



Baptist Foundation of Illinois

**Church Loan Bond Prospectus**

**supporting Illinois Baptist Church Loans**

**Guidelines for 2017**

THESE SECURITIES HAVE NOT BEEN APPROVED OR  
DISAPPROVED BY THE SECRETARY OF STATE OF ILLINOIS,  
THE STATE OF ILLINOIS, OR SECURITIES EXCHANGE  
COMMISSION, NOR HAS THE SECRETARY OF STATE OF  
ILLINOIS, THE STATE OF ILLINOIS, OR THE COMMISSION  
PASSED UPON THE ACCURACY OR ADEQUACY OF THIS  
PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY  
IS A CRIMINAL OFFENSE.

Baptist Foundation of Illinois  
3085 Stevenson Drive  
Springfield, Illinois 62703  
217.391.3102

*BaptistFoundationIL.org*  
DOUG MORROW, EXECUTIVE DIRECTOR

TED ZIMMERMAN, CHAIR, BOARD OF TRUSTEES

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## **I. Organizational Profile**

Baptist Foundation of Illinois (BFI), EIN 37-1370877, is a 501c(3) sub-corporation of the Illinois Baptist State Association. As such, BFI is covered by Group Exemption number 2080 of the Internal Revenue Service. Although the beginnings of Baptist Foundation of Illinois trace back to the 1930s and the Baptist Student Union at Southern Illinois University in Carbondale, BFI has operated continuously since 1986 as a charitable, denominational foundation.

Baptist Foundation of Illinois is governed by a twenty-one member board of trustees, appointed by the Illinois Baptist State Association, a partnership of approximately 1,000 Southern Baptist Churches in Illinois. BFI's mission statement is as follows: "Baptist Foundation of Illinois encourages Illinois Baptists to respond, both individually and corporately, to God's call of stewardship upon their lives, connecting them with ministry opportunities that transform the world with the Gospel of Jesus Christ."

BFI is audited annually by the firm of Capin Crouse of Wheaton, IL for 2015. A complete copy of the most recent year's audit is available upon request or as a PDF download from [BaptistFoundationIL.org](http://BaptistFoundationIL.org).

## II. BFI Church Loan Bond Characteristics

The goal of the BFI Church Loan is to help meet the capital loan needs of IBSA churches, while providing an investment rate of return to other IBSA churches and members. The following is a more complete explanation of the characteristics of bonds offered by BFI in support of IBSA church loans.

### A. Defined Maturities and Yield

Yields and maturities are published with each new issue and each new prospectus publishes these characteristics. BFI bond interest will be paid semi-annually beginning with six months from the corresponding loan closing date. For example, a loan closing on June 30th would pay interest December 31st and June 30th each year. BFI bonds will be issued in \$1,000 denominations.

Under special consideration and upon request, BFI bonds may be consolidated into a larger denomination.

### B. Extraordinary Call Due to Loan Pre-Payment

BFI wishes to encourage churches to be debt free whenever possible, using financing on a limited basis so that funds are ultimately available for ministry. It is conceivable that if a church aggressively pre-pays their loan (the average length of a Baptist church loan is 7.5 years nationally), that bonds would be “called,” meaning all due interest and principal would be returned to the investor prior to the maturity date. Extraordinary calls if and when they occur, would be at the close of the next quarter from the loan’s prepayment. For example, if a church retired their loan early in August, then bonds would be called the next September 30th.

### III. Limitation to Illinois Baptist Churches, Institutions and Their Membership

As a service of the Baptist Foundation of Illinois, a corporation of the Illinois Baptist State Association, BFI Bonds may only be purchased by an Illinois Baptist Church, IBSA Institutions, or individual members of Illinois Baptist Churches. Applications for initial purchase must be accompanied by a statement attesting to membership in an IBSA church (see application in Appendix B). The limitation of IBSA membership applies to the purchaser's status at the time of initial purchase only and is not impacted if the purchaser or owner changes their status after the initial purchase; i.e. a move out of state or an inheritance by a non-Illinois Baptist church member.

BFI reserves the right to grant an exception to this restriction under special circumstances upon request.

### IV. BFI Church Loan Underwriting Process and BFI bond security.

BFI Church Loans are secured by a first position mortgage against church property. Underwriting for each loan is based upon a completed analysis that includes:

- A. Completed application with church budget documentation, insured values, personal inspection of the property, and personal interviews with church lay and ordained leadership.
- B. Analysis of financials to include a maximum of a 50% loan to value ratio of the loan. For example, if a church is seeking a \$1,000,000 loan, their property must be valued for at least \$2,000,000.
- C. Analysis of financials to include ability to pay at a maximum of 25% loan payment to unrestricted church income. For example, if a church is applying for a loan that has a loan payment of \$5,000 monthly, then their monthly income should be \$20,000 or more.

D. Each loan is independently reviewed and approved by the Investment/Loan Committee of Baptist Foundation of Illinois.

E. Risk Analysis

Every investor should consider both the risks and potential rewards with a financial investment, and BFI Bonds are not unique in this regard. BFI Bonds are not guaranteed by any government or any other private entity and the ability to repay and service bonds is dependent on the ability of IBSA churches to repay the mortgage loan corresponding to their bond issue. Known risk can be divided into two areas:

1. If a church should cease repayment of their loan, and mitigation, to include a period of “interest only” payments, still does not result in bringing the loan current, BFI may move to foreclose on the church property in question as provided for in the first position mortgage. If resale of the property does not result in 50% or more of the initial value of the property, bond holders may incur a loss for the unsatisfied portion of the loan.
2. As there is no “secondary market” for BFI Bonds, BFI Bonds are not redeemable on demand **other than** during the periods of scheduled maturity or extraordinary call. In extreme cases, BFI may redeem bonds with a forfeiture of accrued interest from investors based on unforeseen emergency by the investor.

## Appendix A: Specific Bond Offering Details, **BFI Bond Issue 2017A**

- Bond Issue: \$145,000 sold in \$1,000 units
- Yield and Maturities:
  - 1 year maturity @ 1.25% APY
  - 2 year maturity @ 2.25% APY
  - 3 year maturity @ 3.0% APY
  - 4 year maturity @ 3.6% APY
  - 5 year maturity @ 4.25% APY
- Subscription Period: January 1, 2017 to February 28, 2017 directly from Baptist Foundation of Illinois **or** until fully subscribed.
- Anticipated loan closing date: February 28, 2017. Interest will accrue from the date of loan closing.
- **Bond interest is considered taxable** and should be self-reported annually on personal income tax filings (for taxpayers only). BFI will provide annual form 1099 for bond owners.

## Appendix B: Application

BY COMPLETING, APPLICANT AGREES THAT THEY HAVE CAREFULLY READ THE FOREGOING PROSPECTUS. BOND PURCHASE IS DEPENDENT ON AVAILABILITY AND PURCHASE ARE MADE IN THE EXACT ORDER EACH APPLICATION IS RECEIVED. FURTHER, APPLICANT ATTESTS TO BE A MEMBER OF AN ILLINOIS BAPTIST MEMBER CHURCH UNLESS OTHERWISE EXCEPTED. ACKNOWLEDGEMENT OF APPLICATION AND DISPOSITION WILL BE MADE WITHIN 48 HOURS OF RECEIPT.

To be remitted with check for bond purchase amount to:

Baptist Foundation  
of Illinois  
3085 Stevenson Drive  
Springfield, IL 62703

### For Individuals

NOTE: Please complete attached W-9 form for verification of Social Security Number for 1099 issuance.

Name(s):

Printed \_\_\_\_\_ Signed \_\_\_\_\_

Printed \_\_\_\_\_ Signed \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

Member of Which Church: \_\_\_\_\_

\_\_\_\_\_ # bond units of \_\_\_\_\_ year maturity requested  
@ \$1,000 each

*(Note: BFI Bonds may be purchased within a "self directed" IRA.  
For more information about transferring all or a portion of an IRA for  
BFI Bond investment, contact Sheila at 217.391.3116.)*

Please establish a **companion high yield (currently .75% with a .15% annual fee) cash management account at BFI to receive the interest from my/our bonds**. I/ We can make deposits into this account or withdrawals and have money moved to my/ our local bank account with 24-48 hours at no charge via ACH (automated clearly house, a means of "direct deposit"). This step increases accuracy, speed, and dramatically lowers administrative costs.

Local bank account Name: \_\_\_\_\_  
Account #: \_\_\_\_\_  
Routing #: \_\_\_\_\_

### For Churches & Associations

I, \_\_\_\_\_ (legal signature), authorized to act on behalf of \_\_\_\_\_ (church or agency) by corporate resolution or office, have read the attached prospectus and after careful consideration wish to make application purchase bonds described as BFI Bond Issue 2017A.

Name and Position: \_\_\_\_\_

\_\_\_\_\_ # bond units of \_\_\_\_\_ maturity requested @ \$1,000 each

Church Name: \_\_\_\_\_

City/State/Zip: \_\_\_\_\_

Email: \_\_\_\_\_

**W-9**

Form  
(Rev. August 2013)  
Department of the Treasury  
Internal Revenue Service

**Request for Taxpayer  
Identification Number and Certification**

Give Form to the  
requester. Do not  
send to the IRS.

Name (as shown on your income tax return)																					
Business name/disregarded entity name, if different from above																					
Print or type <small>See Specific Instructions on page 2.</small>																					
Check appropriate box for federal tax classification: <input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ► _____ <input type="checkbox"/> Other (see instructions) ► _____																					
Address (number, street, and apt. or suite no.) <small>See Specific Instructions on page 2.</small>																					
City, state, and ZIP code <small>See Specific Instructions on page 2.</small>																					
List account number(s) here (optional)																					
<b>Part I Taxpayer Identification Number (TIN)</b> Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see How to get a TIN on page 3. <b>Note.</b> If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.																					
Social security number <table border="1"> <tr><td> </td><td> </td><td> </td><td>-</td><td> </td><td> </td><td>-</td><td> </td><td> </td><td> </td></tr> </table> Employer identification number <table border="1"> <tr><td> </td><td> </td><td>-</td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> </table>					-			-						-							
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**Part II Certification**

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below), and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

Sign Here	Signature of U.S. person ►
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Date ►

**General Instructions**

Section references are to the Internal Revenue Code unless otherwise noted.

**Future developments.** The IRS has created a page on IRS.gov for information about Form W-9, at [www.irs.gov/w9](http://www.irs.gov/w9). Information about any future developments affecting Form W-9 (such as legislation enacted after we release it) will be posted on that page.

**Purpose of Form**

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, payments made to you in settlement of payment card and third party network transactions, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the

withholding tax on foreign partners' share of effectively connected income, and

4. Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct.

**Note.** If you are a U.S. person and a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

**Definition of a U.S. person.** For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

**Special rules for partnerships.** Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax under section 1446 on any foreign partners' share of effectively connected taxable income from such business. Further, in certain cases where a Form W-9 has not been received, the rules under section 1446 require a partnership to presume that a partner is a foreign person, and pay the section 1446 withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid section 1446 withholding on your share of partnership income.