Board of Church Extension of Disciples of Christ, Inc.

Financial Statements as of and for the
Years Ended December 31, 2021 and 2020, and
Independent Auditor's Report

BOARD OF CHURCH EXTENSION OF DISCIPLES OF CHRIST, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Board of Church Extension of Disciples of Christ, Inc. (the "Company"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements ").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the change in net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Deloitte + Touche LLP

March 23, 2022

BOARD OF CHURCH EXTENSION OF DISCIPLES OF CHRIST, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
CASH AND CASH EQUIVALENTS	$ 30,350,811	$ 9,821,529
INVESTMENTS	26,779,160	15,252,685
Total Cash and Cash Equivalents and Investments	57,129,971	25,074,214
INVESTMENT IN RELATED PARTY	1,250,000	1,250,000
ACCRUED INTEREST RECEIVABLE	638,242	831,054
LOANS TO CHURCHES AND RELATED ORGANIZATIONS—Net	144,344,098	160,503,700
SUNDRY RECEIVABLES AND OTHER ASSETS	632,257	1,508,305
ASSETS HELD FOR SALE	411,500	299,000
PROPERTY AND EQUIPMENT—Net	340,539	343,608
TOTAL	$204,746,607	$189,809,881
LIABILITIES AND NET ASSETS		
INVESTMENT NOTES AND OTHER OBLIGATIONS	$167,981,378	$153,242,565
OTHER LIABILITIES	446,084	1,531,193
Total liabilities	168,427,462	154,773,758
NET ASSETS:		
Without donor restrictions	30,865,511	28,637,836
With donor restrictions	5,453,634	6,398,287
Total net assets	36,319,145	35,036,123
TOTAL	$204,746,607	$189,809,881

See notes to financial statements.

BOARD OF CHURCH EXTENSION OF DISCIPLES OF CHRIST, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Operating:		
Income:		
Interest on loans	$ 7,470,462	$ 7,413,353
Interest and dividends on investments	573,721	482,874
Fees, services, and other operating income	345,441	969,259
Net assets released from restrictions	1,303,299	358,207
Total income	9,692,923	9,223,693
Expenses:		
Interest on investment notes and other obligations	3,648,593	3,450,678
Salaries and employee benefits	3,514,343	3,238,522
Travel	95,578	87,937
Headquarters expense	2,640,023	1,620,186
Provision (Benefit) for loan losses	140,175	83,598
Total expenses	10,038,712	8,480,921
Income (Loss) from operations	(345,789)	742,772
Other changes in net assets without donor restrictions:		
Bequests, annuities, and other gifts	1,348,619	419,185
Gains (losses) on investments	1,224,847	814,069
Total change in net assets without donor restrictions	2,227,677	1,976,026
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:		
Gift and investment income	358,644	383,375
Net assets released from restrictions	(1,303,299)	(358,207)
Total change in net assets with donor restrictions	(944,655)	25,168
TOTAL CHANGE IN NET ASSETS	1,283,022	2,001,194
BEGINNING NET ASSETS	35,036,123	33,034,929
ENDING NET ASSETS	$36,319,145	$35,036,123

See notes to financial statements.

BOARD OF CHURCH EXTENSION OF DISCIPLES OF CHRIST, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Lending Services	General Administration	Fundraising and Development	Program Services	Total
EXPENSES:					
Interest on investment notes and other obligations	$ 3,648,593	$ -	$ -	$ -	$ 3,648,593
Salaries and employee benefits	1,513,208	980,444	356,090	664,601	3,514,343
Travel	38,882	2,780	7,738	46,178	95,578
Headquarters expense	643,251	336,444	1,216,476	443,852	2,640,023
Provision for loan losses	140,175	-	-	-	140,175
TOTAL EXPENSES	$ 5,984,109	$ 1,319,668	$ 1,580,304	$ 1,154,631	$ 10,038,712

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	83,598	-	-	-	83,598
TOTAL EXPENSES	$ 5,789,003	$ 1,213,595	$ 628,196	$ 850,127	$ 8,480,921

See notes to financial statements.

BOARD OF CHURCH EXTENSION OF DISCIPLES OF CHRIST, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
OPERATING ACTIVITIES:		
Change in total net assets	$ 1,283,022	$ 2,001,194
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities:		
Provision for loan losses	140,175	83,598
Depreciation and amortization	69,982	71,593
Losses (Gains) on sale of assets held for sale	(114,804)	(18,376)
Amortization of premium—less accretion of discount on investments	(4,244)	13,561
Net (gains) losses on investments	(1,224,847)	(814,069)
Changes in operating assets and liabilities:		
Accrued interest receivable	192,812	(108,432)
Sundry receivable and other assets	876,048	95,999
Other liabilities	(1,085,109)	132,129
Net cash provided by operating activities	133,035	1,457,197
INVESTING ACTIVITIES:		
Proceeds from sale of investments	3,001,479	12,216,310
Proceeds from sale of assets held for sale	292,078	151,776
Purchases of investments	(13,296,561)	(1,788,563)
Principal collected on loans	35,006,510	16,633,434
Loan funds advanced	(19,279,160)	(29,221,280)
Purchase of property and equipment	(66,913)	(37,460)
Net cash (used in) provided by investing activities	5,657,433	(2,045,783)
FINANCING ACTIVITIES:		
Borrowings on line of credit	-	8,500,000
Repayments of line of credit	-	(8,500,000)
Sales of investment notes	51,137,414	36,319,282
Redemptions of investment notes	(36,398,600)	(27,729,585)
Net cash provided by (used in) financing activities	14,738,814	8,589,697
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,529,282	8,001,111
CASH AND CASH EQUIVALENTS—Beginning of year	9,821,529	1,820,418
CASH AND CASH EQUIVALENTS—End of year	$ 30,350,811	$ 9,821,529
INTEREST PAID	$ 1,123,395	$ 1,024,872

See notes to financial statements.

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.

Accounting Pronouncements—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. Management is currently evaluating the impact that the adoption of the ASU will have on our financial results and disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 establishes a new accounting model for leases. The amended guidance requires lessees to record lease liabilities on the lessees' balance sheets along with corresponding right of use assets ("ROU assets") for all leases with terms longer than 12 months. The standard, along with other standard improvements issued via ASUs in 2018 and 2019, introduces a lessee model that brings most leases on the balance sheet. The new standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. Lessees and lessors are required to use a modified retrospective transition method for existing leases. The Company is currently evaluating the impact that the new accounting standard will have on the financial statements.

2. INVESTMENTS

Investments at December 31, 2021 and 2020, are summarized as follows:

	2021	
	Cost or Amortized Cost	**Fair Value**
Equities—common stocks	$ 100,989	$ 129,225
Fixed income:		
Corporate bonds	1,000,000	991,281
Government obligations	4,354,148	4,337,962
Other fixed income	6,865,988	6,966,269
Total fixed income	12,220,136	12,295,512
Certificates of deposit and commercial paper	1,100,000	1,098,465
Pooled investment funds with related party—debt/equity securities (Note 11)	9,605,091	13,255,958
Total investments	$23,026,216	$26,779,160

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

The fair value of investments subject to gift agreement/agency transaction terms (included in pooled investment funds) totaled $0 and $545,392 at December 31, 2021 and 2020, respectively. Liabilities of $309,718 and $1,411,346 were also recorded related to these gift agreements/agency transactions at December 31, 2021 and 2020, respectively. The remaining assets associated with these gift agreements/agency transactions were $289,682 and $144,898 at December 31, 2021 and 2020, respectively, which were included in investments and sundry receivables.

Net gain (loss) on investments for the years ended December 31, 2021 and 2020, consist of the following:

	2021	**2020**
Realized gain on investments	$ 5,539	$ 429,238
Net change in unrealized gain (loss) on investments:		
Unrealized gain	1,219,308	384,831
Net gains on investments	1,224,847	814,069
Interest and dividends on investments	573,721	482,874
Total investment return	$ 1,798,568	$ 1,296,943

Net gain on investments is exclusive of $(114,858) and $38,010 of unrealized gains in 2021 and 2020, 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.

	2021				
	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	$13,255,958	None	Immediate	None	None

	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	$12,133,065	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, 2021 and 2020, are as follows:

	2021	**2020**
Within 1 year	$ 8,103,358	$ 2,727,210
After 1 year through 5 years	3,939,703	50,050
After 5 years through 10 years	112,806	-
Total debt securities	$12,155,867	$ 2,777,260

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, 2021, is as follows:

	Level 1	Level 2	Level 3	Total
Common stocks	$ 129,225	$ -	$ -	$ 129,225
Fixed income:				
Government obligations	-	4,337,962	-	4,337,962
Other	-	7,957,550	-	7,957,550
Certificates of deposit	-	1,098,465	-	1,098,465
Total Level 1 and Level 2 investments	129,225	13,393,977	-	13,523,202
Pooled investments funds with related party*				13,255,958
Total assets				$ 26,779,160

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:

	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	-	100,000	-	100,000
Total level 1 and 2 investments	102,715	3,016,905	-	3,119,620
Pooled Investment Funds with related party*				12,133,065
Total assets				$ 15,252,685

* Measured at Net Asset Value (NAV).

4. PROPERTY AND EQUIPMENT—NET

Property and equipment at December 31, 2021 and 2020, consist of the following:

	2021	2020
Leasehold improvements	$ 295,857	$ 295,857
Furniture and equipment	327,792	409,997
Computer software	225,356	724,648
	849,005	1,430,502
Less accumulated depreciation and amortization	(508,466)	(1,086,894)
Property and Equipment - Net	$ 340,539	$ 343,608

5. LOANS TO CHURCHES AND RELATED ORGANIZATIONS

Loans receivable at December 31, 2021 and 2020, consist of the following:

	2021	2020
Mortgage loans:		
Interest bearing	$ 121,299,466	$138,508,350
Noninterest bearing	295,164	407,539
Participation loans	17,525,183	16,069,110
	139,119,813	154,984,999
Unsecured loans	7,310,582	7,464,823
Loans to Churches and Related Organizations	146,430,395	162,449,822
Less allowance for loan losses	(2,086,297)	(1,946,122)
Loans to Churches and Related Organizations - Net	$ 144,344,098	$160,503,700

Participation loans 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, 2021 and 2020, respectively, $17,525,183 and $16,069,110 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, 2021 and 2020, is as follows:

	2021	2020
Balance—January 1	$1,946,122	$1,862,524
Losses charged off	-	-
Provision for loan losses	140,175	83,598
Balance—December 31	$2,086,297	$1,946,122

Allowance for Loan Losses—The following table provides a summary of the allowance for loan losses and related loans as of December 31, 2021 and 2020:

	2021	2020
Allowance for loan losses:		
Individually evaluated for impairment	$ 1,824,198	$ 1,626,406
Collectively evaluated for impairment	262,099	319,716
Total allowance for loan losses	$ 2,086,297	$ 1,946,122
Loans receivable:		
Individually evaluated for impairment	$ 7,273,582	$ 12,233,093
Collectively evaluated for impairment	139,156,813	150,216,729
Total loans receivable	$ 146,430,395	$ 162,449,822

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, 2021 and 2020:

	2021	2020
Performing	$142,751,606	$158,771,033
Nonperforming (nonaccrual)	3,678,789	3,678,789
Total loans	$146,430,395	$162,449,822

Aging Analysis of Loans—The following table summarizes DCEF's loans by age as of December 31, 2021 and 2020:

	2021		2020	
	Balance	**Allowance**	**Balance**	**Allowance**
Current	$130,339,449	$ (261,616)	$148,270,228	$ (304,015)
1–30 days past due	-	-	1,321,921	(6,622)
31–60 days past due	8,067,926	(49)	81,930	(938)
61–90 days past due	183,500	-	542,650	(8,144)
91–120 days past due	-	-	484,087	-
121–150 days past due	565,938	(434)	542,214	(125,101)
151+ past due	7,273,582	(1,824,198)	11,206,792	(1,501,302)
Total loans	$146,430,395	$(2,086,297)	$162,449,822	$(1,946,122)

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, 2021 and 2020, are as follows:

2021	**Level 1**	**Level 2**	**Level 3**
Loans to churches and related organizations	$ -	$ -	$2,571,250

2020	**Level 1**	**Level 2**	**Level 3**
Loans to churches and related organizations	$ -	$ -	$1,786,273

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	
2022	$ 17,891,440
2023	10,895,573
2024	16,257,051
2025	1,335,697
2026	10,143,366
Thereafter	89,907,268
	$ 146,430,395

At December 31, 2021, DCEF had loan and line commitments outstanding of $52,147,350.

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, 2021 and 2020, consist of the following:

	2021	**2020**
Demand and term notes (interest at 0.01%–5.0% at 2021 and 2020)	$162,451,515	$144,221,935
Investment notes relating to loans (one to five year maturity, interest at 0.01%–4% at 2021 and 2020)	5,529,863	9,020,630
	$167,981,378	$153,242,565

Maturities of investment notes and other obligations as of December 31, 2021, are as follows:

Years Ending December 31	
2022	$ 89,217,294
2023	32,947,197
2024	27,373,407
2025	10,691,264
2026	7,076,513
Thereafter	675,703
	$ 167,981,378

Over the past five years, reinvestment of DCEF's investment notes has averaged 61.51% per year. Of the $89,217,294 due in 2022, $77,700,558 are term notes and $11,516,736 are demand notes.

Interest compounded on investment notes was $2,518,275 and $2,446,837 during 2021 and 2020, respectively. DCEF's effective interest rate at December 31 was 1.787% and 2.29% for 2021 and 2020, 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 and 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, 2021, 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 $10,000,000 whereby interest only is paid each month. At both December 31, 2021 and 2020, 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 2.59% at December 31, 2021 and 2.65% at December 31, 2020. The line expires on June 30, 2022. As of the date the financial statements were available to be issued, there were no borrowings on the line of credit.

8. NET ASSETS

Net assets without donor restrictions as of December 31, 2021 and 2020, are available for the following purposes:

	2021	**2020**
Interest-free loan funds	$ 3,811,879	$ 3,811,374
Accessibility low-interest loan funds	855,046	823,664
Memorial, named, and other board designated loan funds	12,978,934	12,795,079
New Church Ministry	3,615,991	2,294,637
General	9,603,661	8,913,082
Total	$30,865,511	$28,637,836

Net assets with donor restrictions as of December 31, 2021 and 2020, are available for the following purposes:

	2021	2020
Annuity/life income trust agreements	$3,804,958	$4,903,010
New Church Ministry	1,648,676	1,495,277
Total	$5,453,634	$6,398,287

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, 2021, is as follows:

	Endowment Net Assets Without Donor Restrictions	Endowment Net Assets With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 4,801,248	$ 4,801,248
Board-designated endowment funds	4,542,427	-	4,542,427
	$ 4,542,427	$ 4,801,248	$ 9,343,675

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	3,504,150	-	3,504,150
	$ 3,504,150	$ 5,634,082	$ 9,138,232

Changes in endowment net assets for the year ended December 31, 2021, is as follows:

	Endowment Net Assets Without Donor Restrictions	Endowment Net Assets With Donor Restrictions	Total
Endowment net assets			
December 31, 2020	$ 3,504,150	$ 5,634,082	$ 9,138,232
Investment return	278,533	98,954	377,487
Contributions	896,849	153,400	1,050,249
Appropriation of endowment assets for expenditure	(137,105)	(1,085,188)	(1,222,293)
Endowment net assets December 31, 2021	$ 4,542,427	$ 4,801,248	$ 9,343,675

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	(129,622)	(194,804)	(324,426)
Endowment net assets December 31, 2020	$ 3,504,150	$ 5,634,082	$ 9,138,232

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 2021 and 2020, 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, 2021 and 2020:

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	$ 30,350,811	$ 9,821,529
Investments	26,779,160	15,252,685
Accrued interest receivable	638,242	831,054
Loan principal payments due in 2021	17,891,440	26,173,445
Assets held for sale	411,500	299,000
Total financial assets	76,071,153	52,377,713
Less amounts not available to be used within one year:		
34% of Investment notes with maturities less than one year	30,333,880	18,119,013
Other liabilities	446,084	1,531,193
Net assets with donor restrictions	5,453,634	6,398,287
Total	36,233,598	26,048,493
Financial assets available to meet general expenditures over the next twelve months	$ 39,837,555	$ 26,329,220

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 $10,000,000 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 $304,933 and $246,805, for the years ended December 31, 2021 and 2020, respectively.

As of December 31, 2021, DCEF maintains a $1,250,000 investment in, DDI NGI, LLC.

As of December 31, 2021 and 2020, DCEF maintained $26,666,705 and $25,100,512, respectively, of investment notes held by Christian Church Foundation. As of December 31, 2021 and 2020, DCEF has invested $9,605,091 and $9,586,467, respectively, in pooled investment funds of Christian Church Foundation, which have a fair value of $13,255,958 and $12,133,065, respectively.

As of December 31, 2021, DCEF maintained $6,476,598 of investment notes held by the Pension Fund of the Christian Church (Disciples of Christ).

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	21,668
Total	94,635
Liabilities assumed—other liabilities	94,635
Total	94,635
Net assets acquired	$ -

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 $211,408 and $197,239 for the years ended December 31, 2021 and 2020, respectively. Minimum payments under this agreement as of December 31, 2021, are as follows:

Years Ending December 31	
2022	$ 184,127
2023	184,127
2024	184,127
2025	184,127
2026	184,127
Thereafter	596,911
	$ 1,517,546

12. RETIREMENT BENEFITS

DCEF participates in a noncontributory, trusteed 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 $312,672 and $295,189, for the years ended December 31, 2021 and 2020, 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 23, 2022, the date the financial statements were available to be issued.

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