

BRETHREN IN CHRIST FOUNDATION, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018
AND
INDEPENDENT AUDITOR'S REPORT



McKONLY & ASBURY

MEMBERS

AMERICAN AND PENNSYLVANIA INSTITUTES
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT MEMBER OF



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Brethren in Christ Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Brethren in Christ Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for each of the years in the three year period ended December 31, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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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 financial statements referred to above present fairly, in all material respects, the financial position of Brethren in Christ Foundation, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for each of the years in the three year period ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
March 4, 2021

BRETHREN IN CHRIST FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31, 2020				December 31, 2019			
	Brotherhood Loan Fund	Trust Fund	Eliminations	Total All Funds	Brotherhood Loan Fund	Trust Fund	Eliminations	Total All Funds
ASSETS								
Cash and cash equivalents	\$ 16,689,949	\$ 6,216,841	\$ -	\$ 22,906,790	\$ 14,731,097	\$ 5,071,822	\$ -	\$ 19,802,919
Investments	-	27,209,843	(7,410,954)	19,798,889	-	26,294,587	(7,424,660)	18,869,927
Receivables								
Loans, net	39,337,403	695,333	-	40,032,736	39,608,634	863,947	-	40,472,581
Interfund, net	68,115	(68,115)	-	-	(15,781)	15,781	-	-
Accrued interest	-	-	-	-	27,027	-	-	27,027
Property and equipment, net	861,617	-	-	861,617	822,223	-	-	822,223
Other assets	85,866	18,233	-	104,099	83,699	97,522	-	181,221
Total assets	<u>\$ 57,042,950</u>	<u>\$ 34,072,135</u>	<u>\$ (7,410,954)</u>	<u>\$ 83,704,131</u>	<u>\$ 55,256,899</u>	<u>\$ 32,343,659</u>	<u>\$ (7,424,660)</u>	<u>\$ 80,175,898</u>
LIABILITIES AND NET ASSETS								
Accounts payable and other liabilities	\$ 60,491	\$ 20,544	\$ -	\$ 81,035	\$ 50,868	\$ 11,070	\$ -	\$ 61,938
Debt securities								
Thrift accumulation plan agreements	13,495,919	-	(409,415)	13,086,504	12,789,586	-	(327,837)	12,461,749
Stewardship investment certificates	28,629,901	-	(1,426,563)	27,203,338	27,671,293	-	(1,369,170)	26,302,123
Individual retirement account notes	5,574,976	-	(5,574,976)	-	5,727,653	-	(5,727,653)	-
CTF investment accounts	-	18,563,032	-	18,563,032	-	17,208,578	-	17,208,578
Individual retirement and health savings accounts	-	7,410,954	-	7,410,954	-	7,424,660	-	7,424,660
Split-interest agreements								
Split-interest trusts	-	3,098,235	-	3,098,235	-	3,131,188	-	3,131,188
Annuities payable	-	902,500	-	902,500	-	902,390	-	902,390
Other funds held	-	9,243	-	9,243	-	9,164	-	9,164
Total liabilities	<u>47,761,287</u>	<u>30,004,508</u>	<u>(7,410,954)</u>	<u>70,354,841</u>	<u>46,239,400</u>	<u>28,687,050</u>	<u>(7,424,660)</u>	<u>67,501,790</u>
Net assets								
Without donor restrictions								
Designated, donor-advised funds	-	2,089,843	-	2,089,843	-	1,736,885	-	1,736,885
Designated, discretionary funds	-	402,784	-	402,784	-	344,724	-	344,724
Undesignated	8,841,621	1,575,000	-	10,416,621	8,577,442	1,575,000	-	10,152,442
With donor restrictions	<u>440,042</u>	<u>-</u>	<u>-</u>	<u>440,042</u>	<u>440,057</u>	<u>-</u>	<u>-</u>	<u>440,057</u>
Total net assets	<u>9,281,663</u>	<u>4,067,627</u>	<u>-</u>	<u>13,349,290</u>	<u>9,017,499</u>	<u>3,656,609</u>	<u>-</u>	<u>12,674,108</u>
Total liabilities and net assets	<u>\$ 57,042,950</u>	<u>\$ 34,072,135</u>	<u>\$ (7,410,954)</u>	<u>\$ 83,704,131</u>	<u>\$ 55,256,899</u>	<u>\$ 32,343,659</u>	<u>\$ (7,424,660)</u>	<u>\$ 80,175,898</u>

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

BRETHREN IN CHRIST FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2020			Year Ended December 31, 2019			Year Ended December 31, 2018		
	Brotherhood Loan Fund	Trust Fund	Total All Funds	Brotherhood Loan Fund	Trust Fund	Total All Funds	Brotherhood Loan Fund	Trust Fund	Total All Funds
Net assets without donor restrictions									
Revenues and gains									
Interest on loans	\$ 1,797,745	\$ 38,130	\$ 1,835,875	\$ 1,878,733	\$ 46,432	\$ 1,925,165	\$ 1,629,521	\$ 40,810	\$ 1,670,331
Net investment income	161,158	16,101	177,259	188,694	16,943	205,637	164,645	11,386	176,031
Contributions	135,438	105,184	240,622	49,764	66,069	115,833	2,040	52,763	54,803
Service fees, net	-	179,052	179,052	(28,388)	176,678	148,290	(17,341)	183,479	166,138
Other	5,419	66,257	71,676	8,261	74,403	82,664	-	27,495	27,495
Total revenues and gains	2,099,760	404,724	2,504,484	2,097,064	380,525	2,477,589	1,778,865	315,933	2,094,798
Net assets released from restrictions	34,500	-	34,500	35,000	-	35,000	35,499	-	35,499
Total revenues, gains, and other support	2,134,260	404,724	2,538,984	2,132,064	380,525	2,512,589	1,814,364	315,933	2,130,297
Expenses	1,870,081	346,664	2,216,745	1,845,780	528,366	2,374,146	1,494,729	287,059	1,781,788
Excess (deficiency) of revenues, gains, and other support over expenses before donor-advised funds activity	264,179	58,060	322,239	286,284	(147,841)	138,443	319,635	28,874	348,509
Change in donor-advised funds									
Contributions	-	742,975	742,975	-	350,558	350,558	-	412,253	412,253
Net investment income	-	145,284	145,284	-	141,336	141,336	-	10,038	10,038
Charitable distributions	-	(518,111)	(518,111)	-	(558,846)	(558,846)	-	(470,092)	(470,092)
Administrative expenses	-	(17,190)	(17,190)	-	(15,949)	(15,949)	-	(16,845)	(16,845)
Increase (decrease) in donor advised funds	-	352,958	352,958	-	(82,901)	(82,901)	-	(64,646)	(64,646)

(continued)

STATEMENTS OF ACTIVITIES (Cont'd)

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

BRETHREN IN CHRIST FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2020			Year Ended December 31, 2019			Year Ended December 31, 2018		
	Brotherhood Loan Fund	Trust Fund	Total All Funds	Brotherhood Loan Fund	Trust Fund	Total All Funds	Brotherhood Loan Fund	Trust Fund	Total All Funds
Cash flows from operating activities									
Change in net assets	\$ 264,164	\$ 411,018	\$ 675,182	\$ 286,349	\$ (230,742)	\$ 55,607	\$ 319,585	\$ (35,772)	\$ 283,813
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities									
Depreciation	63,052	-	63,052	45,844	-	45,844	36,853	-	36,853
Loss on disposal of property and equipment	3,928	-	3,928	-	-	-	-	-	-
Net unrealized and realized (gains) losses on investments	-	(2,000,923)	(2,000,923)	-	(2,711,728)	(2,711,728)	-	939,401	939,401
Provisions for loss on loans	17,385	2,824	20,209	(2,974)	(1,357)	(4,331)	17,372	(347)	17,025
(Increase) decrease in									
Accrued interest receivable	27,027	-	27,027	47,136	10	47,146	54,377	57	54,434
Other assets	(2,167)	79,289	77,122	6,972	19,766	26,738	(3,713)	(14,950)	(18,663)
Increase (decrease) in									
Accounts payable and other liabilities	9,623	9,474	19,097	(14,783)	(17,724)	(32,507)	(25,185)	13,446	(11,739)
Annuities payable	-	110	110	-	(40,356)	(40,356)	-	42,239	42,239
Net cash and cash equivalents provided by (used in) operating activities	383,012	(1,498,208)	(1,115,196)	368,544	(2,982,131)	(2,613,587)	399,289	944,074	1,343,363
Cash flows from investing activities									
Purchase of property and equipment	(106,374)	-	(106,374)	(79,207)	-	(79,207)	(25,286)	-	(25,286)
(Increase) decrease in loans	253,846	165,790	419,636	1,555,225	(19,480)	1,535,745	(3,348,022)	79,213	(3,268,809)
Net unrealized and realized (gains) losses on split-interest investments	-	(380,205)	(380,205)	-	(558,347)	(558,347)	-	144,026	144,026
Purchases of investments	-	(1,617,926)	(1,617,926)	-	(1,703,196)	(1,703,196)	-	(3,476,081)	(3,476,081)
Proceeds from sale of investments	-	3,083,798	3,083,798	-	3,168,928	3,168,928	-	2,699,233	2,699,233
Net cash and cash equivalents provided by (used in) investing activities	147,472	1,251,457	1,398,929	1,476,018	887,905	2,363,923	(3,373,308)	(553,609)	(3,926,917)
Cash flows from financing activities									
Net (increase) decrease in interfund	(83,896)	83,896	-	74,570	(74,570)	-	89,794	(89,794)	-
Debt securities									
Reinvested interest	996,156	-	996,156	983,151	-	983,151	803,544	-	803,544
Other net changes	516,108	-	516,108	(807,806)	-	(807,806)	256,254	-	256,254
Net increase (decrease) in									
CTF investment accounts	-	1,354,454	1,354,454	-	2,082,933	2,082,933	-	44,447	44,447
Individual retirement and health savings accounts	-	(13,706)	(13,706)	-	30,504	30,504	-	(12,537)	(12,537)
Split-interest agreements	-	(32,953)	(32,953)	-	(3,075)	(3,075)	-	(440,897)	(440,897)
Other funds held	-	79	79	-	50	50	-	(14)	(14)
Net cash and cash equivalents provided by (used in) financing activities	1,428,368	1,391,770	2,820,138	249,915	2,035,842	2,285,757	1,149,592	(498,795)	650,797
Net increase (decrease) in cash and cash equivalents	1,958,852	1,145,019	3,103,871	2,094,477	(58,384)	2,036,093	(1,824,427)	(108,330)	(1,932,757)
Cash and cash equivalents - beginning	14,731,097	5,071,822	19,802,919	12,636,620	5,130,206	17,766,826	14,461,047	5,238,536	19,699,583
Cash and cash equivalents - ending	\$ 16,689,949	\$ 6,216,841	\$ 22,906,790	\$ 14,731,097	\$ 5,071,822	\$ 19,802,919	\$ 12,636,620	\$ 5,130,206	\$ 17,766,826

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

BRETHREN IN CHRIST FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

General

Brethren in Christ Foundation, Inc. (Foundation) was established for the purpose of receiving, investing, and distributing funds for the benefit of the Brethren in Christ Church (Church). In certain instances, members of the Board of Directors of the Foundation are also members of the General Conference Board of the General Conference of the Church, which is the governing body of the Brethren in Christ religious denomination.

The foundation focuses its efforts in two primary service areas that are reported in separate funds.

Brotherhood Loan Fund

The Brotherhood Loan Fund was established to provide financing for the purchase, construction, or renovation of churches, parsonages and other church-related projects. Funding for Brotherhood Loan Fund loans is primarily provided by debt securities sold to individual church members.

Trust Fund

The Trust Fund accounts for the administration of common trust fund investment accounts placed with it by church affiliated organizations. Certain loans to church affiliated organizations and individuals are issued from the Trust Fund. Split-interest trusts, for which the Foundation serves as trustee, are also accounted for in the Trust Fund. Additionally, the Trust Fund accounts for individual retirement accounts and health savings accounts of individual church members and church employees where the Foundation serves as custodian.

Eliminations

The Trust Fund invests individual retirement accounts and health savings accounts in certain assets of the Brotherhood Loan Fund. Therefore, the funds from these accounts are included as investments and liabilities in the Trust Fund and liabilities in the Brotherhood Loan Fund. The interfund investment and associated liabilities have been eliminated in the statements of financial position.

Estimates

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

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: with or without donor restrictions. The Foundation utilizes fund accounting.

(continued)

BRETHREN IN CHRIST FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Net Asset Classifications

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions.

The Foundation administers a gift deposit account program (donor-advised funds). Donors make irrevocable and unconditional contributions accounted for in donor-advised funds that are controlled by the Foundation. Donors may recommend distributions to charitable organizations to the Foundation from the donor advised funds. The Foundation reports these donor-advised funds as net assets without donor restrictions.

In 2019, the Foundation agreed to Board designate any net assets without donor restriction other than those related to the donor advised funds which exceed five years' worth of operating expenses for the Trust Fund for the purpose of contributing on a discretionary basis those funds to the General Conference of the Brethren in Christ Church.

Net assets with donor restrictions – Net assets subject to donor imposed restrictions. Donor-imposed restrictions may be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both.

The Foundation's net assets with donor restrictions as of December 31, 2020 and 2019, consist of the following:

	2020	2019
Purpose restricted	\$ 25,042	\$ 25,057
Perpetually restricted	415,000	415,000
	<u>\$ 440,042</u>	<u>\$ 440,057</u>

Cash and Cash Equivalents

The Foundation considers all certificates of deposits and any highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at their fair values in the statements of financial position.

(continued)

BRETHREN IN CHRIST FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Loans Receivable and Interest on Loans

Loans receivable are stated at unpaid principal balances, less the allowance for loan losses. Substantially all loans receivable are collateralized by deeds of trust on real properties (principally church buildings and ministers' homes) located throughout the United States. Loans generally require a loan-to-value ratio of no greater than 80%. Interest on loans receivable is recognized using the simple interest method.

Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote. Payments received on such loans are applied as a reduction of any accrued interest and the remainder of the payment is used to reduce the loan principal balance.

An allowance for loan losses is maintained at a level considered adequate to absorb loan losses. Management of the Foundation, in determining the allowance for loan losses, considers the risks inherent in its loan portfolio and changes in the nature and volume of its loan activities, along with general economic and real estate market conditions. In addition, management also considers its ability to work with delinquent borrowers through other units of the Church, Conference guarantees, and such other relevant factors that, in management's judgment, deserve recognition. The Foundation utilizes a two-tier approach: (1) identification of impaired loans and the establishment of specific loss allowances on such loans; and (2) establishment of general loss allowances on the remainder of its loan portfolio. The Foundation maintains a loan review system that allows for a periodic review of its loan portfolio and the early identification of potential impaired loans. The system takes into consideration, among other things: delinquency status, size of loans, type and estimated fair value of collateral, and financial condition of the borrowers. Specific loan loss allowances are established for identified losses based on a review of such information. General loan loss allowances are based on a combination of factors including, but not limited to, actual loan loss experience, composition of the loan portfolio, current economic conditions, and management's judgment. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated future cash flows. The allowance is increased (decreased) by a provision for loan losses, which is reported in the statements of activities, and reduced by charge-offs, net of recoveries.

Property and Equipment

Acquisition of buildings, equipment, improvements, and expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized. Real estate, property, and equipment are recorded at cost or estimated fair value if donated. Depreciation is recognized in amounts calculated on a straight-line basis to amortize the cost or donated value of depreciable assets over their estimated useful lives.

Impairment

The Foundation reviews its long-lived assets for impairment on an exception basis whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through future cash flows. If it is determined that an impairment loss has occurred, based on the expected cash flows, then a loss is recognized in the statements of activities. No impairment loss was incurred during the years ending December 31, 2020, 2019, and 2018.

(continued)

BRETHREN IN CHRIST FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Common Trust Funds (CTF) Investment Accounts

Brethren in Christ churches, church agencies, and other eligible tax-exempt organizations place funds with the Foundation for investment in CTFs. The Foundation has established CTFs with specific investment objectives and investment policies. CTFs are separate accounting designations within the Foundation for jointly invested assets.

The Foundation records the allocation of CTF total investment returns, net of service fees, to CTF investment accounts in the statements of activities as an increase in net assets without donor restrictions. Allocations to individual CTF investment accounts are made monthly based on average daily balances. Deposits can be made at any time. Withdrawals are permitted up to the total account balance at the end of each month after re-pricing to market value.

Individual Retirement and Health Savings Accounts

The Foundation offers Individual Retirement Accounts and Health Savings Accounts to certain investors affiliated with the Church. These accounts are held in the Trust Fund.

Split-Interest Trusts

The Foundation serves as trustee for charitable remainder unitrusts and charitable lead trusts (trusts). Annual and final distributions from the trusts are made to charitable and non-charitable beneficiaries. The grantor generally retains the right to change charitable beneficiaries during the term of the trust. Liabilities for split-interest trusts are recorded in the statements of financial position at the fair value of the trust assets. The Foundation recognizes contributions from split-interest trusts when distributed to the Foundation.

The assets held in split-interest trusts are restricted and are generally invested in the Foundation's CTFs. Changes in split-interest trust restricted assets from the allocation of CTF's total investment returns, net of service fees, and other investment income increase or decrease the split-interest agreement liabilities in the statements of financial position.

Annuities Payable

The Foundation sells charitable gift annuities to individual members of the Church. The annuities provide for lifetime payments to the annuitant based upon standard rates set by the American Council on Gift Annuities. Upon the death of the annuitant, the carrying amount of the annuity is payable to the annuitant's charitable beneficiaries (generally organizations affiliated with the Church).

At the effective date of the annuity agreement, the Foundation records a liability equal to the present value of the estimated future payments to annuitants and charitable beneficiaries. The Foundation's portion of the charitable beneficiary designation is recorded as a contribution without donor restrictions. The liability is annually re-valued at the statement of financial position date using the original discount rate and current mortality tables.

(continued)

BRETHREN IN CHRIST FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Contributions

Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions.

Income Taxes

The Foundation is a not-for-profit organization exempt from federal and state income taxes pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code.

The Foundation adheres to the provisions of Financial Accounting Standards Board (FASB) Codification 740, *Income Taxes*. ASC 740 prescribes a comprehensive model for financial statement recognition, measurement, classification, and disclosure of uncertain tax positions. The Foundation has concluded that it does not have any uncertain tax positions that require recognition or disclosure in the financial statements. Management believes it is no longer subject to income tax examinations for years prior to 2017.

Related Party Transactions

Substantially all transactions are with members of, or organizations affiliated with, the Church. The Foundation has a shared services agreement with the Church whereby certain staff, office support, and operational management is shared from time to time. The agreement results in service fees, net on the Foundation's statements of activities.

In 2019, the Foundation made discretionary contributions to the Church from the Brotherhood Loan Fund and Trust Fund that totaled \$49,764 and \$200,000, respectfully. No such contributions were made in 2020 or 2018.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The changes associated with this ASU include the requirement for lessees to recognize the underlying assets and liabilities associated with all operating leases with terms greater than 12 months. The changes become effective for the Foundation on January 1, 2022. Management has determined the impact of these changes on the Foundation's financial statements will not be significant.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326)*. The new guidance requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The changes are required to be adopted by the Foundation by January 1, 2023, with early application permitted.

The Foundation adopted the new expected credit loss methodology of Topic 326 in 2020 and the impact on the Foundation's financial statements was minimal.

Subsequent Events

Management evaluated subsequent events through March 4, 2021, the date the financial statements were available to be issued.

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BRETHREN IN CHRIST FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

2. LIQUIDITY AND AVAILABILITY

The financial assets as of December 31, 2020 and 2019, which are available for general expenditures within one year of the statements of financial position dates comprise the following:

	2020	2019
Total cash and cash equivalents	\$ 22,906,790	\$ 19,802,919
Less:		
Cash held to fund debt securities withdrawals (see Note 8)	(6,515,719)	(6,250,908)
Cash restricted in trust fund	(5,098,979)	(4,117,811)
Cash board designated in trust fund	(402,784)	(344,724)
Add:		
Loans receivable to be collected within a year	1,309,325	1,231,534
Accrued interest	-	27,027
Other receivables to be collected within a year	27,959	25,232
	<u>\$ 12,226,592</u>	<u>\$ 10,373,269</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Foundation has a revolving line of credit with Centric bank in the amount of \$6,000,000, which it could draw upon as further disclosed in Note 10.

3. CASH AND CASH EQUIVALENTS

The Foundation utilizes a cash management system to invest excess cash deposits.

Cash and cash equivalents consist of the following as of December 31, 2020 and 2019:

	Brotherhood Loan Fund	
	2020	2019
Interest-bearing checking accounts	\$ 16,689,949	\$ 9,281,097
Certificates of deposit	-	5,450,000
	<u>\$ 16,689,949</u>	<u>\$ 14,731,097</u>
	Trust Fund	
	2020	2019
Certificate of deposit	\$ 4,312,382	\$ 4,486,398
Interest-bearing checking accounts	1,525,001	246,636
Money market funds	379,458	338,788
	<u>\$ 6,216,841</u>	<u>\$ 5,071,822</u>

(continued)

BRETHREN IN CHRIST FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

The Foundation is exposed to credit risk by maintaining cash balances at financial institutions in excess of federally insured limits.

4. INVESTMENTS

The cost and fair values of investments at December 31, 2020 and 2019, are as follows:

December 31, 2020	Cost	Net Unrealized Gains/(Losses)	Fair Value
Mutual funds			
International	\$ 1,581,640	\$ 644,913	\$ 2,226,553
Intermediate bonds - government	238,377	2,723	241,100
Large cap	3,845,581	2,995,090	6,840,671
Mid cap	912,669	47,817	960,486
Small cap	69,827	49,902	119,729
Money market	735	-	735
Short-term bonds	2,172,980	134,303	2,307,283
Short-term bonds - government	621,445	9,361	630,806
Total mutual funds	9,443,254	3,884,109	13,327,363
Cash value of life insurance	32,452	-	32,452
Investor-directed mutual funds			
International	1,479,965	233,904	1,713,869
Intermediate bonds	931,294	66,217	997,511
Intermediate bonds - government	93,687	883	94,570
Large cap	1,861,662	932,017	2,793,679
Mid cap	123,492	8,706	132,198
Small cap	6,123	3,689	9,812
Money market	2,280	-	2,280
Short-term bonds	205,368	3,767	209,135
Short-term bonds - government	56,713	1,329	58,042
Emerging markets	4,514	2,514	7,028
High yield bonds	4,580	321	4,901
Nontraditional bonds	4,943	(191)	4,752
World bonds	388,462	22,835	411,297
Total investor-directed mutual funds	5,163,083	1,275,991	6,439,074
	<u>\$ 14,638,789</u>	<u>\$ 5,160,100</u>	<u>\$ 19,798,889</u>

(continued)

BRETHREN IN CHRIST FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019	Cost	Net Unrealized Gains/(Losses)	Fair Value
Mutual funds			
International	\$ 1,627,864	\$ 367,961	\$ 1,995,825
Intermediate bonds - government	230,739	(1,425)	229,314
Large cap	3,914,403	2,321,315	6,235,718
Mid cap	670,301	246,803	917,104
Small cap	71,189	41,142	112,331
Money market	733	-	733
Short-term bonds	2,138,656	84,482	2,223,138
Short-term bonds - government	616,772	(5,374)	611,298
Total mutual funds	9,270,657	3,054,904	12,325,561
Cash value of life insurance	30,499	-	30,499
Investor-directed mutual funds			
Inflation protected fixed income	1,558,913	108,500	1,667,413
International	983,236	32,251	1,105,487
Intermediate fixed income - government	93,814	(787)	93,027
Large cap	2,308,015	620,415	2,928,430
Mid cap	93,190	31,700	124,890
Small cap	1,941	2,149	4,090
Money market	1,475	-	1,475
Short-term bonds	203,430	(1,109)	202,321
Short-term bonds - government	55,694	(126)	55,568
Emerging markets	4,972	1,759	6,731
Nontraditional bonds	4,653	(66)	4,587
World bonds	390,943	18,905	409,848
Total investor-directed mutual funds	5,700,276	813,591	6,513,867
	<u>\$ 15,001,432</u>	<u>\$ 3,868,495</u>	<u>\$ 18,869,927</u>

5. LOANS RECEIVABLE

Loans receivable consist primarily of amounts owed by churches affiliated with the Brethren in Christ denomination on loans made by the Foundation for the purpose of church construction or improvements. The loans mature at various dates through the year 2050 and bear interest rates ranging from 3.75% to 6.00%. Certain loans are also guaranteed by the general and regional Conferences of the Church.

During 2020, the Foundation generally had secured Trust Fund loans bearing annual interest at the rate of 4.00% to 6.00% to Church members and unrelated parties.

(continued)

BRETHREN IN CHRIST FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

The calculation for the allowance for loan losses is dependent on the amount guaranteed by the General and Regional Conferences (Conferences). At December 31, 2020 and 2019, Brotherhood Loan Fund loans were partially guaranteed by the Conferences totaling \$8,311,176 and \$8,646,259. At December 31, 2020 and 2019, Trust Loan Fund loans were partially guaranteed by the Conferences totaling \$512,204 and \$522,848.

An analysis of changes in the allowance for loan losses for 2020, 2019, and 2018, is as follows:

	Brotherhood Loan Fund	Trust Fund	Total
Allowance for loan losses, January 1, 2018	\$ 224,426	\$ 3,418	\$ 227,844
Provisions for losses on loans	17,372	(347)	17,025
Allowance for loan losses, December 31, 2018	241,798	3,071	244,869
Provisions for losses on loans	(2,974)	(1,357)	(4,331)
Allowance for loan losses, December 31, 2019	238,824	1,714	\$ 240,538
Provisions for losses on loans	17,385	2,824	20,209
Allowance for loan losses, December 31, 2020	<u>\$ 256,209</u>	<u>\$ 4,538</u>	<u>\$ 260,747</u>

At December 31, 2020 and 2019, there was no recorded investments in impaired loans. There was no allowance for loan losses related to impaired loans at December 31, 2020 and 2019. There was no interest income recognized on impaired loans in 2020, 2019, and 2018.

Scheduled repayments of loans receivable over the next five years and thereafter as of December 31, 2020, is as follows:

	Brotherhood Loan Fund	Trust Fund	Total
2021	\$ 1,211,877	\$ 97,448	\$ 1,309,325
2022	1,393,440	96,495	1,489,935
2023	1,479,962	100,932	1,580,894
2024	1,536,601	71,275	1,607,876
2025	1,580,854	53,354	1,634,208
Thereafter	32,390,878	280,367	32,671,245
Allowance for loan losses	<u>39,593,612</u> <u>(256,209)</u>	<u>699,871</u> <u>(4,538)</u>	<u>40,293,483</u> <u>(260,747)</u>
Loans, net	<u>\$ 39,337,403</u>	<u>\$ 695,333</u>	<u>\$ 40,032,736</u>

(continued)

BRETHREN IN CHRIST FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

6. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2020 and 2019, is as follows:

	Useful Lives	2020	2019
Office building and improvements	10-40 years	\$ 980,467	\$ 886,617
Farm – with donor restriction	N/A	415,000	415,000
Furniture and equipment	3-5 years	362,857	355,243
Accumulated depreciation		<u>(896,707)</u>	<u>(834,637)</u>
		<u>\$ 861,617</u>	<u>\$ 822,223</u>

Depreciation expense for the years ended December 31, 2020, 2019, and 2018, totaled \$63,052, \$45,844, and \$36,853.

7. NET ASSETS WITH DONOR RESTRICTIONS

In 1981, property with an appraised value of \$415,000 was transferred to the Foundation from the General Conference. The property is held by the Foundation as Trustee, and court approval must be obtained prior to any sale of the property. Net income derived from farming the property is contributed to Church Missions. At such time as the property is sold, the corpus will be managed by the Foundation and the earnings distributed to Church Missions.

8. DEBT SECURITIES

The Foundation has received approval from certain states for the sale of Thrift Accumulation Plan Agreements (Agreements), Stewardship Investment Certificates (Certificates), and Individual Retirement Account Notes (Notes) to individuals affiliated with the Church. The principal terms of these instruments as of December 31, 2020, are as follows:

	Agreements	Certificates
Minimum purchase	\$5	\$25
Term	30 days	6 months to 5 years
Interest rate at December 31, 2020	Variable, currently 0.00% to 1.00%	Variable, currently 0% to 2.96%

Notes have a minimum purchase of \$25 or the balance of an individual's IRA, whichever is less, and are generally issued for a minimum of the lesser of five years or holders reaching 59½ years of age. Interest is variable on 5 and 10 year Notes (currently at 2.96% and 3.20%) and is added to the principal on a quarterly basis.

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BRETHREN IN CHRIST FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Agreements, Certificates, and Notes outstanding at December 31, 2020, have maturity dates and amounts as follows:

2021	\$ 21,327,348
2022	9,562,211
2023	5,682,486
2024	3,345,638
2025	5,306,514
Thereafter	<u>2,476,599</u>
Total	<u>\$ 47,700,796</u>

The interest rate on these savings instruments may be adjusted monthly by the Board of Directors to reflect current market conditions.

The Foundation holds a minimum of 5%, 10%, and 25% of the proceeds from the sale of Notes, Certificates, and Agreements, respectively, in cash accounts and certificates of deposits for immediate liquidity to fund withdrawals from the Brotherhood Loan Fund. Such minimum amounts totaled \$6,515,719 and \$6,250,908, at December 31, 2020 and 2019.

9. SPLIT-INTEREST AGREEMENTS

Split-interest Trusts

Split-interest trust restricted assets consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 385,937	\$ 471,709
Investments	<u>2,712,298</u>	<u>2,659,479</u>
	<u>\$ 3,098,235</u>	<u>\$ 3,131,188</u>

Liabilities for split-interest trusts totaled \$3,098,235 and \$3,131,188 at December 31, 2020 and 2019.

Annuities Payable

Assets received under charitable gift annuity agreements are held as general assets of the Foundation.

Annuities payable at December 31, 2020 and 2019, totaled \$902,500 and \$902,390 and were determined using discount rates ranging from 2.0% to 8.4%. The change in the Foundation's portion of the liability is recorded as a change in net assets without donor restrictions and totaled \$13,459, \$16,888, and \$(32,587), for the years ended December 31, 2020, 2019, and 2018.

(continued)

BRETHREN IN CHRIST FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

10. LINE OF CREDIT

The Foundation currently has available for its use a revolving line of credit with Centric Bank in the amount of \$6,000,000. All amounts borrowed under the revolving line of credit are payable on demand and bear interest at the Wall Street Journal Prime Rate. Advances under the line of credit shall be used to finance timing differences between deposits gathered and loans funded. Interest is to be calculated on the outstanding principal balance for the actual number of days lapsed during each billing cycle at a daily rate based on a year of 360 days. At December 31, 2020 and 2019, no amounts were outstanding on the line of credit.

11. FUNCTIONAL EXPENSE ALLOCATION

The costs of providing programs and other supporting activities have been summarized on a functional basis below. Accordingly, certain costs have been allocated among programs and the supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Allocation Method</u>				
Professional services	Benefits received				
Salaries and benefits	Time and effort				
Depreciation	Time and effort				
General and administrative	Benefits received				
<u>2020</u>	<u>BLF</u>	<u>Trust Fund</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total All Funds</u>
Distributions to charities	\$ 34,658	\$ 27,946	\$ -	\$ -	\$ 62,604
Interest	1,109,580	-	-	-	1,109,580
Professional services	63,965	19,975	2,315	-	86,255
Salaries and benefits	281,402	144,622	183,087	66,564	675,675
Depreciation	40,353	-	17,024	5,675	63,052
General and administrative	91,590	53,202	35,658	5,992	186,442
Matching grant	9,000	-	-	-	9,000
Provisions for loss on loans	17,385	2,824	-	-	20,209
Loss on disposal of property and equipment	-	-	3,928	-	3,928
Total expenses	<u>\$ 1,647,933</u>	<u>\$ 248,569</u>	<u>\$ 242,012</u>	<u>\$ 78,231</u>	<u>\$2,216,745</u>

(continued)

BRETHREN IN CHRIST FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

2019	BLF	Trust Fund	Management and General	Fundraising	Total All Funds
Contributions to the Church	\$ 49,764	\$ 200,000	\$ -	\$ -	\$ 249,664
Distributions to charities	35,000	35,100	-	-	70,200
Interest	1,098,839	-	-	-	1,098,839
Professional services	52,954	17,710	1,888	-	72,552
Salaries and benefits	284,520	141,664	159,754	79,075	665,013
Depreciation	29,340	-	11,461	5,043	45,844
General and administrative	92,257	39,943	19,437	10,728	162,365
Matching grant	14,000	-	-	-	14,000
Provisions for loss on loans	(2,974)	(1,357)	-	-	(4,331)
Total expenses	<u>\$ 1,653,700</u>	<u>\$ 433,060</u>	<u>\$ 192,540</u>	<u>\$ 94,846</u>	<u>\$2,374,146</u>

2018	BLF	Trust Fund	Management and General	Fundraising	Total All Funds
Distributions to charities	\$ 35,500	\$ 12,477	\$ -	\$ -	\$ 47,977
Interest	900,259	-	-	-	900,259
Professional services	65,482	16,859	2,615	-	84,956
Salaries and benefits	222,305	128,894	131,514	67,255	549,968
Depreciation	23,586	-	9,213	4,054	36,853
General and administrative	60,310	39,702	18,466	9,272	127,750
Matching grant	17,000	-	-	-	17,000
Provisions for loss on loans	17,372	(347)	-	-	17,025
Total expenses	<u>\$ 1,341,814</u>	<u>\$ 197,585</u>	<u>\$ 161,808</u>	<u>\$ 80,581</u>	<u>\$1,781,788</u>

12. RETIREMENT PLAN

The Foundation maintains a defined contribution employee pension plan. The plan is available to all employees who are employed on a full time basis. During 2018, the employer rate was 5.5% of eligible compensation plus a match of employee contributions up to 4.5%. During 2019 and 2020, the employer rate was 5.0% of eligible compensation plus a match of employee contributions up to 5.0%. For the years ended December 31, 2020, 2019, and 2018, retirement plan expenses of \$39,671, \$37,936, and \$32,277 were included in employee benefits.

13. CASH FLOW INFORMATION

Amounts paid for interest were as follows:

	2020	2019	2018
Brotherhood Loan Fund	<u>\$ 1,109,580</u>	<u>\$ 1,098,838</u>	<u>\$ 900,259</u>

(continued)

BRETHREN IN CHRIST FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Interest re-invested by holders of debt securities in the Brotherhood Loan Fund totaled \$996,156, \$983,151, and \$803,544 during the years ended December 31, 2020, 2019, and 2018.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* (ASC 820), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

The cash value of life insurance policies are valued at the amount the Foundation is entitled to receive upon cancellation of the life insurance policy. That amount is based on the insurance premiums paid, the value of underlying investments, surrender fees, and reduced by outstanding policy loans.

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BRETHREN IN CHRIST FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Common stocks are valued at the closing price reported on the active market on which the individual securities are traded.

The fair values of CTF investment accounts and other funds held are based on net asset values of assets allocated to the CTF.

The fair values of split-interest trusts are based on the net asset values of the trust assets.

For assets and liabilities measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used as of December 31, 2020 and 2019, are as follows:

2020	Level 1	Level 2	Level 3	Total
Mutual funds				
International	\$ 3,940,422	\$ -	\$ -	\$ 3,940,422
Intermediate fixed income	997,511	-	-	997,511
Intermediate fixed income - government	335,669	-	-	335,669
Large cap	9,634,350	-	-	9,634,350
Mid cap	1,092,684	-	-	1,092,684
Small cap	129,541	-	-	129,541
Money market	3,015	-	-	3,015
Short-term fixed income	2,516,418	-	-	2,516,418
Short-term fixed income - government	688,848	-	-	688,848
Emerging markets	7,028	-	-	7,028
High yield fixed income	4,901	-	-	4,901
Nontraditional fixed income	4,752	-	-	4,752
World fixed income	411,297	-	-	411,297
Total mutual funds	19,766,437	-	-	19,766,437
Cash value of life insurance	-	-	32,452	32,452
Total investments	<u>\$ 19,766,437</u>	<u>\$ -</u>	<u>\$ 32,452</u>	<u>\$ 19,798,889</u>
CTF investments	\$ -	\$ 18,563,032	\$ -	\$ 18,563,032
Split-interest trusts	-	3,098,235	-	3,098,235
Other funds held	-	9,243	-	9,243
Total liabilities	<u>\$ -</u>	<u>\$ 21,670,510</u>	<u>\$ -</u>	<u>\$ 21,670,510</u>

(continued)

BRETHREN IN CHRIST FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

2019	Level 1	Level 2	Level 3	Total
Mutual funds				
International	\$ 3,663,238	\$ -	\$ -	\$ 3,663,238
Intermediate fixed income	1,015,487	-	-	1,015,487
Intermediate fixed income - government	322,341	-	-	322,341
Large cap	9,164,148	-	-	9,164,148
Mid cap	1,041,994	-	-	1,041,994
Small cap	116,421	-	-	116,421
Money market	2,208	-	-	2,208
Short-term fixed income	2,425,459	-	-	2,425,459
Short-term fixed income - government	666,966	-	-	666,966
Emerging markets	6,731	-	-	6,731
Nontraditional fixed income	4,587	-	-	4,587
World fixed income	409,848	-	-	409,848
Total mutual funds	18,839,428	-	-	18,839,428
Cash value of life insurance	-	-	30,499	30,499
Total investments	\$ 18,839,428	\$ -	\$ 30,499	\$ 18,869,927
CTF investments	\$ -	\$ 17,208,578	\$ -	\$ 17,208,578
Split-interest trusts	-	3,131,178	-	3,131,178
Other funds held	-	9,164	-	9,164
Total liabilities	\$ -	\$ 20,348,920	\$ -	\$ 20,348,920

The following table sets forth a summary of changes in the fair value of the Foundation's level 3 assets for the years ended December 31, 2020, 2019, and 2018:

	Life Insurance Policies		
	2020	2019	2018
Balance, beginning of year	\$ 30,499	\$ 28,542	\$ 27,363
Premiums paid	532	532	532
Gains and premium discounts	1,421	1,425	647
Balance, end of year	\$ 32,452	\$ 30,499	\$ 28,542

(continued)

BRETHREN IN CHRIST FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

The Foundation's financial instruments also include cash and cash equivalents, loans receivable and accrued interest receivable, accounts payable and other liabilities, debt securities, and individual retirement and health savings accounts. The carrying amounts of cash and cash equivalents, accrued interest receivable and accounts payable and other liabilities approximate fair values as of December 31, 2020 and 2019, because of the short maturities of those instruments. The carrying amounts of loans receivable, debt securities and individual retirement and health savings accounts are considered to approximate fair values as of December 31, 2020 and 2019, since they are subject to interest rates, which vary depending on market conditions.

15. PAYCHECK PROTECTION PROGRAM

On April 8, 2020, the Foundation qualified for and received loan proceeds in the amount of \$135,280 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying organizations and also loan forgiveness for up to 100% of the loan value. The Foundation received loan forgiveness for the entire amount of the loan and it is included in contributions on the statement of activities for 2020.

16. RISKS AND UNCERTAINTIES

The COVID-19 pandemic has caused disruption of many businesses which is resulting in significant economic uncertainties. The extent of COVID-19 on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and its effect on churches, church members, and others that do business with the Foundation. All of these factors are uncertain and cannot be predicted. At this time, the extent to which COVID-19 may impact the Foundation's financial condition or results of operations is unknown. In response to COVID-19, the Foundation extended certain payment modifications to loan customers in need. As of December 31, 2020, all loans that received payment modifications during 2020 related to COVID-19 have since returned to normal repayment status.



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