

Consolidated Fund of The Church Foundation

Financial Statements
Years Ended December 31, 2021 and 2020



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CONSOLIDATED FUND OF THE CHURCH FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
The Church Foundation
Philadelphia, Pennsylvania**

Opinion

We have audited the accompanying financial statements of the Consolidated Fund of The Church Foundation, which comprise the statements of assets and liabilities, including the schedules of investments, as of December 31, 2021 and 2020, and the related statements of operations and changes in net assets for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Consolidated Fund of The Church Foundation as of December 31, 2021 and 2020, and the results of its operations and the changes in its net assets 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. 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 Consolidated Fund of The Church Foundation 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.

Responsibility of Management' for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Consolidated Fund of The Church Foundation's ability to continue as a going concern within one year after the date that the 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 to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of the effectiveness of the Consolidated Fund of the Church Foundation'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 Consolidated Fund of The Church Foundation'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.

Philadelphia, Pennsylvania
_____, 2022

CONSOLIDATED FUND OF THE CHURCH FOUNDATION

STATEMENTS OF ASSETS AND LIABILITIES

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Investments (cost of \$138,286,622 in 2021 and \$128,069,138 in 2020)	\$ 184,687,456	\$ 169,575,004
Dividends receivable	<u>142,113</u>	<u>111,313</u>
Total assets	<u>184,829,569</u>	<u>169,686,317</u>
LIABILITIES	<u>-</u>	<u>-</u>
NET ASSETS (Equivalent to \$ 244.64 per unit based upon 755,517 units outstanding in 2021. Equivalent to \$226.07 per unit based upon 750,594 units outstanding in 2020.)	<u>\$ 184,829,569</u>	<u>\$ 169,686,317</u>

See accompanying notes

CONSOLIDATED FUND OF THE CHURCH FOUNDATION

STATEMENTS OF OPERATIONS

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
INVESTMENT INCOME		
Income		
Interest and dividends	\$ 8,249,610	\$ 5,119,638
Expenses		
Administration fees	<u>428,943</u>	<u>432,250</u>
NET INVESTMENT INCOME	7,820,667	4,687,388
REALIZED AND UNREALIZED GAIN ON INVESTMENTS	<u>12,496,689</u>	<u>16,650,833</u>
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	<u>\$ 20,317,356</u>	<u>\$ 21,338,221</u>

See accompanying notes

CONSOLIDATED FUND OF THE CHURCH FOUNDATION

STATEMENTS OF CHANGES IN NET ASSETS

Years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATIONS		
Net investment income	\$ 7,820,667	\$ 4,687,388
Net realized and unrealized gain on investments	<u>12,496,689</u>	<u>16,650,833</u>
Net increase in net assets resulting from operations	<u>20,317,356</u>	<u>21,338,221</u>
DISTRIBUTIONS TO PARTICIPANTS	<u>(6,385,379)</u>	<u>(5,894,582)</u>
CAPITAL TRANSACTIONS		
Proceeds from units issued	10,407,036	9,420,931
Payments for units redeemed	<u>(9,195,761)</u>	<u>(8,859,399)</u>
Net increase in net assets from capital transactions	<u>1,211,275</u>	<u>561,532</u>
Total increase in net assets	15,143,252	16,005,171
NET ASSETS		
Beginning of year	<u>169,686,317</u>	<u>153,681,146</u>
End of year	<u>\$ 184,829,569</u>	<u>\$ 169,686,317</u>

A summary of unit transactions is as follows:

Units issued	43,155	46,530
Units redeemed	<u>(38,232)</u>	<u>(44,948)</u>
	4,923	1,582
Units outstanding at beginning of the year	<u>750,594</u>	<u>749,012</u>
Units outstanding at end of the year	<u>755,517</u>	<u>750,594</u>

See accompanying notes

CONSOLIDATED FUND OF THE CHURCH FOUNDATION

SCHEDULE OF INVESTMENTS

December 31, 2021

<u>Shares</u>		<u>Cost</u>	<u>Fair Value</u>
MUTUAL FUNDS: 99.9% (as a % of net assets)			
<u>Money Market - 3.4%</u>			
134,849	Federated Money Market Obligations	\$ 134,849	\$ 134,849
6,236,670	T. Rowe Price US Treasury Money Fund	<u>6,236,670</u>	<u>6,236,670</u>
		<u>6,371,519</u>	<u>6,371,519</u>
<u>Domestic Equity - 48.4%</u>			
34,881	T. Rowe Price Institutional Mid Cap Equity Growth Fund	1,607,588	2,578,784
1,370,258	T. Rowe Price Institutional Large Cap Value Fund	24,963,370	38,052,075
268,343	T. Rowe Price Institutional Small Cap Stock Fund	5,324,433	8,815,058
456,966	T. Rowe Price Institutional Large Cap Growth Fund	11,851,845	33,596,129
81,138	T. Rowe Price Institutional Mid-Cap Value Fund	2,117,827	2,727,058
240,007	T. Rowe Price Real Assets Fund	<u>2,631,467</u>	<u>3,655,304</u>
		<u>48,496,530</u>	<u>89,424,408</u>
<u>International Equity - 20.2%</u>			
740,069	T. Rowe Price International Stock Fund	11,878,820	14,682,963
138,078	T. Rowe Price Emerging Markets Stock Fund	5,502,456	6,263,228
1,058,403	T. Rowe Price International Value Equity Fund	<u>14,469,626</u>	<u>16,447,587</u>
		<u>31,850,902</u>	<u>37,393,778</u>
<u>Fixed Income - 27.9%</u>			
4,946,950	T. Rowe Price Total Return Fund	<u>51,567,671</u>	<u>51,497,751</u>
	TOTAL INVESTMENTS	<u>\$ 138,286,622</u>	<u>\$ 184,687,456</u>

See accompanying notes

CONSOLIDATED FUND OF THE CHURCH FOUNDATION

SCHEDULE OF INVESTMENTS

December 31, 2020

<u>Shares</u>		<u>Cost</u>	<u>Fair Value</u>
MUTUAL FUNDS: 99.9% (as a % of net assets)			
<u>Money Market - 2.1%</u>			
202,573	Federated Money Market Obligations	\$ 202,573	\$ 202,573
3,351,431	T. Rowe Price US Treasury Money Fund	<u>3,351,431</u>	<u>3,351,431</u>
		<u>3,554,004</u>	<u>3,554,004</u>
<u>Domestic Equity - 49.3%</u>			
34,186	T. Rowe Price Institutional Mid Cap Equity Growth Fund	1,460,652	2,477,459
1,467,796	T. Rowe Price Institutional Large Cap Value Fund	25,348,637	34,669,349
285,991	T. Rowe Price Institutional Small Cap Stock Fund	5,375,843	8,757,029
535,713	T. Rowe Price Institutional Large Cap Growth Fund	13,242,436	32,791,013
78,039	T. Rowe Price Institutional Mid-Cap Value Fund	1,989,482	2,307,618
218,538	T. Rowe Price Real Assets Fund	<u>2,318,879</u>	<u>2,696,764</u>
		<u>49,735,929</u>	<u>83,699,232</u>
<u>International Equity - 21.1%</u>			
719,918	T. Rowe Price International Stock Fund	11,287,346	15,125,487
91,344	T. Rowe Price Emerging Markets Stock Fund	3,142,905	5,012,022
1,103,308	T. Rowe Price International Value Equity Fund	<u>15,018,224</u>	<u>15,600,775</u>
		<u>29,448,475</u>	<u>35,738,284</u>
<u>Fixed Income - 27.4%</u>			
4,357,669	T. Rowe Price Total Return Fund	<u>45,330,730</u>	<u>46,583,484</u>
	TOTAL INVESTMENTS	<u>\$ 128,069,138</u>	<u>\$ 169,575,004</u>

See accompanying notes

CONSOLIDATED FUND OF THE CHURCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

(1) NATURE OF OPERATIONS

The Consolidated Fund of The Church Foundation (the "**Consolidated Fund**") provides a diversified investment medium for trusts of which The Church Foundation is trustee. The Consolidated Fund is also made available as an investment medium for the Episcopal Diocese of Pennsylvania (the "**Diocese**"), its parishes and other related institutions. The Church Foundation is a Pennsylvania nonprofit corporation. Both The Church Foundation and the Consolidated Fund are exempt from income taxes.

The purpose of the Consolidated Fund is to provide for the current and future funding of the participant organizations. Therefore, the primary objective of its investment policy is to maximize long term financial returns consistent with the goal of providing current income and preserving purchasing power over time. The intent is to achieve this objective while minimizing the amount of risk and not engaging in any investment activities generally considered imprudent.

Any institution canonically connected with the Diocese may invest in the Consolidated Fund. As a matter of policy of The Church Foundation, absent special circumstances, all endowments for which The Church Foundation serves as legal trustee are invested in the Consolidated Fund. The Church Foundation serves as legal trustee for the majority of accounts in the Consolidated Fund.

For all accounts for which The Church Foundation serves as legal trustee, as well as the accounts of other participants so electing, income is distributed based on the provisions of Pennsylvania law at 20 Pa. C. S. Section 8113 (often referred to as "**Act 141**"). A variant of the "total return" concept of trust income distribution, Act 141, as implemented by the Board of Directors of The Church Foundation, allows for the selection each year of a "spending rate" percentage, which is applied to the mean average for the past 12 quarters of the value of the account balance of each participant.

In the case of participant accounts for which The Church Foundation is not legal trustee, the participant may choose its own spending rate or, alternatively, may elect to receive distributions equal to the actual cash income.

The Consolidated Fund calculates a monthly unit value which is used for pricing purchases and redemptions of units.

(2) SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

Valuation of Investments

Investments are presented at fair value based upon Level 1 inputs as described below. The values of securities listed on a national securities exchange are based on the last quoted sale prices for such securities. Securities traded on the over-the-counter market and listed securities for which no sale was reported are valued at the mean of the bid and ask prices. Mutual funds are valued at the published net asset value for such funds.

Investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to the changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

CONSOLIDATED FUND OF THE CHURCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

Investment Transactions and Related Investment Income

Investment transactions are accounted for on the trade date net of brokerage fees. The cost of investments sold is determined on the specific identification basis. Interest income is recorded on the accrual basis and dividend income is recorded on the ex-dividend date.

Fair Value Measurements of Assets and Liabilities

The Consolidated Fund has adopted the provisions of an accounting standard regarding fair value measurements. Under this accounting standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This accounting standard establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Consolidated Fund. Unobservable inputs reflect the Consolidated Fund's assumptions about the inputs market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Consolidated Fund has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not require a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect the Consolidated Fund's own assumptions.

Distributions to Participants

Distributions were based on a spending rate of 4.25% for 2021 and 4.00% for 2020 for participant accounts for which The Church Foundation serves as legal trustee (representing the majority of accounts). Distributions are made quarterly in March, June, September and December.

(3) NET INVESTMENT INCOME

Quarterly valuations of the units in the Consolidated Fund and investment income were as follows:

<u>Quarter Ended</u>	<u>Unit Value</u>	<u>Income Per Unit</u>	<u>Number of Units</u>	<u>Net Investment Income</u>
March 31, 2021	\$234.05	\$.25	749,136	\$ 184,488
June 30, 2021	\$243.91	.29	762,832	219,647
September 30, 2021	\$239.98	.28	762,765	213,507
December 31, 2021	\$244.64	<u>9.53</u>	755,517	<u>7,203,025</u>
Total		<u>\$10.35</u>		<u>\$7,820,667</u>

CONSOLIDATED FUND OF THE CHURCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

<u>Quarter Ended</u>	<u>Unit Value</u>	<u>Income Per Unit</u>	<u>Number of Units</u>	<u>Investment Income</u>
March 31, 2020	\$167.54	\$.27	749,027	\$ 201,436
June 30, 2020	\$193.75	.20	745,524	150,281
September 30, 2020	\$202.06	.22	751,851	163,696
December 31, 2020	\$226.07	<u>5.56</u>	750,594	<u>4,171,975</u>
Total		<u>\$6.25</u>		<u>\$4,687,388</u>

(4) FINANCIAL HIGHLIGHTS

Operating performance for a unit outstanding for the years ended December 31, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Net unit value, beginning of year	<u>\$226.07</u>	<u>\$205.18</u>
Net investment income	10.35	6.25
Net realized and unrealized gain	<u>16.65</u>	<u>22.51</u>
Total from operations	<u>27.00</u>	<u>28.76</u>
Distributions	<u>(8.43)</u>	<u>(7.87)</u>
Net unit value, end of year	<u>\$244.64</u>	<u>\$226.07</u>
Total return	<u>12.06 %</u>	<u>14.69 %</u>

The ratios of expenses to average net assets and net investment income to average net assets for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Ratio of expenses to average net assets	.24%	.29%
Ratio of net investment income to average net assets	4.35%	3.14%

Total return is based on the assumption that distributions were reinvested in the Consolidated Fund at the time of distribution, in accordance with normal investment industry practice for this presentation. However, most distributions were actually paid to participants in cash each quarter.

In computing the ratio of expenses to average net assets, expenses consisted entirely of administrative fees of \$428,943 for 2021 and \$432,250 for 2020 paid to The Church Foundation.

The ratios of expenses and net investment income to average net assets do not reflect the expenses of the underlying mutual funds in which the Consolidated Fund invests.

(5) SUBSEQUENT EVENTS

Management has evaluated subsequent events through _____, 2022, the date on which the financial statements were available to be issued. The extent of the impact of COVID-19 on the Consolidated Fund's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, all of which cannot be predicted at this time.

No material subsequent events have occurred since December 31, 2021 that required recognition or disclosure in the financial statements.