

Christian Church Foundation, Inc.

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2023 and 2022

Christian Church Foundation, Inc.

December 31, 2023 and 2022

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Christian Church Foundation, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Christian Church Foundation, Inc. and its subsidiaries as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Christian Church Foundation, Inc. and its subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Christian Church Foundation, Inc. and its subsidiaries' ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements 2023

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Christian Church Foundation, Inc. and its subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Christian Church Foundation, Inc. and its subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

FORVIS, LLP

**Indianapolis, Indiana
February 28, 2024**

Christian Church Foundation, Inc.
Consolidated Statements of Financial Position (\$ in 000's)
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash	\$ 543	\$ 375
Marketable securities and other investments	1,076,130	945,097
Contributions receivable	3,112	980
Property, equipment, and other assets	<u>526</u>	<u>443</u>
Total assets	<u>\$ 1,080,311</u>	<u>\$ 946,895</u>
Liabilities		
Non-endowment funds		
Partner investment accounts	\$ 736,681	\$ 648,289
Liability to income beneficiaries under life-income gifts	17,704	16,718
Liability to charitable beneficiaries under life-income gifts	8,561	8,133
Other liabilities	<u>63</u>	<u>70</u>
Total non-endowment funds	<u>763,009</u>	<u>673,210</u>
Endowment funds held for the benefit of others		
Managed for the benefit of the charitable entity donor	30,005	24,476
Restricted purposes for other charitable beneficiaries	<u>11,955</u>	<u>11,665</u>
Total endowment funds held for the benefit of others	<u>41,960</u>	<u>36,141</u>
Total liabilities	<u>804,969</u>	<u>709,351</u>
Net Assets		
Without donor restrictions	53,863	47,800
With donor restrictions	<u>221,479</u>	<u>189,744</u>
Total net assets	<u>275,342</u>	<u>237,544</u>
Total liabilities and net assets	<u>\$ 1,080,311</u>	<u>\$ 946,895</u>

Christian Church Foundation, Inc.
Consolidated Statement of Activities (\$ in 000's)
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, investment gains and other support:			
Contributions	\$ 881	\$ 9,875	\$ 10,756
Net investment return	6,415	30,129	36,544
Income from services provided	<u>3,289</u>	<u>—</u>	<u>3,289</u>
Total revenue, investment gains, and other support	<u>10,585</u>	<u>40,004</u>	<u>50,589</u>
Net assets released from restrictions:			
For distribution to other ministries	7,079	(7,079)	—
For Foundation services	975	(975)	—
For gift annuity reserves	<u>83</u>	<u>(83)</u>	<u>—</u>
Total net assets released from restrictions	<u>8,137</u>	<u>(8,137)</u>	<u>—</u>
Total revenues, net investment activity, and changes in restrictions	18,722	31,867	50,589
Distributions, grants, other expenses, and changes in actuarial value:			
Program expenses			
Distributions for ministry	7,653	—	7,653
Scott Foundation grants	308	—	308
Operating expenses	<u>3,829</u>	<u>—</u>	<u>3,829</u>
Total program activities	11,790	—	11,790
Management and general expense	<u>869</u>	<u>—</u>	<u>869</u>
Total expenses	<u>12,659</u>	<u>—</u>	<u>12,659</u>
Decrease in actuarial value of life-income agreements	<u>—</u>	<u>132</u>	<u>132</u>
Total expense and change in actuarial values	<u>12,659</u>	<u>132</u>	<u>12,791</u>
Change in net assets	6,063	31,735	37,798
Beginning of year net assets	<u>47,800</u>	<u>189,744</u>	<u>237,544</u>
End of year net assets	<u>\$ 53,863</u>	<u>\$ 221,479</u>	<u>\$ 275,342</u>

Christian Church Foundation, Inc.
Consolidated Statement of Activities (\$ in 000's)
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, investment gains and other support:			
Contributions	\$ 1,014	\$ 4,550	\$ 5,564
Net investment return/(loss)	(6,684)	(33,090)	(39,774)
Income from services provided	<u>3,307</u>	<u>—</u>	<u>3,307</u>
Total revenue, investment losses, and other support	<u>(2,363)</u>	<u>(28,540)</u>	<u>(30,903)</u>
Net assets released from restrictions:			
For distribution to other ministries	7,869	(7,869)	—
For Foundation services	965	(965)	—
For gift annuity reserves	<u>69</u>	<u>(69)</u>	<u>—</u>
Total net assets released from restrictions	<u>8,903</u>	<u>(8,903)</u>	<u>—</u>
Total revenues, net investment activity, and changes in restrictions	6,540	(37,443)	(30,903)
Distributions, grants, other expenses, and changes in actuarial value:			
Program expenses			
Distributions for ministry	8,505	—	8,505
Scott Foundation grants	261	—	261
Operating expenses	<u>3,579</u>	<u>—</u>	<u>3,579</u>
Total program activities	12,345	—	12,345
Management and general expense	<u>958</u>	<u>—</u>	<u>958</u>
Total expenses	<u>13,303</u>	<u>—</u>	<u>13,303</u>
Decrease in actuarial value of life-income agreements	<u>—</u>	<u>361</u>	<u>361</u>
Total expense and change in actuarial values	<u>13,303</u>	<u>361</u>	<u>13,664</u>
Change in net assets	(6,763)	(37,804)	(44,567)
Beginning of year net assets	<u>54,563</u>	<u>227,548</u>	<u>282,111</u>
End of year net assets	<u>\$ 47,800</u>	<u>\$ 189,744</u>	<u>\$ 237,544</u>

Christian Church Foundation, Inc.
Consolidated Statements of Cash Flows (\$ in 000's)
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 37,798	\$ (44,567)
Items not requiring (providing) operating activities cash flow:		
Depreciation	24	37
Net realized and unrealized (gain)/loss on investments	(31,336)	45,894
Actuarial (gain)/loss on life-income gift obligations	132	361
Contributions and investment income received restricted for long-term investments	(14,114)	(9,457)
Change in other long-term assets and liabilities	1	10
Changes in:		
Receivables and prepaid expenses	(14)	25
Contributions receivable	(2,132)	1,312
Accounts payable, accrued expenses and other liabilities	<u>11</u>	<u>(183)</u>
Net cash used in operating activities	<u>(9,630)</u>	<u>(6,568)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(97)	(53)
Purchase of investments	(15,783)	(24,291)
Proceeds from sale of investments	19,962	9,528
Principal payments received on notes receivable	<u>20</u>	<u>18</u>
Net cash provided by/(used in) investing activities	<u>4,102</u>	<u>(14,798)</u>
Cash flows from financing activities:		
Payments on annuities and trusts payable	(1,788)	(1,229)
Proceeds from issuance of annuities and trusts payable restricted for long-term investments	18	279
Proceeds from contributions received restricted for long-term investments	9,857	4,271
Investment income received restricted for long-term investment	<u>4,239</u>	<u>4,907</u>
Net cash provided by financing activities	<u>12,326</u>	<u>8,228</u>
Net increase/(decrease) in cash and cash held in investments	6,798	(13,138)
Cash and cash held in investments, beginning of year	<u>4,171</u>	<u>17,309</u>
Cash and cash held in investments, end of year	\$ <u>10,969</u>	\$ <u>4,171</u>
	<u>2023</u>	<u>2022</u>
Composition of cash and cash held in investments, end of year:		
Cash	\$ 543	\$ 375
Deposits held as investments	<u>10,426</u>	<u>3,796</u>
Total cash and cash held in investments, end of year	\$ <u>10,969</u>	\$ <u>4,171</u>

Christian Church Foundation, Inc.
Notes to Consolidated Financial Statements (\$ in 000's)
December 31, 2023 and 2022

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 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.

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 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 2, 2024. At December 31, 2023, total cash exceeded the federally insured limits by approximately \$11.6 million.

Christian Church Foundation, Inc.
Notes to Consolidated Financial Statements (\$ in 000's)
December 31, 2023 and 2022

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, 2023 and 2022, the value of endowed accounts established without donor restrictions was \$32.4 million and \$29.1 million, respectively. Donor-advised funds were \$10.2 million and \$9.1 million, respectively.

Net assets with donor restrictions include legally-restricted gifts making regular distributions for the benefit of charitable causes selected by their donor and estimated charitable residuals for life-income gifts which will create endowments at the Foundation when the life-income portion of those gifts has ended. At December 31, 2023 and 2022, the value of endowment accounts held directly by the Foundation was \$203.7 million and \$173.7 million, respectively. Scott Foundation net assets were \$8.9 million and \$7.9 million, respectively, and non-endowment gifts making donor-restricted charitable distributions were \$2.1 million and \$1.9 million, respectively. Amounts related to the Foundation's life-income gifts were \$6.8 million and \$6.2 million, respectively.

Christian Church Foundation, Inc.
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December 31, 2023 and 2022

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 28, 2024, which is the date the consolidated financial statements were available to be issued.

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.

Christian Church Foundation, Inc.
Notes to Consolidated Financial Statements (\$ in 000's)
December 31, 2023 and 2022

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 1,445 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.

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, 2023 and 2022, endowment funds with original gift values of \$26.7 million and \$49.1 million, respectively, fair values of \$25.7 million and \$45.0 million, respectively, and deficiencies of \$1.0 million and \$4.2 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 6.4%, for the Beasley Growth Fund is 6.7%, for the Campbell Multi-Strategy Fund is 7.2%, for the Bostick Select Fund is 6.9%, and for the Brown Fund is 4.9%. For 2022 and 2023, 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

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monthly average balances for the Campbell Fund, and 2.0% of the monthly average balances for the Brown Fund.

Changes in endowment net assets for the years ended December 31, 2023 and 2022 were:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ <u>29,137</u>	\$ <u>173,743</u>	\$ <u>202,880</u>
Investment return:			
Investment income	583	3,635	4,218
Net appreciation	<u>3,751</u>	<u>22,715</u>	<u>26,466</u>
Total investment return	<u>4,334</u>	<u>26,350</u>	<u>30,684</u>
Contributions from outside sources	133	9,951	10,084
Transfers from matured life- income gifts	—	438	438
Appropriation of endowment assets for expenditure	<u>(1,200)</u>	<u>(6,755)</u>	<u>(7,955)</u>
Endowment net assets, end of year	<u>\$ <u>32,404</u></u>	<u>\$ <u>203,727</u></u>	<u>\$ <u>236,131</u></u>

Christian Church Foundation, Inc.
Notes to Consolidated Financial Statements (\$ in 000's)
December 31, 2023 and 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ <u>35,445</u>	\$ <u>206,561</u>	\$ <u>242,006</u>
Investment return/(loss):			
Investment income	729	4,310	5,039
Net depreciation	<u>(5,904)</u>	<u>(34,772)</u>	<u>(40,676)</u>
Total investment return/(loss)	<u>(5,175)</u>	<u>(30,462)</u>	<u>(35,637)</u>
Contributions from outside sources	158	4,253	4,411
Transfers from matured life- income gifts	—	867	867
Appropriation of endowment assets for expenditure	<u>(1,291)</u>	<u>(7,476)</u>	<u>(8,767)</u>
Endowment net assets, end of year	<u>\$ 29,137</u>	<u>\$ 173,743</u>	<u>\$ 202,880</u>

Christian Church Foundation, Inc.
Notes to Consolidated Financial Statements (\$ in 000's)
December 31, 2023 and 2022

Note 4: Functional Allocation of Expenses

Total expenses by functional classification for the year ended December 31, 2023 are as follows:

Account	Program Services	Management & General	Total Expenses
Distributions for ministry	\$ 7,653	\$ —	\$ 7,653
Personnel costs	2,994	613	3,607
Relational events and communications	261	96	357
Occupancy and Supplies	257	58	315
Scott Foundation Grants	308	—	308
Service and professional fees	172	77	249
Travel	109	7	116
Miscellaneous	36	18	54
Total Expenditures	\$ <u>11,790</u>	\$ <u>869</u>	\$ <u>12,659</u>

Total expenses by functional classification for the year ended December 31, 2022 are as follows:

Account	Services	& General	Expenses
Distributions for ministry	\$ 8,505	—	8,505
Personnel costs	2,863	713	3,576
Relational events and communications	118	86	204
Occupancy and Supplies	284	68	352
Scott Foundation Grants	261	—	261
Service and professional fees	171	77	248
Travel	108	5	113
Miscellaneous	35	9	44
Total Expenditures	\$ <u>12,345</u>	\$ <u>958</u>	\$ <u>13,303</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

Christian Church Foundation, Inc.
Notes to Consolidated Financial Statements (\$ in 000's)
December 31, 2023 and 2022

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).

Christian Church Foundation, Inc.
Notes to Consolidated Financial Statements (\$ in 000's)
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Note 5: Marketable Securities and Other Investments

The Foundation's investments at December 31 are as follows:

	<u>2023</u>	<u>2022</u>
Investments in unrelated parties:		
Short-term investments		
Deposits held as investments	\$ 10,426	\$ 3,796
Stock and stock funds		
Large Cap	366,621	321,394
Mid Cap	113,729	94,084
Small Cap	45,516	35,852
Public REITS	19,809	16,212
International	216,171	188,713
Bonds and bond funds		
Domestic	205,189	186,532
Global	10,231	9,980
Alternative investments		
Hedge	51,249	53,415
Real assets	8,135	9,817
Notes receivable	362	382
Annuity contracts	314	620
Investments in related party:		
Church Extension notes	<u>28,378</u>	<u>24,300</u>
Total	\$ <u>1,076,130</u>	\$ <u>945,097</u>

At December 31, 2023 and 2022, the fair value of approximately 20% and 21%, 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/(loss) 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/(loss), which excludes income on investments for partner investment accounts and other funds held for the benefit of others, are as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 5,389	\$ 6,314
Realized and unrealized gains and losses	31,336	(45,894)
Separately reported fees	<u>(181)</u>	<u>(194)</u>
	<u>\$ 36,544</u>	<u>\$ (39,774)</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, 2023.

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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, 2023 and 2022:

	2023				Investments Measured at NAV ^(A)
	2023 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					
Stock & stock funds					
Large Cap	\$ 366,621	\$ 212,804	\$ 153,817	\$ -	\$ -
Mid Cap	113,729	113,729	-	-	-
Small Cap	45,516	45,516	-	-	-
Public REITS	19,809	19,809	-	-	-
International	216,171	216,171	-	-	-
Bonds & bond funds					
Domestic	205,189	205,189	-	-	-
Global	10,231	10,231	-	-	-
Alternative investments					
Hedge	51,249	-	-	-	51,249
Real Assets	8,135	-	8,135	-	-
Notes receivable	362	-	362	-	-
Annuity contracts	314	-	314	-	-
Investments in related party:					
Church Extension notes	<u>28,378</u>	<u>-</u>	<u>28,378</u>	<u>-</u>	<u>-</u>
Total Investments	\$ <u>1,065,704</u>	\$ <u>823,449</u>	\$ <u>191,006</u>	\$ <u>-</u>	\$ <u>51,249</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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	2022				
	2022 Fair Value	Fair Value Measurements Using			Investments Measured at NAV ^(A)
Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Assets					
Investments					
Stock & stock funds					
Large Cap	\$ 321,394	\$ 184,033	\$ 137,361	\$ -	\$ -
Mid Cap	94,084	94,084	-	-	-
Small Cap	35,852	35,852	-	-	-
Public REITS	16,212	16,212	-	-	-
International	188,713	188,713	-	-	-
Bonds & bond funds					
Domestic	186,532	186,532	-	-	-
Global	9,980	9,980	-	-	-
Alternative investments					
Hedge	53,415	-	-	-	53,415
Real Assets	9,817	-	9,817	-	-
Notes receivable	382	-	382	-	-
Annuity contracts	620	-	620	-	-
Investments in related party:					
Church Extension notes	<u>24,300</u>	<u>-</u>	<u>24,300</u>	<u>-</u>	<u>-</u>
Total Investments	\$ <u>941,301</u>	\$ <u>715,406</u>	\$ <u>172,480</u>	\$ <u>-</u>	\$ <u>53,415</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 2023 and 2022.

	2023 Fair Value	2022 Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Assets				
Investments				
Alternative investments				
Hedge (a)	\$ 51,249	\$ 53,415	Quarterly Semimonthly Annually	30 to 90 days

- (a) Alternative investment hedge funds consist of investments in hedge fund managers within the Campbell Multi-Strategy Fund. The purpose of the hedge fund asset class is to provide attractive risk-adjusted returns in relation to traditional asset classes. There are currently 8 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. 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

Charitable Gift Annuities

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, 2023 and 2022, the fair value of the investments in this fund was \$6.4 and \$6.5 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, 2023 and 2022, the obligation for future annuity payments was \$3.6 million and \$3.8 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, 2023 and 2022, the estimated charitable residual values for charitable gift annuities which were intended to be distributed outside the Foundation were \$1.3 and \$1.4 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, 2023 and 2022, the Foundation's gift annuity assets are in excess of the most stringent of these state-specific mandates of \$4.8 million and \$5.2 million, respectively.

Charitable Remainder Trusts

The Foundation also administers charitable remainder trusts which require periodic payments to income beneficiaries named by the donor. At December 31, 2023 and 2022, the fair value of the charitable remainder trust investments was \$26.7 and \$24.5 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 10.9%. At December 31, 2023 and 2022, the obligation to trust income beneficiaries was \$14.1 and \$12.9 million, respectively.

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,

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actuarial assumptions and the fair value of the underlying investments. At December 31, 2023 and 2022, the estimated charitable residual value for charitable remainder trusts which will be distributed outside the Foundation was \$7.2 and \$6.7 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.

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:

	2023	2022
Cash	\$ 543	\$ 375
Marketable securities and other investments	1,075,768	944,715
Total liquid financial assets	<u>1,076,311</u>	<u>945,090</u>
Less:		
Amounts owned by others or with donor restrictions unavailable for general expenditures:		
Owned by partner investors	(736,681)	(648,289)
Held as net assets with donor restrictions	(211,176)	(182,106)
Held as liability for the benefit of others	(41,960)	(36,141)
Held for life-income gift liabilities	(26,101)	(24,681)
Estimated life-income gift residuals	(6,770)	(6,220)
Total amounts unavailable for general expenditures within one year	<u>\$ (1,022,688)</u>	<u>\$ (897,437)</u>
Amounts unavailable without Board approval:		
Board-designated endowment	(32,404)	(29,137)
Board-designated for donor-advised funds	(10,218)	(9,074)
Total amounts unavailable to management without Board approval	<u>\$ (42,622)</u>	<u>\$ (38,211)</u>
Financial assets available to management for general expenditure within one year	<u>\$ 11,001</u>	<u>\$ 9,442</u>

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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 2022 and 2023 the annual distributions were 3.75-4.25%. 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 2022 and 2023, 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 2023 and 2022 was \$.4 million and \$.3 million, respectively.

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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 Foundation publishes monthly unit values for these investor-class funds which are the basis for current transactions. These investor-class funds are managed similar to a mutual or hedge fund, investors receive units in the pool and may withdraw or purchase additional units on a monthly basis at the published monthly unit value. The unit values for the existing investor-class funds at December 31 were:

	2023	2022
Common Balanced Fund	\$ 291.72	\$ 265.44
Beasley Growth Fund	439.95	388.78
Campbell Multi-Strategy Fund	92.96	84.14
Bostick Select Fund	125.85	110.96
Brown Income Fund	175.83	163.31