certificates of Deposit and other securities with original maturities over 90 days are classified as investments. The invested asset market values were determined by management based on available market quotations at the Statement of Financial Position date. For assets without a readily available market, management has determined market value based on other available evidence. Unrealized gains and losses [appreciation (depreciation)] are included in the changes in net assets in the accompanying Statement of Activities. Concentrations of investment credit risk are limited, due to diversification of the investments held by the Foundation.

Cash in the bank exceeded the federally insured limit at various times during the year. At December 31, 2008, there is no limit for funds deposited in a non-interest bearing account. Approximately \$1,062,000 was in a Sweep account secured by US Government securities.

Notes and Contracts Receivable - Notes and contracts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial.

Real Estate - Real estate held for investment purposes is recorded at estimated fair value determined based upon appraisals, when available; otherwise values are determined using the best information available which may include market values reported by property tax assessors and purchase and sale agreements.

NORTHWEST BAPTIST FOUNDATION

Notes to Financial Statements - Continued

1. Nature of Operations and Summary of Significant Accounting Policies - Continued

Equipment - Equipment is recorded at cost or fair market value (in the case of gifts) at the time of acquisition. Maintenance, repairs and minor renewals are charged as expenses. Equipment sold is removed from the accounts, and the related gain or loss is reflected at that time.

Depreciation - The costs of all assets with useful lives of more than one year are capitalized. All depreciable assets are being depreciated over their estimated useful lives using the straight-line method. Equipment is depreciated over lives ranging from 5 to 10 years; office improvements are depreciated over 40 years.

Other Assets - Other assets, recorded at market value, consist primarily of the cash surrender value of life insurance policies, prepaid expenses, personal property held in revocable trusts and miscellaneous receivables.

Income Taxes - Under current federal and state income tax regulations, the Foundation is exempt from tax under Internal Revenue Service Code Section 501(c)(3), and is not classified as a private foundation. As such, it is taxed only on income unrelated to its exempt purpose. Currently, none of the activities of the Foundation give rise to unrelated taxable income; therefore, no amount is provided for income taxes in the financial statements. Certain activities of the Foundation are subject to the State of Washington's Business and Occupation (B&O) tax. A provision for B&O taxes is charged against unrestricted net assets in the period that the revenue from those activities is earned.

2. Investments

Investments are summarized as follows at December 31, 2008:

Common and preferred stocks	\$ 397,032
U.S. Treasury securities	77,648
Mutual funds	3,824,995
Church bonds	16,595,646
Annuities	<u>158,557</u>
	<u>\$ 21,053,878</u>

During the fourth quarter of 2008 seven issuers of church bonds missed, or were late paying, regularly scheduled interest payments and/or principal payments on their bonds. As of the December 31, 2008, four of these issuers still had not made their scheduled payments. The underwriter and transfer agent for these issuers have indicated that all of the churches are making efforts to bring the payments current. Prior to this time, only one church bond issue held by the Foundation had ever defaulted. Accrued interest on these four issues totaled \$28,311 as of December 31, 2008. A reserve in this amount has been established, and has been deducted from the total accrued interest receivable reported in the Statement of Financial Position. No reserve has been established for the principal portion of these bonds totaling \$273,000. As of the date of the auditor's report, two of these issuers still had not made their scheduled payments. Management believes that the value of the underlying security for the bonds is sufficient to recover the principal in the event that foreclosure is required.

NORTHWEST BAPTIST FOUNDATION

Notes to Financial Statements - Continued

2. Investments - Continued

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

3. Notes and Contracts Receivable

The notes receivable of the Foundation represent loans made to Baptist organizations and, on rare occasions, to individuals. The interest rates on these loans range from 1 percent to 9 percent. The maturity dates range from February 2009 to December 2023. All notes receivable are secured by collateral, most of which is real property.

4. Equipment

The following is a summary of equipment at December 31, 2008:

	<u>Original Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Amount</u>
Automobiles	\$ 106,683	\$ 51,484	\$ 55,199
Computer equipment and software	70,187	45,379	24,808
Furniture	27,852	20,722	7,130
Office Improvements	15,025	1,724	13,301
Other Equipment	12,753	2,751	10,002
Total	<u>\$ 232,500</u>	<u>\$ 122,060</u>	<u>\$ 110,440</u>

5. Real Estate

Real estate is summarized as follows:

Vacant land	\$ 75,281
Personal residences	2,142,764
Rental properties	1,057,430
Church land and buildings	2,425,000
Other	<u>2,950</u>
	<u>\$5,703,425</u>

NORTHWEST BAPTIST FOUNDATION

Notes to Financial Statements - Continued

6. Notes Payable

Notes payable consist of the following at December 31, 2008:

Loan payable to the Foundation's Fixed Income Pool, payable upon the sale of real property, with interest at 7.5%	\$ 8,165
Loan payable by an irrevocable trust managed by the Foundation to a related revocable trust managed by the Foundation, payable in monthly payments of interest only at 6.5%, principal due at maturity in 2023.	5,000
Note payable to GE Lending (Revocable trust): payable in monthly installments of \$475, including interest at 8.75%, secured by vehicle	22,070
Loan payable to Midland National Life Insurance Company, payable at Termination of life insurance policy, secured by life insurance with interest at 7.4%	1,000
Loan payable to John Hancock Life Insurance Company, payable at termination of life insurance policy, secured by life insurance with interest at 5.5%	44,016
	<u>\$ 80,251</u>

Future maturities are as follows:

Years Ending December 31,	
2009	\$ 12,085
2010	4,278
2011	4,667
2012	5,092
2013	4,113
Thereafter	50,016
	<u>\$ 80,251</u>

7. Changes in Agency, Non-Charitable and Revocable Trust Funds

Changes in revocable trust funds for the year ended December 31, 2008 are as follows:

Balance at beginning of year	\$25,607,909
Additions - funds received on behalf of others	4,992,386
Investment income	1,148,850
Administrative fees	(223,401)
Change in market value of assets	(1,181,941)
Deductions - funds distributed on behalf of others	<u>(4,795,348)</u>
Balance at end of year	<u>\$25,548,455</u>

NORTHWEST BAPTIST FOUNDATION

Notes to Financial Statements - Continued

8. Split-Interest Agreements

The Foundation serves as trustee of various charitable remainder unitrusts and charitable remainder annuity trusts (forms of split-interest agreements). Under the terms of the remainder trusts, the donors and/or their families receive annual distributions from the trusts during their lifetime. At the termination of the trust (generally at the time of the donor's death), the assets of the trust will be distributed to the Foundation, either outright or by converting to a perpetual endowment trust, to be managed similarly to the other existing perpetual trusts. Based on donor life expectancy, and the use of an 8.5% discount rate, the present value of future payments expected to be paid by the Foundation for charitable remainder trusts is summarized in the table below. Assets held in charitable remainder unitrusts totaled \$2,540,096 at December 31, 2008 and assets held in charitable remainder annuity trusts totaled \$236,406. These assets are included with investments in the accompanying Statement of Financial Position.

On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The market value of the new remainder trusts created during the year is recorded as an asset. The net assets related to these charitable remainder unitrusts (total assets less the present value of the future payments to the beneficiaries) is reported as either temporarily restricted, if the assets are transferred outright to the Foundation at termination, or permanently restricted, if the trust will convert to a perpetual endowment.

The Foundation issues charitable gift annuities (a form of split-interest agreement). Under these annuities, the donor transfers assets, to the Foundation in exchange for a promise to pay an annual annuity, generally for the remaining life of the donor. The present value of future payments under gift annuities was computed using discount rates and life expectancies mandated by the State of Washington. That present value, plus an additional 10% surplus, totaled \$283,133 at December 31, 2008 and is the estimated liability for gift annuities included on the Statement of Financial Position as part of the liability under split-interest agreements. This computation is required to be used, under Washington regulations for both the estimated liability related to Charitable Gift Annuities and for the required segregated reserves. (See Note 16)

Assets held in gift annuities totaled \$434,654 at December 31, 2008. The Foundation allows donors to designate up to 75% of the remainder interest in an annuity to go to another charitable beneficiary, either outright or by means of a perpetual endowment. Net assets received under gift annuities are recorded as temporarily restricted for any portion designated to go outright to other charitable beneficiaries, permanently restricted for any portion designated to become a perpetual endowment, and as unrestricted for the balance designated outright to the Foundation.

The Foundation manages various life income funds. These trusts are similar to charitable remainder trusts described above, but without tax exempt status. The donors of these funds are paid the actual income earned on their fund until the terms of the trust are satisfied, often at their death. At that time the funds revert to the Foundation. The assets are included with investments in the accompanying Statement of Financial Position. Assets under life income funds totaled \$1,269,329 at December 31, 2008. On an annual basis, the Foundation revalues the liability for distributions to the designated beneficiaries based on an estimated time period until the termination of the trust. Using an 8.5% discount rate the present value of future payments for life income funds was \$459,775 at December 31, 2008. Net assets under life income funds are recorded as temporarily restricted for any portion designated outright to the Foundation at termination, or permanently restricted, if the trust will convert to a perpetual endowment.

NORTHWEST BAPTIST FOUNDATION

Notes to Financial Statements - Continued

8. Split-Interest Agreements – Continued

The Foundation's liability under split-interest agreements at December 31, 2008 is summarized as follows:

Charitable remainder unitrusts	\$ 1,275,401
Charitable remainder annuity trusts	136,584
Charitable gift annuities	283,133
Life income funds	<u>459,775</u>
Total liability under split-interest agreements	<u>\$ 2,154,893</u>

9. Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets at December 31, 2008 consist of contributions, investment income and other unexpended revenues and gains available for the following purposes:

Program services	\$ 677,335
Future periods	<u>1,396,409</u>
	<u>\$ 2,073,744</u>

At December 31, 2008, the Foundation had \$7,103,066 in permanently restricted net assets, as follows:

<i>Church loan</i> - Loans of income and principal restricted to the financing of Northwest Baptist Convention church construction and other projects	\$ 492,266
<i>Endowment</i> - Income unrestricted or temporarily restricted	3,641,830
<i>Trust</i> - Present value of split-interest agreements and other trusts restricted by donors to endowment and church loan purposes	<u>2,968,970</u>
	<u>\$ 7,103,066</u>

In addition, at December 31, 2008, the Foundation's Board of Directors had designated \$477,564 of unrestricted net assets for endowment purposes.

NORTHWEST BAPTIST FOUNDATION

Notes to Financial Statements - Continued

10. Related Party Transactions

The Foundation receives office space, at no rent, from the Northwest Baptist Convention. Management estimates that the annual fair rental value of the space provided to the Foundation is approximately \$39,600. This transaction is reflected in the Statement of Activities as in-kind contributions.

The Foundation has investments and church bonds which are invested with Strongtower Financial (Strongtower). Strongtower is a related party in that the Foundation's President is a board member of Strongtower. No investment fees were paid to Strongtower for the year. In addition, the Foundation leases space and provides administrative support to Strongtower. The total amount paid by Strongtower to the Foundation for these services approximated \$9,700.

11. Transfers

From time to time, certain trusts and endowments distribute income to the Foundation for its unrestricted use. When this occurs, the cash is added to the General Fund, and the transaction is reflected as a transfer on the Statement of Activities and Changes in Net Assets. In addition, at the termination of certain trusts, assets are distributed to the Foundation either outright, or to establish perpetual endowments. These assets are added to the unrestricted, temporarily restricted or permanently restricted net assets of the appropriate fund according to the donor restrictions, and reflected as a transfer on the Statement of Activities and changes in Net Assets.

12. Net Assets Released from Restrictions

The Foundation incurred expenses and/or made distributions totaling \$284,816 in satisfaction of the restricted purposes imposed by donors. Distributions are reflected in program and support services, transfers or change in value of split interest agreements on the Statement of Activities.

13. Expenses

The costs of providing the various programs and other services of the Foundation have been summarized on a functional basis in the Statement of Activities, and do not include expenses from the agency, non-charitable and revocable trusts. Accordingly, certain expenses have been allocated among the programs and supporting services benefited. During 2008, expenses by natural classification for program services were as follows:

	<u>General Fund</u>	<u>Church Loan</u>	<u>Endowment</u>	<u>Trust</u>	<u>Total</u>
Salaries and related costs	\$ 322,613	\$ -	\$ -	\$ -	\$ 322,613
Administrative fees	2,232	5,119	5,345	21,679	34,375
Distributions of income	-	32,493	273,862	12,972	319,327
Office	19,858	-	-	-	19,858
Travel	7,512	-	-	-	7,512
Board and committee	7,411	-	-	-	7,411
Rent	37,388	-	-	-	37,388
Auto	8,591	-	-	-	8,591
Depreciation	21,743	-	-	-	21,743
Other	-	-	2,627	5,422	8,049
Total	<u>\$ 427,348</u>	<u>\$ 37,612</u>	<u>\$ 281,834</u>	<u>\$ 40,073</u>	<u>\$ 786,867</u>

NORTHWEST BAPTIST FOUNDATION

Notes to Financial Statements - Continued

13. Expenses - Continued

Expenses for support services have been summarized, based upon management's estimates, on a functional basis in the Statement of Activities and do not include expenses from the agency, non-charitable and revocable trusts. Support services expenses by natural classification were as follows:

Salaries and related costs	\$ 132,983
Administrative fees	2,232
Promotion	16,700
Professional services	18,219
Office	11,422
Insurance	15,336
Travel	3,097
Board and committee	4,941
Rent	15,412
Auto	3,541
Depreciation	8,963
Other	20,696
Total	<u><u>\$ 253,542</u></u>

14. Convention Annuity Plan

The Foundation participates in the Southern Baptist Convention's Convention Annuity Plan, which is a plan described in section 403(b) of the Internal Revenue Code. Under the plan, employees may defer a portion of their salary into the plan in any amount up to the maximum allowed by the Code. The Foundation contributes an amount equal to 10 percent of each qualified employee's gross income. Contributions to the Plan for 2008 were \$35,229.

15. Supplemental Cash Flow Information

Interest paid during the year	<u>\$ 2,502</u>
Non-cash investing activities:	
Net contributions of non-cash assets in trust and endowments, including revocable trusts	<u>\$1,363,874</u>
Net distributions of non-cash assets from trusts and endowments, including revocable trusts	<u>\$ 125,867</u>

NORTHWEST BAPTIST FOUNDATION

Notes to Financial Statements - Continued

16. Charitable Gift Annuity Reserves

The Foundation maintains a reserve fund (included in cash and investments) for its charitable gift annuities as required by the states of Oregon and Washington. Currently the Foundation deposits 100% of the assets used to fund the gift annuities into the reserve fund until the annuity terminates (usually at the death of the donor). At that time the remaining assets for that annuity are removed from the reserve fund and distributed to the charitable remainder beneficiary(ies), including the Foundation.

Both Oregon and Washington require that the amount set aside in the reserve fund be no less than an amount equal to the present value of the future annuity payments for all annuities, computed using actuarial tables and assumptions specified by state law. Each state's law specifies its own actuarial assumptions and tables, and therefore, each state's requirement for the reserve fund is different. In addition, the state of Washington requires that an additional 10% surplus be added to the reserve fund. As of December, 31, 2008, the Foundation's reserve fund totaled \$434,194. Each state's required reserves are summarized as follows:

State of Oregon	<u>\$264,373</u>
State of Washington – base amount	\$257,394
10% surplus	<u>25,739</u>
Total reserve	<u>\$283,133</u>

The Foundation had eleven annuities issued in the state of Oregon as of December 31, 2007. One annuity issued in the state of Oregon terminated due to the death of the annuitant during 2008. Annual annuity payments of \$21,200 are required for the remaining ten annuities.

The Foundation had six annuities issued in the state of Washington as of December 31, 2007. One new annuity was issued in the state of Washington during 2008. Annual annuity payments of \$19,788 are required for these seven annuities.

Under the laws of the state of Washington, the Foundation must maintain unrestricted net assets of at least \$500,000 in order to be allowed to continue issuing gift annuities in that state.

The activity for the charitable gift annuities and the reserve fund for the year are as follows:

Reserve balance, beginning	\$ 448,580
New annuities	10,000
Investment earnings	37,323
Management fees	(4,350)
Distributions to charites at termination of annuity	(17,296)
Annuity payments to beneficiaries	<u>(40,063)</u>
Reserve balance, ending	<u>\$ 434,194</u>

NORTHWEST BAPTIST FOUNDATION

Notes to Financial Statements - Continued

17. Commitments

At December 31, 2008 the Foundation had approved loans that had not yet funded in the amount of \$438,808. This is for loans that are partially funded, and will be completed during early 2009.

In 2007, the Foundation issued two irrevocable letters of credit on behalf of churches totaling \$94,236. If needed, these letters of credit require the Foundation to make loans to the churches in order for them to complete landscaping related to their recent building construction projects. They remain in effect until released by the counties where the churches are located, which will occur following the completion of the required landscaping, and, in one case, the expiration of an 18 month warranty period. To date, releases have not been received from the counties for either letter of credit.

18. Fair Value Measurements

Fair values of assets and liabilities measured on a recurring basis at December 31, 2008 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Investments, except church bonds	\$ 4,458,232	\$ 4,458,232	\$ -	\$ -
Church bonds	16,595,646	-	16,595,646	-
Real estate	5,703,425	-	5,703,425	-
Other Assets	367,138	-	367,138	-
Liabilities:				
Liability under split-interest agreements	(2,154,893)			(2,154,893)

Liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Liability under split-interest agreements:	
Balance at beginning of year	\$ (2,232,328)
Change in value in split interest agreement	(131,148)
New agreements	(62,171)
Annuity payments to beneficiaries	270,754
Balance at end of year	<u>\$ (2,154,893)</u>

NORTHWEST BAPTIST FOUNDATION

Notes to Financial Statements - Continued

18. Fair Value Measurements - Continued

Fair values for investments, other than church bonds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value of church bonds is estimated to be at face value of the bonds, based upon comparable purchases and sales experienced in limited markets. Real estate is valued based upon appraisals, when available; otherwise values are determined using the best information available which may include market values reported by property tax assessors and purchase and sale agreements. Other assets consist of personal property measured based on identical items and life insurance valued at cash surrender value as reported by the issuer of the policy. The liability under split interest agreements is determined by calculating the present value of the future distributions to be made using published life expectancy tables and applicable discount rates for each agreement.

19. Endowment

Northwest Baptist Foundation's endowments consist of 117 individual funds and agency accounts established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Northwest Baptist Foundation has interpreted Oregon's enacted Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the institution to consider both the need to distribute income and the need for preservation of capital absent explicit donor stipulations to the contrary. To that end, state law allows the Board to expend any portion of the fund that it deems prudent. Similar provisions have been proposed for the State of Washington, but not yet enacted. Under current Washington law any portion of the funds appreciation above the Historic Dollar Value may be distributed as the Board determines to be prudent. Many experts believe that under this law normal income (interest and dividends) can still be distributed, even if the total fund is below its Historic Dollar Value. As a result of these interpretations, the Foundation classifies as permanently restricted net assets all amounts other than the current income that has been determined by the Board to be distributable to the named charitable beneficiaries. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation, the charitable beneficiaries 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 the Foundation and the other charitable beneficiaries
- (7) The investment policies of the Foundation

NORTHWEST BAPTIST FOUNDATION

Notes to Financial Statements - Continued

19. Endowment - Continued

Endowment net asset composition by type of fund as of December 31, 2008 is provided on the Statement of Financial Position. Changes in endowment net assets for the year ended December 31, 2008 are included on the Statement of Activities.

Fund with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level of the original contribution(s) plus subsequent accumulations to the funds. Deficiencies of this nature were \$441,231, including \$99,474 in agency accounts as of December 31, 2008. These deficiencies resulted from unfavorable market fluctuations that occurred during 2008.

Return Objectives and Risk Parameters

Northwest Baptist Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate benchmarks while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return between 4 percent and 5 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, The Foundation 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). The Foundation targets a diversified asset allocation that places a greater emphasis on income -based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Northwest Baptist Foundation has a policy of appropriating for distribution each year the natural income (interest and dividends less a portion of the management fees) earned by the funds. In establishing this policy, the Foundation considered the long-term expected return on its endowments. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average rate that approximates inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NORTHWEST BAPTIST FOUNDATION

Supplementary Financial Information

NORTHWEST BAPTIST FOUNDATION

Schedule of Investments and Other Assets

December 31, 2008

	General Fund		Church Loan		Endowment		Trust		Total	
	Cost or Other Basis	Market Value	Cost or Other Basis	Market Value	Cost or Other Basis	Market Value	Cost or Other Basis	Market Value	Cost or Other Basis	Market Value
1 Cash and cash equivalents	\$ -	\$ -	\$ 5,721	\$ 5,721	\$ 809,434	\$ 809,434	\$ 393,812	\$ 393,812	\$ 1,208,967	\$ 1,208,967
Investments:										
2 Common and preferred stocks	-	-	-	-	-	-	403,452	397,032	403,452	397,032
3 Bonds	-	-	-	-	-	-	-	-	-	-
4 U.S. Treasury securities	-	-	-	-	-	-	52,356	77,648	52,356	77,648
5 Mutual funds	-	-	-	-	1,256,644	985,477	3,459,081	2,839,518	4,715,725	3,824,995
6 Church bonds	-	-	-	-	1,249,356	1,250,259	15,295,194	15,345,387	16,544,550	16,595,646
7 Annuities	-	-	-	-	-	-	163,412	158,557	163,412	158,557
8 Total investments	-	-	-	-	2,506,000	2,235,736	19,373,495	18,818,142	21,879,495	21,053,878
Other assets:										
9 Accrued interest receivable	-	-	2,897	2,897	33,671	33,671	267,558	267,558	304,126	304,126
10 Notes and contracts receivable	-	-	995,784	995,784	3,520,557	3,520,557	5,020,525	5,020,525	9,536,866	9,536,866
11 Contributions receivable	-	-	-	-	-	-	-	-	-	-
12 Equipment	110,440	110,440	-	-	-	-	-	-	110,440	110,440
13 Real estate	1,180	2,950	-	-	313,755	336,655	2,946,300	5,363,820	3,261,235	5,703,425
14 Other assets	23,886	23,886	-	-	95,435	110,154	482,150	546,460	601,471	680,500
15 Total other assets	135,506	137,276	998,681	998,681	3,963,418	4,001,037	8,716,533	11,198,363	13,814,138	16,335,357
16 Total cash and cash equivalents, investments and other assets	\$ 135,506	\$ 137,276	\$ 1,004,402	\$ 1,004,402	\$ 7,278,852	\$ 7,046,207	\$ 28,483,840	\$ 30,410,317	\$ 36,902,600	\$ 38,598,202

See auditor's report.

NORTHWEST BAPTIST FOUNDATION

Schedule of Notes and Contracts Receivable

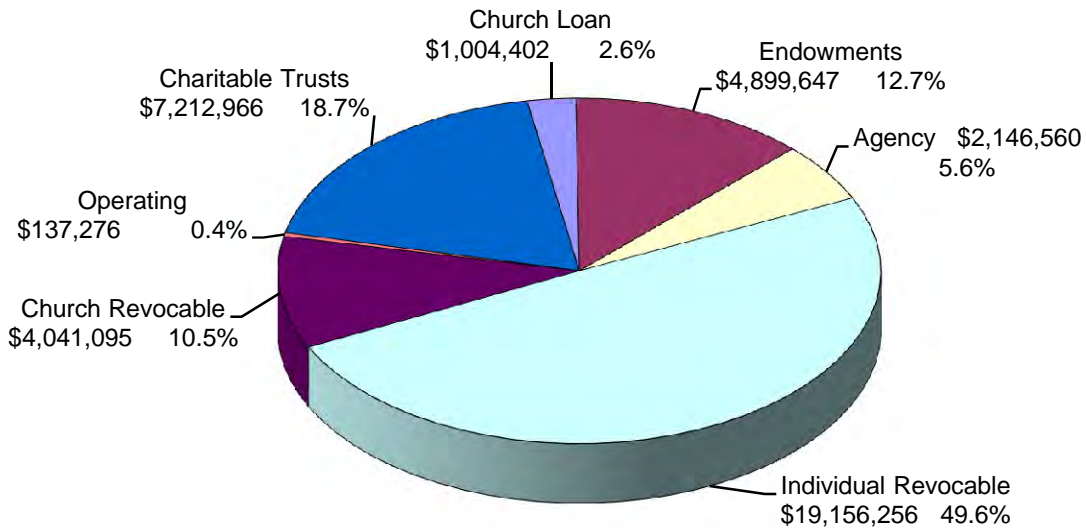
December 31, 2008

	<u>Original Loan Date</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Balance 12/31/2007</u>
Interstate Baptist Association loan fund:					
1	Community Baptist, Battle Ground, WA	\$ 21,500	1.00%	7	\$ 1,322
2	Lacamas Heights Baptist, Camas, WA	66,300	1.00%	7	36,825
3	Solid Rock Baptist, Portland, OR	80,074	1.00%	7	47,397
4	Community Baptist, Battle Ground, WA	10,000	1.00%	7	8,498
5	Northside Baptist Church, Vancouver, WA	40,000	1.00%	7	15,089
6	Crosspointe Baptist Church, Vancouver, WA	75,000	1.00%	2	75,000
7	Clackamas Valley Baptist Church, Estacada, OR	15,000	1.00%	7	11,214
8	Bible Fellowship Community Church, Vancouver, WA	40,000	1.00%	7	24,748
9	Total Interstate Baptist Association loan fund				<u>220,093</u>
Foundation church loan funds:					
10	First Baptist Church, North Bend, OR	30,000	7.25%	10	12,998
11	Trinity Baptist Church, Lakeview, OR	53,000	9.00%	15	20,331
12	First Ukrainian Baptist Church, Auburn, WA	735,000	7.00%	15	378,842
13	Orient Dr Baptist Church, Boring, OR	100,603	7.75%	12	69,156
14	Holgate Baptist Church, Portland, OR	155,000	7.00%	15	129,919
15	Richland Baptist Church, Richland, WA	177,910	8.00%	15	166,390
16	Blue Mountain Baptist Church, Walla Walla, WA	243,000	8.00%	15	191,226
17	Calvary Baptist Church, Prosser, WA	20,000	8.00%	10	16,158
18	Aberdeen Avenue Baptist Church, Aberdeen, WA	35,000	8.00%	10	27,726
19	Northwest Baptist Convention, Vancouver, WA	1,185,000	8.00%	8	913,097
20	Parkland Baptist Church, Tacoma, WA	181,100	8.00%	15	166,914
21	First Baptist Church, Zillah, WA	7,000	8.00%	5	5,290
22	Safe Family Ministries, Chehalis, WA	693,750	6.50%	10	682,197
23	First Baptist Church, Forks, WA	30,000	8.00%	10	11,755
24	The Church at Kelly Creek, Gresham, OR	30,000	8.00%	5	21,200
25	First Baptist Church, Monroe, WA	1,200,000	7.25%	1.5	940,107
26	Evangelical Baptist Church, Kent, WA	1,800,000	6.50%	15	1,800,000
27	Valley Christian Fellowship, Longview, WA	180,000	7.50%	15	172,051
28	Faith Community Church, Ocean Shores, WA	759,919	7.25%	15	515,020
29	Calvary Baptist Church, Burlington, WA	650,000	7.25%	1	471,085
30	Total Foundation church loan funds				<u>6,711,462</u>
Other loans:					
31	Alder Street Baptist Church, Centrailia, WA	74,945	7.50%	20	73,506
32	Centro Cristiano Nuevo Pacto, George, WA	35,000	8.50%	10	34,812
33	First Baptist Church, Phoenix, OR	39,792	6.50%	10	13,091
34	Pilot Rock Baptist Church, Pilot Rock, OR	55,000	8.00%	15	50,692
35	Skagit Baptist Church, Sedro Woolley, WA	20,000	8.00%	10	17,669
36	DJ&M Investments, Medford, OR	1,250,000	9.00%	2	1,250,000
37	Mars Hill Fellowship, Seattle, WA	1,200,000	0.00%	3	1,200,000
38	Less unamortized discount				(71,687)
39	Other miscellaneous loans	-	Various	Various	37,228
40	Total other loans:				<u>2,605,311</u>
41	Total notes and contracts receivable				<u>\$ 9,536,866</u>

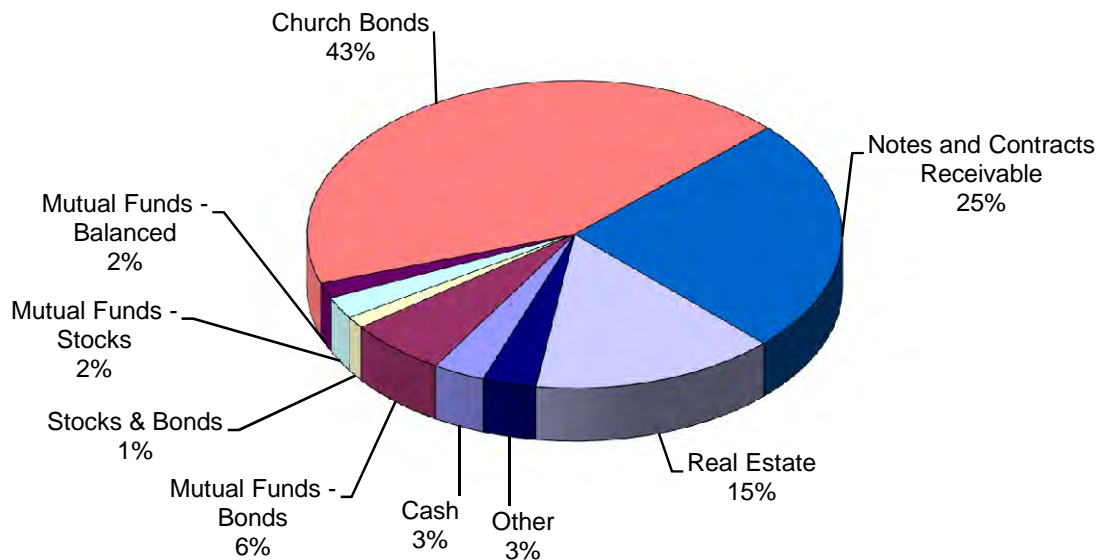
See auditor's report.

NORTHWEST BAPTIST FOUNDATION
December 31, 2008

ASSETS BY FUND
December 31, 2008



ASSETS BY TYPE
December 31, 2008

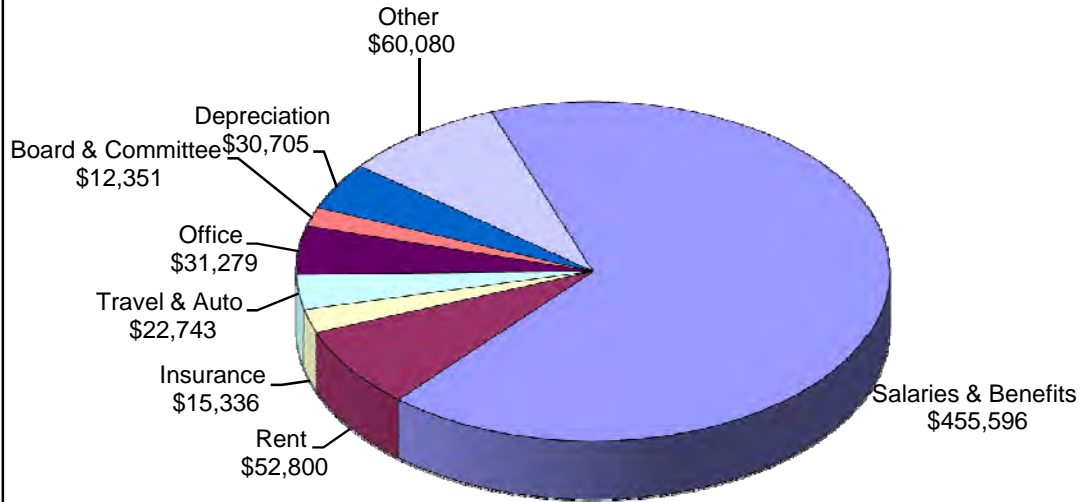


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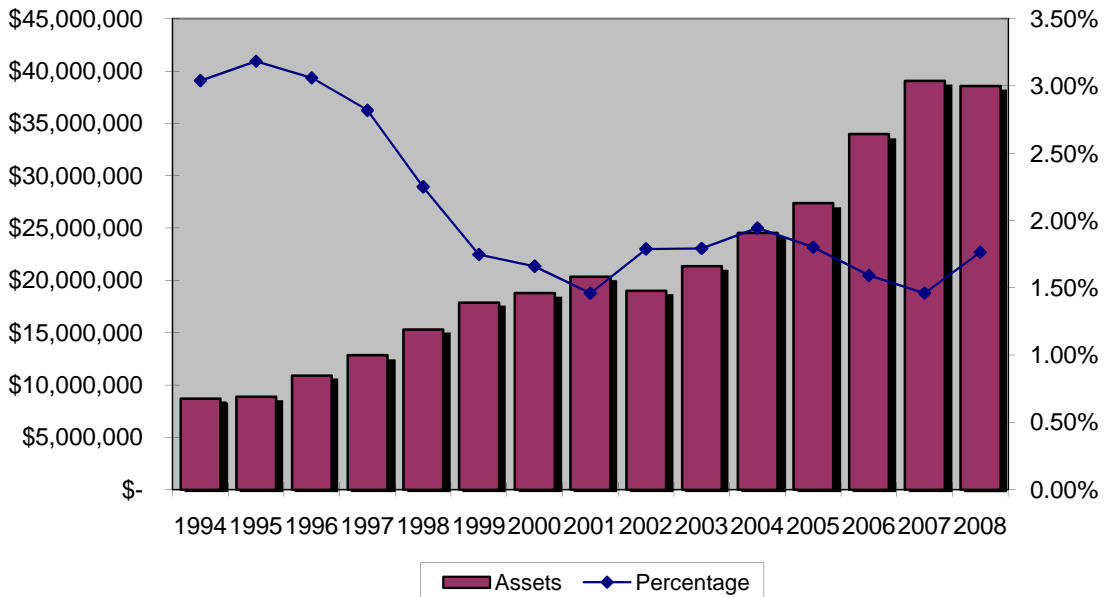
NORTHWEST BAPTIST FOUNDATION

December 31, 2008

**GENERAL FUND SUPPORT SERVICES
For the Year 2008**



**SUPPORT SERVICES AS A PERCENT OF TOTAL ASSETS
For the Years Indicated
(unaudited)**



See auditor's report.