Board of Church Extension of Disciples of Christ, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2023, 2022 and 2021

Contents

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Independent Auditor's Report

Board of Directors
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. (DCEF), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of DCEF as of December 31, 2023 and 2022, and the changes in its 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 DCEF 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2023, DCEF adopted new accounting guidance for accounting for credit losses. Our opinion is not modified with respect to this matter.

Prior Year Audited by Other Auditors

The 2021 financial statements were audited by other auditors, and their report thereon, dated March 23, 2022, expressed an unmodified 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 DCEF's ability to continue as a going concern within one year after the date that these financial statements are available to be 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 DCEF'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 DCEF'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.

FORVIS, LLP

Indianapolis, Indiana
March 20, 2024

Board of Church Extension of Disciples of Christ, Inc.
Statements of Financial Position
December 31, 2023, 2022 and 2021

	2023	2022	2021
ASSETS			
Cash and cash equivalents	$ 7,222,325	$ 15,318,317	$ 30,350,811
Investments	19,438,285	24,551,939	26,779,160
Total cash and cash equivalents and investments	26,660,610	39,870,256	57,129,971
Investment in related party	1,250,000	1,250,000	1,250,000
Accrued interest receivable	914,194	874,367	638,242
Loans to churches and related organizations, net of allowance for credit losses of 2023 - $2,515,932, 2022 - $2,003,732, 2021 - $2,086,297	170,199,380	146,338,358	144,344,098
Sundry receivables and other assets	664,659	435,346	632,257
Assets held for sale	411,500	411,500	411,500
Property and equipment, net	278,924	329,271	340,539
Total assets	$ 200,379,267	$ 189,509,098	$ 204,746,607
LIABILITIES			
Line of credit	$ 4,500,000	$ -	$ -
Investment notes and other obligations	159,632,553	154,784,591	167,981,378
Other liabilities	224,794	427,230	446,084
Total liabilities	164,357,347	155,211,821	168,427,462
NET ASSETS			
Without donor restrictions	28,847,966	28,569,087	30,865,511
With donor restrictions	7,173,954	5,728,190	5,453,634
Total net assets	36,021,920	34,297,277	36,319,145
Total liabilities and net assets	$ 200,379,267	$ 189,509,098	$ 204,746,607

Board of Church Extension of Disciples of Christ, Inc.
Statements of Activities
Years Ended December 31, 2023, 2022 and 2021

	2023	2022	2021
Change in net assets without donor restrictions:			
Operating			
Income			
Interest on loans	$ 8,386,046	$ 6,984,917	$ 7,470,462
Interest and dividends on investments	801,827	795,461	573,721
Fees, services, and other operating income	597,953	406,370	345,441
Net assets released from restrictions	125,139	353,468	1,303,299
Total income	9,910,965	8,540,216	9,692,923
Expenses			
Lending services	6,427,501	5,454,723	5,984,109
Program services	1,070,685	926,628	1,154,631
General administration	1,643,583	1,573,613	1,319,668
Fundraising and development	727,937	564,494	1,580,304
Total expenses	9,869,706	8,519,458	10,038,712
Income (loss) from operations	41,259	20,758	(345,789)
Other changes in net assets without donor restrictions:			
Bequests, annuities, and other gifts	282,476	706,023	1,348,619
Gains (losses) on investments	1,322,079	(3,023,205)	1,224,847
Other changes	(1,060,122)	-	-
Total change in net assets without donor restrictions	585,692	(2,296,424)	2,227,677
Change in net assets with donor restrictions:			
Gift and investment income	510,781	628,024	358,644
Net assets released from restrictions	(125,139)	(353,468)	(1,303,299)
Other changes	1,060,122	-	-
Total change in net assets with donor restrictions	1,445,764	274,556	(944,655)
Total Change in Net Assets	2,031,456	(2,021,868)	1,283,022
Net Assets, Beginning of Year as Originally Presented	34,297,277	36,319,145	35,036,123
Restatement for Adoption of New Standard	(306,813)	-	-
Net Assets, Beginning of Year, as Restated	33,990,464	36,319,145	35,036,123
Net Assets, End of Year	$ 36,021,920	$ 34,297,277	$ 36,319,145

Board of Church Extension of Disciples of Christ, Inc.
Statement of Functional Expenses
Year Ended December 31, 2023

	2023				
	Lending Services	Program Services	General Administration	Fundraising and Development	Total
Expenses					
Interest on investment notes and other obligations	$ 3,949,426	$ -	$ -	$ -	$ 3,949,426
Salaries and employee benefits	1,351,027	611,473	1,107,793	288,378	3,550,247
Travel	114,297	34,608	41,452	44,650	235,007
Grant and sponsorship expenses	-	75,122	-	2,500	77,622
Insurance expense	25,441	10,494	16,219	11,449	63,603
Meeting and event expense	51,183	23,121	32,613	23,046	129,963
Office expense	272,209	112,286	173,533	122,494	950,198
Professional fees	376,374	169,691	219,598	198,449	502,860
Rent expense	82,157	33,890	52,375	36,971	205,393
Credit for loan losses	205,387	-	-	-	205,387
Total expenses	$ 6,427,501	$ 1,070,685	$ 1,643,583	$ 727,937	$ 9,869,706

Board of Church Extension of Disciples of Christ, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

	2022				
	Lending Services	Program Services	General Administration	Fundraising and Development	Total
Expenses					
Interest on investment notes and other obligations	$ 3,291,524	$ -	$ -	$ -	$ 3,291,524
Salaries and employee benefits	1,380,086	624,625	1,135,781	294,581	3,435,073
Travel	88,116	58,255	12,433	14,101	172,905
Grant and sponsorship expenses	-	71,536	-	137,962	209,498
Insurance expense	20,116	6,508	25,342	5,226	57,192
Meeting and event expense	125,853	-	23,597	7,866	157,316
Office expense	365,560	54,280	181,592	46,865	648,297
Professional fees	191,247	87,228	100,652	38,463	417,590
Rent expense	74,786	24,196	94,216	19,430	212,628
Credit for loan losses	(82,565)	-	-	-	(82,565)
Total expenses	$ 5,454,723	$ 926,628	$ 1,573,613	$ 564,494	$ 8,519,458

Board of Church Extension of Disciples of Christ, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	2021				
	Lending Services	**Program Services**	**General Administration**	**Fundraising and Development**	**Total**
Expenses					
Interest on investment notes and other obligations	$ 3,648,593	$ -	$ -	$ -	$ 3,648,593
Salaries and employee benefits	1,513,208	664,601	980,444	356,090	3,514,343
Travel	38,882	46,178	2,780	7,738	95,578
Grant and sponsorship expenses	-	208,214	-	1,052,999	1,261,213
Insurance expense	25,749	4,603	17,879	6,765	54,996
Meeting and event expense	13,774	-	2,583	860	17,217
Office expense	296,648	53,485	170,073	71,599	591,805
Professional fees	208,099	159,855	77,181	58,250	503,385
Rent expense	98,981	17,695	68,728	26,003	211,407
Credit for loan losses	140,175	-	-	-	140,175
Total expenses	$ 5,984,109	$ 1,154,631	$ 1,319,668	$ 1,580,304	$ 10,038,712

Board of Church Extension of Disciples of Christ, Inc.
Statements of Cash Flows
Years Ended December 31, 2023, 2022 and 2021

	2023	2022	2021
Operating Activities			
Change in total net assets	$ 2,031,456	$ (2,021,868)	$ 1,283,022
Adjustments to reconcile change in total net assets to net cash provided by (used in) operating activities			
Provision (credit) for credit losses	205,387	(82,565)	140,175
Depreciation and amortization	152,541	11,800	69,982
Gains on sale of assets held for sale	-	(4,069)	(114,804)
Amortization of premium - less accretion of discount on investments	-	41,390	(4,244)
Net losses (gains) on investments	(1,322,079)	3,023,205	(1,224,847)
Changes in operating assets and liabilities:			
Accrued interest receivable	(39,827)	(236,125)	192,812
Sundry receivable and other assets	(229,313)	196,911	876,048
Other liabilities	(202,436)	(18,854)	(1,085,109)
Net cash provided by operating activities	595,729	909,825	133,035
Investing Activities			
Proceeds from sale of investments	6,805,250	6,839,784	3,001,479
Proceeds from sale of assets held for sale	-	-	292,078
Purchases of investments	(369,517)	(7,681,217)	(13,296,561)
Principal collected on loans	21,842,563	24,512,778	35,006,510
Loan funds advanced	(46,215,785)	(26,418,827)	(19,279,160)
Purchase of property and equipment	(102,194)	(534)	(66,913)
Net cash provided by (used in) investing activities	(18,039,683)	(2,748,016)	5,657,433
Financing Activities			
Borrowings on line of credit	11,000,000	-	-
Repayments of line of credit	(6,500,000)	-	-
Sales of investment notes	62,271,808	43,794,586	51,137,414
Redemptions of investment notes	(57,423,846)	(56,988,889)	(36,398,600)
Net cash provided by (used in) financing activities	9,347,962	(13,194,303)	14,738,814
Increase (Decrease) in Cash and Cash Equivalents	(8,095,992)	(15,032,494)	20,529,282
Cash and Cash Equivalents, Beginning of Year	15,318,317	30,350,811	9,821,529
Cash and Cash Equivalents, End of Year	$ 7,222,325	$ 15,318,317	$ 30,350,811
Supplemental Cash Flows Information			
Interest paid	$ 951,404	$ 844,711	$ 1,123,395

Note 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).

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.

Related Party Investments

Related party investments consist of a related party investment in DDI NGI, LLC, which is accounted for under the equity method of accounting at cost with an adjustment for DCEF’s pro-rata share of gains and losses.

DisciplesData, Inc. (DDI) was originally formed as an initiative of the Disciples of Christ Church to provide data processing services to churches, church-related organizations and other organizations with charitable purposes. A member of DCEF management serves on the board of directors of DDI. DDI NGI, LLC was formed to allow certain nonprofit, tax exempt organizations to invest in the funding of the development and completion of loan and investment data processing software by DDI.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for loan losses, and any unamortized deferred fees or costs on originated loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

The accrual of interest on 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. Past-due status is based on contractual terms of the loan.

Allowance for Credit Losses - Loans

The allowance for credit losses is established as losses are expected to have occurred through a provision for credit losses charged to income. Credit losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Based upon the nature of DCEF's relationship with its borrowers and its desire to work with a borrower to meet its obligations without foreclosure, historical loan losses have been minimal. DCEF excludes accrued interest receivable on loans from the estimate of credit losses.

The allowance for credit losses is evaluated on a regular basis. The allowance for credit losses is a material estimate that is susceptible to significant change.

Groups of loans with similar risk characteristics are collectively evaluated. Loans that do not share risk characteristics are evaluated on an individual basis. Loans with similar risk characteristics are grouped into homogenous segments, or pools for analysis.

A loss rate method is used for each loan in a pool, and the results are aggregated at the pool level. The analysis produces expected losses for each instrument in the pool by pairing loan-level term information, e.g. maturity date, payment amount, interest rate, etc. with top-down pool assumptions, e.g. default rates and prepayment speeds. DCEF has identified the following portfolio segments: secured loans, unsecured loans and loan participants.

In determining the proper level of the allowance for credit loss, DCEF determined that the loss experience provides the best basis for assessment of expected credit losses. DCEF therefore used historical credit loss experience by each loan segment over an economic cycle. For most of the segment models for collectively evaluated loans, DCEF incorporated two or more macroeconomic drivers using a statistical regression modeling methodology.

DCEF qualitatively adjusts model results for risk factors that are not considered within the modeling processes but are nonetheless relevant in assessing the expected credit losses within the loan pools. These qualitative factors and other qualitative adjustments may increase or decrease DCEF's estimate of expected credit losses by a calculated percentage or amount based upon the estimated level of risk. The various risks that may be considered in making qualitative adjustments include: among other things, the impact of:

(i) Changes in lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, and recoveries

(ii) Actual and expected changes in international, national, regional, and local economic and business conditions and developments that affect the collectability of the loan pools

(iii) Changes in the nature and volume of the loan pools and in the terms of the underlying loans

(iv) Change in the experience, ability, and depth of our lending management and staff

(v) Changes in volume and severity of past due financial assets, the volume of non-accrual assets, and the volume and severity of adversely classified or graded assets

(vi) Changes in the quality of our credit review function

(vii) Changes in the value of the underlying collateral for loans that are non-collateral dependent

(viii) The existence, growth, and effect of any concentrations of credit

(ix) Other factors such as the regulatory, legal and technological environments; competition; and events such as natural disasters or health pandemics

For those loans that are individually evaluated, an allowance is established when the collateral value of the loan is lower than the carrying value of that loan. The general component covers nonclassified loans and estimated using relevant available information from internal and external sources, related to past events, current conditions and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics and are applied as a qualitative factor.

A loan is individually evaluated for allowance for credit loss when the schedules payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due.

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 and are initially recorded at fair value, less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less, cost to sell.

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.

Note 2. Change in Accounting Principle

Effective January 1, 2023, DCEF adopted ASU 2016-13, *Financial Instrument – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments* related to the impairment of financial instruments. This guidance, commonly referred to as current expected credit losses (CECL), changes impairment recognition to a model that is based on expected losses rather than incurred losses. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables. It also applies to off-balance-sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investment in leases recognized by a lessor in accordance with Topic 842 on leases.

Upon adoption of the guidance on January 1, 2023, DCEF recognized a $306,813 reduction to net assets.

The allowance for credit losses is established for current expected credit losses on DCEF's loan portfolio, including unfunded credit commitments. Prior to January 1, 2023, the allowance for credit losses was established based on an incurred loss model. Upon the adoption of CECL, certain loan classification and segmentation categories were changed to align with the requirements of the standard and more effectively model the CECL estimate. The updated CECL segmentation is reflected in the disclosures beginning January 1, 2023, and prior period classifications have been adjusted to reflect CECL segmentations. Results from periods prior to January 1, 2023, are presented using the previously applicable GAAP.

The table below illustrates the impact of adoptions of ASC 326.

	January 1, 2023		
	As Reported Under ASC 326	Pre-ASC 326	Impact of ASC 326 Adoption
Loans to churches and related organizations, net	$ 146,031,545	$ 146,338,358	$ (306,813)

Note 3. Investments

The fair value of investments at December 31, 2023, 2022 and 2021, are summarized as follows:

	2023	2022	2021
Equities - common stocks	$ 91,274	$ 100,989	$ 129,225
Fixed income			
Corporate bonds	1,858,182	4,044,007	991,281
Government obligations	1,524,172	2,973,382	4,337,962
Other fixed income	4,426,394	5,450,870	6,966,269
Total fixed income	7,808,748	12,468,259	12,295,512
Certificates of deposit and commercial paper	-	590,948	1,098,465
Investments in the Joint Investment Trust of the Christian Church Foundation, Inc.			
Common Balanced Fund	6,532,025	7,101,441	8,312,092
Beasley Growth Fund	5,006,238	4,290,302	4,943,866
Total investments	$ 19,438,285	$ 24,551,939	$ 26,779,160

Net (loss) gain on investments for the years ended December 31, 2023, 2022 and 2021 consist of the following:

	2023	2022	2021
Realized gain on investments	$ 329,480	$ 274	$ 5,539
Unrealized gain (loss)	992,599	(3,023,479)	1,219,308
Total gains (losses) on investments	1,322,079	(3,023,205)	1,224,847
Interest and dividends on investments	801,827	795,461	573,721
Total investment return (loss)	$ 2,123,906	$ (2,227,744)	$ 1,798,568

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

The Common Balanced Fund seeks to produce total return above the annually-defined income rate plus inflation with only moderate volatility by investing primarily in both growth and value style equity stocks and domestic and global bonds. Withdrawals may be made at each month end and require at least 10-days prior written notice.

The Beasley Growth Fund - Joint Investment Trust of the Christian Church Foundation, Inc. (Beasley Growth Fund) seeks long-term capital growth by investing primarily in common stocks and domestic and global bonds. Withdrawals may be made at each month end and require at least 10-days prior written notice.

The Common Balanced Fund and Beasley Growth Fund's asset mix at December 31, 2023, 2022 and 2021 is as follows:

	2023		2022		2021	
	Common Balanced Fund	Beasley Growth Fund	Common Balanced Fund	Beasley Growth Fund	Common Balanced Fund	Beasley Growth Fund
Domestic equities	44%	56%	42%	55%	44%	55%
International equities	10%	21%	10%	21%	10%	21%
Domestic fixed income	31%	23%	32%	24%	30%	24%

Note 4. 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, 2023, is as follows:

	2023 Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Common stocks	$ 91,274	$ -	$ -	$ 91,274
Fixed income				
Corporate bonds	-	1,858,182	-	1,858,182
Government obligations	-	1,524,172	-	1,524,172
Other	-	4,426,394	-	4,426,394
Total assets	$ 91,274	$ 7,808,748	$ -	7,900,022
Investments in the Joint Investment Trust of the Christian Church Foundation, Inc.*				
Common Balanced Fund				6,532,025
Beasley Growth Fund				5,006,238
Total				$ 19,438,285

* Measured at Net Asset Value (NAV)

The hierarchy level for each of DCEF's assets that are measured at fair value on a recurring basis as of December 31, 2022, is as follows:

	2022 Fair Value Measurements Using			
	Level 1	**Level 2**	**Level 3**	**Total**
Common stocks	$ 100,989	$ -	$ -	$ 100,989
Fixed income				
Corporate bonds	-	4,044,007	-	4,044,007
Government obligations	-	2,973,382	-	2,973,382
Other	-	5,450,870	-	5,450,870
Certificates of deposit	-	590,948	-	590,948
Total assets	$ 100,989	$ 13,059,207	$ -	13,160,196
Investments in the Joint Investment Trust of the Christian Church Foundation, Inc.*				
Common Balanced Fund				7,101,441
Beasley Growth Fund				4,290,302
Total investments				$ 24,551,939

* Measured at Net Asset Value (NAV)

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:

	2021 Fair Value Measurements Using			
	Level 1	**Level 2**	**Level 3**	**Total**
Common stocks	$ 129,225	$ -	$ -	$ 129,225
Fixed income				
Corporate bonds	-	991,281	-	991,281
Government obligations		4,337,962		4,337,962
Other	-	6,966,269	-	6,966,269
Certificates of deposit	-	1,098,465	-	1,098,465
Total assets	$ 129,225	$ 13,393,977	$ -	13,523,202
Investments in the Joint Investment Trust of the Christian Church Foundation, Inc.*				
Common balanced fund				8,312,092
Beasley growth fund				4,943,866
Total				$ 26,779,160

* Measured at Net Asset Value (NAV)

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2023.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. DCEF currently does not have any Level 3 assets measured at fair value on a recurring basis.

Nonrecurring Measurements

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, 2023, 2022 and 2021, are as follows:

	Fair Value	Level 1	Level 2	Level 3
December 31, 2023				
Loans to churches and related organizations	$ 4,268,402	$ -	$ -	$ 4,268,402
December 31, 2022				
Loans to churches and related organizations	$ 2,275,085	$ -	$ -	$ 2,275,085
December 31, 2021				
Loans to churches and related organizations	$ 2,571,250	$ -	$ -	$ 2,571,250

The following tables present quantitative information about unobservable inputs used in nonrecurring Level 3 fair value measurements at December 31, 2023, 2022 and 2021:

	Fair Value at December 31, 2023	Valuation Technique	Unobservable Inputs	Range
Loans to churches and related organizations	$ 4,268,402	Market comparable	Discount to reflect realizable value	0% - 20%

	Fair Value at December 31, 2022	Valuation Technique	Unobservable Inputs	Range
Loans to churches and related organizations	$ 2,275,085	Market comparable	Discount to reflect realizable value	0% - 20%

	Fair Value at December 31, 2021	Valuation Technique	Unobservable Inputs	Range
Loans to churches and related organizations	$ 2,571,250	Market comparable	Discount to reflect realizable value	0% - 20%

Note 5. Property and Equipment, Net

Property and equipment at December 31, 2023, 2022 and 2021, consist of the following:

	2023	2022	2021
Leasehold improvements	$ 295,857	$ 295,857	$ 295,857
Furniture and equipment	327,792	327,792	327,792
Computer software	328,084	225,889	225,355
	951,733	849,538	849,004
Less accumulated depreciation and amortization	(672,809)	(520,267)	(508,465)
Property and equipment, net	$ 278,924	$ 329,271	$ 340,539

Note 6. Loans to Churches and Related Organizations

Loans receivable at December 31, 2023, 2022 and 2021, consist of the following:

	2023	2022	2021
Mortgage loans			
Interest-bearing	$ 130,748,751	$ 115,821,625	$ 121,299,466
Noninterest-bearing	234,012	237,262	295,164
Participation loans	30,160,409	17,615,222	17,525,183
	161,143,172	133,674,109	139,119,813
Unsecured loans	11,572,140	14,667,981	7,310,582
Loans to churches and related organizations	172,715,312	148,342,090	146,430,395
Less allowance for credit losses	(2,515,932)	(2,003,732)	(2,086,297)
Loans to churches and related organizations, net	$ 170,199,380	$ 146,338,358	$ 144,344,098

The following tables present the balance in the allowance for credit losses and the recorded investment in loans based on portfolio segment as of December 31, 2023, 2022 and 2021:

	2023			
	Mortgage Loans	Unsecured Loans	Loan Participations	Total
Allowance for Credit losses:				
Beginning balance prior to adoption of ASC 326	$ 1,954,061	$ 14,621	$ 35,050	$ 2,003,732
Impact of adoption of ASC 326	131,552	144,938	30,323	306,813
Beginning balance, as adjusted	2,085,613	159,559	65,373	2,310,545
Provision charged to expense	82,390	40,103	82,894	205,387
Ending balance	$ 2,168,003	$ 199,662	$ 148,267	$ 2,515,932

	2022			
	Mortgage Loans	Unsecured Loans	Loan Participations	Total
Allowance for Credit losses:				
Beginning balance	$ 2,050,657	$ 590	$ 35,050	$ 2,086,297
Provision (credit) charged to expense	(96,596)	14,031	-	(82,565)
Ending balance	$ 1,954,061	$ 14,621	$ 35,050	$ 2,003,732
Ending Balance:				
Individually evauted for impairment	$ 6,532,094	$ -	$ -	$ 6,532,094
Collectively evaluated for impairment	109,526,793	14,667,981	17,615,222	141,809,996
Loans to Churches and Related Organizations				
Ending balance	$ 116,058,887	$ 14,667,981	$ 17,615,222	$ 148,342,090

	2021			
	Mortgage Loans	Unsecured Loans	Loan Participations	Total
Allowance for Credit losses:				
Beginning balance	$ 1,913,169	$ 815	$ 32,138	$ 1,946,122
Provision charged to expense	137,488	(225)	2,912	140,175
Ending balance	$ 2,050,657	$ 590	$ 35,050	$ 2,086,297
Ending Balance:				
Individually evauted for impairment	$ 12,233,093	$ -	$ -	$ 12,233,093
Collectively evaluated for impairment	109,361,537	7,310,582	17,525,183	134,197,302
Loans to Churches and Related Organizations				
Ending balance	$ 121,594,630	$ 7,310,582	$ 17,525,183	$ 146,430,395

Risk characteristics applicable to each segment of the loan portfolio are described as follows:

Secured Loans: Secured loans are generally secured by the assets of the church. Repayment of these loans is primarily dependent on the income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within DCEF’s market areas that might impact either property values or a borrower’s income. Risk is mitigated by the fact that the loans are spread over a large number of borrowers.

Unsecured Loans: Repayment of these loans is primarily dependent on the income and credit rating of the borrowers. Credit risk in these loans can be impacted by the economic conditions within DCEF's market areas that might impact a borrower's income. One unsecured loan totaling approximately 77% of total unsecured loans is for pre-development costs related to a Disciple of Christ congregation's large-scale development project. Repayment of this loan is primarily dependent upon the developer's ability to secure a construction loan, the proceeds of which will be used to pay-off the unsecured loan with DCEF.

Participation Loans: 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.

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 to borrowers experiencing financial difficulty 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 tables summarize the credit risk profile of DCEF's loan portfolio based on internal rating category and payment activity as of December 31, 2023, 2022 and 2021:

	2023			
	Mortgage Loans	Unsecured Loans	Loan Participations	Total
Performing	$ 127,317,924	$ 11,572,140	$ 30,160,409	$ 169,050,473
Nonperforming (nonaccrual)	3,664,839	-	-	3,664,839
Ending Balance	$ 130,982,763	$ 11,572,140	$ 30,160,409	$ 172,715,312

	2022			
	Mortgage Loans	Unsecured Loans	Loan Participations	Total
Performing	$ 112,380,098	$ 14,667,981	$ 17,615,222	$ 144,663,301
Nonperforming (nonaccrual)	3,678,789	-	-	3,678,789
Ending Balance	$ 116,058,887	$ 14,667,981	$ 17,615,222	$ 148,342,090

	2021			
	Mortgage Loans	Unsecured Loans	Loan Participations	Total
Performing	$ 117,915,841	$ 7,310,582	$ 17,525,183	$ 142,751,606
Nonperforming (nonaccrual)	3,678,789	-	-	3,678,789
Ending Balance	$ 121,594,630	$ 7,310,582	$ 17,525,183	$ 146,430,395

For the years ended December 31, 2023, 2022 and 2021 $2,528,594, $0 and $0 of nonperforming (nonaccrual) mortgage loans did not have an allowance for credit loss.

During 2022 and 2021, no troubled debt restructurings were newly modified. No charge-offs were recorded on troubled debt restructurings during the years ended December 31, 2022 and 2021. No troubled debt restructurings were modified in the past 12 months that subsequently defaulted.

Aging Analysis of Loans

The following table summarizes DCEF's loans by age as of December 31, 2023:

	2023			
	Mortgage Loans	Unsecured Loans	Loan Participations	Total
Current	$ 116,218,626	$ 2,702,391	$ 30,160,409	$ 149,081,426
1-30 days past due	7,975,088	8,869,749	-	16,844,837
31-60 days past due	2,445,305	-	-	2,445,305
61-90 days past due	7,429	-	-	7,429
91-120 days past due	523,397	-	-	523,397
151+ past due	3,812,918	-	-	3,812,918
Total loans	$ 130,982,763	$ 11,572,140	$ 30,160,409	$ 172,715,312

The following table summarizes DCEF's loans by age as of December 31, 2022:

	Balance
Current	$ 127,354,817
1-30 days past due	11,760,232
31-60 days past due	570,235
61-90 days past due	3,000,900
91-120 days past due	-
121-150 days past due	19,833
151+ past due	5,636,073
Total loans	$ 148,342,090

The following table summarizes DCEF's loans by age as of December 31, 2021:

	Balance
Current	$ 130,339,449
1-30 days past due	-
31-60 days past due	8,067,926
61-90 days past due	183,500
91-120 days past due	-
121-150 days past due	565,938
151+ past due	7,273,582
Total loans	$ 146,430,395

Cash basis interest income recognized on impaired loans during 2022 and 2021 was immaterial to the statements of activities. A loan is considered impaired, in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable DCEF will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans but also include loans modified in troubled debt restructurings.

At December 31, 2023, DCEF had loan and line commitments outstanding of $62,798,310.

Note 7. Investment Notes and Other Obligations

Investment notes and other obligations as of December 31, 2023, 2022 and 2021, consist of the following:

	2023	2022	2021
Demand and term notes (interest at 0.01%-6% at 2023, 2022, and 2021)	$ 152,483,626	$ 147,180,988	$ 162,451,515
Investment notes relating to loans (one to seven year maturity, interest at 0.01%-6% at 2023, 2022, and 2021)	7,148,927	7,603,603	5,529,863
	$ 159,632,553	$ 154,784,591	$ 167,981,378

Maturities of investment notes and other obligations as of December 31, 2023, are as follows:

Years Ending December 31	
2024	$ 58,613,311
2025	58,594,485
2026	35,346,201
2027	4,569,911
2028	2,404,020
Thereafter	104,625
	$ 159,632,553

Over the past five years, reinvestment of DCEF's investment notes has averaged 59.01% per year. Of the $58,613,311 due in 2024, $49,808,613 are term notes and $8,808,836 are demand notes.

Interest compounded on investment notes was $2,822,593, $2,431,267 and $2,518,275 during 2023, 2022 and 2021, respectively. DCEF's effective interest rate at December 31, was 3.040%, 2.097% and 1.787% for 2023, 2022 and 2021, respectively.

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, 2023, management of DCEF is not aware of any noncompliance.

Note 8. 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 December 31, 2023, there were $4,500,000 borrowings on this line of credit. At December 31, 2022 and 2021, there were no borrowings on this line of credit. Borrowings bear interest at a floating rate equal to the Secured Overnight Financing Rate (SOFR) plus 250 basis points, which was 7.8% at December 31, 2023 and 6.8% at December 31, 2022. Borrowings bore interest at a floating rate equal to Monthly London InterBank Offered Rate (LIBOR) plus 250 basis points, which was 2.59% at December 31, 2021. The line expires on June 30, 2024.

Note 9. Net Assets

Net assets without donor restrictions as of December 31, 2023, 2022 and 2021, are available for the following purposes:

	2023	2022	2021
Interest-free loan funds	$ 3,814,007	$ 3,813,531	$ 3,811,879
Accessibility low-interest loan funds	860,980	859,497	855,046
Memorial, named, and other board-designated loan funds	12,782,159	12,734,358	12,978,934
Board-designated - new churches	380,551	-	-
Board-designated - disaster response	115,709	-	-
Board-designated - ministry planning services	655,005	-	-
New Church Ministry	3,598,637	3,919,711	3,615,991
General	6,640,918	7,241,990	9,603,661
Total	$ 28,847,966	$ 28,569,087	$ 30,865,511

Net assets with donor restrictions as of December 31, 2023, 2022 and 2021, are available for the following purposes:

	2023	2022	2021
Subject to expenditure for specified purposes			
Benefit of Churches, Regions or other Charitable purposes	$ 843,333	$ 838,212	$ 652,386
Endowments			
Amounts to be held in perpetuity, income restricted by donors for the following purposes:			
Benefit of Churchs, Regions or other Charitable purposes	3,136,865	3,125,858	3,152,572
New Church Ministry	1,962,216	1,764,120	1,648,676
New churches	1,005,808	-	-
Disaster response	20,866	-	-
Ministry planning services	204,866	-	-
Total endowments	6,330,621	4,889,978	4,801,248
	$ 7,173,954	$ 5,728,190	$ 5,453,634

Note 10. Endowment

DCEF's endowment consists of approximately 30 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. Endowment assets include those assets of donor-restricted endowment funds DCEF must hold in perpetuity or for donor-specified periods. 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, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 4,330,122	$ 4,330,122
Term endowments	-	2,000,499	2,000,499
Board-designated endowment funds	5,868,037	-	5,868,037
Total endowment funds	$ 5,868,037	$ 6,330,621	$ 12,198,658

Endowment net asset composition by type as of December 31, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 2,889,479	$ 2,889,479
Term endowments	-	2,000,499	2,000,499
Board-designated endowment funds	4,556,055	-	4,556,055
Total endowment funds	$ 4,556,055	$ 4,889,978	$ 9,446,033

Endowment net asset composition by type as of December 31, 2021, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 2,779,814	$ 2,779,814
Term endowments	-	2,021,434	2,021,434
Board-designated endowment funds	4,542,427	-	4,542,427
Total endowment funds	$ 4,542,427	$ 4,801,248	$ 9,343,675

Changes in endowment net assets for the year ended December 31, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets			
December 31, 2022	$ 4,556,055	$ 4,889,978	$ 9,446,033
Investment return	139,779	175,750	315,529
Contributions	243,881	327,410	571,291
Appropriation of endowment assets for expenditures	(58,391)	(122,639)	(181,030)
Other changes	986,713	1,060,122	2,046,835
Endowment net assets			
December 31, 2023	$ 5,868,037	$ 6,330,621	$ 12,198,658

Changes in endowment net assets for the year ended December 31, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets			
December 31, 2021	$ 4,542,427	$ 4,801,248	$ 9,343,675
Investment return	(1,087,778)	80,979	(1,006,799)
Contributions	-	115,944	115,944
Board-designated contributions	1,316,912	-	1,316,912
Appropriation of endowment assets for expenditures	(215,506)	(49,015)	(264,521)
Other changes	-	(59,178)	(59,178)
Endowment net assets			
December 31, 2022	$ 4,556,055	$ 4,889,978	$ 9,446,033

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

	Without Donor Restrictions	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	-	153,400	153,400
Board-designated contributions	896,849	-	896,849
Appropriation of endowment assets for expenditures	(137,105)	(1,085,188)	(1,222,293)
Endowment net assets			
December 31, 2021	$ 4,542,427	$ 4,801,248	$ 9,343,675

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. Without donor restriction endowments 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. With donor restriction endowments are invested in investment notes at DCEF, which promotes the preservation of the corpus of the endowment while providing a predictable rate of return based upon the terms of the respective investment note. 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

Management determines the method to be used to appropriate endowment funds for expenditure, unless otherwise instructed by the donor. Endowment funds are invested in investment notes. The earnings on the investment notes are distributed when received and represent the spending on the endowment funds. As the fair value of investment notes approximates its carrying value, there are no material accumulated investment earnings on the endowment funds. 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.

Note 11. Availability and Liquidity

The following represents Board of Church Extension of Disciples of Christ, Inc.'s financial assets at December 31, 2023, 2022 and 2021:

	2023	2022	2021
Financial assets at year end:			
Cash and cash equivalents	$ 7,222,325	$ 15,318,317	$ 30,350,811
Investments	19,438,285	24,551,939	26,779,160
Accrued interest receivable	914,194	874,367	638,242
Loan principal payments due in one year	19,052,255	11,792,813	17,891,440
Total financial assets	46,627,059	52,537,436	75,659,653
Less amounts not available to be used within one year:			
41%, 42% and 34% of investment notes with maturities less than one year	24,031,458	26,064,316	30,333,880
Net assets with donor restrictions	7,173,954	5,728,190	5,453,634
Total	31,205,412	31,792,506	35,787,514
Financial assets available to meet general expenditures over the next twelve months	$ 15,421,647	$ 20,744,930	$ 39,872,139

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 $5,500,000 available on its line of credit that expires on June 30, 2024 available to meet cash flow needs.

Reflective of DCEF's historical renewal experience on investment note, amounts not available to be used within one year represent the estimated portion of investment notes with maturities less than one year which are not expected to be renewed.

Note 12. Related Parties and Affiliated Organizations

The Christian Church (Disciples of Christ) includes all those organizations that are listed in the Annual Yearbook and Directory of the Christian Church (Disciples of Christ) (Yearbook). Most of these organizations are individually incorporated with their own board of directors. Individual Church entities are generally independent and are responsible for their own personnel policies, financial matters, program activities and other corporate matters, which are affiliated by the common clause of the Church. All organizations included in the Yearbook are considered ministry partners affiliated with DCEF. 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 $333,327, $308,181 and $304,933 for the years ended December 31, 2023, 2022 and 2021, respectively.

As of December 31, 2023, DCEF maintains a $1,250,000 investment in, DDI NGI, LLC.

Note 13. Leases

DCEF has provided, along with certain other affiliated church organizations, a guaranty of payments for a lease agreement, entered into by Christian Church Services, Inc., that serves as the operating facilities for the entities that guaranty the lease. The minimum annual rent under the lease agreement ranges from $930,000 to $980,000 over the lease term. The lease commenced on September 1, 2014 and expires August 31, 2029. Christian Church Services, Inc., in turn, leases to DCEF its portion of space occupied on a monthly basis, which was $205,393, $212,408 and $211,408 for the years ended December 31, 2023, 2022 and 2021, respectively.

Note 14. 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 $311,544, $316,827 and $312,672 for the years ended December 31, 2023, 2022 and 2021, 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.

Note 15. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Cash

At December 31, 2023, DCEF's cash accounts exceeded federally exceeded federally insured limits by approximately $6,567,000.

Loans Receivable

DCEF has an unsecured loan which is approximately 5% of the total loan portfolio. As the loan is unsecured, any adverse events impacting the project related to the loan could impact the collectability of the loan which would have a material impact on the financial statements of DCEF.

Loss Contingency

DCEF is in the process of submitting an abatement letter to the Internal Revenue Services (IRS) for its 2020 and 2021 1099 filings that were not submitted by the IRS deadline. Such late filling can lead to penalty assessments from the IRS. To date, DCEF has received notice of penalties totaling $26,040 and reasonably anticipate receiving future notice of penalties up to $600,000. DCEF is working on abatement letters to submit to the IRS for consideration to forgive or reduce penalties related to late filings. Due to the nature of the uncertainty and possibility of forgiveness for all or a portion of the penalty, no significant accrual has been made for losses, if any, that may result, pending the outcome of DCEF's abatement requests.

Note 16. Subsequent Events

Events occurring subsequent to the date of the statement of financial position have been evaluated for potential recognition or disclosure in the financial statements through March 20, 2024, the date the financial statements were available to be issued.