

Board of Church Extension of Disciples of Christ, Inc.

Financial Statements as of December 31, 2020
and 2019, and for the Three Years Ended
December 31, 2020, 2019, and 2018, and
Independent Auditors' Report

BOARD OF CHURCH EXTENSION OF DISCIPLES OF CHRIST, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Board of Church Extension of Disciples of Christ, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of Board of Church Extension of Disciples of Christ, Inc. (DCEF), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities, cash flows, functional expenses for the years ended December 31, 2020, 2019, and 2018, 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.

Auditors' 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 audit 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 DCEF'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 DCEF'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.

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 Board of Church Extension of Disciples of Christ, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years ended December 31, 2020, 2019, and 2018, in accordance with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

March 15, 2021

BOARD OF CHURCH EXTENSION OF DISCIPLES OF CHRIST, INC.

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 9,821,529	\$ 1,820,418
INVESTMENTS	<u>15,252,685</u>	<u>24,879,924</u>
Total Cash and Cash Equivalents and Investments	25,074,214	26,700,342
INVESTMENT IN RELATED PARTY	1,250,000	1,250,000
ACCRUED INTEREST RECEIVABLE	831,054	722,622
LOANS TO CHURCHES AND RELATED ORGANIZATIONS—Net	160,503,700	147,999,452
SUNDRY RECEIVABLES AND OTHER ASSETS	1,508,305	1,604,304
ASSETS HELD FOR SALE	299,000	432,400
PROPERTY AND EQUIPMENT—Net	<u>343,608</u>	<u>377,741</u>
TOTAL	<u>\$189,809,881</u>	<u>\$179,086,861</u>
LIABILITIES AND NET ASSETS		
INVESTMENT NOTES AND OTHER OBLIGATIONS	\$153,242,565	\$144,652,868
OTHER LIABILITIES	<u>1,531,193</u>	<u>1,399,064</u>
Total liabilities	<u>154,773,758</u>	<u>146,051,932</u>
NET ASSETS:		
Without donor restrictions	28,637,836	26,661,811
With donor restrictions	<u>6,398,287</u>	<u>6,373,118</u>
Total net assets	<u>35,036,123</u>	<u>33,034,929</u>
TOTAL	<u>\$189,809,881</u>	<u>\$179,086,861</u>

See notes to financial statements.

BOARD OF CHURCH EXTENSION OF DISCIPLES OF CHRIST, INC.

STATEMENTS OF ACTIVITIES

FOR THE THREE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018

	2020	2019	2018
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:			
Operating:			
Income:			
Interest on loans	\$ 7,413,353	\$ 6,535,568	\$ 6,261,636
Interest and dividends on investments	482,874	734,257	744,528
Fees, services, and other operating income	969,259	577,198	312,559
Net assets released from restrictions	<u>358,207</u>	<u>224,861</u>	<u>281,569</u>
Total income	<u>9,223,693</u>	<u>8,071,884</u>	<u>7,600,292</u>
Expenses:			
Interest on investment notes and other obligations	3,450,678	3,012,888	2,548,954
Salaries and employee benefits	3,238,522	3,170,291	2,892,340
Travel	87,937	211,035	182,082
Headquarters expense	1,620,186	1,801,144	1,821,358
Provision (Benefit) for loan losses	<u>83,598</u>	<u>99,500</u>	<u>(240,421)</u>
Total expenses	<u>8,480,921</u>	<u>8,294,858</u>	<u>7,204,313</u>
Income (Loss) from operations	742,772	(222,974)	395,979
Other changes in net assets without donor restrictions:			
Bequests, annuities, and other gifts	419,185	530,346	479,816
Contributions from related party		1,698,715	-
Gains (losses) on investments	814,069	1,399,247	(952,508)
Contributions to related party		<u>(100,000)</u>	<u>(26,000)</u>
Total change in net assets without donor restrictions	<u>1,976,026</u>	<u>3,305,334</u>	<u>(102,713)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:			
Gift and investment income	383,375	321,215	437,208
Contributions from related party		1,290,718	-
Net assets released from restrictions	<u>(358,207)</u>	<u>(224,861)</u>	<u>(281,569)</u>
Total change in net assets with donor restrictions	<u>25,168</u>	<u>1,387,072</u>	<u>155,639</u>
TOTAL CHANGE IN NET ASSETS	2,001,194	4,692,406	52,926
BEGINNING NET ASSETS	<u>33,034,929</u>	<u>28,342,523</u>	<u>28,289,597</u>
ENDING NET ASSETS	<u>\$35,036,123</u>	<u>\$33,034,929</u>	<u>\$28,342,523</u>

See notes to financial statements.

BOARD OF CHURCH EXTENSION OF DISCIPLES OF CHRIST, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Lending Services	General Administration	Fundraising and Development	Program Services	Total
EXPENSES:					
Interest on investment notes and other obligations	\$ 3,450,678	\$ -	\$ -	\$ -	\$ 3,450,678
Salaries and employee benefits	1,434,487	831,315	348,004	624,716	3,238,522
Travel	30,929	24,969	9,821	22,218	87,937
Headquarters expense	789,311	357,311	270,371	203,193	1,620,186
Provision for loan losses	<u>83,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,598</u>
TOTAL EXPENSES	<u>\$ 5,789,003</u>	<u>\$ 1,213,595</u>	<u>\$ 628,196</u>	<u>\$ 850,127</u>	<u>\$ 8,480,921</u>

See notes to financial statements.

BOARD OF CHURCH EXTENSION OF DISCIPLES OF CHRIST, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	Lending Services	General Administration	Fundraising and Development	Program Services	Total
EXPENSES:					
Interest on investment notes and other obligations	\$3,012,888	\$ -	\$ -	\$ -	\$3,012,888
Salaries and employee benefits	1,481,672	813,381	331,300	543,938	3,170,291
Travel	104,137	47,701	16,499	42,698	211,035
Headquarters expense	886,270	328,229	339,460	247,185	1,801,144
Provision for loan losses	<u>99,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,500</u>
TOTAL EXPENSES	<u>\$5,584,467</u>	<u>\$1,189,311</u>	<u>\$687,259</u>	<u>\$833,821</u>	<u>\$8,294,858</u>

See notes to financial statements.

BOARD OF CHURCH EXTENSION OF DISCIPLES OF CHRIST, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018

	Lending Services	General Administration	Fundraising and Development	Program Services	Total
EXPENSES:					
Interest on investment notes and other obligations	\$2,548,954	\$ -	\$ -	\$ -	\$2,548,954
Salaries and employee benefits	1,429,588	994,458	268,662	199,632	2,892,340
Travel	111,031	42,754	14,059	14,238	182,082
Headquarters expense	1,332,960	259,889	121,606	106,903	1,821,358
Provision for loan losses	<u>(240,421)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(240,421)</u>
TOTAL EXPENSES	<u>\$5,182,112</u>	<u>\$1,297,101</u>	<u>\$404,327</u>	<u>\$320,773</u>	<u>\$7,204,313</u>

See notes to financial statements.

BOARD OF CHURCH EXTENSION OF DISCIPLES OF CHRIST, INC.

STATEMENTS OF CASH FLOWS

FOR THE THREE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018

	2020	2019	2018
OPERATING ACTIVITIES:			
Change in total net assets	\$ 2,001,194	\$ 4,692,406	\$ 52,926
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:			
Provision for loan losses	83,598	99,500	(240,421)
Depreciation and amortization	71,593	46,237	46,237
Losses (Gains) on sale of assets held for sale	(18,376)	(4,925)	141,014
Change in value of assets held for sale	-	36,800	(249,526)
Amortization of premium—less accretion of discount on investments	13,561	29,330	42,703
Net (gains) losses on investments	(814,069)	(1,399,247)	952,508
Changes in operating assets and liabilities:			
Accrued interest receivable	(108,432)	(142,687)	133,852
Sundry receivable and other assets	95,999	34,532	54,923
Other liabilities	<u>132,129</u>	<u>11,398</u>	<u>(132,929)</u>
Net cash provided by operating activities	<u>1,457,197</u>	<u>3,403,344</u>	<u>801,287</u>
INVESTING ACTIVITIES:			
Proceeds from sale of investments	12,216,310	6,556,059	15,548,022
Proceeds from sale of assets held for sale	151,776	322,325	67,111
Purchases of investments	(1,788,563)	(10,030,927)	(11,504,850)
Investment in related party	-	(1,250,000)	-
Principal collected on loans	16,633,434	14,132,516	25,123,020
Loan funds advanced	(29,221,280)	(28,111,277)	(22,592,392)
Purchase of property and equipment	<u>(37,460)</u>	<u>(35,766)</u>	<u>(136,601)</u>
Net cash (used in) provided by investing activities	<u>(2,045,783)</u>	<u>(18,417,070)</u>	<u>6,504,310</u>
FINANCING ACTIVITIES:			
Borrowings on line of credit	8,500,000	1,000,000	-
Repayments of line of credit	(8,500,000)	(1,000,000)	-
Sales of investment notes	36,319,282	98,907,751	55,959,917
Redemptions of investment notes	<u>(27,729,585)</u>	<u>(90,860,225)</u>	<u>(65,109,378)</u>
Net cash provided by (used in) financing activities	<u>8,589,697</u>	<u>8,047,526</u>	<u>(9,149,461)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,001,111	(6,966,200)	(1,843,864)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>1,820,418</u>	<u>8,786,618</u>	<u>10,630,482</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 9,821,529</u>	<u>\$ 1,820,418</u>	<u>\$ 8,786,618</u>
INTEREST PAID	<u>\$ 1,024,872</u>	<u>\$ 667,252</u>	<u>\$ 665,616</u>
NON-CASH ACTIVITIES:			
Loans transferred to assets held for sale (including gain)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,863</u>
Losses charged off	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reclassification of property and equipment to other assets	<u>\$ -</u>	<u>\$ 115,500</u>	<u>\$ -</u>

See notes to financial statements.

BOARD OF CHURCH EXTENSION OF DISCIPLES OF CHRIST, INC.

NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020 AND 2019, AND FOR THE THREE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018

1. SIGNIFICANT ACCOUNTING POLICIES

Business—Board of Church Extension of Disciples of Christ, Inc. is a not-for-profit corporation affiliated through its common religious purposes with the Christian Church (Disciples of Christ). Effective January 1, 2012, Board of Church Extension of Disciples of Christ, Inc. changed its “doing business as” name from Church Extension to Disciples Church Extension Fund (DCEF).

In addition, effective January 1, 2012, DCEF began operating under a new organizational structure which included the creation of two new entities: Hope Partnership for Missional Transformation (HPMT) and Church Extension Financial & Missional Resources (CEFMR). Under this structure, DCEF served as the financial resource to congregations offering loan, investment, and building and capital planning services while HPMT served as the missional resource to congregations offering ministry planning and leadership development services. CEFMR served as the umbrella organization providing support resources to DCEF, HPMT and congregations.

Effective December 31, 2019, the HPMT entity was dissolved and all net assets of HPMT were acquired by DCEF, for no consideration.

Effective December 31, 2020, the CEFMR entity was dissolved. This action leaves DCEF as the sole entity. DCEF continues to offer loan, investment, and building and capital planning services as well as ministry planning, and leadership development services (Note 11).

DCEF’s primary means of obtaining the funds necessary to conduct its operations is through the receipt of proceeds from the sale of its investment obligations, primarily in the form of term and demand notes. DCEF believes that nearly all funds raised by issuance of its investment obligations are from individuals related to and units of the Christian Church (Disciples of Christ).

Cash Equivalents—DCEF considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments—Investments are carried at fair value. Investments for which quoted market prices are not available are valued by the investment manager of the fund based on fair value of the underlying assets. Realized and unrealized gains and losses on investments are calculated based on the cost or the amortized cost of the specific investment.

The Board of Directors is responsible for setting and altering DCEF’s investment policies. The Chief Financial Officer, the Treasurer, and a Vice President of DCEF are responsible for directing the investments in accordance with those policies.

Related Party Investments—Related Party investments consisting of a 45% investment in a related party, DDI NGI, LLC and is valued under the equity method of accounting at cost with an adjustment for DCEF’s pro-rata share of gains and losses.

Loans—Interest income on interest-bearing loans is computed daily based upon the principal amount of the loans outstanding prior to payments received. The accrual of interest income for DCEF’s loans is discontinued when there is a clear indication that the borrower’s cash flow may not be sufficient to meet payments as they become due. Such loans are placed on nonaccrual status when the principal or interest is past due 150 days or more, unless the borrower is making at least interest only payments or the loan is fully collateralized and is in the process of collection. When a loan is placed on nonaccrual status, all previously accrued and unpaid interest is charged against interest income and the loan is accounted for on the cost recovery method thereafter, until qualifying for return to accrual status. Generally, a loan is returned to accrual status when all delinquent interest and principal payments become current in accordance with the terms of the loan agreement or when the loan is both well secured and in the process of collection.

DCEF maintains an allowance to absorb probable loan losses inherent in the portfolio. The allowance for loan losses is maintained at a level considered adequate by management to provide for potential losses in the loan portfolio. Management considers numerous factors in estimating loan losses including current economic conditions, prior loan loss and delinquency experience, and the composition of the loan portfolio. Additional amounts are added to the loan loss allowance to maintain an appropriate allowance as a percentage of the outstanding loan balance as deemed necessary.

Loans that exhibit probable or observed credit weaknesses are subject to individual review. A loan is impaired when it is probable DCEF will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are measured based on the present value of expected future cash flows discounted at the loan’s effective interest rate, the fair value of the underlying collateral, or readily observable secondary market values. DCEF evaluates the collectability of both principal and interest when assessing the need for a loss accrual.

Based on the nature of DCEF’s relationship with its borrowers and its desire to work with a borrower to meet its obligation without foreclosure, historical loan losses have been minimal. Any future recoveries are added back to the allowance.

Assets Held for Sale—DCEF obtains properties that are pledged as collateral under a loan by deed in lieu of foreclosure. These properties are classified as held for sale at the lower of the carrying value of the loan, or fair value less cost to sell, which is considered to be a Level 3 input in the fair value hierarchy. (Note 3).

Property and Equipment—Property and equipment are recorded on the basis of cost. Depreciation and amortization are computed by the straight-line method over the respective useful lives ranging from three to ten years. DCEF identifies and records impairment losses on long-lived assets whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted cash flows attributable to such assets to their carrying value. If the carrying value of the assets exceeds the forecasted undiscounted cash flows, then the assets are written down to their fair value. Fair value is determined based on discounted cash flows or appraised values depending upon the nature of the assets.

Gift Income—Gifts qualifying as unconditional promises to give are recognized as assets and gift income when granted. DCEF reports gifts of cash or other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor

restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

DCEF has been designated as the beneficiary of certain charitable gift annuities and remainder trusts. At the time the gift is made, DCEF recognizes the net present value of the portion of the gift due to DCEF at the time of the donor's death. Such calculations utilize actuarial assumptions as to the expected life of the donor as well as the current interest rate. The net present value of the gift is included in sundry receivables and other assets in the statements of financial position and as gift income with donor restrictions within the statements of activities when received. Changes in the fair values of the underlying annuity investments are recognized as gift and investment income with donor restrictions within the statements of activities as they occur.

Net Assets—Net assets are allocated to and accounted for in individual categories based upon the purposes for which they are intended. Net assets without donor restrictions have no donor-imposed restrictions placed upon them. However, DCEF has designated certain net assets without donor restrictions for specific purposes. Net assets with donor restrictions include net assets whose use by DCEF is limited by donor-imposed stipulations that either expire by passage of time or can be met and removed by actions of DCEF pursuant to those stipulations, and net assets whose use is limited by donor-imposed restrictions which stipulate that resources be maintained permanently but permits DCEF to expend part or all of the income, or other economic benefits, derived from the donated assets.

Measure of Operations—The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to DCEF's ongoing lending, investing, and building and capital planning services. Non-operating activities are limited to resources that generate return from investments, gifts, and other activities.

Income Taxes—DCEF is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, except for income taxes on unrelated business income. As a religious organization, DCEF is not required to file annual Federal or State information returns. Because of this, all tax years remain open and subject to examination.

Functional Expenses—The costs of providing lending and other services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among services benefited. Such allocations are determined by management on an equitable basis. The method of allocation for these expenses was to evaluate the time and effort spent on each.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenditures during the reporting period. Actual results could differ from those estimates.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments" (Topic 326). ASU 2016-13 requires organizations to estimate expected lifetime credit losses on certain types of financial instruments, including loans, loan commitments, and financial guarantees. The amendment requires the measurement of all expected credit losses for financial assets as of the reporting date (including historical

experience, current conditions and reasonable and supportable forecasts). The guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within the year of adoption. We are currently evaluating the impact that the adoption of the ASU will have on our financial results and disclosures.

2. INVESTMENTS

Investments at December 31, 2020 and 2019, are summarized as follows:

	2020	
	Cost or Amortized Cost	Fair Value
Equities—common stocks	<u>\$ 100,989</u>	<u>\$ 102,715</u>
Fixed income:		
Corporate bonds		
Government obligations	50,215	50,050
Other fixed income	<u>2,766,855</u>	<u>2,866,855</u>
Total fixed income	<u>2,817,070</u>	<u>2,916,905</u>
Certificates of deposit and commercial paper	<u>100,000</u>	<u>100,000</u>
Pooled investment funds with related party— debt/equity securities (Note 11)	<u>9,586,467</u>	<u>12,133,065</u>
Total investments	<u>\$12,604,526</u>	<u>\$15,252,685</u>

	2019	
	Cost or Amortized Cost	Fair Value
Equities—common stocks	<u>\$ 110,971</u>	<u>\$ 106,095</u>
Fixed income:		
Corporate bonds	2,495,214	2,541,158
Government obligations	4,056,261	4,052,400
Other fixed income	<u>4,182,130</u>	<u>4,282,130</u>
Total fixed income	<u>10,733,605</u>	<u>10,875,688</u>
Certificates of deposit and commercial paper	<u>1,062,274</u>	<u>1,079,678</u>
Pooled investment funds with related party— debt/equity securities (Note 11)	<u>10,747,708</u>	<u>12,818,463</u>
Total investments	<u><u>\$22,654,558</u></u>	<u><u>\$24,879,924</u></u>

The fair value of investments subject to gift agreement/agency transaction terms (included in pooled investment funds) totaled \$545,392 and \$469,639 at December 31, 2020 and 2019, respectively. Liabilities of \$1,411,346 and \$1,372,428 were also recorded related to these gift agreements/agency transactions at December 31, 2020 and 2019, respectively. The remaining assets associated with these gift agreements/agency transactions were \$144,898 and \$132,078 at December 31, 2020 and 2019, respectively, which were included in investments and receivables.

Net gain (loss) on investments for the years ended December 31, 2020, 2019, and 2018, consist of the following:

	2020	2019	2018
Realized gain (loss) on investments	\$ 429,238	\$ 13,489	\$ (1,249)
Net change in unrealized gain (loss) on investments:			
Unrealized gain	384,831	1,385,758	-
Unrealized loss	<u>-</u>	<u>-</u>	<u>(951,259)</u>
Gains (losses) on investment	814,069	1,399,247	(952,508)
Interest and dividends on investments	<u>482,874</u>	<u>734,257</u>	<u>744,528</u>
Total investment return	<u><u>\$ 1,296,943</u></u>	<u><u>\$ 2,133,504</u></u>	<u><u>\$ (207,980)</u></u>

Gain (loss) on investments is exclusive of \$38,010 and \$65,130 and \$48,300, of unrealized gains in 2020, 2019, and 2018, respectively, related to investments restricted subject to gift agreement/agency transaction discussed above.

DCEF's policy is to include interest and dividends earned on investments in its income from operations.

The following table as of December 31 sets forth a summary of the DCEF's investments with a reported Net Asset Value.

2020					
Fair Value Estimated Using Net Asset Value per Share					
Investment	Fair Value *	Unfunded Commitment	Redemption Frequency ^(a)	Other Redemption Restrictions	Redemption Notice Period
Pooled investment funds— Christian Church Foundation	<u>\$12,133,065</u>	None	Immediate	None	None

2019					
Fair Value Estimated Using Net Asset Value per Share					
Investment	Fair Value *	Unfunded Commitment	Redemption Frequency ^(a)	Other Redemption Restrictions	Redemption Notice Period
Pooled investment funds— Christian Church Foundation	<u>\$12,818,463</u>	None	Immediate	None	None

* The fair values of the investments have been estimated using the net asset value of the investment.

^(a) The pooled investment funds invest in short-term investments, stocks, and stock and bond funds. DCEF can withdraw its investment in full at any time.

Maturities of debt securities at December 31, 2020 and 2019, are as follows:

	2020	2019
Within 1 year	\$ 2,727,210	\$ 5,666,003
After 1 year through 5 years	50,050	6,139,580
After 5 years through 10 years	<u>-</u>	<u>-</u>
Total debt securities	<u>\$ 2,777,260</u>	<u>\$ 11,805,583</u>

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* ("ASC Topic 820") defines fair value, establishes a consistent framework for measuring fair value in U.S. GAAP, and expands disclosures about fair value measurements. ASC Topic 820 requires, among other things, DCEF's valuation techniques used to measure fair value to maximize the use of observable inputs and minimize the use of unobservable inputs.

ASC Topic 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect DCEF's market assumptions.

In accordance with ASC Topic 820, the three levels within the fair value hierarchy are described as follows:

Level 1—Quoted prices for identical instruments in active markets.

Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3—Model-derived valuations in which one or more significant inputs or significant drivers are unobservable. This hierarchy requires the use of observable market data when available.

The hierarchy level for each of DCEF's assets that are measured at fair value on a recurring basis as of December 31, 2020, is as follows (The pooled investment funds measured at net asset value (NAV) have not been classified in the fair value hierarchy):

	Level 1	Level 2	Level 3	Total
Common stocks	\$ 102,715	\$ -	\$ -	\$ 102,715
Fixed income:				
Government obligations	-	50,050	-	50,050
Other	-	2,866,855	-	2,866,855
Certificates of deposit	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total investments, excluding measured at NAV	<u>\$ 102,715</u>	<u>\$ 3,016,905</u>	<u>\$ -</u>	<u>3,119,620</u>
Investments measured at NAV - Pooled Investment Funds with Related Party*				<u>12,133,065</u>
Total investments				<u>\$ 15,252,685</u>

The hierarchy level for each of DCEF's assets that are measured at fair value on a recurring basis as of December 31, 2019, is as follows (The pooled investment funds measured at net asset value (NAV) have not been classified in the fair value hierarchy):

	Level 1	Level 2	Level 3	Total
Common stocks	\$ 106,095	\$ -	\$ -	\$ 106,095
Fixed income:				
Corporate bonds	-	2,541,158	-	2,541,158
Government obligations	-	4,052,400	-	4,052,400
Other	-	4,282,130	-	4,282,130
Certificates of deposit	<u>-</u>	<u>1,079,678</u>	<u>-</u>	<u>1,079,678</u>
Total investments, excluding measured at NAV	<u>\$ 106,095</u>	<u>\$ 11,955,366</u>	<u>\$ -</u>	<u>12,061,461</u>
Investments measured at NAV - Pooled Investment Funds with Related Party*				<u>12,818,463</u>
Total investments				<u>\$ 24,879,924</u>

* Measured at Net Asset Value (NAV).

The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Common stocks

The fair value of common stock is determined by using the stock's quoted price, which is available in an active market. Therefore, these investments are classified within Level 1 of the valuation hierarchy.

Fixed income and certificates of deposit

These investments are priced using the closing bid as supplied by an independent pricing service based on observable inputs. Observable inputs may include valuations provided by dealers, and prices for instruments with similar interest rates, credit risk, yield curves, default rates and similar data, etc. These investments are categorized in Level 2 of the fair value hierarchy.

Pooled investment funds

Investments in pooled investment funds are valued based upon the redemption price of units held by the Plan. Unit values are determined by the financial institution sponsoring such funds by dividing the fund's net assets at fair value by its units outstanding at the valuation dates to obtain the investment's NAV. DCEF uses these NAVs as a practical expedient to determine the fair value of its investments in these pooled investment funds, so these investments are not classified within the fair value hierarchy. See further information in Note 2.

4. PROPERTY AND EQUIPMENT—NET

Property and equipment at December 31, 2020 and 2019, consist of the following:

	2020	2019
Leasehold improvements	\$ 295,857	\$ 259,526
Furniture and equipment	409,997	422,105
Computer software	<u>724,648</u>	<u>723,424</u>
	1,430,502	1,405,055
Less accumulated depreciation and amortization	<u>(1,086,894)</u>	<u>(1,027,314)</u>
	<u>\$ 343,608</u>	<u>\$ 377,741</u>

5. LOANS TO CHURCHES AND RELATED ORGANIZATIONS

Loans receivable at December 31, 2020 and 2019, consist of the following:

	2020	2019
Mortgage loans:		
Interest bearing	\$ 138,508,350	\$ 136,538,942
Noninterest bearing	407,539	673,522
Participation loans	<u>16,069,110</u>	<u>6,458,064</u>
	154,984,999	143,670,528
Unsecured loans	<u>7,464,823</u>	<u>6,191,448</u>
	162,449,822	149,861,976
Less allowance for loan losses	<u>(1,946,122)</u>	<u>(1,862,524)</u>
	<u>\$ 160,503,700</u>	<u>\$ 147,999,452</u>

Loan participations represent higher credit risk than wholly-owned loans because DCEF does not maintain full control over the disposition and direction of actions regarding the management and collection of the loans. The lead lender directs most servicing and collection activities and major actions must be coordinated and negotiated with the other participants, whose best interests regarding the loan may not align with those of DCEF. For the years ended December 31, 2020 and 2019, respectively, \$16,069,110 and \$6,458,064 was held under a loan participation agreement.

A summary of the changes in the allowance for loan losses as of and for the years ended December 31, 2020 and 2019, is as follows:

	2020	2019
Balance—January 1	\$1,862,524	\$1,763,024
Losses charged off	-	-
Provision for loan losses	<u>83,598</u>	<u>99,500</u>
Balance—December 31	<u><u>\$1,946,122</u></u>	<u><u>\$1,862,524</u></u>

Allowance for Loan Losses—The following table provides a summary of the allowance for loan losses and related loans as of December 31, 2020 and 2019:

	2020	2019
Allowance for loan losses:		
Individually evaluated for impairment	\$ 1,626,406	\$ 1,577,535
Collectively evaluated for impairment	<u>319,716</u>	<u>284,989</u>
Total allowance for loan losses	<u><u>\$ 1,946,122</u></u>	<u><u>\$ 1,862,524</u></u>
Loans receivable:		
Individually evaluated for impairment	\$ 12,233,093	\$ 11,526,025
Collectively evaluated for impairment	<u>150,216,729</u>	<u>138,335,951</u>
Total loans receivable	<u><u>\$162,449,822</u></u>	<u><u>\$149,861,976</u></u>

Credit Risk Profile—DCEF considers repayment performance as the best indicator of credit quality for its loans. This analysis reviews DCEF’s portfolio of loans at the borrower level, rather than the individual loan level. Loans that have principal and interest payments that are past due 150 days or more, are classified as nonperforming unless the borrower is making at least interest only payments or the loan is fully collateralized and is in the process of collection. Loans that have been modified in a troubled debt restructuring are classified as nonperforming unless such loans have a sustained repayment performance of six months or greater and are reasonably assured of repayment in accordance with the restructured terms.

The following table summarizes the credit risk profile of DCEF’s loans as of December 31, 2020 and 2019:

	2020	2019
Performing	\$158,771,033	\$145,569,105
Nonperforming (nonaccrual)	<u>3,678,789</u>	<u>4,292,871</u>
Total loans	<u><u>\$162,449,822</u></u>	<u><u>\$149,861,976</u></u>

Age Analysis of Past Due Loans—The following table summarizes DCEF’s loans by age as of December 31, 2020 and 2019:

	2020		2019	
	Balance	Allowance	Balance	Allowance
Current	\$148,270,228	\$ (304,015)	\$136,674,331	\$ (274,180)
1–30 days past due	1,321,921	(6,622)	1,296,889	(6,502)
31–60 days past due	81,930	(938)	238,635	(2,393)
61–90 days past due	542,650	(8,144)	126,096	(1,914)
91–120 days past due	484,087	-	233,129	(23,918)
121–150 days past due	542,214	(125,101)	110,920	-
151+ past due	<u>11,206,792</u>	<u>(1,501,302)</u>	<u>11,181,976</u>	<u>(1,553,617)</u>
Total loan receivables	<u>\$162,449,822</u>	<u>\$(1,946,122)</u>	<u>\$149,861,976</u>	<u>\$(1,862,524)</u>

Cash basis interest income recognized on impaired loans during each of the years presented was immaterial to the statements of activities.

Loans to churches and related organizations are measured at fair value on a nonrecurring basis, such as when there is an impairment. Loans to churches and related organizations measured at fair value on a nonrecurring basis for the years ended December 31, 2020 and 2019, are as follows:

2020	Level 1	Level 2	Level 3
Loans to churches and related organizations	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,786,273</u>
2019	Level 1	Level 2	Level 3
Loans to churches and related organizations	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,416,925</u>

DCEF records nonrecurring adjustments to certain collateral-dependent loans to churches and related organizations in accordance with ASC Topic 310-10. Such amounts are generally based on the fair value of the underlying collateral supporting the loan, less costs to sell. In cases where the carrying value exceeds the fair value of the collateral, an impairment loss is recognized.

Contractual loan maturities as of December 31, 2020, are as follows:

Years Ending December 31	
2021	\$ 26,173,445
2022	8,389,277
2023	12,073,731
2024	17,990,057
2025	1,631,417
Thereafter	<u>96,191,895</u>
	<u>\$ 162,449,822</u>

At December 31, 2020, DCEF had loan and line commitments outstanding of \$37,648,713.

The portfolio of outstanding loans is a variable rate portfolio, and interest rate adjustments for loans are performed every one to three years to reflect the current market interest rate. The carrying value of loans, including the allowance for loan losses, approximate their fair value due to the frequency of the interest rate resets.

6. INVESTMENT NOTES AND OTHER OBLIGATIONS

Investment notes and other obligations as of December 31, 2020 and 2019, consist of the following:

	2020	2019
Demand and term notes (interest at 0.01%–8.0%)	\$144,221,935	\$135,424,580
Investment notes relating to loans (one to five year maturity, interest at 0.01%–6.5% at 2020 and 2019)	<u>9,020,630</u>	<u>9,228,288</u>
	<u>\$153,242,565</u>	<u>\$144,652,868</u>

Maturities of investment notes and other obligations as of December 31, 2020, are as follows:

Years Ending December 31	
2021	\$ 64,179,807
2022	52,408,027
2023	23,917,614
2024	8,786,162
2025	3,854,989
Thereafter	<u>95,966</u>
	<u>\$ 153,242,565</u>

Over the past five years, reinvestment of DCEF’s investment notes has averaged 66.02% per year. Of the \$64,179,807 due in 2021, \$10,888,594 are demand notes and \$53,291,213 are term notes.

Interest compounded on investment notes was \$2,446,837, \$2,104,163, and \$1,862,392, during 2020, 2019, and 2018, respectively. DCEF’s effective interest rate at December 31 was 2.29%, 2.20%, and 1.81% for 2020, 2019, and 2018, respectively.

Due to the short duration of the investment notes and the stated par value, the fair value of investment notes and other obligations approximates carrying value.

DCEF is dedicated to following guidelines established by the North American Securities Administrators Association (NASAA) in the statement of policy regarding DCEF fund securities related to the general offering of the notes to investors. The statement of policy provides financial guidelines to states related to the selling of these notes. The guidelines suggest the maintaining of a liquidity ratio (cash, cash equivalents, investments, and unused portions of lines of credit to outstanding investment notes) of at least 8% (with lines of credit not exceeding 2%), a capital adequacy ratio (unrestricted net assets to total assets) of at least 5%, and a limit of senior secured debt to a maximum of 10% of total assets. As of December 31, 2020, DCEF is in compliance with these three guidelines.

7. LINE OF CREDIT

DCEF has available an unsecured line of credit with Regions Bank in the amount of \$15,000,000 whereby interest only is paid each month. At both December 31, 2020 and 2019, there were no borrowings on this line of credit. Borrowings bear interest at a floating rate equal to the Monthly London InterBank Offered Rate (LIBOR) plus 250 basis points, which was 2.65% at December 31, 2020 and 4.26% at December 31, 2019. The line expires on June 30, 2021. As of the date the financial statements were available to be issued, there were no borrowings on the line of credit.

DCEF agreed to a financial covenant to maintain, at all times, unencumbered liquid assets of not less than \$10,000,000, and DCEF believes it was in compliance with this covenant as of December 31, 2020.

8. NET ASSETS

Net assets without donor restrictions as of December 31, 2020 and 2019, are available for the following purposes:

	2020	2019
Interest-free loan funds	\$ 3,811,374	\$ 3,809,354
Accessibility low-interest loan funds	823,664	814,064
Memorial, named, and other board designated loan funds	12,795,079	12,515,755
New Church Ministry	2,294,637	2,165,217
General	<u>8,913,082</u>	<u>7,357,421</u>
Total	<u>\$28,637,836</u>	<u>\$26,661,811</u>

Net assets with donor restrictions as of December 31, 2020 and 2019, are available for the following purposes:

	2020	2019
Annuity/life income trust agreements	\$4,903,010	\$4,946,058
New Church Ministry	<u>1,495,277</u>	<u>1,427,060</u>
Total	<u>\$6,398,287</u>	<u>\$6,373,118</u>

Net assets with donor restrictions are primarily comprised of gifts received by DCEF to be released, or distributed, in the future based on donor-imposed restrictions. Future net assets released amounts, or distributions, will be made pursuant gift agreements and may vary in amount from year to year.

9. ENDOWMENT

DCEF's endowment consists of approximately 25 individual funds established for a variety of purposes. DCEF's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors (Board) to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the adopted State of Indiana's "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, DCEF classifies endowment net assets with donor restrictions, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Also included in endowment net assets with donor restrictions are those amounts yet to be appropriated for expenditure by DCEF in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Board considers the following factors in making a determination to appropriate or accumulate endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of DCEF and the donor restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and appreciation of investments
- f. Other resources of DCEF
- g. The investment policies of DCEF

Endowment net asset composition by type as of December 31, 2020, is as follows:

	Endowment Net Assets Without Donor Restrictions	Endowment Net Assets With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 5,634,082	\$ 5,634,082
Board-designated endowment funds	<u>3,504,150</u>	<u>-</u>	<u>3,504,150</u>
	<u>\$ 3,504,150</u>	<u>\$ 5,634,082</u>	<u>\$ 9,138,232</u>

Endowment net asset composition by type as of December 31, 2019, is as follows:

	Endowment Net Assets Without Donor Restrictions	Endowment Net Assets With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 5,650,380	\$ 5,650,380
Board-designated endowment funds	<u>3,249,317</u>	<u>-</u>	<u>3,249,317</u>
	<u>\$ 3,249,317</u>	<u>\$ 5,650,380</u>	<u>\$ 8,899,697</u>

Changes in endowment net assets for the year ended December 31, 2020, is as follows:

	Endowment Net Assets Without Donor Restrictions	Endowment Net Assets With Donor Restrictions	Total
Endowment net assets December 31, 2019	\$ 3,249,317	\$ 5,650,380	\$ 8,899,697
Investment return	384,455	109,188	493,643
Contributions	-	69,318	69,318
Appropriation of endowment assets for expenditure	<u>(129,622)</u>	<u>(194,804)</u>	<u>(324,426)</u>
Endowment net assets December 31, 2020	<u>\$ 3,504,150</u>	<u>\$ 5,634,082</u>	<u>\$ 9,138,232</u>

Changes in endowment net assets for the year ended December 31, 2019, is as follows:

	Endowment Net Assets Without Donor Restrictions	Endowment Net Assets With Donor Restrictions	Total
Endowment net assets			
December 31, 2018	\$ 871,088	\$ 4,391,833	\$ 5,262,921
Investment return	213,012	116,212	329,224
Contributions	2,165,217	1,435,294	3,600,511
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(292,959)</u>	<u>(292,959)</u>
Endowment net assets			
December 31, 2019	<u>\$ 3,249,317</u>	<u>\$ 5,650,380</u>	<u>\$ 8,899,697</u>

Return Objectives and Risk Parameters—DCEF has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, unless otherwise instructed by the donor, endowment assets are invested in the Beasley Fund at the Christian Church Foundation, to utilize the Foundation’s expertise in investment management. The Foundation invests in a manner that is intended to yield a long-term rate of return, while assuming a moderate level of investment risk. Actual returns in any given year may vary.

Strategies Employed for Achieving Investment Objectives—To achieve its long-term rate of return objectives, DCEF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). By investing in the Beasley Fund of the Christian Church Foundation, DCEF is able to take advantage of a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Relationship of Spending Policy to Investment Objectives—DCEF’s Investment Committee (“the Committee”) determines the method to be used to appropriate endowment funds for expenditure, unless otherwise instructed by the donor. The appropriation amount is determined as of the end of the year, for the next year’s expenditure and is equal to the percentage established by the Christian Church Foundation for income allocation. For 2020 and 2019, this amount is 4.5% of the fair value, determined on a monthly basis. In establishing this method, the Committee considered the expected long-term rate of return on the investment of the DCEF’s endowment funds. Accordingly, over the long-term, DCEF expects the current spending policy to allow its endowment to grow, consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts. Depending upon market conditions and the needs and available resources of DCEF, appropriations for expenditure from individual endowments may be temporarily suspended to facilitate preservation of the endowment.

10. AVAILABILITY AND LIQUIDITY

The following represents Board of Church Extension of Disciples of Christ, Inc.'s financial assets at December 31, 2020 and 2019:

	2020	2019
Financial assets at year end:		
Cash and cash equivalents	\$ 9,821,529	\$ 1,820,418
Investments	15,252,685	24,879,924
Accrued interest receivable	831,054	722,622
Loan principal payments due in 2021	26,173,445	22,866,771
Assets held for sale	<u>299,000</u>	<u>432,400</u>
Total financial assets	52,377,713	50,722,135
Less amounts not available to be used within one year:		
34% of Investment notes with maturities less than one year	18,119,013	9,502,090
Other short term liabilities	1,531,193	1,399,064
Net assets with donor restrictions	<u>6,398,287</u>	<u>6,373,118</u>
Total	<u>26,048,493</u>	<u>17,274,272</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 26,329,220</u>	<u>\$ 33,447,863</u>

DCEF's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$2,400,000). As part of its liquidity plan, excess cash is invested in short-term investment, including money market accounts and certificates of deposit. DCEF also has a \$15,000,000 line of credit available to meet cash flow needs.

11. RELATED PARTIES

DCEF provides services, makes loans, and sells investment obligations to certain units of the Christian Church (Disciples of Christ) with which its officers and Board of Directors are affiliated. These transactions are in the normal course of business and on the same terms, including interest rates and collateral, as those available to others.

Electronic data processing services for various units of the Christian Church are provided by Discipledata, Inc. (DDI), a non-profit corporation. An officer of DCEF is currently a member of the Board of Directors of DDI. DCEF purchases data processing services from DDI at rates and terms comparable with those available to other customers of DDI. Data processing expenses were \$246,805, \$244,806, and \$247,176, for the years ended December 31, 2020, 2019, and 2018, respectively.

As of December 31, 2020, DCEF maintains a \$1,250,000 investment in, DDI NGI, LLC.

As of December 31, 2020 and 2019, DCEF maintained \$25,100,512 and \$21,906,353, respectively, of investment notes held by Christian Church Foundation. As of December 31, 2020 and 2019, DCEF has invested \$9,586,467 and \$10,747,708, respectively, in pooled investment funds of Christian Church Foundation, which have a fair value of \$12,133,065 and \$12,818,463, respectively.

As of December 31, 2020, DCEF maintained \$8,359,399 of investment notes held by the Pension Fund of the Christian Church (Disciples of Christ).

During the years ended December 31, 2020, 2019, and 2018, DCEF provided operating support in the form of a contribution to HPMT of \$0, \$100,000, and \$26,000, respectively.

In order continue to carry out the operations of HPMT in furtherance of the charitable and other tax-exempt purposes of HPMT, on November 11, 2019, effective December 31, 2019, the Board of Directors of HPMT authorized the dissolution of HPMT. Concurrently, the Board of Directors of HPMT, DCEF and CEFMR authorized the approval of an asset transfer transaction whereby DCEF would acquire the net assets of HPMT, for no consideration. Pursuant to ASC 958-805-55-1, ceding control to a new not-for-profit organization is the sole definitive criterion for identifying a merger and one organization obtaining control over the other is the sole definitive criteria for identifying an acquisition. Based on this, DCEF was determined to acquire the net assets of HPMT on December 31, 2019.

In addition, if the amount of net assets acquired determined in accordance with ASC 958-805-30-6(b) is greater than the consideration exchanged determined in accordance with 958-805-30-6(a), ASC 958-805-25-31 requires DCEF to recognize a contribution received measured as the excess of the amount of net assets acquired over the amount of consideration exchanged.

As summary of assets acquired and liabilities assumed effective December 31, 2019 follows below:

Assets acquired:	
Cash & cash equivalents	\$ 360,458
Investments	2,708,784
Accounts receivable & other assets	<u>40,191</u>
Total	<u>3,109,433</u>
Liabilities assumed—due to DCEF	<u>120,000</u>
Total	<u>120,000</u>
Net assets acquired	<u>\$ 2,989,433</u>

Based on the above, on December 31, 2019, DCEF recorded contribution revenue/gifts of \$2,989,434 disaggregated as follows:

Gifts without donor restrictions	\$ 1,698,715
Gifts with donor restrictions	<u>1,290,718</u>
	<u>\$ 2,989,433</u>

Any donor restrictions imposed on the net assets of HPMT before the acquisition will be maintained by DCEF.

Effective December 31, 2020, the Board of Directors of CEFMR authorized the dissolution of CEFMR. Concurrently, the Board of Directors of DCEF and CEFMR authorized the

approval of an asset transfer transaction whereby DCEF would acquire the net assets of CEFMR, for no consideration. Pursuant to ASC 958-805-55-1, ceding control to a new not-for-profit organization is the sole definitive criterion for identifying a merger and one organization obtaining control over the other is the sole definitive criteria for identifying an acquisition. Based on this, DCEF was determined to acquire the net assets of CEFMR on December 31, 2020.

As summary of assets acquired and liabilities assumed effective December 31, 2020 follows below:

Assets acquired:	
Cash and cash equivalents	\$ 72,967
Investments	<u>21,668</u>
Total	<u>94,635</u>
Liabilities assumed—other liabilities	<u>94,635</u>
Total	<u>94,635</u>
Net assets acquired	<u><u>\$ -</u></u>

During 2014, DCEF obtained a new agreement with Christian Church Services for its primary office space. This agreement began on September 1, 2014 and is for a period of 15 years. Office space occupancy costs were \$197,239, \$196,919, and \$172,349 for the years ended December 31, 2020, 2019, and 2018, respectively. Minimum payments under this agreement as of December 31, 2020, are as follows:

Years Ending	
December 31	
2021	\$ 184,127
2022	184,127
2023	184,127
2024	184,127
2025	184,127
Thereafter	<u>781,038</u>
	<u><u>\$ 1,701,673</u></u>

12. RETIREMENT BENEFITS

DCEF participates in a noncontributory, trustee retirement plan provided by the Pension Fund of the Christian Church (Disciples of Christ), Inc. which covers substantially all employees of DCEF. Payments to the plan are based upon a fixed percentage of participants' salaries and are actuarially determined to provide adequate funding for benefits defined in the plan. No liability exists under the plan for past service costs. The amounts charged to expense (which were equal to the payments made to the plan) were \$295,189, \$296,244, and \$281,414, for the years ended December 31, 2020, 2019, and 2018, respectively.

DCEF also sponsored a defined-benefit health care plan that provides postretirement medical benefits to certain retirees who, at the time of their retirement, met the then-existing eligibility requirements. No other retirees or current employees are (or will be) eligible for benefits under the plan. The plan limits the amount of annual benefits payable to the eligible retirees.

13. SUBSEQUENT EVENTS

Events occurring subsequent to the date of the statement of financial condition have been evaluated for potential recognition or disclosure in the financial statements through March 15, 2021, the date the financial statements were available to be issued.

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