

**NATIONAL COUNCIL OF
THE CHURCHES OF CHRIST
IN THE U.S.A.**

AND

FRIENDSHIP PRESS, INC.

INDEPENDENT AUDITOR'S REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

For the Two Year Period Ended December 31, 2020

Table of Contents

	<u>Page</u>
Independent Auditor's Report.....	1-2
Consolidated Financial Statements:	
Consolidated Statement of Financial Position.....	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	7-20

INDEPENDENT AUDITOR'S REPORT

To the Governing Board of the National Council
of the Churches of Christ in the U.S.A. and
Friendship Press, Inc.

We have audited the accompanying consolidated financial statements of the National Council of the Churches of Christ in the U.S.A. and Friendship Press, Inc. (collectively referred to as the Council), which comprise the consolidated statement of financial position as of December 31, 2020 and the related consolidated statements of activities, functional expenses and cash flows for the two year period then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Council as of December 31, 2020, and the consolidated changes in its net assets and its cash flows for the two year period then ended in accordance with accounting principles generally accepted in the United States of America.

Milligan & Company, LLC
Washington, DC
February 7, 2022



NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE U.S.A.
Consolidated Statement of Financial Position
December 31, 2020

Assets

Current assets:

Cash and cash equivalents	\$	474,920
Royalty receivables		715,737
Contributions receivable		58,916
Other receivables		9,922
Prepaid expenses and other assets		31,159
Total current assets		1,290,654

Non-current assets:

Cash and cash equivalents		20,101
Interest in split interest agreements		12,054
Long-term investments		4,869,530
Investments held by others		688,329
Investment in NRSV		200,000
Property and equipment, net		6,435
Intangible, net		91,485
Total assets	\$	7,178,588

Liabilities and net assets

Current liabilities:

Accounts payable and accrued expenses	\$	114,963
Health insurance for post-retirees - current portion		107,184
Deferred revenue		33,500
Total current liabilities		255,647

Non-current liabilities:

Health insurance for post-retirees - non-current portion		664,131
Total liabilities		919,778

Net assets:

Without Donor Restrictions		5,050,572
With Donor Restrictions		1,208,238
Total net assets		6,258,810
Total liabilities and net assets	\$	7,178,588

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

NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE U.S.A.
Consolidated Statement of Activities
For the Two Year Period Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities:			
Revenues:			
Sales, net (royalties and other)	\$ 2,678,016	\$ -	\$ 2,678,016
Contributions:			
Member communions	1,098,925	-	1,098,925
Others (including individual giving)	925,829	-	925,829
Total revenue and support before releases	<u>4,702,770</u>	<u>-</u>	<u>4,702,770</u>
Net assets released from restrictions	<u>146,803</u>	<u>(146,803)</u>	<u>-</u>
Total revenue and support	<u>4,849,573</u>	<u>(146,803)</u>	<u>4,702,770</u>
Expenses:			
Program expenses:			
Education and leadership formation	495,499	-	495,499
Joint advocacy and justice	635,903	-	635,903
Faith and order	305,247	-	305,247
Interfaith relations	305,247	-	305,247
Friendship press	963,065	-	963,065
Total program expenses	<u>2,704,961</u>	<u>-</u>	<u>2,704,961</u>
Management and general	<u>1,038,037</u>	<u>-</u>	<u>1,038,037</u>
Total expenses	<u>3,742,998</u>	<u>-</u>	<u>3,742,998</u>
Changes in net assets from operating activities	<u>1,106,575</u>	<u>(146,803)</u>	<u>959,772</u>
Nonoperating Activities:			
Net realized and unrealized gain on investments	1,031,775	322,709	1,354,484
Gain on extinguishment of debt	155,000	-	155,000
Change in accumulated post-retirement benefit obligation	(127,290)	-	(127,290)
Interest income	144,031	44,507	188,538
Change in value of split-interest agreements	3,692	-	3,692
Change in net assets from nonoperating activities	<u>1,207,208</u>	<u>367,216</u>	<u>1,574,424</u>
Changes in net assets	2,313,783	220,413	2,534,196
Net assets at beginning of year	<u>2,736,789</u>	<u>987,825</u>	<u>3,724,614</u>
Net assets at end of year	<u>\$ 5,050,572</u>	<u>\$ 1,208,238</u>	<u>\$ 6,258,810</u>

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

NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE U.S.A.
 Consolidated Statement of Functional Expenses
 For the Two Year Period Ended December 31, 2020

	Education and Leadership Formation	Joint Advocacy and Justice	Faith and Order	Interfaith Relations	Friendship Press	Total Program Services	Management and General	Total Supporting Expenses	Total Operating Expenses
Salaries and related costs	\$ 447,858	602,302	295,469	295,469	393,416	2,034,514	275,945	275,945	2,310,459
Professional fees	16,841	1,841	-	-	314,539	333,221	463,636	463,636	796,857
Rent and occupancy	-	-	-	-	-	-	116,472	116,472	116,472
Supplies and equipment	-	-	-	-	9,095	9,095	14,962	14,962	24,057
Communications	-	-	-	-	32,290	32,290	42,934	42,934	75,224
Meetings and conferences	27,728	21,956	3,500	3,500	12,386	69,070	50,358	50,358	119,428
Travel and transportation	3,072	9,804	6,278	6,278	19,722	45,154	53,091	53,091	98,245
Insurance	-	-	-	-	-	-	7,656	7,656	7,656
Publication and duplication	-	-	-	-	102,463	102,463	622	622	103,085
Marketing	-	-	-	-	68,989	68,989	-	-	68,989
Miscellaneous	-	-	-	-	-	-	1,306	1,306	1,306
Depreciation and amortization	-	-	-	-	10,165	10,165	11,055	11,055	21,220
Total expenses	<u>\$ 495,499</u>	<u>\$ 635,903</u>	<u>\$ 305,247</u>	<u>\$ 305,247</u>	<u>\$ 963,065</u>	<u>\$ 2,704,961</u>	<u>\$ 1,038,037</u>	<u>\$ 1,038,037</u>	<u>\$ 3,742,998</u>

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

NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE U.S.A.
Consolidated Statement of Cash Flows
For the Two Year Period Ended December 31, 2020

Cash flows from operating activities:	
Total changes in net assets	\$ <u>2,534,196</u>
Adjustments to reconcile total changes in net assets to net cash provided by/(used in) operating activities:	
Depreciation and amortization	21,220
Gain on extinguishment of debt	(155,000)
Change in accumulated post-retirement benefit obligation	127,290
Net realized and unrealized gain on investments	(1,354,484)
Interest in split interest agreements	2,166
Changes in assets and liabilities:	
Royalty receivables	(238,186)
Contribution receivable	(12,090)
Other receivables	4,477
Deferred Revenue	3,500
Prepaid expenses and other assets	(28,456)
Accounts payable and accrued expenses	<u>2,173</u>
Net cash provided by operating activities	<u>906,806</u>
Cash flows from investing activities:	
Purchase of property and equipment	(5,171)
Development of intangible	(101,650)
Proceeds from sale of investments	900,850
Purchase of investments	<u>(1,563,241)</u>
Net cash used in investing activities	<u>(769,212)</u>
Cash flows from financing activities:	
Proceeds from PPP loan	<u>155,000</u>
Net increase in cash and cash equivalents	292,594
Cash and cash equivalents at beginning of year	<u>202,427</u>
Cash and cash equivalents at end of year	<u><u>\$ 495,021</u></u>
Amounts reported as:	
Cash and cash equivalents - current	\$ 474,920
Cash and cash equivalents - non-current	<u>20,101</u>
	<u><u>\$ 495,021</u></u>

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

NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A.

Notes to Consolidated Financial Statements
For the Two Year Period Ended December 31, 2020

1. Nature of Operations:

The National Council of Churches of Christ in the U.S.A. (NCC), since its founding in 1950, has been the leading force for ecumenical cooperation among Christians in the United States. NCC's member communions—from a wide spectrum of Protestant, Anglican, Orthodox, Evangelical, historic African-American, and Peace churches—include 45 million people in more than 100,000 local congregations in communities across the nation.

NCC has worked for over half a century toward the unity of the Christian church, peace and understanding among people of all faiths, and justice for all of God's people. It continues to be the voice of the faith community on Civil Rights, justice for women, an end to poverty, affordable health care, quality education, reformed immigration laws, and the stewardship of God's creation. It also sponsors the New Revised Standard version of the Holy Bible, leadership development opportunities, and expanded young adult ministries and ecumenical formation.

NCC focuses on five integrated areas of work:

- Education and Leadership Formation - NCC is proud, through its work in Christian Education, to have produced the Revised Standard Version (1952) and New Revised Standard Version (1989) Bible translations. Through the Bible Translation and Utilization Committee, NCC works to provide contemporary, ecumenical, accurate English translations of the Bible, and to promote the use of the Bible in public worship and education, and in private study and devotion. The latter ministry includes programs on Biblical literacy, translation, and interpretation, and supporting emerging scholars. The International Sunday School Lessons Uniform Series (ISSL) offers a systematic study of the Bible.
- Joint Advocacy and Justice- At the core of Christian faith is a commitment to work on behalf of and with those marginalized by our society; the hungry, sick, poor, prisoners, strangers and powerless people (Matt. 25:44). NCC has been a prophetic voice for justice and peace for its entire existence. NCC continues to advocate with those who seek justice through the Joint Action and Advocacy for Justice and Peace Convening Table.
- Faith and Order- Faith and Order affirms the oneness of the Church of Jesus Christ and keeps before the churches the Gospel call to visible unity in one faith and one Eucharistic communion, expressed in worship and in common life in Christ, in order that the world may believe.
- Interfaith Relations- The Interreligious Relations and Collaboration work of NCC exercises special responsibility within the life of NCC for programs, resources, and communication integral to the building and maintenance of interfaith relationships, and to theological reflection of these relationships. NCC works with and on behalf of the churches to strengthen relationships between Christians and people of other faiths through study, dialogue, the development of cooperative programs, and the sharing of resources and information. It provides an ecumenical forum for sharing, common counsel, and theological reflection regarding interfaith relations, and coordinates its work with other entities of NCC as appropriate.

NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A.

Notes to Consolidated Financial Statements

For the Two Year Period Ended December 31, 2020

1. Nature of Operations, continued:

- Friendship Press - Friendship Press (FP) began its publishing efforts on June 27, 1935. The editorial and publishing team produced a variety of works that expressed its value commitments and support for the health and welfare of children, constructive race relations, church missions, vibrant culture, and peace among nations. The FP was inactive for many years; however in January of 2018, the Board of Directors reactivated its operations. In April 2019, FP began operating separately from NCC. FP is governed by a separate Board of Directors, the majority of which are appointed by NCC's Board of Directors. Effective in November 2019, FP obtained its own exemption under Section 501 (c)(3) of the Internal Revenue Code (IRC), as a Type I supporting organization under IRC Section 509 (a)(3).

NCC is a convener of the churches that together work toward visible unity in Christ and galvanize prophetic public witness through joint action and advocacy of the churches. NCC's work is organized at overlapping tables that integrate NCC's focus areas and draws upon synergies with partners, especially local and regional ecumenism. NCC's staff is a small group of theologically trained community organizers who facilitate the work and serve as hubs and connectors, linking people, ideas, and resources.

Given the restructure from a program oriented Council to a convening table Council, many of the programs that had remaining funds were transferred into separate companies. NCC's revenue stream currently includes member communion's contributions, royalties, and investment income.

NCC is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the IRC.

2. Summary of Significant Accounting Policies:

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of NCC and FP. The FP is an entity controlled by board members mostly appointed by NCC. All intercompany accounts and transactions are eliminated for consolidation.

Basis of Presentation:

The consolidated financial statements of the Council have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations." ASC 958 was effective for fiscal years beginning after

NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A.

Notes to Consolidated Financial Statements

For the Two Year Period Ended December 31, 2020

2. Summary of Significant Accounting Policies, continued:

Basis of Presentation, continued

December 2017, and it requires that net assets, revenues, and gains and losses, be classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Council and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Council. The Council's board may designate assets without restrictions for specific purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Council or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Contributions:

Unconditional contributions are recognized when received and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period that they are received are reported as net assets without donor restriction support.

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 the Council's ongoing activities that are core to its mission. Non-operating activities are limited to resources that generate return from investments, endowment contributions, and other activities considered to be of a more unusual or nonrecurring nature.

NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A.

Notes to Consolidated Financial Statements
For the Two Year Period Ended December 31, 2020

2. Summary of Significant Accounting Policies, continued:

Cash Equivalents:

The Council considers all highly liquid financial instruments, excluding mutual funds held by others, purchased with maturities of three months or less, to be cash equivalents. Cash that is restricted for Ecumenical Ministries Mass Incarceration Fund is reported in non-current assets, since it is not readily available for current operations.

Royalty Receivables:

Royalty receivables represent amounts due from publishers for royalties earned on publications of the Bible and Sunday school study guides. They are recorded at estimated net realizable values. Based on historical collections, there is no provision for uncollectible amounts.

Interest in Split Interest Agreements:

NCC has an interest in certain irrevocable charitable gift annuities administered by third parties, which have an estimated residual value (fair value of gift less present value of annuity obligation) of \$12,054 as of December 31, 2020. Assumptions used as of December 31, 2020 included the 10 year average consumer price index (CPI) which was 1.73% and the 2012 IAR Mortality table.

Investments and Investment Income:

Investments are stated at fair value. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is presented in the statement of activities in accordance with donor restrictions. Investment return is presented net of investment fees. The cost method is primarily used to determine the basis for computing realized gains or losses.

New Revised Standard Version Cost:

The balance represents cost incurred by NCC to update and enhance the copyrighted New Revised Standard Version (NRSV) of the Bible, owned by NCC. Once the updated NRSV is complete (anticipated to be completed and released in 2021) and available for sale, NCC will amortize the cost over the period of expected sales. As of December 31, 2020, there is a commitment of \$200,000, to be paid upon completion of the NRSV updates.

Property and Equipment:

Computer equipment, furniture and fixtures, machinery and equipment, and leasehold improvements exceeding \$500 are recorded at cost. Property and equipment are depreciated on the straight-line basis, using the half-year convention method, over their estimated useful lives of three to five years. Amortization of leasehold improvements is recorded over the shorter of their useful life or remaining term of the respective lease.

NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A.

Notes to Consolidated Financial Statements

For the Two Year Period Ended December 31, 2020

2. Summary of Significant Accounting Policies, continued:

Endowment Funds:

Accounting standards require an organization to disclose information about the net asset classification, net asset composition, changes in net asset composition, spending policies and related investment policies of its donor-restricted endowment funds. Certain NCC gifts are subject to donor restrictions requiring that the principal be invested in perpetuity and only the resulting income be utilized.

Endowment funds are supervised and monitored by respective administrative committees or governing bodies. An administrative committee or governing body may appropriate for expenditures and for the uses and purposes for which an endowment fund is established. The date and amount to draw the appropriation is determined by the committee or governing body unless otherwise regulated by the endowment.

Endowment funds are maintained in NCC's long-term investment portfolio and subject to the general provisions of NCC's investment policies and procedures. The spending policy for endowment funds is administrated in accordance with the terms of the donor endowment. Management's policy is to maintain the original endowment amount intact.

Sales, Net:

Sales include royalties NCC receives from various license agreements for the rights owned by NCC for curriculum and a revised standard version of the Bible. Royalties are recognized as revenue ratably over the terms of the respective agreements or based on a percentage of sales, depending on the specific terms of each royalty agreement. Royalty income for the two year period ended December 31, 2020 was \$2,622,968 and other sales were \$16,427.

FP recognized sales related to publications and Word @ Hand app sales. Total sales were \$67,447 for the two year period ended December 31, 2020, offset by cost of \$28,826.

Functional Expenses:

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Administrative Salaries and Benefits	Time and Effort

NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A.

Notes to Consolidated Financial Statements

For the Two Year Period Ended December 31, 2020

2. Summary of Significant Accounting Policies, continued:

New Accounting Standards:

In May 2014, the FASB issued Accounting Standards Update (ASU) ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 requires an entity to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. Five key steps will be required to assess revenue recognition along with enhanced disclosures. The ASU was originally effective for periods beginning after December 31, 2019. The Council is evaluating the impact of this ASU.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The objective of this ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements.

FASB ASC 842 is applicable to any entity that enters into a lease and applies to all leases and subleases of property, plant, and equipment. It does not apply to certain nondepreciable assets accounted for under other FASB ASC topics. The effective date of this ASU was originally for periods beginning after December 15, 2020.

In June 2020, FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities*, which, among other provisions, deferred the effective dates for applying ASC 842 for certain not-for-profit entities that have not yet issued financial statements or made financial statements available for issuance as of June 30, 2020. The ASU also deferred the effective date for applying ASC 842 by one year for entities within the “all other entities” category. ASU No. 2020-05 also deferred the effective dates for applying ASC 606 for certain entities. The Council has not elected to early adopt the guidance and is currently evaluating the impact on the financial statements and related disclosures.

3. Net Assets – With Donor Restrictions:

Donor restricted net assets consist of the following purposes:

Subject to expenditure for specified purpose:

Mass Incarceration: Support for individuals that are or have been incarcerated	\$ 547,147
Department of Children’s Work: General	200,462
Athern Scholarship: Scholarships for ministers/seminary students	67,328
Responsible Parenthood: Christian Education	306,734
	<u>\$ 1,121,671</u>

NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A.
Notes to Consolidated Financial Statements
For the Two Year Period Ended December 31, 2020

3. Net Assets – With Donor Restrictions, Continued:

Subject to NCC’s spending policy and appropriation:

Investments in perpetuity:

M. A. Magnuson Memorial Fund	10,000
Responsible Parenthood	19,867
Athern Scholarship	6,700
Faye Campbell Fund	50,000
	86,567
Total net assets with donor restrictions	\$ 1,208,238

Releases from Donor Restricted Net Assets for the two year period ended December 31, 2020, are as follows:

Subject to expenditure for specified purpose:

Mass Incarceration	\$ 25,253
Responsible Parenthood	1,768
Department of Children’s Work	90,060
Athern Scholarship	29,722
	\$ 146,803

4. Net Assets – Endowment Funds:

NCC’s endowment consists of four funds held with an institutional investment company. The endowment funds are donor-restricted funds which are classified and reported based on the type of donor-imposed restrictions.

NCC is subject to the New York State Prudent Management of Institutional Funds Act (NYSPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are purpose restricted.

Endowment Net Asset composition by Type of Fund:

	<u>With Donor Restrictions</u>
Donor-Restricted Endowment Funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ <u>86,567</u>
Total	\$ <u><u>86,567</u></u>

NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A.
Notes to Consolidated Financial Statements
For the Two Year Period Ended December 31, 2020

4. Net Assets – Endowment Funds, Continued:

As of December 31, 2020, the endowment fund is comprised of:

Investments \$ 86,567

Changes in Endowment Net Assets for the Year Ended December 31, 2020:

		<u>With Donor Restrictions</u>
Endowment Net Assets, Beginning of Year	\$	86,567
Investment return, net		14,804
Interest and dividend income		2,067
Other changes		<u>(16,871)</u>
Endowment Net Assets, End of Year	\$	<u>86,567</u>

5. Liquidity

NCC’s financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$	474,920
Royalty receivable		715,737
Contribution receivable		58,916
Other receivable		9,922
Prepaid expenses		<u>31,159</u>
	\$	<u>1,290,654</u>

As part of NCC’s liquidity management rule its financial assets are structured to be available as the general expenditures, liabilities, and other obligations come due.

NCC’s endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure.

6. PPP Loan

During 2020, NCC entered into a debt agreement with a bank that was subjected to the rules and regulations of the Paycheck Protection Program established by section 1102 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (“PPP loan”). In accordance with the CARES Act, all or portion of the PPP loan may be forgiven if certain conditions are met. As of December 31, 2020, the full amount of the loan was forgiven and is recorded as a gain on extinguishment.

NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A.

Notes to Consolidated Financial Statements

For the Two Year Period Ended December 31, 2020

7. Fair Value Measurements

The fair value of investments is categorized into a three-tier hierarchy, which assigns priorities to inputs of valuation techniques used to measure fair value. Inputs refer to assumptions market participants would use when pricing an asset, and are classified as observable (i.e. assumptions based on market prices obtained from independent sources) and unobservable (i.e. assumptions based on best information available or the reporting entity’s own assumptions). The hierarchy of inputs is summarized below:

- Level 1 – observable, represents assets with quoted market prices for identical assets (registered securities).
- Level 2 – other observable, not quoted market prices for identical assets. Inputs that are obtained from the utilization of models or other valuation methodologies.
- Level 3 – unobservable, reflects reporting entity’s own assumptions and significant management judgments that would be made by market participants.

The fair value of NCC’s long-term investment portfolio as of December 31, 2020 consisted of the following:

	Observable Inputs (Level 1)	Other Observable Inputs (Level 2)	Total
Mutual funds	\$ 1,374,195	\$ -	\$ 1,374,195
Common Stocks	2,113,267	-	2,113,267
Fixed income:			
Corporate bonds	-	568,695	568,695
U.S. government obligations	-	564,525	564,525
Real estate investment trusts	28,435	-	28,435
Exchange traded products	220,413	-	220,413
Total long-term investments	<u>\$ 3,736,310</u>	<u>\$ 1,133,220</u>	<u>\$ 4,869,530</u>

The following is a description of the valuation methodologies used to measure assets at fair value. There have been no changes in the methodologies used during the year ended December 31, 2020.

Mutual funds – Shares of mutual funds are valued at the quoted net asset value (“NAV”) of shares held at year-end.

Common stocks – Stated at quoted prices based on an active market.

Fixed income – May be valued based on quoted prices or by the pricing vendor using a variety of techniques to estimate value.

Real estate investment trusts – Stated at quoted prices based on an active market.

Exchanged traded products – Stated at quoted prices based on an active market.

NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A.

Notes to Consolidated Financial Statements

For the Two Year Period Ended December 31, 2020

8. Investment Held by Others

The Ecumenical Trust (the Trust) is a not-for-profit organization that was formed for the purpose of receiving and managing assets on behalf of WCC, Church World Service, Inc. (CWS) and NCC to support the ecumenical ministries of these entities. Investments held by others, reported in the accompanying statement of financial position consist primarily of common stock, fixed income, and short-term investments held by the Trust for NCC. The common stock and short-term investments are level 1, valued at fair value using quoted market prices and the net asset value of units held, respectively. Fixed income investments are level, valued based on observable values of similar assets with similar inputs. These inputs may include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, and market research publications. As member organizations of the Trust, these entities are related through common Board membership.

9. Property and Equipment

As of December 31, 2020 property and equipment, net, consisted of:

Computer equipment	\$	70,849
Furniture and fixtures		8,076
Leasehold improvements		21,480
Machinery and equipment		10,215
Less: accumulated depreciation and amortization		<u>(104,185)</u>
Property and equipment, net	\$	<u>6,435</u>

Depreciation expense was \$9,910 and amortization expense was \$11,310 for 2020. Amortization expense includes \$10,165 related to the Word @ Hand app.

10. Post-Retirement Health Care and Pension Benefits

Post-Retirement Health Care

NCC provides certain health care benefits for retired employees. Employees hired prior to January 1, 2000 are eligible to participate upon reaching age 62 with at least five years of service or age 55 with at least 15 years of service. Employees hired on January 1, 2000 and thereafter are not eligible for post-retirement health care benefits. The measurement date for the post-retirement health care obligations is December 31, 2020.

Prior to January 1, 2012, NCC provided eligible retired employees and their spouse's post-retirement health care through its various fee-for-service and health maintenance organization health insurance plans for active employees. Effective November 1, 2011 for non-union employees and January 1, 2012 for union employees, NCC began providing eligible retired employees and their spouses' post-retirement health care through Medicare Supplemental and Medical Advantage plans with the assistance of a private Medicare exchange manager. NCC pays a fixed amount per month for each eligible retired employee and spouse into a Health

NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A.

Notes to Consolidated Financial Statements

For the Two Year Period Ended December 31, 2020

10. Post-Retirement Health Care and Pension Benefits, continued

Post-Retirement Health Care, continued

Reimbursement Arrangement for each. Retirees and spouses then purchase individual Medicare Supplemental and Medicare Advantage health plans that best meet their health insurance needs with the assistance of the Medicare exchange manager. This change results in a fixed amount that NCC contributes to health care for each retiree and spouse.

NCC is required to recognize the over-funded or under-funded status of its retirement plans in the Statement of Financial Position and to recognize changes in funded status in the year in which they occur. The funded status represents the difference between the fair value of plan assets and the actuarially-determined benefit obligation as of the measurement date. The under-funded status of NCC's plan is shown as a liability under "Health insurance for post-retirees" on the accompanying Statement of Financial Position. Changes in the funded status are shown within "Non-operating changes in net assets" on the accompanying Statement of Activities.

Accumulated post-retirement benefit obligation at beginning of year	\$ 839,027
Interest cost	44,887
Actuarial loss	121,257
Retiree benefit payments	<u>(233,856)</u>
Accumulated post-retirement benefit obligation at end of year	<u>\$ 771,315</u>
Fair value of plan assets	<u>\$ -</u>
Health insurance for post-retirees reflected in the statements of financial position	\$ 771,315
Less: current portion	<u>107,184</u>
Non-current portion	<u>\$ 664,131</u>
Cumulative amounts recognized in unrestricted net assets:	
Prior service cost	\$ (54,127)
Net loss	<u>346,255</u>
Total	<u>\$ 292,128</u>

The expected amortization to be included in net periodic post-retirement benefit cost for calendar year 2021 is as follows:

Prior service cost	\$ (54,127)
Net loss	<u>38,779</u>
Total	<u>\$ (15,348)</u>

NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A.
Notes to Consolidated Financial Statements
For the Two Year Period Ended December 31, 2020

10. Post-Retirement Health Care and Pension Benefits, continued

Post-Retirement Health Care, continued

Net periodic post-retirement benefit cost for the two year period ended December 31, 2020 include the following components:

Interest cost	\$	44,887
Net amortization and deferral		<u>(64,817)</u>
Total net periodic post-retirement benefit cost	\$	<u><u>(\$19,930)</u></u>
Weighted-average assumptions:		
Discount rate as of December 31 – obligation		<u>2.55%</u>
Discount rate for the year ended December 31 – cost		<u><u>1.46%</u></u>

Assumed health care cost trend rates have a significant effect on the amounts reported for the plan. A 1% change in assumed health care cost trend rates would have the following effects as of December 31, 2020:

	1% Increase	1% Decrease
Total interest and service cost components	\$ 18,188	\$ 18,188
Accumulated post-retirement benefit obligation	\$ 771,315	\$ 771,315

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the “Act”) introduced a prescription drug benefit under Medicare. The employee obligations and the net periodic post-retirement benefit cost for the year ended December 31, 2020 reflect the effects of the Act.

Benefits expected to be paid are as follows:

	Gross Benefit Payments	Gross Subsidy Receipts	Net Benefit Payments
Year ending:			
2021	107,184	-	107,184
2022	95,149	-	95,149
2023	84,270	-	84,270
2024	74,473	-	74,473
2025	65,676	-	65,676
2026 to 2030	225,763	-	225,763

NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A.

Notes to Consolidated Financial Statements
For the Two Year Period Ended December 31, 2020

10. Post-Retirement Health Care and Pension Benefits, continued

Pension Plan

NCC had sponsored a defined contribution retirement plan covering substantially all employees. The plan required NCC to deposit with the trustee an amount equivalent to (a) 11% of the employee's annual compensation for certain eligible employees and (b) 18.65% of annual compensation for ordained employees who were considered self-employed, as defined in Article IV of the Federal Social Security Act. This plan was frozen effective December 31, 2002.

403(b) Defined Contribution Retirement Plan

NCC sponsors a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. Benefits are based solely on the amounts of plan contributions and related earnings, if any. Employer contributions to the plan for the two year period ended December 31, 2020 were \$189,799.

11. Commitments

NCC leases office space in Washington, DC and was obligated under an operating lease for space that expired on March 31, 2020. The lease was extended for a five year period, beginning April 1, 2020 and ending on March 21, 2025. The monthly rent for the first lease period will be \$4,352. There will be a 4% increase every April 1st. However, as a result of DC Law 24-9, Coronavirus Support Temporary Amendment Act of 2021, a rent increase freeze was granted for commercial properties through December 31, 2021.

Rent expense was \$116,472 for the two year period ended December 31, 2020.

12. Related Parties

Based on a Memorandum of Understanding with FP, NCC transferred a total of \$953,541 for the two year period ended December 31, 2020 to FP to cover operating cost.

13. Income Taxes

The Council is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the IRC. Since its initial filing for tax-exempt status, the Council has not received any notice from the Internal Revenue Service (IRS) that such tax-exempt status has been challenged or changed. There was no taxable income as of December 31, 2020; therefore, no provision for income taxes has been included in the financial statements.

The preparation of financial statements in conformity with GAAP requires the Council to report information regarding its exposure to various tax positions taken by the Council. The Council has determined whether any tax positions met the recognition threshold and has measured The Council's exposure to those tax positions. Management believes the Council has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. The Council is subject to routine audits by the taxing jurisdiction; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2017.

NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A.
Notes to Consolidated Financial Statements
For the Two Year Period Ended December 31, 2020

14. Concentration of Credit Risk

The Council is required to disclose significant concentrations of credit risk, regardless of the degree of such risk. Periodically the Council maintained bank deposits that exceeded the limit of insurability under the Federal Deposit Insurance Corporation.

NCC has significant investments in stocks, bonds, and mutual funds, and is therefore subject to normal risks inherent with investing activity. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of NCC.

15. Subsequent Events

As of September 2021, NCC has completed the final payment of \$200,000 for the NRSV update cost.

The Council has evaluated subsequent events that occurred after the statement of financial position date but before February 7, 2022, the date the financial statements were available to be issued, and is not aware of any additional events that should be disclosed.