

Christian Church Foundation, Inc.

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2020 and 2019

Christian Church Foundation, Inc.

December 31, 2020 and 2019

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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. and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, 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 consolidated 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 consolidated financial position of Christian Church Foundation, Inc. and its subsidiaries as of December 31, 2020 and 2019, and the changes in their net assets and their 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 25, 2021

Christian Church Foundation, Inc.
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$ 353,379	\$ 577,047
Marketable securities and other investments	942,373,727	852,550,340
Property and equipment – net	100,723	128,482
Contributions receivable	646,027	2,703,571
Other assets	<u>217,543</u>	<u>180,189</u>
Total assets	<u>\$ 943,691,399</u>	<u>\$ 856,139,629</u>
Liabilities		
Non-endowment funds		
Partner investment accounts	\$ 637,559,237	\$ 574,313,923
Liability to income beneficiaries under life-income gifts	20,383,752	19,835,843
Liability to charitable beneficiaries under life-income gifts	10,247,262	9,047,134
Other liabilities	<u>727,539</u>	<u>711,980</u>
Total non-endowment funds	<u>668,917,790</u>	<u>603,908,880</u>
Endowment funds held for the benefit of others		
Managed for the benefit of the charitable entity donor	23,709,202	21,400,005
Restricted purposes for other charitable beneficiaries	<u>13,012,378</u>	<u>12,482,779</u>
Total endowment funds held for the benefit of others	<u>36,721,580</u>	<u>33,882,784</u>
Total liabilities	<u>705,639,370</u>	<u>637,791,664</u>
Net Assets		
Without donor restrictions	42,425,739	38,779,973
With donor restrictions	<u>195,626,290</u>	<u>179,567,992</u>
Total net assets	<u>238,052,029</u>	<u>218,347,965</u>
Total liabilities and net assets	<u>\$ 943,691,399</u>	<u>\$ 856,139,629</u>

Christian Church Foundation, Inc.
Consolidated Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, investment gains and other support:			
Contributions	\$ 658,230	\$ 4,438,351	\$ 5,096,581
Net investment return	3,494,854	18,919,499	22,414,353
Income from services provided	<u>2,895,292</u>	<u>—</u>	<u>2,895,292</u>
Total revenue, investment gains, and other support	<u>7,048,376</u>	<u>23,357,850</u>	<u>30,406,226</u>
Net assets released from restrictions:			
For distribution to other ministries	5,857,446	(5,857,446)	—
For Foundation services	<u>1,164,932</u>	<u>(1,164,932)</u>	<u>—</u>
Total net assets released from restrictions	<u>7,022,378</u>	<u>(7,022,378)</u>	<u>—</u>
Total revenues, net investment activity, and changes in restrictions	14,070,754	16,335,472	30,406,226
Distributions, grants, other expenses, and changes in actuarial value:			
Program expenses			
Distributions for ministry	6,243,025	—	6,243,025
Scott Foundation grants	299,050	—	299,050
Operating expenses	<u>3,091,241</u>	<u>—</u>	<u>3,091,241</u>
Total program activities	9,633,316	—	9,633,316
Management and general expense	<u>791,672</u>	<u>—</u>	<u>791,672</u>
Total expenses	<u>10,424,988</u>	<u>—</u>	<u>10,424,988</u>
Increase in actuarial value of life-income agreements	<u>—</u>	<u>277,174</u>	<u>277,174</u>
Total expense and change in actuarial values	<u>10,424,988</u>	<u>277,174</u>	<u>10,702,162</u>
Change in net assets	3,645,766	16,058,298	19,704,064
Beginning of year net assets	<u>38,779,973</u>	<u>179,567,992</u>	<u>218,347,965</u>
End of year net assets	<u>\$ 42,425,739</u>	<u>\$ 195,626,290</u>	<u>\$ 238,052,029</u>

Christian Church Foundation, Inc.
Consolidated Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, investment gains and other support:			
Contributions	\$ 686,523	\$ 5,975,255	\$ 6,661,778
Net investment return	5,690,869	30,915,043	36,605,912
Income from services provided	<u>3,323,130</u>	<u>—</u>	<u>3,323,130</u>
Total revenue, investment gains, and other support	<u>9,700,522</u>	<u>36,890,298</u>	<u>46,590,820</u>
Net assets released from restrictions:			
For distribution to other ministries	5,709,687	(5,709,687)	—
For Foundation services	<u>1,137,221</u>	<u>(1,137,221)</u>	<u>—</u>
Total net assets released from restrictions	<u>6,846,908</u>	<u>(6,846,908)</u>	<u>—</u>
Total revenues, net investment activity, and changes in restrictions	16,547,430	30,043,390	46,590,820
Distributions, grants, other expenses, and changes in actuarial value:			
Program expenses			
Distributions for ministry	6,273,375	—	6,273,375
Scott Foundation grants	288,000	—	288,000
Operating expenses	<u>3,141,283</u>	<u>—</u>	<u>3,141,283</u>
Total program activities	9,702,658	—	9,702,658
Management and general expense	<u>824,525</u>	<u>—</u>	<u>824,525</u>
Total expenses	<u>10,527,183</u>	<u>—</u>	<u>10,527,183</u>
Increase in actuarial value of life-income agreements	<u>—</u>	<u>94,287</u>	<u>94,287</u>
Total expense and change in actuarial values	<u>10,527,183</u>	<u>94,287</u>	<u>10,621,470</u>
Change in net assets	6,020,247	29,949,103	35,969,350
Beginning of year net assets	<u>32,759,726</u>	<u>149,618,889</u>	<u>182,378,615</u>
End of year net assets	<u>\$ 38,779,973</u>	<u>\$ 179,567,992</u>	<u>\$ 218,347,965</u>

Christian Church Foundation, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 19,704,064	\$ 35,969,350
Items not requiring (providing) operating activities cash flow:		
Depreciation	29,166	47,163
Net realized and unrealized gain on investments	(13,370,089)	(31,474,223)
Actuarial loss on life-income gift obligations	277,174	94,287
Contributions and investment income received restricted for long-term investments	(11,827,733)	(10,113,155)
Change in other long-term assets and liabilities	13,541	(88,052)
Changes in:		
Receivables	(24,704)	(4,280)
Prepaid expenses	(19,064)	57,674
Contributions receivable	2,057,544	(983,821)
Accounts payable and accrued expenses	2,215	18,631
Other assets and liabilities	<u>(542)</u>	<u>(25,710)</u>
Net cash used in operating activities	<u>(3,158,428)</u>	<u>(6,502,136)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,407)	(998)
Proceeds from sale of property and equipment	—	42,000
Purchase of investments	(59,718,179)	(22,111,758)
Proceeds from sale of investments	49,367,285	22,118,580
Principal payments received on notes receivable	<u>12,569</u>	<u>12,125</u>
Net cash provided by/(used) in investing activities	<u>(10,339,732)</u>	<u>59,949</u>
Cash flows from financing activities:		
Payments on annuities and trusts payable	(340,184)	(166,902)
Proceeds from issuance of annuities and trusts payable restricted for long-term investments	37,292	23,070
Proceeds from contributions received restricted for long-term investments	4,401,058	5,952,185
Investment income received restricted for long-term investment	<u>7,389,383</u>	<u>4,137,900</u>
Net cash provided by financing activities	<u>11,487,549</u>	<u>9,946,253</u>
Net increase/(decrease) in cash and cash held in investments	(2,010,611)	3,504,066
Cash and cash held in investments, beginning of year	<u>8,570,709</u>	<u>5,066,643</u>
Cash and cash held in investments, end of year	<u>\$ 6,560,098</u>	<u>\$ 8,570,709</u>
	<u>2020</u>	<u>2019</u>
Composition of cash and cash held in investments, end of year:		
Cash	\$ 353,379	\$ 577,047
Deposits held as investments	<u>6,206,719</u>	<u>7,993,662</u>
Total cash and cash held in investments, end of year	<u>\$ 6,560,098</u>	<u>\$ 8,570,709</u>

Christian Church Foundation, Inc.

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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 consolidated financial statements include the accounts of the Foundation, the Joint Investment Trust of the Foundation (Trust), and the Oreon E. Scott Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Trust, of which the Foundation is Trustee, exists exclusively to receive and to administer cash and property transferred by any ministry affiliated with the Christian Church (Disciples of Christ) (Church) or any other ministry determined to be sufficiently affiliated with the Stone-Campbell Movement. Assets held by the Trust are held exclusively for charitable purposes, with no unexpired, non-charitable interests. 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. Three individual trustees, elected by the Foundation, are selected from among the presidents of General Units of the Church as named by the Scott Foundation. 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.

Christian Church Foundation, Inc.

Notes to Consolidated Financial Statements

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Cash and Cash Held in Investments

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. All deposits held in noninterest-bearing accounts are aggregated with any interest-bearing deposits and the combined total is insured up to \$250,000 per financial institution. At year end, these deposits include gifts and new investments received by the Trust during the month of December, which were first eligible to buy into the various funds of the Trust on January 4, 2021. At December 31, 2020, total cash exceeded the federally insured limits by approximately \$5.5 million.

Marketable Securities and Other 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 Statements of Activities for those investments that are a part of the Foundation's net assets.

Investment return is reflected in the Consolidated Statements of Activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

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.

Net Assets

Net assets without donor restrictions represent assets that could be legally expended by the Foundation for charitable purposes chosen by the Foundation. These assets include testamentary gifts for which the Foundation established a named endowment fund, if such gift was not legally restricted for endowment or for a legally-restricted purpose by the donor. They include board-established endowments for the support of the Foundation's own operations. Also included are donor-advised funds, where the donor has the ability to advise the Foundation on future distributions, and the Foundation's operating reserves. At December 31, 2020 and 2019, the value of endowed accounts established without donor restrictions was \$22.9 million and \$21.7 million, respectively. Donor-advised funds were \$9.0 million and \$8.2 million, respectively.

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Net assets with donor restrictions include legally-restricted gifts making regular distributions for the benefit of charitable causes selected by their donor, estimated charitable residuals for life-income gifts which will create endowments at the Foundation when the life-income portion of those gifts has ended, and state-required charitable gift annuity reserves. At December 31, 2020 and 2019, the value of endowment accounts held directly by the Foundation was \$172.3 million and \$156.2 million, respectively. Scott Foundation endowment assets were \$8.9 million and \$8.3 million, respectively, and non-endowment gifts making donor-restricted charitable distributions were \$2.1 million and \$3.6 million, respectively. Amounts related to the Foundation's life-income gifts were \$12.3 million and \$11.5 million, respectively.

Contributions

Contributions received without donor stipulations are reported as revenue and net assets without donor restrictions. These gifts generally represent donor-advised fund gifts and are not available to the Foundation without further action by the Foundation's board. Gifts received for an immediate donor-directed purpose are disbursed when received and are not recorded as contributions. Contributions received for endowment funds are reported as revenue and net assets with donor restrictions. The charitable portion of life-income gifts, if intended for an endowment fund at the Foundation, is reported as revenue and net assets with donor restrictions. Charitable distributions from permanent funds are shown as "net assets released from restrictions" in the period of disbursement. Contributions with and without donor stipulations are received in the form of cash or marketable securities and are recorded at their fair value on the date of the gift.

Cost Recovery Charges

The Foundation receives compensation for certain provided services through cost recovery charges. For charges assessed to investors and for endowments and other gifts held as part of the Foundation's liabilities, this cost recovery income is presented in the Consolidated Statement of Activities as income from services provided. For charges related to gifts with donor restrictions, cost recovery income is shown on the Consolidated Statement of Activities as net assets released from restrictions – for Foundation services. Cost recovery charges are collected and recognized monthly based on the type of services provided and the fair value of the managed asset.

Subsequent Events

Subsequent events have been evaluated through February 25, 2021, which is the date the consolidated financial statements were available to be issued.

Christian Church Foundation, Inc.
Notes to Consolidated Financial Statements
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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 1,300 named endowment 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. Most of the Foundation's donor-restricted endowment funds are also governed in accordance with the terms of individual gift agreements which specify or clarify the donor's wishes regarding how the endowment fund will be administered. The Foundation is required to act in good faith to determine the prudent expenditure from 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. The Foundation's gift agreements seek to balance the dual goals of providing maximum funds for ministry while also preserving, over the long-term, the value of each donor's endowment gift.

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Under these agreements, endowments continue to distribute income to the ministries chosen by their donors, even when an endowment fund's fair value falls below the amount of donations to the fund. The Foundation reviews endowment funds that fall below their original gift values and may temporarily reduce the distribution from these funds to allow these endowments to recover their investment losses over time, while continuing to make meaningful distributions for ministry. By policy, the full distribution amount is restored when the fund balance has grown to exceed the amount of the original gift(s) plus one full year of that fund's distributions for ministry. At December 31, 2020 and 2019, endowment funds with original gift values of \$14.1 million and \$15.9 million, fair values of \$13.5 million and \$14.6 million, and deficiencies of \$.6 million and \$1.3 million, respectively, were reported in net assets with donor restrictions.

Foundation donors may recommend one of five investment mixes for the investment of their gifts. 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 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, net of all costs and expenses, for the Common Balanced Fund is 5.55%, for the Beasley Growth Fund is 6.05%, for the Campbell Multi-Strategy Fund is 6.55%, for the Bostick Select Fund is 6.35%, and for the Brown Fund is 4.05%. For 2019 and 2020, the Foundation's spending policy, which retains a portion of each year's predicted earnings to offset inflation, was 3.75% of the monthly average balances for the Common Fund, 4.0% of the monthly average balances for both the Beasley and the Bostick Funds, 4.25% of the monthly average balances for the Campbell Fund and 2.5% of the monthly average balances for the Brown Fund.

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Changes in endowment net assets for the years ended December 31, 2020 and 2019 were:

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$ <u>21,662,144</u>	\$ <u>156,158,550</u>	\$ <u>177,820,694</u>
Investment return:			
Investment income	913,642	6,747,144	7,660,786
Net appreciation	<u>838,423</u>	<u>8,338,155</u>	<u>9,176,578</u>
Total investment return	<u>1,752,065</u>	<u>15,085,299</u>	<u>16,837,364</u>
Contributions from outside sources	53,665	5,723,731	5,777,396
Transfers from matured life- income gifts	—	629,063	629,063
Appropriation of endowment assets for expenditure	<u>(578,789)</u>	<u>(5,360,324)</u>	<u>(5,939,113)</u>
Endowment net assets, end of year	\$ <u>22,889,085</u>	\$ <u>172,236,319</u>	\$ <u>195,125,404</u>

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Notes to Consolidated Financial Statements
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	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ <u>13,362,171</u>	\$ <u>129,680,590</u>	\$ <u>143,042,761</u>
Investment return:			
Investment income	367,203	3,407,822	3,775,025
Net appreciation	<u>2,496,625</u>	<u>21,929,107</u>	<u>24,425,732</u>
Total investment return	<u>2,863,828</u>	<u>25,336,929</u>	<u>28,200,757</u>
Contributions from outside sources	147,552	5,792,451	5,940,003
Endowment established from operating reserves	5,750,000	—	5,750,000
Transfers from matured life- income gifts	—	650,135	650,135
Appropriation of endowment assets for expenditure	<u>(461,407)</u>	<u>(5,301,555)</u>	<u>(5,762,962)</u>
Endowment net assets, end of year	\$ <u>21,662,144</u>	\$ <u>156,158,550</u>	\$ <u>177,820,694</u>

Christian Church Foundation, Inc.
Notes to Consolidated Financial Statements
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Note 4: Functional Allocation of Expenses

Total expenses by functional classification for the year ended December 31, 2020 are as follows:

Account	Program Services	Management & General	Total Expenses
Distributions for ministry	\$ 6,243,025	\$ —	\$ 6,243,025
Personnel costs	2,538,452	647,429	3,185,881
Occupancy and supplies	267,383	58,889	326,272
Scott Foundation grants	299,050	—	299,050
Relational events and communications	89,067	6,660	95,727
Service and professional fees	133,385	70,085	203,470
Travel	29,481	3,172	32,653
Miscellaneous	33,473	5,437	38,910
Total Expenditures	\$ <u>9,633,316</u>	\$ <u>791,672</u>	\$ <u>10,424,988</u>

Total expenses by functional classification for the year ended December 31, 2019 are as follows:

Account	Program Services	Management & General	Total Expenses
Distributions for ministry	\$ 6,273,375	\$ —	\$ 6,273,375
Personnel costs	2,345,107	617,516	2,962,623
Occupancy and supplies	259,082	57,260	316,342
Scott Foundation grants	288,000	—	288,000
Relational events and communications	229,196	70,965	300,161
Service and professional fees	153,285	64,456	217,741
Travel	117,229	6,610	123,839
Miscellaneous	37,384	7,718	45,102
Total Expenditures	\$ <u>9,702,658</u>	\$ <u>824,525</u>	\$ <u>10,527,183</u>

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

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these varied ministries 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 affiliated with the Stone-Campbell Movement and are designed to maintain the endowment funds of these ministries in a way that honors the dual goals of providing funds for ministry while also growing endowment gifts to mitigate inflation.

All employees of the Foundation are actively involved in these 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.

From time to time, the Foundation will receive donations that support the Foundation's own ministry from staff, board members, and from other friends of the Foundation. The Foundation does not solicit gifts for the benefit of the Foundation's own ministry, however.

Certain expenses are attributable to both the program services and the management and general categories. These expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include occupancy (based on square footage), personnel and travel costs (based on time and effort), and professional and miscellaneous fees (based on review of each specific charge).

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Note 5: Marketable Securities and Other Investments

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

	<u>2020</u>	<u>2019</u>
Investments in unrelated parties:		
Short-term investments		
Deposits held as investments	\$ 6,206,719	\$ 7,993,662
Stock and stock funds		
Large Cap	327,099,625	286,589,332
Mid Cap	93,607,436	89,431,756
Small Cap	39,019,266	34,966,741
Public REITS	16,425,461	15,839,366
International	188,710,568	169,690,533
Bonds and bond funds		
Domestic	175,927,587	90,997,953
Global	8,965,150	82,432,948
Alternative investments		
Hedge	51,584,909	45,049,745
Real assets	8,173,299	7,302,099
Notes receivable	337,282	349,852
Annuity contracts	1,215,913	—
Investments in related party:		
Church Extension notes	<u>25,100,512</u>	<u>21,906,353</u>
Total	\$ <u>942,373,727</u>	\$ <u>852,550,340</u>

At December 31, 2020 and 2019, the fair value of approximately 22% and 30%, respectively, of the investments were provided by the managers of the funds.

The assets of the Foundation are largely comprised of diversified investment securities. All investment securities carry inherent risks such as interest rate, market and credit risks. It is at least reasonably possible that near-term changes in the values of investment securities will occur. The Foundation does not anticipate that such changes would materially affect the operations of the Foundation.

In addition to managing the Foundation's own endowment funds, the Foundation also provides investment services to Disciples and other Stone-Campbell ministries. Investment in the Trust which are owned by other church partners are shown on the Consolidated Statements of Financial Position as partner investment accounts. Court-governed endowment funds held for the benefit of other charitable beneficiaries, as well as endowments funded by a Disciples ministry with the income payable to them are reported 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 Statements of Activities includes only the investment return from investments which are recorded as a part of the Foundation's net assets.

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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 Statements of Activities as without donor restrictions or with donor restrictions based on the nature of donor agreements or legally imposed restrictions. The components of net investment return, which excludes income on investments for partner investment accounts and other funds held for the benefit of others, are as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 9,200,029	\$ 5,295,038
Realized and unrealized gains and losses	13,370,089	31,474,223
Separately reported fees	<u>(155,765)</u>	<u>(163,349)</u>
	<u>\$ 22,414,353</u>	<u>\$ 36,605,912</u>

Note 6: 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 Consolidated 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. Such securities are classified as Level 2. There have been no significant changes in valuation techniques during the year ended December 31, 2020.

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The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position 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, 2020 and 2019:

	2020				Investments Measured at NAV ^(A)
	2020 Fair Value	Fair Value Measurements Using			
		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					
Deposits held as investments	\$ 6,206,719	\$ 6,206,719	\$ -	\$ -	\$ -
Stock & stock funds					
Large Cap	327,099,625	187,360,777	139,738,848	-	-
Mid Cap	93,607,436	93,607,436	-	-	-
Small Cap	39,019,266	39,019,266	-	-	-
Public REITS	16,425,461	16,425,461	-	-	-
International	188,710,568	188,710,568	-	-	-
Bonds & bond funds					
Domestic	175,927,587	175,927,587	-	-	-
Global	8,965,150	8,965,150	-	-	-
Alternative investments					
Hedge	51,584,909	-	-	-	51,584,909
Real Assets	8,173,299	-	8,173,299	-	-
Notes receivable	337,282	-	337,282	-	-
Annuity contracts	1,215,913	-	1,215,913	-	-
Investments in related party:					
Church Extension notes	<u>25,100,512</u>	<u>-</u>	<u>25,100,512</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 942,373,727</u>	<u>\$ 716,222,964</u>	<u>\$ 174,565,854</u>	<u>\$ -</u>	<u>\$ 51,584,909</u>

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

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	2019				Investments Measured at NAV ^(A)
	2019 Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
Assets					
Investments					
Short-term investments					
Deposits held as					
Investments	\$ 7,993,662	\$ 7,993,662	\$ -	-	\$ -
Stock & stock funds					
Large Cap	286,589,332	164,404,969	122,184,363	-	-
Mid Cap	89,431,756	89,431,756	-	-	-
Small Cap	34,966,741	34,966,741	-	-	-
Public REITS	15,839,366	15,839,366	-	-	-
International	169,690,533	169,690,533	-	-	-
Bonds & bond funds					
Domestic	90,997,953	90,997,953	-	-	-
Global	82,432,948	9,066,128	-	-	73,366,820
Alternative investments					
Hedge	45,049,745	-	-	-	45,049,745
Real Assets	7,302,099	-	7,302,099	-	-
Notes receivable	349,852	-	349,852	-	-
Investments in related party:					
Church Extension notes	<u>21,906,353</u>	<u>-</u>	<u>21,906,353</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 852,550,340</u>	<u>\$ 582,391,108</u>	<u>\$ 151,742,667</u>	<u>\$ -</u>	<u>\$ 118,416,565</u>

(A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

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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 2020 and 2019.

	2020 Fair Value	2019 Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Assets				
Investments				
Bonds and bond funds				
Global (a)	\$ -	\$ 73,366,820	Semimonthly	5 business days
Alternative investments				
Hedge (b)	51,584,909	45,049,745	Quarterly Semimonthly Annually	30 to 90 days
	<u>51,584,909</u>	<u>118,416,565</u>		
Total	<u>\$ 51,584,909</u>	<u>\$ 118,416,565</u>		

- (a) This category includes investments in a common trust fund that invests in global bonds. There is no restriction (lock-up) period for these investments.
- (b) This category invests in direct hedge funds. The direct hedge funds blend investment strategies and geographic region while limiting costs. There are currently 7 direct hedge fund managers. Oversight and due diligence is performed by the Foundation's independent investment consultant as well as Foundation Board of Directors and staff. Direct hedge funds use various strategies that include long/short equity and credit, event-driven, distressed and others. The fair values of the investments in this category have been estimated using the net asset value per share of the underlying investments.

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Note 7: 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, 2020 and 2019, the fair value of the investments in this fund was \$7.7 and \$8.1 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 rate (AFR) at the gift date. Those rates range from 0.4% to 10.2%. At December 31, 2020 and 2019, the obligation for future annuity payments was \$3.6 and \$4.1 million, respectively. 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 has been satisfied, the residual value of the charitable gift annuity will 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 a part of "Liability to charitable beneficiaries under life-income gifts." At December 31, 2020 and 2019, the estimated charitable residual values for charitable gift annuities which were intended to be distributed outside the Foundation were \$2.1 and \$1.9 million, respectively. The estimated charitable residual of 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, 2020 and 2019, the Foundation's gift annuity reserves are in excess of the most stringent of these state-specific mandates of \$6.2 million and \$6.5 million, respectively.

The Foundation also administers charitable remainder trusts which require periodic payments to income beneficiaries named by the donor. At December 31, 2020 and 2019, the fair value of the charitable remainder trust investments was \$31.2 and \$28.7 million, respectively. The present value of the liability to charitable remainder trust income beneficiaries is included as a part of the "Liability to income beneficiaries under life-income gifts." This obligation is also discounted using the AFR on the gift date, which range from 1.2% to 11.0%. At December 31, 2020 and 2019, the obligation to trust income beneficiaries was \$16.8 and \$15.7 million, respectively. The actuarial value of the charitable residual for charitable trusts whose remainder will become a Foundation-administered permanent fund is included in the net assets of the Foundation. The present value of the estimated charitable residual of trusts which will be distributed to other charitable organizations is shown as a part of "Liability to charitable beneficiaries under life-income gifts." The Foundation revalues these liabilities annually based on historical discount rates, actuarial assumptions and the fair value of the underlying investments. At December 31, 2020 and 2019, the estimated charitable residual value for charitable remainder trusts which will be distributed outside the Foundation was \$8.3 and \$7.3 million, respectively.

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Note 8: Liquidity and Availability

The ministry of the Foundation is focused on assisting the Church to both encourage legacy giving and to be good stewards of gifts received. Accordingly, the majority of assets held by the Foundation are either owned by other ministries (“Partner investment accounts”) or represent assets held for the benefit of other ministries (“Endowment funds held for the benefit of others” as well as the majority of “Net assets with donor restrictions”). Donor-restricted endowment funds are not available for general expenditure.

Financial assets available for the support of the Foundation’s own ministry, without donor or other restrictions limiting their use, were determined as follows at December 31:

	2020	2019
Cash	\$ 353,379	\$ 577,047
Marketable securities and other investments	942,036,445	852,200,488
Total liquid financial assets	942,389,824	852,777,535
Less:		
Amounts owned by others or with donor restrictions unavailable for general expenditures:		
Owned by partner investors	(637,559,237)	(574,313,923)
Held as net assets with donor restrictions	(182,328,072)	(164,924,700)
Held as liability for the benefit of others	(36,721,580)	(33,882,784)
Held for life-income gift liabilities	(35,310,730)	(33,192,840)
Estimated life-income gift residuals	(8,214,334)	(7,845,046)
Total amounts unavailable for general expenditures within one year	\$ (900,133,953)	\$ (814,159,293)
Amounts unavailable without Board approval:		
Board-designated endowment	(22,889,085)	(21,662,144)
Board-designated for donor-advised funds	(8,987,029)	(8,205,309)
Total amounts unavailable to management without Board approval	\$ (31,876,114)	\$ (29,867,453)
Financial assets available to management for general expenditure within one year	\$ 10,379,757	\$ 8,750,789

Many of the Foundation’s services are provided to donors and ministries of the Church at no cost. These services include helping donors to consider their legacy as well as helping partner ministries both raise and steward their endowment funds. Endowment gifts given for the support of the Foundation’s ministry help pay a growing portion of the Foundation’s no-cost services. The annual distribution from these funds, whether held as with-donor-restrictions or board-designated, is based on the asset mix of each fund’s investment. For both 2019 and 2020 the annual distributions were 3.75-4.25%. When an endowment that is held for the sole benefit of the Foundation falls below the

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amount of the original endowment gift, the Foundation stops receiving distributions from that endowment until the endowment fund recovers its original gift value. As the Foundation receives additional endowment gifts for the support of Foundation operations, those gifts help to reduce the cost of Foundation-provided services to the Church.

From time to time, the Foundation receives legacy gifts that are given without donor restriction. These gifts are added to (or established as) board-designated-for-endowment assets and provide annual income to the ministry or ministries, if any, expressed as a donor preference. The Foundation also administers the Steward's Donor-Advised Fund. The gifts received in this fund are held as board-designated funds until a distribution is advised by their donor.

The primary source of operating revenue for the Foundation is provided by cost-recovery charges assessed on investments and gifts stewarded by the Foundation. The amount of this revenue fluctuates with changes in the investment value of the underlying assets. Operating reserves protect the Foundation's ability to operate in declining financial markets without increasing the cost to those served. The Foundation's policy is to generally hold 18-30 months of total operating revenue as an operating reserve for this purpose. During 2019 and 2020, the Foundation operated within these targeted reserve levels.

Note 9: 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 substantially all of the recorded contributions receivable within the calendar year following their recording as a receivable.

Note 10: Employee Benefits

Pension Plan

Employees of the Foundation may 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 both 2020 and 2019 was \$.3 million.

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Note 11: Joint Investment Trust

The Joint Investment Trust of the Christian Church Foundation offers investment services, designed for endowment investments, to all ministries recognized as being sufficiently affiliated with the Stone-Campbell Movement. The unit values for the existing investor-class funds at December 31 were:

	2020	2019
Common Balanced Fund	\$ 293.48	\$ 274.94
Beasley Growth Fund	449.63	419.60
Campbell Multi-Strategy Fund	93.29	89.31
Bostick Select Fund	127.48	116.50
Brown Income Fund	184.39	171.13

Note 12: Impact of the Pandemic on Operations

In March 2020, as a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19 (the “Pandemic”), the Foundation moved to a work-from-home environment. Other than this shift in the location of the Foundation’s offices, there has been no significant disruption in the Foundation’s operations or revenue as a result of the Pandemic. The Foundation does not anticipate that the Pandemic will negatively affect the financial position, results of operations or cash flows of the Foundation.