Christian Church Foundation, Inc.

Auditor's Report and Consolidated Financial Statements

December 31, 2012 and 2011

Christian Church Foundation, Inc.
December 31, 2012 and 2011

Contents

BKD LLP
CPAs & Advisors

201 N. Illinois Street, Suite 700
P.O. Box 44998
Indianapolis, IN 46244-0998
317.383.4000 Fax 317.383.4200 www.bkd.com

Independent Auditor's Report

Board of Directors
Christian Church Foundation, Inc.
Indianapolis, Indiana

We have audited the accompanying consolidated financial statements of Christian Church Foundation, Inc. (Foundation), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Christian Church Foundation, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Indianapolis, Indiana
February 28, 2013

Christian Church Foundation, Inc.

Consolidated Statements of Financial Position

December 31, 2012 and 2011

	2012	2011
Assets		
Cash	$ 837,819	$ 669,097
Marketable securities and other investments	497,597,202	432,326,585
Property and equipment – net	132,440	119,962
Contributions receivable	2,843,664	738,040
Other assets	279,193	331,115
Total assets	$ 501,690,318	$ 434,184,799
Liabilities		
Non-endowment funds		
Subject-to-withdrawal funds	$ 325,629,979	$ 280,983,519
Liability to income beneficiaries under life-income gifts	18,617,959	18,692,539
Liability to charitable beneficiaries under life-income gifts	5,748,324	5,099,710
Other liabilities	619,666	570,859
Total non-endowment funds	350,615,928	305,346,627
Endowment funds held for the benefit of others		
Managed for the benefit of the charitable entity donor	11,377,493	10,096,842
Restricted purposes for other charitable beneficiaries	8,869,459	7,943,389
Total endowment funds held for the benefit of others	20,246,952	18,040,231
Total liabilities	370,862,880	323,386,858
Net Assets		
Unrestricted	20,018,303	17,581,970
Temporarily restricted	110,809,135	93,215,971
Total net assets	130,827,438	110,797,941
Total liabilities and net assets	$ 501,690,318	$ 434,184,799

Christian Church Foundation, Inc.

Consolidated Statement of Activities
For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue, gains and other support:			
Contributions	$ 720,643	$ 9,862,222	$ 10,582,865
Net investment return	1,886,317	12,899,598	14,785,915
Income from services provided	2,569,048	—	2,569,048
Total revenue, gains, and other support	5,176,008	22,761,820	27,937,828
Net assets released from restrictions:			
For distribution to other ministries	3,811,913	(3,811,913)	0
For Foundation services	894,588	(894,588)	0
Other	233,384	(233,384)	0
Total net assets released from restrictions	4,939,885	(4,939,885)	0
Total revenues, net investment activity, and changes in restrictions	10,115,893	17,821,935	27,937,828
Distributions, other expenses, and changes in actuarial value:			
Program expenses			
Distributions for ministry	4,000,757	—	4,000,757
Scott Foundation grants	297,937	—	297,937
Operating expenses	3,174,986	—	3,174,986
Total program activities	7,473,680	—	7,473,680
Management and general expense	205,880	—	205,880
Total expenses	7,679,560	—	7,679,560
Change in actuarial value of life-income agreements	—	228,771	228,771
Total expense and change in actuarial values	7,679,560	228,771	7,908,331
Change in net assets	2,436,333	17,593,164	20,029,497
Beginning of year net assets	17,581,970	93,215,971	110,797,941
End of year net assets	$ 20,018,303	$ 110,809,135	$ 130,827,438

Christian Church Foundation, Inc.

Consolidated Statement of Activities
For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Revenue, losses and other support:			
Contributions	$ 952,257	$ 1,940,792	$ 2,893,049
Net investment return	(566,681)	(2,856,413)	(3,423,094)
Income from services provided	2,395,144	—	2,395,144
Total revenue, investment losses, and other support	2,780,720	(915,621)	1,865,099
Net assets released from restrictions:			
For distribution to other ministries	3,733,311	(3,733,311)	0
For Foundation services	893,877	(893,877)	0
Other	54,603	(54,603)	0
Total net assets released from restrictions	4,681,791	(4,681,791)	0
Total revenues, net investment activity, and changes in restrictions	7,462,511	(5,597,412)	1,865,099
Distributions, other expenses, and changes in actuarial value:			
Program expenses			
Distributions for ministry	4,016,296	—	4,016,296
Scott Foundation grants	278,013	—	278,013
Operating expenses	3,018,933	—	3,018,933
Total program activities	7,313,242	—	7,313,242
Management and general expense	211,287	—	211,287
Total expenses	7,524,529	—	7,524,529
Change in actuarial value of life-income agreements	—	(221,957)	(221,957)
Total expense and change in actuarial values	7,524,529	(221,957)	7,302,572
Change in net assets	(62,018)	(5,375,455)	(5,437,473)
Beginning of year net assets	17,643,988	98,591,426	116,235,414
End of year net assets	$ 17,581,970	$ 93,215,971	$ 110,797,941

Christian Church Foundation, Inc.

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ 20,029,497	$ (5,437,473)
Items not requiring (providing) operating activities cash flow:		
Depreciation	58,752	49,135
Net realized and unrealized (gain)/loss on investments	(12,959,412)	5,362,149
Actuarial (gain)/loss on life income gift obligations	228,771	(221,957)
Contributions and investment income received restricted for long-term investments	(11,497,362)	(3,725,242)
Change in other long-term assets and liabilities	(4,208)	(38,734)
Contribution of note receivable	-	(197,617)
Accretion on note receivable	(110,240)	(110,086)
Changes in:		
Receivables	(1,213)	(3,337)
Prepaid expenses	7,577	(6,448)
Contributions receivable	(2,105,624)	(389,340)
Accounts payable and accrued expenses	(7,080)	6,638
Other assets and liabilities	162,938	(34,930)
Net cash used in operating activities	(6,197,604)	(4,747,242)
Cash flows from investing activities:		
Purchase of property and equipment	(71,230)	(88,095)
Proceeds from sale of automobile	13,845	19,945
Purchase of investments	(38,026,713)	(20,870,434)
Proceeds from sale of investments	33,563,188	22,811,194
Principal payments received on notes receivable	216,800	48,014
Net cash provided by(used in) investing activities	(4,304,110)	1,920,624
Cash flows from financing activities:		
Payments on annuities and trusts payable	(826,926)	(767,885)
Proceeds from issuance of annuities and trusts payable restricted for long-term investments	84,287	160,032
Proceeds from contributions received restricted for long-term investments	9,777,935	1,780,760
Investment income received restricted for long-term investment	1,635,140	1,784,450
Net cash provided by financing activities	10,670,436	2,957,357
Net increase in cash	168,722	130,739
Cash at beginning of year	669,097	538,358
Cash at end of year	$ 837,819	$ 669,097

Note 1: Nature of Operations and Summary of Significant Accounting Policies

General and Principles of Consolidation

The Christian Church Foundation, Inc. (Foundation) was incorporated as a not-for-profit organization in November 1961, under the laws of the state of Indiana. The financial statements include the accounts of the Foundation and also the Joint Investment Trust of the Foundation (Trust), and the Oreon E. Scott Foundation.

The Trust, of which the Foundation is Trustee, exists exclusively to receive and to administer cash and property transferred by any congregation, region, general unit, or other institution affiliated with the Christian Church (Disciples of Christ) (Church). Management of the Trust is the responsibility of the Foundation.

The Oreon E. Scott Foundation (Scott Foundation) was established in 1950 to promote religious, charitable, benevolent, scientific, literacy or educational purposes within the United States. In 1974, the Scott Foundation was reformed to bring it under the control of the Christian Church Foundation. Bank of America serves as the corporate trustee for the Scott Foundation and three individual trustees, elected by the Foundation, are generally selected from among the presidents of certain General Units of the Church. No Foundation employees are eligible to serve as individual trustees of the Scott Foundation. The Scott Foundation is a grant-making foundation, with annual grants determined based on a majority vote of the individual trustees.

The Foundation seeks to support all of the ministries of the Church by providing opportunities for the stewardship of accumulated resources through planned giving on the part of individuals and through prudent investing and endowment policy development on the part of Church institutions. The Foundation is engaged primarily in educating individuals about planned giving and Church partners about prudent investing, receiving gifts and investments, and distributing funds for support of the many ministries of the Church. Support for the Foundation's operations is primarily received from its investment and fund management services. The Foundation is a donor-directed ministry, which means that most donors either direct or advise the Foundation as to the ministries which will benefit from their gift.

Upon mutual agreement, congregations, regions, general units and other institutions affiliated with the Christian Church (Disciples of Christ) may utilize services offered by the Foundation including bookkeeping, record keeping, electronic data processing and other administrative support.

Use of Estimates

The preparation of financial statements in accordance 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

The Foundation reports only its petty cash and bank deposits in federally insured accounts as cash. Due to the investing nature of the Foundation's operations, short-term, highly liquid investments are treated as investments rather than cash equivalents. The unlimited insurance coverage for non-interest-bearing accounts provided under legislation enacted in 2010 expired on December 31, 2012. On January 1, 2013 all deposits held in noninterest-bearing accounts will be aggregated with any interest-bearing deposits and the combined total will be insured up to $250,000. At December 31, 2012 the Foundation's cash accounts did not exceed federally insured limits.

Investments

Investments are carried at fair value. For those investments with no quoted market prices, fair values used were those provided by the managers of the investment funds. These estimated values are subject to uncertainty and, therefore, may differ significantly from the value that would have been used had an open market for such investments existed. Such difference could be material. Realized and unrealized gains and losses are reflected in the Consolidated Statement of Activities for those investments that are a part of the Foundation's net assets.

Property and Equipment

Property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost and depreciated on the straight-line method over their estimated useful lives, which range from three to ten years.

Income Taxes

By virtue of its inclusion in the group exemption ruling of the General Assembly of the Christian Church (Disciples of Christ), the Foundation is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. As a religious organization, the Foundation is not required to file U.S. Federal tax returns. The Foundation could, however, be subject to examinations by tax authorities for all years since incorporation.

Unrestricted Net Assets

Unrestricted net assets represent assets that may be legally expended by the Foundation for charitable purposes chosen by the Foundation. Unrestricted net assets include bequests and other testamentary gifts left to the Foundation without restrictions as well as donor advised funds where the donor has the ability to advise the Foundation on how these charitable gifts should ultimately be expended. The Foundation's Board of Directors has designated that unrestricted net assets held in permanent funds or as donor advised funds may only be expended in accordance with policies established by the Board of Directors or its donor advised fund committee.

Temporarily Restricted Net Assets

Temporarily restricted net assets generally represent endowment gifts that the Foundation has agreed to maintain in perpetuity for the benefit of the Church. Endowment net assets are classified as temporarily restricted if the Foundation has or will have the right to make regular distributions as defined in the Trust because, by definition, these distributions may temporarily erode a portion of the corpus. The Foundation may spend only the income, as defined in the Trust, and not the entire endowment gift. Temporarily restricted net assets also include the estimated charitable residual for charitable gift annuities that will add to endowment funds at the Foundation, gift assets that may be fully expended after an established period of time, or gift assets which are held for an agreed upon charitable purpose.

Permanently Restricted Net Assets

Permanently restricted net assets would represent funds that, either by agreement with the donors or by operation of law, may not be spent.

Contributions

Contributions received without donor stipulations are reported as unrestricted revenue and net assets. Monies received for an immediate specified, directed purpose are disbursed when received and are not recorded as contributions. Contributions received for permanent funds or life-income gifts, the residual of which will create a permanent fund, are reported as temporarily restricted revenue and net assets. Distributions from permanent funds are transferred to unrestricted funds as "net assets released from restrictions" in the period of disbursement.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's report, which is the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Financially Interrelated and Affiliated Organizations

The Church includes all those organizations that are listed in the Annual Yearbook and Directory of the Christian Church (Disciples of Christ) (Yearbook). Most of these organizations are individually incorporated with their own Board of Directors. Individual Church entities are generally independent and responsible for their own personnel policies, financial matters, program activities and other corporate matters which are affiliated by the common cause of the Church. All organizations included in the Yearbook are considered ministry partners affiliated with the Foundation.

The General Board, on behalf of the General Assembly of the Christian Church (Disciples of Christ), elects the Board of Directors of the Foundation. The Foundation and the General Assembly of the Christian Church are considered to be financially interrelated organizations.

Note 3: Endowment

The Foundation's primary ministry is to support the Church in perpetuity by providing opportunities for the stewardship of accumulated resources through planned giving. In conjunction with this ministry, the Foundation maintains approximately 1,000 named funds that are recorded as a part of the Foundation's net assets. Named permanent endowment funds include both donor-restricted endowment funds and funds designated by the Foundation's board of directors to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's board of directors (Board) has concluded, absent explicit donor stipulations to the contrary, that the Foundation's donor-restricted endowment funds should be governed under Indiana law. Under Indiana law, the Foundation is required to act in good faith to determine the prudent expenditure of accumulation of its endowment funds, giving full consideration to (1) the duration and preservation of the endowment fund, (2) the purposes of the Foundation and the endowment fund, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation and (7) the investment policy of the Foundation. From its inception, the Foundation has sought to balance the dual goals of providing maximum funds for ministry while also preserving, over the long-term, the inflation-adjusted value of a donor's gift.

In seeking to balance its dual goals, the Foundation's focus is on the development of an investment and spending policy that, over the long term, will both produce funds for ministry and preserve the gift value. Foundation donors may recommend one of four investment mixes for the investment of their gift. 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 current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets diversified asset allocations, each of which places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. Based on 10-year asset class assumptions for each asset mix offered by the Foundation, the predicted long-term return for the Beasley Growth Fund is 6.5%, for the Campbell Multi-Strategy Fund is 7.0%, for the Common Balanced Fund is 5.9% and for the Brown Fund is 4.5%. For 2012 and 2011, the Foundation's spending policy, which retains a portion of each year's predicted earnings to offset inflation, was 5% of the monthly average balances for the Campbell Fund, 4% of the monthly average balances for the Common Fund, 4.5% of the monthly average balances for the Beasley Fund and 3% of the monthly average balances for the Brown Fund.

Both Indiana law and the Foundation's standard gift agreements emphasize the development of a reasonable spending rate and provide for the distribution of funds at that rate, even when the fair value of a fund may have fallen below the original gift amount. Both Indiana law and the Foundation's standard gift agreements emphasize the Foundation's responsibility to steward every dollar held in endowment funds, whether those balances represent the original gift or appreciation on that gift realized over time. The Foundation Board's understanding of both the relevant law and the Foundation's donor agreements is that every dollar held in an endowment fund is equally important (and restricted) for the purposes named by the donor and that the invasion of a gift's corpus (original gift amount) is acceptable only if the appropriation of funds is pursuant to a spending policy that, over the long-term, preserves gift value. Furthermore, the Board understands that the Indiana law does not require that an inflation factor be applied to gifts to make a distinction in the level of restrictions to be applied to funds held in the Foundation's endowment. Because the Foundation has agreed to make regular distributions for ministry even when these distributions may temporarily erode a portion of the gift's original value and because the Foundation believes that both the value of the original gift and any appreciation on the gift is equally restricted for purposes named by the donor, the Foundation records 100% of permanent endowment gifts as temporarily restricted. It is the Foundation's clear practice and commitment that every dollar in its permanent endowment funds will be held and managed to meet the dual goals of fund growth and ministry distributions in perpetuity, in accordance with the donor's instructions.

Changes in endowment net assets for the years ended December 31, 2012 and 2011 were:

	2012		
	Board-designated Unrestricted	Temporarily Restricted	Total
Endowment net assets, beginning of year	$ 13,990,975	$ 78,627,872	$ 92,618,847
Investment return:			
Investment income	165,663	1,125,458	1,291,121
Net appreciation	1,630,955	9,133,575	10,764,530
Total investment return	1,796,618	10,259,033	12,055,651
Contributions from outside sources	684,927	9,777,935	10,462,862
Transfers from matured life income gifts	222,998	482,071	705,069
Appropriation of endowment assets for expenditure	(1,146,469)	(4,268,661)	(5,415,130)
Endowment net assets, end of year	$ 15,549,049	$ 94,878,250	$ 110,427,299

	2011		
	Board-designated Unrestricted	Temporarily Restricted	Total
Endowment net assets, beginning of year	$ 14,913,620	$ 82,681,527	$ 97,595,147
Investment return:			
Investment income	187,069	1,156,056	1,343,125
Net depreciation	(808,251)	(3,745,702)	(4,553,953)
Total investment return	(621,182)	(2,589,646)	(3,210,828)
Contributions from outside sources	915,071	1,772,760	2,687,831
Transfers from matured life income gifts	54,603	940,692	995,295
Appropriation of endowment assets for expenditure	(1,271,137)	(4,177,461)	(5,448,598)
Endowment net assets, end of year	$ 13,990,975	$ 78,627,872	$ 92,618,847

Substantially all of funds held by the Foundation as temporarily restricted are restricted for purposes designated by the donor.

Note 4: Functional Allocation of Expenses

The Foundation's ministry is to provide members, congregations, and other ministries of the Church with planned giving and endowment fund education and services. In conjunction with its planned giving education and services, the Foundation offers free seminars to congregations and personal assistance to potential donors who may wish to consider making a planned gift that benefits one or more ministries of the Church. An important part of the Foundation's ministry is to provide donors a place where their gifts will be maintained in perpetuity for the benefit of their chosen ministries. In its endowment fund education and services ministry, the Foundation assists the varied ministries of the Church with the development of endowment fund policies designed to both encourage gifts and prudently invest endowment funds. In this regard, the Foundation offers any Church ministry both counsel on the development of endowment policies and several investing opportunities. The Foundation's investments are offered only to ministries of the Church and are designed to maintain the endowment funds of the Church in a way that honors the dual goals of providing funds for ministry while also growing endowment gifts to keep pace with inflation.

All employees of the Foundation are actively involved in the Program Services of the Foundation, and most are responsible for both Gift Education and Services and Investment Education and Services. As a result of the integrated services provided, the Foundation does not separately account for the costs of its Gift and Investment programs.

In addition to its Program Services, the Foundation maintains payroll, personnel, and financial reporting functions that are primarily administrative in nature. Expenses for these functions, the cost of the Foundation's annual audit, and expenses related to the Foundation's board of directors are reported as management and general expense on the consolidated Statement of Activities.

Note 5: Contributions Receivable

Contributions receivable represent gifts pending from donors' estates as well as gifts that were mailed to the Foundation prior to December 31 but received by the Foundation in January of the following year. The Foundation has received or anticipates receipt of all of the recorded contributions receivable within the calendar year following their recording as a receivable.

Note 6: Marketable Securities and Other Investments

The Foundation's investments and their fair values at December 31 are as follows:

	2012	2011
Investments in unrelated parties:		
Short-term investments	$ 7,596,423	$ 4,349,154
Stock and stock funds		
Large Cap	145,421,974	121,892,776
Mid Cap	66,794,615	58,973,746
Small Cap	552,042	319,326
Public REITS	12,613,802	10,026,366
International	78,672,082	62,632,093
Bonds and bond funds		
Domestic	45,265,252	43,793,108
Global	49,310,445	41,680,478
TIPS	14,166,074	2,308,068
Alternative investments		
Hedge	43,070,382	35,203,455
Real Assets	13,691,047	31,711,511
Notes receivable	2,120,388	2,226,948
Investments in related party:		
Church Extension	18,322,676	17,209,556
Total	$ 497,597,202	$ 432,326,585

At December 31, 2012 and 2011, the fair value of approximately 47% and 53%, respectively, of the investments were provided by the managers of the funds.

In addition to managing the Foundation's own endowment funds, the Foundation also provides investment services to Disciples congregations, regions, general units, and recognized ministries. Investments in the Trust which are owned by other church partners or are held for their benefit are shown on the Consolidated Statement of Financial Position as subject to withdrawal funds or as endowment funds held for the benefit of others. These funds are invested in the same pooled funds that contain the Foundation's own permanent funds. The net investment return reported on the Consolidated Statement of Activities includes only the investment return from investments which are recorded as a part of the Foundation's net assets.

Net investment return is shown net of the related investment fees, which includes transaction costs and other service fees that may not be separately identifiable from the reported results. Net investment return is reflected in the Consolidated Statement of Activities as unrestricted or temporarily restricted based on the nature of donor agreements or legally imposed restrictions. The components of net investment return, which excludes income on investments for subject-to-withdrawal funds and other funds held for the benefit of others, are as follows:

	2012	2011
Interest and dividend income	$ 2,057,972	$ 2,175,224
Realized and unrealized gains and losses	12,959,412	(5,362,149)
Separately reported fees	(231,469)	(236,169)
	$ 14,785,915	$ (3,423,094)

Note 7: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value hierarchy measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy.

Marketable Securities and Other Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or discounted cash flows. As a practical expedient, fair value of alternative investments and stock and bond funds without quoted market prices, is determined using the net asset value (or its equivalent) provided by the fund assuming the Foundation can redeem its investment at the net asset value per share at December 31 or within a reasonable period of time. Such securities are classified as level 2.

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial positions measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2012 and 2011:

Christian Church Foundation, Inc.

Notes to Consolidated Financial Statements
December 31, 2012 and 2011

	2012 Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Short-term investments	$ 7,596,423	$ 7,596,423	$ -	$ -
Stock and stock funds				
Large Cap	145,421,974	22,571,899	122,850,075	-
Mid Cap	66,794,615	66,794,615	-	-
Small Cap	552,042	552,042	-	-
Public REITS	12,613,802	12,613,802	-	-
International	78,672,082	78,672,082	-	-
Bonds and Bond funds				
Domestic	45,265,252	45,265,252	-	-
Global	49,310,445	1,025,498	48,284,947	-
TIPS	14,166,074	14,166,074	-	-
Alternative investments				
Hedge	43,070,382	-	43,070,382	-
Real Assets	13,691,047	-	13,691,047	-
Notes receivable	2,120,388	-	2,120,388	-
Investments in related party				
Church Extension	18,322,676	-	18,322,676	-
Total Investments	$ 497,597,202	$ 249,257,687	$ 248,339,515	$ -

Christian Church Foundation, Inc.

Notes to Consolidated Financial Statements
December 31, 2012 and 2011

	2011			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Short-term investments	$ 4,349,154	$ 4,349,154	$ -	$ -
Stock and stock funds				
Large Cap	121,892,776	11,210,488	110,682,288	-
Mid Cap	58,973,746	58,973,746	-	-
Small Cap	319,326	319,326	-	-
Public REITS	10,026,366	10,026,366	-	-
International	62,632,093	62,632,093	-	-
Bonds and Bond funds				
Domestic	43,793,108	43,793,108	-	-
Global	41,680,478	312,444	41,368,034	-
TIPS	2,308,068	2,308,068	-	-
Alternative investments				
Hedge	35,203,455	-	35,203,455	-
Real Assets	31,711,511	-	31,711,511	-
Notes receivable	2,226,948	-	2,226,948	-
Investments in related party				
Church Extension	17,209,556	-	17,209,556	-
Total Investments	$ 432,326,585	$ 193,924,793	$ 238,401,792	$ -

The following table presents information regarding funds with fair value that is determined using the net asset value (or its equivalent) provided by the fund. There were no unfunded commitments for 2012 and 2011.

	2012 Fair Value	2011 Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Assets				
Investments				
Stock and stock funds				
Large Cap (a)	$ 122,850,075	$ 110,682,288	Daily	Two days
Bonds and bond funds				
Global (b)	48,284,947	41,368,034	Monthly	10 business days
Alternative investments				
Hedge (c)	43,070,382	35,203,455	Quarterly	65 or 90 days
Real Assets (d)	13,691,047	31,711,511	Daily	One day
Total	$ 227,896,451	$ 218,965,288		

(a) This category includes investments in a common trust fund that invests in domestic stocks. The fund is a S&P 500 indexed fund investing in large capitalizations which mirrors the S&P 500 index and includes both value and growth strategies. There is no restriction (lock-up) period for these investments.

(b) This category includes investments in a common trust fund that invests in global bonds. There is no restriction (lock-up) period for these investments.

(c) This category invests in hedge fund of funds that pursue multiple strategies to diversify risk and reduce volatility. One fund of funds group uses hedged equity, market neutral, global trading, and long and short biased strategies. No single manager is allocated more than 10% of the assets. The other fund of funds group targets 50% to long/short equity, 20% to event driven, 20% to relative value and 10% to global asset allocation strategies with no single manager being allocated more than 15% of the assets. The fair values of the investments in this category have been estimated using the net asset value per share of the underlying investments. There is generally a one-year restriction (lock-up) period on these investments.

(d) This category is actively managed through the use of derivative instruments and securities in the commodity sector. Typical exposure includes 20-30 commodities spread across the four commodity sectors with individual exposure limited to 30% of the portfolio. There is no restriction (lock-up) period for these investments.

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying statements of financial position at amounts other than fair value.

Cash, contributions receivable, subject-to-withdrawal funds, liabilities to income and charitable beneficiaries under life-income gifts, and endowment funds held for the benefit of others.

The carrying amount approximates fair value.

Note 8: Life Income Gift Agreements

The Foundation administers a charitable gift annuity program on behalf of many of the ministries of the Church. All assets or proceeds from assets received in exchange for a charitable gift annuity are segregated in a separate fund and are not commingled with other Foundation assets. At December 31, 2012 and 2011 the fair values of the investments in this fund were $12.6 and $13.2 million, respectively. The obligation to pay the annuity amount to annuitants is a general obligation of the Foundation and is estimated using the applicable federal rates (AFRs) at the gift date. Those rates ranged from 1.0% to 10.2% at December 31, 2012 and the related obligation was $7.9 million. At December 31, 2011 the rates ranged from 1.4% to 10.2% and the related obligation was $8.7 million. The present value of the liability to income beneficiaries of charitable gift annuities is included as a part of the "Liability to income beneficiaries under life-income gifts." After the obligation to the income beneficiary of a gift annuity is satisfied, the residual value of the charitable gift annuity may establish a permanent fund at the Foundation or be distributed to other charitable organizations selected by the donor. The present value of the estimated charitable residual of gift annuities which will be distributed to other charitable organizations is shown as "Liability to charitable beneficiaries under life-income gifts." At December 31, 2012 and 2011, the estimated charitable residual value for charitable gift annuities which were intended to be distributed outside the Foundation was $2.9 and $2.7 million, respectively. The actuarial value for gifts whose remainder will become a permanent fund of the Foundation is included in net assets of the Foundation.

Many states require a charity to register and meet state-specific requirements before offering charitable gift annuities in that state. Annually, the Foundation is required to meet certain state-specific requirements surrounding reserves held to meet its obligations to charitable gift annuity income beneficiaries. At December 31, 2012 and 2011, the Foundation's gift annuity reserves are in excess of the most stringent of these state-specific mandates of $11.6 million and $12.3 million, respectively.

The Foundation also serves as trustee for charitable remainder trusts. These agreements also require periodic payments to income beneficiaries named by the donor. The present value of the liability to income beneficiaries of charitable remainder trusts is included as a part of the "Liability to income beneficiaries under life-income gifts." The obligation is also discounted using the AFR on the gift date. Those rates range from 1.2% to 11.0% and at December 31, 2012 and 2011 the related obligation was $10.7 and $10.0 million, respectively. The actuarial value of the charitable residual for gifts whose remainder will become a permanent fund of the Foundation is included in the net assets of the Foundation. The present value of the estimated charitable residual of gift instruments which will be distributed to other charitable organizations is shown as "Liability to charitable beneficiaries under life-income gifts." The Foundation revalues these liabilities annually based on actuarial assumptions and the fair value of the underlying investments. At December 31, 2012 and 2011, the estimated charitable residual value for charitable remainder trusts which were intended to be distributed outside the Foundation was $2.8 and $2.4 million, respectively.

Note 9: Employee Benefits

Employees of the Foundation participate in a defined-benefit plan of the Pension Fund of the Christian Church (Disciples of Christ). Contributions are paid monthly to the plan and are 14% (11% for the defined-benefit pensions and 3% for other benefits) of the base salaries of participating employees. Pension expense for 2012 and 2011 was $242,229 and $228,113, respectively.

Note 10: Joint Investment Trust

The Joint Investment Trust of the Christian Church Foundation offers investment services, designed for long-term endowment investments, to all of the recognized ministries of the Christian Church (Disciples of Christ). Disciples ministries may choose to invest in any of four fund options. The unit values for these funds at December 31 were:

	2012	2011
Beasley Growth Fund	$ 326.67	$ 299.83
Campbell Multi-Strategy Fund	80.03	74.78
Common Balanced Fund	235.15	218.09
Brown Fund	163.78	154.04