Community of Christ and Consolidated Affiliates

Consolidated Financial Report
December 31, 2020

Contents

Independent Auditor's Report

First Presidency
Community of Christ and Consolidated Affiliates

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Community of Christ and Consolidated Affiliates, which comprise the consolidated statements of financial position—contractual basis as of December 31, 2020 and 2019; the related consolidated statements of activities—contractual basis, cash flows—contractual basis and expenses by function—contractual basis for the year ended December 31, 2020; and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section 5.14(a) of the contract between Community of Christ and Consolidated Affiliates and BOK Financial dated May 30, 2018 (the contract). Management is also responsible 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community of Christ and Consolidated Affiliates as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the year ended December 31, 2020, in accordance with the financial reporting provisions of Section 5.14(a) of the contract.

Basis of Accounting
We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared by Community of Christ and Consolidated Affiliates on the basis of the financial reporting provisions of Section 5.14(a) of the contract, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restrictions on Use
Our report is intended solely for the information and use of Community of Christ and Consolidated Affiliates and BOK Financial and is not intended to be, and should not be, used by anyone other than these specified parties.

RSM US LLP

Kansas City, Missouri
August 5, 2021

Community of Christ and Consolidated Affiliates

Consolidated Statements of Financial Position—Contractual Basis
December 31, 2020 and 2019
(Dollars in Thousands)

	2020	2019
Assets		
Cash and cash equivalents	**$ 23,025**	$ 24,364
Receivables:		
Accounts and miscellaneous receivables, net	**1,767**	2,243
Notes and mortgages, net	**5,315**	5,996
	7,082	8,239
Investments:		
Bonds, stocks and other investments	**203,209**	172,778
Real estate	**54,290**	47,055
	257,499	219,833
Real estate and equipment, net	**60,454**	60,146
Other assets:		
Inventories	**741**	702
Prepaid expenses and deposits	**2,733**	2,794
Other assets	**-**	406
	3,474	3,902
	$ 351,534	$ 316,484

See notes to consolidated financial statements.

		2020		2019
Liabilities and Net Assets				
Payables and other liabilities:				
Accounts payable	**$**	**4,727**	$	822
Accrued expenses, deferred income and other liabilities		**5,241**		6,851
Charitable remainder trust		**3,788**		3,797
Annuities payable		**2,831**		2,958
Long-term debt		**27**		-
		16,614		14,428
Funds held on behalf of others		**180,277**		167,010
Retirement responsibilities:				
Pension benefits		**44,394**		47,851
Postretirement benefits		**17,601**		16,025
Multinations benefits		**5,269**		4,319
		67,264		68,195
Net assets:				
Without donor restrictions		**56,648**		40,842
With donor restrictions		**30,731**		26,009
Total net assets		**87,379**		66,851
	$	**351,534**	$	316,484

Community of Christ and Consolidated Affiliates

Consolidated Statement of Activities—Contractual Basis
Year Ended December 31, 2020
(Dollars in Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions and bequests	$ 21,437	$ 4,043	$ 25,480
Investment income	494	4,979	5,473
Unrealized gain on real estate	8,853	-	8,853
Services and sales, net	3,202	-	3,202
Gain on sale of real estate and equipment	218	-	218
Increase to fringe benefit reserve	427	-	427
Other income	1,208	364	1,572
Net assets released from restrictions	4,664	(4,664)	-
Total revenues, gains and other support	40,503	4,722	45,225
Expenses:			
Program expenses:			
Field ministry	3,403	-	3,403
Communications	418	-	418
Translations	358	-	358
Discipleship and priesthood	189	-	189
Seminary, staff and leadership development	49	-	49
Spiritual formation and blessing ministries	142	-	142
Field support	67	-	67
Vehicles and computers	351	-	351
Historic sites	727	-	727
Oblation and world hunger	800	-	800
Archives and records	128	-	128
Facilities	847	-	847
Human resources	268	-	268
Office support	240	-	240
Security and hospitality	126	-	126
Herald House and customer service	94	-	94
Events and activities	35	-	35
World Church leadership	409	-	409
Total program expenses	8,651	-	8,651

(Continued)

Community of Christ and Consolidated Affiliates

Consolidated Statement of Activities—Contractual Basis (Continued)
Year Ended December 31, 2020
(Dollars in Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses (continued):			
Management and general expenses:			
Audit and World Church finance board	$ 63	$ -	$ 63
Fiscal services	699	-	699
Office of general counsel and risk management	584	-	584
Technology support	536	-	536
Depreciation and capital funding	1,433	-	1,433
Insurance, claims and exchange	2,580	-	2,580
Total management and general expenses	5,895	-	5,895
Fundraising expenses:			
Gift annuity and charitable remainder trust payments	801	-	801
Mission funding	256	-	256
Total fundraising expenses	1,057	-	1,057
Retirement responsibility expenses:			
Defined benefit pension plan	4,349	-	4,349
Postretirement benefits plan	3,643	-	3,643
Multinations retirement plan	1,102	-	1,102
Total retirement responsibility expenses	9,094	-	9,094
Total expenses	24,697	-	24,697
Change in net assets	15,806	4,722	20,528
Net assets, beginning of year	40,842	26,009	66,851
Net assets, end of year	$ 56,648	$ 30,731	$ 87,379

See notes to consolidated financial statements.

Community of Christ and Consolidated Affiliates

Consolidated Statement of Cash Flows—Contractual Basis
Year Ended December 31, 2020
(Dollars in Thousands)

Cash flows from operating activities:	
Change in net assets	$ 20,528
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,312
Unrealized gain on investment real estate	(8,853)
Unrealized gain on investment securities	(8,860)
Net gain on sale of investment real estate	(133)
Net gain on sale of real estate and equipment	(75)
Change in value of split-interest obligations	(47)
Gain on extinguishment of Paycheck Protection Program loan	(1,534)
Changes in:	
Accounts and miscellaneous receivables	476
Inventories	(39)
Prepaid expenses and deposits	61
Other assets	406
Accounts payable	3,905
Accrued expenses, deferred income and other liabilities	(1,610)
Annuities and trusts payable	685
Retirement responsibilities	(931)
Net cash provided by operating activities	5,291
Cash flows from investing activities:	
Proceeds from sale of investment securities and real estate	136,205
Purchase of investment securities and real estate	(157,542)
Increase in funds held on behalf of others	13,267
Issuance of notes and mortgages receivable	(624)
Payments from notes and mortgages receivable	1,305
Purchase of real estate and equipment	(506)
Proceeds from sale of real estate and equipment	114
Net proceeds from sale of collection	-
Net cash used in investing activities	(7,781)

(Continued)

Community of Christ and Consolidated Affiliates

Consolidated Statement of Cash Flows—Contractual Basis (Continued)
Year Ended December 31, 2020
(Dollars in Thousands)

Cash flows from financing activities:		
Contributions restricted for annuities and trusts	$	364
Payments on split-interest obligations		(774)
Proceeds from Paycheck Protection Program loan		1,561
Net cash provided by financing activities		1,151
Decrease in cash and cash equivalents		(1,339)
Cash and cash equivalents, beginning of year		24,364
Cash and cash equivalents, end of year	$	23,025
Supplemental disclosures of cash flow information:		
Noncash transfer from real estate and equipment to investment real estate	$	1,153

See notes to consolidated financial statements.

Community of Christ and Consolidated Affiliates

Consolidated Statement of Expenses by Function—Contractual Basis
Year Ended December 31, 2020
(Dollars in Thousands)

	Program Expenses	Management and General	Mission Funding (Fundraising)	Retirement Responsibility	Total Expenses
Compensation costs	$ 6,172	$ 1,388	$ 235	$ 27	$ 7,822
Retirement responsibility	-	-	-	9,002	9,002
Staff and leadership development	54	1	1	-	56
Events and activities	1	-	-	-	1
Office support	428	212	12	-	652
Insurance premiums and claims	37	2,262	-	-	2,299
Capital funding	58	36	-	-	94
Depreciation	236	1,076	-	-	1,312
Utilities, repair and maintenance	707	259	-	-	966
Bank fees and exchange	11	106	2	13	132
Contract services	158	451	30	52	691
Oblation and world hunger	521	-	-	-	521
Gift annuity and charitable remainder trust payments	-	-	776	-	776
Grants and payments	210	-	-	-	210
Other expenses	58	104	1	-	163
Total expenses	$ 8,651	$ 5,895	$ 1,057	$ 9,094	$ 24,697

See notes to consolidated financial statements.

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business: Community of Christ (the Church), also known as the Reorganized Church of Jesus Christ of Latter Day Saints, is an international Christian denomination with approximately 250,000 members in 1,100 congregations in 59 countries. The mission of the Church is to proclaim Jesus Christ and promote communities of joy, hope, love and peace.

Community of Christ, headquartered in Independence, Missouri, provides missional and administrative support, including leadership, staffing and resources, for mission centers, congregations and affiliates around the world.

Following is a summary of significant accounting policies:

Contractual basis: The Church reports on a contractual basis of accounting as specified in its agreement with its bank, BOK Financial Institution. That agreement requires that the audited financial statements for Community of Christ include the Church's affiliates, other than Graceland University. This basis of reporting is in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) in all material respects except for the exclusion of the accounts of Graceland University and Graceland University's consolidated affiliates. Audited financial statements for Graceland University are issued separately. See Note 13 for summarized financial data of Graceland University.

In addition to the contract requirements, World Conference Resolution 1306 adopted June 7, 2016, establishes the Community of Christ audit process requirements and reporting, which require that the annual audit be approved by the World Church Finance Board and made available to the church membership.

Principles of consolidation: Consolidation of entities is required when there is both control and a material economic interest. These consolidated financial statements (collectively, the financial statements) include the Church and the accounts of the following affiliates, which meet the criteria for consolidation: Corporation of the Presiding Bishopric of the Community of Christ; Tiona Corporation; PeacePathways; Community of Christ Historic Sites Foundation and Spectacular; real estate title–holding only entities are Central Development Association; Atherton Farms, LLC; Atherton Farms (Central) LLC; Atherton Farms (West) LLC; East M78, LLC; Independence Improvement Investments, LLC; Little Blue River Valley Property Holdings, LLC; Little Blue Valley (Northeast) LLC; Little Blue Valley (Northwest) LLC; Little Blue Valley (West) LLC; Surplus Disposition, LLC; for-profit, no asset, inactive entities are Community of Christ For Profit Holding Corporation; CPB, Inc.; and OBI, Inc. All transactions between consolidated entities have been eliminated in consolidation.

Programs: The Church operates the following programs:

Program expenses: The programs included in program expenses encompass all programs and departments that assist in the Church in serving their mission to proclaim Jesus Christ and promote communities of joy, hope, love and peace.

Management and general expenses: The programs included in management and general expenses include all programs that support the function of the program expenses. These include the Audit and World Church finance board, fiscal services, office of general counsel and risk management, technology support, depreciation of real estate and equipment, capital funding costs, insurance premiums and claims, and exchange rate changes.

Mission funding: This program assists the World Church in all its fundraising efforts.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Retirement responsibility expenses: These programs cover the payments made and change in liability assumptions for all three retirement plans: defined benefit pension, postretirement benefit and multinations retirement.

Use of estimates: The preparation of financial statements in conformity with a contractual basis of accounting requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Significant estimates include depreciable life of property and equipment, estimated discount rate and expected long-term rate of return used in the actuarial determination of the postretirement and pension obligations, market value adjustment of real estate investments, gift annuity and charitable remainder trust liabilities. Actual results could differ from those estimates.

Basis of presentation: The Church presents their financial statements based on *FASB Accounting Standards Codification* (ASC) Topic 958, Presentation of Financial Statements.

Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Church and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets are not subject to donor-imposed restrictions but may be subject to World Conference or Presiding Bishopric designations.

Net assets with donor restrictions: Net assets are subject to donor-imposed restrictions that may or will be met either by actions of the Church and/or the passage of time. Also included within this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Church. Generally, the donors of these assets permit the Church to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets and are being recognized prospectively.

Contributions: Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional—that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions with donor-imposed restrictions that are met within the same reporting period are reported as revenues without donor restriction.

Contributions of land, buildings and equipment, at fair value based upon independent appraisal, without donor restrictions concerning the use of such long-lived assets are reported as revenues without donor restriction.

Cash and cash equivalents: Cash and cash equivalents include demand deposits, money market accounts, overnight repurchase agreements, and short-term investments with a maturity of less than three months at the date of purchase.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Concentration of credit risk: The Church maintains cash accounts with various commercial banks. At times during the year, amounts on deposit with various commercial banks may have exceeded the insurance limits of the Federal Deposit Insurance Corporation. The Church has not experienced any losses due to this.

Receivables: Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Unless specific arrangements are made, a trade receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Accounts receivable are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded as revenue when received.

The allowance for doubtful accounts on the Church's accounts receivable is $57,000 at December 31, 2020 and 2019.

Notes and mortgages receivable are carried at the amount of unpaid principal less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Loans receivable are written off when deemed uncollectible. Recoveries of loans receivable previously written off are recognized as revenue when received.

The allowance for doubtful notes and mortgages receivable is $205,000 at December 31, 2020 and 2019.

Investments: Investments in bonds, stocks and other investments are carried at fair value. Certain real estate is held for investment and is carried at fair value. Fair value of real estate is determined by independent appraisal. Fair value of alternative investments is determined using the practical expedient. See Note 5 for a discussion of fair value measurements.

Investment income and gains that are initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are reported as revenues without donor restrictions. Other investment income, gains and losses are reflected in the consolidated statement of activities—contractual basis as with donor restrictions or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Investments may be exposed to various risks, such as interest rate, market and credit risk. As a result, it is at least reasonably possible that changes in risks in the near term could affect investments balances, and those effects could be significant.

Real estate and equipment: Although title to individual houses of worship is held in the name of the Presiding Bishop as Trustee in Trust or in nonprofit corporations organized by the Presiding Bishopric, such properties are held in trust for the use and benefit of the Church in mission centers and congregations, and the values of the properties and their related debts are not reflected in the accompanying financial statements. The aforementioned indebtedness is normally retired by contributions received directly from the members of the Church. These contributions are also not reflected in the accompanying financial statements.

Purchased real estate and equipment are stated at cost or, if received by gift, at a value based upon the market or an appraisal at the date of gift. Depreciation, which includes depreciation on assets acquired under capital lease, is provided on the straight-line basis over the lesser of the estimated useful lives of depreciable property and equipment or the lease term.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

The Temple, auditorium, buildings on the National Register of Historical Places, and other properties having historical significance to the Church are considered to be historical treasures. The Church preserves and protects these historic assets in perpetuity for the benefit of current and future generations. As a result, the service potential of the original cost of these historic assets, totaling $46,502,000, is essentially undiminished and depreciation is not recorded. These assets are evaluated annually for indicators of impairment. Additions and betterments to the historical treasures, primarily an organ, and some other historical properties are capitalized and depreciated on a straight-line basis over their estimated useful lives.

Collection items acquired on or after June 1, 1995, by the Church are capitalized at cost if the items were purchased or at their appraised value on the accession date if the items were contributed. Such items consist primarily of books, manuscripts and artifacts. Gains or losses from deaccessions of these items are reflected in the consolidated statement of activities—contractual basis as changes in the appropriate net asset classes, depending on the existence and type of donor-imposed restrictions.

These assets are reviewed for impairment under ASC Topic 360, Property, Plant and Equipment, when events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is no longer recoverable based upon the undiscounted future cash flows of the assets, the amount of impairment is the difference between the carrying amount and the fair value of the asset.

Inventories: Inventories of the Church, which consist of books, hymnals and resale supplies, are stated at the lower of cost (first-in, first-out) or net realizable value.

Accrued expenses, deferred income and other liabilities: Included in accrued expenses is the value of retirement benefits for ministers serving in countries with developing economies. Deferred income is recognized into revenue in the period earned. Advance billings of insurance premiums to Church affiliates of $109,000 and $89,000 are included in deferred income at December 31, 2020 and 2019, respectively.

Charitable remainder trust: The Church has entered into charitable remainder trust agreements with individuals or married couples in exchange for property, securities or cash. The fixed-income liability to the beneficiary is calculated as the present value of the fixed income payments using a discount rate of 7%.

Annuities payable: The Church has entered into annuity agreements with individuals or married couples in exchange for property, securities or cash. The liability to the annuitants is calculated as the present value of the annuity payments using a discount rate of 7%.

Funds held on behalf of others: Funds held on behalf of others comprise funds held by the Church for investment in marketable securities, short-term investments and loans. These funds are sent to the Church by congregations and affiliates and are pooled for investment purposes.

Revenue and expense recognition: Revenue from products and services is recognized when sold or when the services are performed.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Functional classification: The Church has several types of program expenses that support worldwide mission. Expenses reported as management and general, fundraising, and retirement responsibility are incurred in support of the primary program activities. Natural expenses attributable to more than one functional expense category are allocated directly where such relationship is clear, typically based on the fund number associated with each transaction. Funds are based on the nature and use of specific resources.

Fundraising expenses: Fundraising expenses consist of staff time and materials associated with the work of the Presiding Bishopric and Mission Funding Team in helping members and friends of Community of Christ understand all the ways they can support mission, including sustained annual giving, gifts through their estates, and giving from their abundance to support the Bridge of Hope project, including endowments.

Income taxes: The Church has tax determination letters from the Internal Revenue Service stating that they qualify under the provisions of section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes. As such, the Church is subject to federal income taxes only on any net unrelated business income under the provisions of section 511 of the Code. Uncertain tax positions, if any, are recorded in accordance with ASC Topic 740, Income Taxes. ASC 740 requires the recognition of a liability for tax positions taken that do not meet the more-likely-than-not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at December 31, 2020 or 2019.

Fair value of financial instruments: The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value:

Cash and cash equivalents: For these short-term instruments, the carrying amount approximates fair value.

Investments: See Note 5.

Notes, accounts and mortgages receivable: The carrying value of third-party accounts receivable instruments approximates fair value, due to their short-term nature. Due to the lack of an arm's-length relationship, it was not practical to estimate the fair value of notes, mortgages and accounts receivable from related parties. The nature of the amounts is more fully disclosed and discussed in Note 3. Most notes and mortgages receivable are due from related parties.

Accounts payable: Due to the short-term nature of the balances, the carrying amount of accounts payable approximates fair value.

Accrued expenses, deferred income and other liabilities: Due to the short-term nature of the balances, the carrying amounts of accrued expenses, deferred income and other liabilities approximate fair value.

Annuities payable: The liabilities are reported at fair value based on the present value of the annuity payments, discounted using an appropriate rate.

Funds held on behalf of others: See Note 5.

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Risk management: The Church has a formal program to manage risk, which includes the following: property insurance covering claims up to $175,000,000 with a deductible of $100,000 per occurrence; general liability insurance with limits totaling $31,000,000, subject to a $750,000 self-insured retention; and auto liability insurance coverage of $100,000 per occurrence, also backed by general liability coverage. Workers' compensation claims are covered with a guaranteed cost policy.

Claims liabilities are reported in accrued expenses, deferred income and other liabilities on the consolidated statement of financial position—contractual basis. For 2020, program revenue of $2,361,000 is reported in the consolidated statement of activities—contractual basis as services and sales, net. Associated premium and claims costs are in management and general expense included in insurance, claims and exchange.

Recently issued or implemented accounting pronouncement: In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in ASC Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal year 2022. The Church is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Note 2. Liquidity and Availability of Resources

Investment income without donor restrictions, earnings allocated from endowments with donor restrictions and World Conference–designated endowments (quasi-endowments), contributions without donor restrictions and contributions with donor restrictions for use in current activities are considered to be available to meet cash needs for general expenditures. General expenditures include operating expenses, general and administrative expenses, fundraising expenses and funding of retirement responsibilities. Annual operations are defined as activities occurring during, and included in the budget for, a fiscal year.

The Church manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining a sufficient level of asset liquidity; and
- Monitoring and maintaining reserves to provide reasonable assurance that long-term commitments and obligations related to endowments with donor restrictions and quasi-endowments will continue to be met.

The Church has an operating reserve fund to maintain financial assets available to meet general expenditures at a level that represents a minimum of 25% of annual expenses for operating expenses, general and administrative expenses, and fundraising expenses. To achieve this, the Church forecasts its future cash flows and monitors its liquidity on a semimonthly basis.

Note 2. Liquidity and Availability of Resources (Continued)

The table below represents financial assets available for general expenditures within one year of December 31, 2020 and 2019 (in thousands):

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	$ 23,025	$ 24,364
Accounts and miscellaneous receivables, net	1,767	2,243
Notes and mortgages, net	5,315	5,996
Bonds, stocks and other investments	203,209	172,778
Real estate investments	54,290	47,055
Inventories	741	702
Other assets	-	406
Total financial assets	288,347	253,544
Less amounts not available to be used within one year:		
Notes and mortgages due after one year, net	4,392	5,020
Real estate investments	54,290	47,055
Funds held on behalf of others	180,277	167,010
Donor-restricted endowments	23,786	20,257
Financial assets not available to be used within one year	262,745	239,342
Financial assets available to meet general expenditures within one year	$ 25,602	$ 14,202

Note 3. Loans and Notes Receivable

The Church makes loans to congregations, and mission centers and affiliates at market interest rates with flexible repayment terms to assist with the development of the sponsored entities. The loans are made to entities throughout the United States and in other countries in which the Church is established. The title to any real estate purchased with such loans is held in the name of the Presiding Bishop as Trustee in Trust in the United States and to the extent allowable by national law outside of the United States. Total notes and accounts receivable due from affiliates were approximately $5,541,000 and $4,909,000 at December 31, 2020 and 2019, respectively. Interest income related to these notes and receivables was approximately $181,000 for the year ended December 31, 2020.

Note 3. Loans and Notes Receivable (Continued)

The aging of the Church's notes and mortgages receivable (gross of eliminations) as of December 31, 2020 and 2019, is presented as follows:

	2020		
	Current	Past Due	Total
Houses of worship loans	$ 3,274,000	$ 23,000	$ 3,297,000
Various notes and mortgages	2,059,000	167,000	2,226,000
	$ 5,333,000	$ 190,000	$ 5,523,000
As a percentage of the total loan portfolio	96.56%	3.44%	100.00%

	2019		
	Current	Past Due	Total
Houses of worship loans	$ 4,303,000	$ 43,000	$ 4,346,000
Various notes and mortgages	1,690,000	165,000	1,855,000
	$ 5,993,000	$ 208,000	$ 6,201,000
As a percentage of the total loan portfolio	96.65%	3.35%	100.00%

The allowance for doubtful accounts on the Church's notes and mortgages is $205,000 at December 31, 2020 and 2019.

Note 4. Investments

At December 31, 2020 and 2019, investments in bonds, stocks and other investments consisted of the following (in thousands):

	2020	2019
Common and mutual funds	$ 174,186	$ 137,265
Alternative and other investments	29,023	35,513
Real estate	54,290	47,055
	$ 257,499	$ 219,833

Investment return on bonds, stocks, other investments and real estate investments at December 31, 2020, consisted of the following (in thousands):

	2020
Investment income	$ 6,217
Net realized and unrealized gain on investments reported at fair value	337
Investment fees	(1,081)
	$ 5,473

Note 5. Fair Value Measurements

The Church follows ASC Topic 820, Fair Value Measurements and Disclosures, which establishes a framework for measuring fair value for assets and liabilities measured and reported at fair value. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. ASC 820 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. ASC 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. Level 1 securities would include highly liquid government bonds and exchange-traded equities.

Level 2: Inputs are significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions, and certain corporate, asset-backed and other securities. Alternative investments, including limited partnerships and limited liability corporations, are valued using the practical expedient.

Level 3: Inputs are significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability, developed based on the best information available.

The following is a description of valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at December 31, 2020 or 2019.

Common stocks: Common stocks are valued at quoted market prices.

Mutual funds: Mutual funds are valued at the published net asset value (NAV) of shares held at year-end.

Alternative investments: Alternative investments are valued using the practical expedient. The practical expedient allows for the use of NAV of shares held at year-end either as reported by the investee or as adjusted by the Church based on various factors, including capital calls, proceeds from distributions, and gains and losses that are included in earnings and recorded in the consolidated statement of activities—contractual basis.

Real estate: Investment real estate (held for sale) is valued based on independent appraisals and is deemed to represent net liquidation value.

Charitable remainder trusts: The value of charitable remainder trusts is derived from the underlying investments of the trusts. The value of those investments is determined in the same manner as investments described above. Future expected cash flows are discounted using a risk-adjusted discount rate. The underlying investments are classified within Levels 1, 2 and 3 of the valuation hierarchy.

Annuities payable: Annuities payable approximates fair value as it represents the net present value of payments to be made under the agreement using current life expectancy and estimated risk-free interest rate.

Note 5. Fair Value Measurements (Continued)

The following tables summarize the assets and liabilities measured at fair value on a recurring basis, segregated by the general classification of such instruments pursuant to the valuation hierarchy.

	December 31, 2020				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Valued at Net Asset Value	Total
	(In Thousands)				
Investments:					
Common stocks:					
Health care	$ 7,189	$ -	$ -	$ -	$ 7,189
Utilities	756	-	-	-	756
Financials	9,553	-	-	-	9,553
Consumer staples	3,494	-	-	-	3,494
Consumer discretionary	8,626	-	-	-	8,626
Materials	2,361	-	-	-	2,361
Energy	776	-	-	-	776
Information technology	16,133	-	-	-	16,133
Industrials	7,847	-	-	-	7,847
Telecommunication service	3,966	-	-	-	3,966
Mutual funds:					
Fixed income	68,777	-	-	-	68,777
Domestic equity	35,565	-	-	-	35,565
International equity	9,143	-	-	-	9,143
Total common stocks and mutual funds	174,186	-	-	-	174,186
Alternative investments:					
Investments in limited partnerships	-	-	-	29,023	29,023
Total alternative and other investments	-	-	-	29,023	29,023
Real estate parcels primarily in Independence, Missouri	-	-	54,290	-	54,290
Total investments	$ 174,186	$ -	$ 54,290	$ 29,023	$ 257,499
Liabilities:					
Charitable remainder trusts	$ -	$ -	$ 3,788	$ -	$ 3,788
Annuities payable	$ -	$ -	$ 2,831	$ -	$ 2,831

Note 5. Fair Value Measurements (Continued)

	December 31, 2019				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Valued at Net Asset Value	Total
	(In Thousands)				
Investments:					
Common stocks:					
Health care	$ 6,094	$ -	$ -	$ -	$ 6,094
Utilities	510	-	-	-	510
Financials	8,547	-	-	-	8,547
Consumer staples	2,301	-	-	-	2,301
Consumer discretionary	6,331	-	-	-	6,331
Materials	1,734	-	-	-	1,734
Energy	1,414	-	-	-	1,414
Information technology	9,143	-	-	-	9,143
Industrials	5,994	-	-	-	5,994
Telecommunication service	2,854	-	-	-	2,854
Mutual funds:					
Fixed income	45,212	-	-	-	45,212
Domestic equity	45,348	-	-	-	45,348
International equity	1,783	-	-	-	1,783
Total common stocks and mutual funds	137,265	-	-	-	137,265
Alternative investments:					
Investments in limited partnerships	-	-	-	27,860	27,860
Investments in limited liability corporations	-	-	-	7,653	7,653
Total alternative and other investments	-	-	-	35,513	35,513
Real estate parcels primarily in Independence, Missouri	-	-	47,055	-	47,055
Total investments	$ 137,265	$ -	$ 47,055	$ 35,513	$ 219,833
Liabilities:					
Charitable remainder trusts	$ -	$ -	$ 3,797	$ -	$ 3,797
Annuities payable	$ -	$ -	$ 2,958	$ -	$ 2,958

Note 5. Fair Value Measurements (Continued)

The following table presents additional information about assets and liabilities measured at fair value on a recurring basis for which the Church has utilized Level 3 inputs to determine fair value:

	Real Estate	Charitable Remainder Trusts	Annuities Payable
Balance, December 31, 2019	$ 47,055	$ 3,797	$ 2,958
Issuances	11	-	23
Settlements	(1,775)	(110)	(107)
Total gains (losses) (unrealized) included in change in net assets	8,999	101	(43)
Balance, December 31, 2020	$ 54,290	$ 3,788	$ 2,831

The following tables set forth additional disclosures of investments whose fair value is estimated using net asset value per share (or its equivalent) as of December 31, 2020 and 2019 (in thousands):

	2020			
Investments	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Investment in limited partnership (a)	$ 15,366	$ -	Quarterly	90 days
Investment in limited liability corporation (c)	4,530	-	Daily	1-3 days
Investment in limited partnership (d)	9,127	-	Quarterly	45 days
	$ 29,023			

	2019			
Investments	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Investment in limited partnership (a)	$ 17,135	$ -	Quarterly	90 days
Investment in limited partnership (b)	10,725	-	Quarterly	30 days
Investment in limited liability corporation (c)	7,653	-	Daily	1-3 days
	$ 35,513			

(a) This limited partnership manages a core equity real estate portfolio that generates a high proportion of its total return from income with a goal to achieve a total return that exceeds the National Council of Real Estate Investment Fiduciaries (NCREIF) Fund Index—Open-End Diversified Core Equity (NFI-ODCE). The account uses an integrated top-down and bottom-up approach to drive performance. The top-down approach focuses on diversification by property type and market, investing primarily in completed, well-leased income-producing property and limiting portfolio leverage to 30%. The bottom-up approach focuses on superior property selection, leveraging local operating partners to identify attractive investments, and a disciplined approach to dispositions.

(b) This limited partnership seeks to achieve a long-term aggregate return on investment equity of 7% to 9%, net of fees, with the majority of the return being realized from income. It further seeks to generate top-quartile performance among core real estate funds that comprise the NFI-ODCE.

Note 5. Fair Value Measurements (Continued)

(c) This limited liability corporation's objectives are to add value to an investor's portfolio of financial investments, provide inflation protection and generate higher risk-adjusted returns than leading commodity market benchmarks, exchange-traded funds/exchange-traded notes and commodity mutual funds. These objectives are to be achieved by investing assets in a long-only, unleveraged, diversified portfolio of exchange-traded U.S. dollar-denominated futures and forward contracts in tangible commodities traded on U.S. and non-U.S. exchanges to obtain broad exposure to all principal groups in the global commodity markets, including energies, agriculture and metals (both precious and industrial), using the member manager's proprietary commodity trading strategies.

(d) This limited partnership was formed for the purpose of allowing qualified investors to pool their assets for real estate investments, directly or indirectly, through joint ventures, co-ownership, or any other capacity or vehicle for the primary purpose of generating income to the investors.

Note 6. Real Estate and Equipment

At December 31, 2020 and 2019, real estate and equipment consisted of the following (in thousands):

	2020	2019
Land	$ 571	$ 571
Historical properties	68,897	68,845
Property, buildings and grounds	15,465	13,650
Furniture and equipment	4,419	12,249
Construction in progress	-	454
Autos, trucks and other mobile equipment	1,883	2,192
	91,235	97,961
Less accumulated depreciation	30,781	37,815
	$ 60,454	$ 60,146

Depreciation expense was approximately $1,312,000 for the year ended December 31, 2020.

Note 7. Employee Benefit Plans

Defined benefit pension plan: The Church has an Appointee/Employee Retirement Plan Trust (AERPT), a defined benefit plan, which covers employees who meet the eligibility requirements. The Church funds its obligations over a 30-year life as computed by the most recent actuarial valuation.

Effective January 1, 2016, the Church's defined benefit pension plan was frozen for all but a small group of qualifying employees who are close to retirement age. Most other existing and new employees are now covered by a defined contribution 403(b) retirement plan or a multinations retirement plan for ministers serving in countries with developing economies.

The Church uses a combination of historical and projected returns on its securities portfolio and estimated future returns on its investment real estate portfolio to develop the long-term rate of return on assets of its plan. The Church plan uses a December 31 measurement date.

Note 7. Employee Benefit Plans (Continued)

The following table sets forth information related to the plan for the year ended December 31, 2020 and the period from July 1, 2019 to December 31, 2019 (in thousands):

	2020	2019
Fair value of plan assets at beginning of year	$ 37,944	$ 36,613
Actual return of plan assets	2,670	1,339
Employer contributions	8,313	2,596
Benefits paid	(5,039)	(2,604)
Fair value of plan assets at end of year	43,888	37,944
Benefit obligation at beginning of year	85,795	85,720
Service cost	98	79
Interest cost	2,493	1,369
Actuarial loss	7,430	1,231
Benefits paid	(5,039)	(2,604)
Transfer out of plan	(2,495)	-
Benefit obligation at end of year	88,282	85,795
Plan assets in deficit of projected benefit obligation, accrued benefit liability on the consolidated statement of financial position—contractual basis	$ (44,394)	$ (47,851)

The Church expects to contribute at least $2,400,000 to the pension plan in the fiscal year ended December 31, 2021.

Following are the weighted-average assumptions used as of December 31, 2020 and 2019:

	2020	2019
Benefit obligations:		
Discount rate	2.15%	3.00%
Rate of compensation increases	2% per year	2% per year
Net costs:		
Discount rate	3.00%	3.30%
Expected return on plan assets	4.50%	4.50%
Rate of compensation increases	2% per year	2% through 2020; 1% thereafter

Assets of the plans are held by third-party financial institutions, which invest the assets in accordance with the provisions of the agreement for each plan. These agreements permit investment in mutual funds, insurance company separate funds, common stocks, corporate bonds and debentures, U.S. government securities, real estate and other specified investments, based on certain target allocation percentages.

Note 7. Employee Benefit Plans (Continued)

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through investment in equity securities. Assets are rebalanced periodically. Assets of the plans, by category, approximated target percentages at December 31, 2020 and 2019.

The breakdown of investments by type is as follows as of December 31, 2020 and 2019:

	2020	2019
Fixed-income securities	33.42%	43.63%
Mutual funds	66.58%	56.37%

The fair values of the Church's pension plan assets at December 31, 2020 and 2019, by asset category are as follows:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Assets:				
Investments:				
Common stock	$ 1,400	$ -	$ -	$ 1,400
Fixed-income securities:				
Agency bonds	3,289	-	-	3,289
Corporate bonds	7,316	-	-	7,316
Foreign bonds	711	-	-	711
Total fixed-income securities	12,716	-	-	12,716
Mutual funds:				
Fixed income	5,798	-	-	5,798
Domestic equity	13,555	-	-	13,555
International equity	5,977	-	-	5,977
Total mutual funds	25,330	-	-	25,330
Total investments	$ 38,046	$ -	$ -	$ 38,046
Other assets:				
Cash and cash equivalents	$ 7,729	$ -	$ -	$ 7,729
Other assets	130	-	-	130
Total cash and other assets	$ 7,859	$ -	$ -	$ 7,859
Liabilities:				
Other liabilities	$ 2,017	$ -	$ -	$ 2,017

Note 7. Employee Benefit Plans (Continued)

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Assets:				
Investments:				
Fixed-income securities:				
Agency bonds	$ 3,575	$ -	$ -	$ 3,575
Corporate bonds	7,475	-	-	7,475
Foreign bonds	710	-	-	710
Total fixed-income securities	11,760	-	-	11,760
Mutual funds:				
Fixed income	4,680	-	-	4,680
Domestic equity	7,233	-	-	7,233
International equity	3,283	-	-	3,283
Total mutual funds	15,196	-	-	15,196
Total investments	$ 26,956	$ -	$ -	$ 26,956
Other assets:				
Cash and cash equivalents	$ 10,934	$ -	$ -	$ 10,934
Other assets	139	-	-	139
Total cash and other assets	$ 11,073	$ -	$ -	$ 11,073
Liabilities:				
Other liabilities	$ 85	$ -	$ -	$ 85

Postretirement benefits plan: The Church provides certain unfunded health care, life insurance, and other benefits to existing and retired appointees and employees.

Significant balances, costs and assumptions as of and for the year ended December 31, 2020 and 2019, are as follows (in thousands):

	2020	2019
Unfunded benefit obligation	$ 17,601	$ 16,025
Accrued postretirement benefit obligation recognized in consolidated statement of financial position—contractual basis	17,601	16,025
Interest cost	412	236
Benefit cost	53	32
Benefits paid	(1,681)	(954)

The Church expects to contribute at least $1,794,000 to the postretirement benefits plan in the fiscal year ending December 31, 2021.

Note 7. Employee Benefit Plans (Continued)

The weighted-average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is assumed to increase 10% per year beginning July 1, 2009, decreasing at various rates per year until reaching an ultimate rate of 4.50% per year. For 2020 and 2019, a weighted-average discount rate of 2.15% and 2.75%, respectively, was used in determining the accumulated benefit obligation.

The effect of a one percentage point increase and the effect of a one percentage point decrease in the assumed health care cost trend rates on the aggregate of the service and interest cost components and the accumulated postretirement benefit obligation for health care benefits would be as follows for 2020 and 2019 (in thousands):

	2020	2019
Effect on total service cost and interest cost components:		
One percentage point increase	$ 10	$ 6
One percentage point decrease	(10)	(6)
Effect on year-end benefit obligation:		
One percentage point increase	1,158	377
One percentage point decrease	(916)	(346)

Multinations retirement plan: The Church has a retirement plan for World Church employee ministers that meet the eligibility requirements.

Significant balances, rates and assumptions as of and for the years ended December 31, 2020 and 2019, are as follows (in thousands):

	2020	2019
Projected benefit obligation	$ 5,269	$ 4,319
Accrued multination obligation recognized in consolidated statement of financial position—contractual basis	5,269	4,319
Discount rate	2.55%	3.25%
Rate of compensation increases	7% per year	4% per year

In accordance with ASC Topic 715, Compensation—Retirement Benefits (which includes both pension and post retirement benefits), the Church has recognized the underfunded status of the defined benefit pension plan, postretirement benefits plan, and multinations retirement plan as liabilities in the consolidated statement of financial position—contractual basis and recognizes the changes in that funded status in the year in which the changes in net assets without donor restrictions occur. The plans' benefit obligations are measured as of December 31, 2020 and 2019.

Note 7. Employee Benefit Plans (Continued)

Cash flows: The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31, 2020 (in thousands):

	Pension Benefits	Postretirement Benefits	Multinations Benefits
Years ending December 31:			
2021	$ 5,233	$ 1,794	$ 169
2022	5,280	1,639	171
2023	5,260	1,450	183
2024	5,332	1,330	181
2025	5,308	1,202	178

The aggregate benefits expected to be paid in the five years from 2026 to 2030 are as follows (in thousands):

Pension benefits	$ 25,054
Postretirement benefits	4,640
Multinations benefits	884

The Church has a defined contribution 403(b) retirement plan covering all eligible employees. In conjunction with the decision to freeze the Church's defined benefit pension plan, effective January 1, 2016, the Church began matching 50% of employees' contributions up to 6% of compensation for eligible employees, with a maximum of 3% match. Additional discretionary contributions are also possible under the plan. The total expense for the year ended December 31, 2020, was approximately $256,000. The Church may approve additional discretionary contributions, up to 2%, payable to active employees at the end of the calendar year under the plan. At the end of each fiscal year, the Presiding Bishopric determines an appropriate accrual, if necessary, for contributions for the fiscal year. The accrual for employer contributions at December 31, 2020 and 2019, was approximately $99,000.

Note 8. Long-Term Debt

The Church has a revolving line-of-credit agreement with a bank. The terms allow for a borrowing limit up to $10,000,000 to provide operating cash flow and to be used for the issuance of standby letters of credit. The balance on the line of credit was $0 as of December 31, 2020 and 2019. Interest is payable monthly at the rate of one-month LIBOR plus 100 basis points. The interest rate was 2.23% and 1.69% at December 31, 2020 and 2019, respectively. The total interest expense for the year ended December 31, 2020, was $0. The agreement expires May 30, 2023.

The Church has a letter of credit against the above line of credit as collateral for unpaid insurance claims as part of the self-insurance termination. The limit on the letter of credit was $300,000 for the year ended December 31, 2020. The outstanding balance on the letter of credit is $0 as of December 31, 2020 and 2019.

Note 8. Long-Term Debt (Continued)

On March 27, 2020, the Coronavirus, Relief, and Economic Security Act (CARES Act) was signed into law and was meant to address the economic fallout from the COVID-19 pandemic. In connection with the CARES Act, the Church received a Small Business Administration Paycheck Protection Program (PPP) loan totaling $1,533,900 in April 2020. The Church determined it qualified for the PPP funds because it has less than 500 employees. The Church received notice of the forgiveness of the loan from the SBA in February 2021. Proceeds from the loan are included in other income on the consolidated statement of activities.

Affiliates of the Church also applied for and received a PPP loans totaling $12,100 and $15,398 in 2020. The Affiliates determined they qualified for the PPP loan because they have less than 500 employees. The loans are unsecured and bear 1.00% interest. Under the provisions of the CARES Act, these loans will be forgiven if certain conditions are met related to the use of the proceeds and maintenance of employment with Church employees. Should the Church be required to repay some portion of these funds because conditions for loan forgiveness are not met, it is the intent of the Church leadership to repay any such funds to the lenders in accordance with the terms of the agreements. The Church has elected to account for the loans as financial liabilities in accordance with ASC Topic 470, Debt.

Note 9. Endowment Fund and Net Asset Classification

The Church’s endowment funds consist of various donor-restricted endowment funds and funds designated as endowment or quasi-endowment by the World Conference. Net assets associated with endowment funds, including funds designated to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Church has interpreted the 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, the Church classifies net assets with donor restrictions as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (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 and (d) the present value of estimated future receipts for beneficial interests in perpetual trusts. The donor-restricted endowment fund is held in with donor restriction until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by the State of Missouri in their enacted versions of UPMIFA. In accordance with the State of Missouri in the enacted versions of UPMIFA, the Church considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the endowment fund, (2) the purposes of the Church and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Church and (7) the investment policies of the Church.

The Church has adopted investment and spending policies for their endowment funds. The objective of these policies is to provide the Church a predictable funding stream for its mission while achieving an investment return equal to the combination of the current spending formula and the current rate of inflation to protect the purchasing power of the endowment funds. The Church, through its investment policy, has established a target annualized rate of return over the long term of at least 6.0%; the total return during any single measurement period may deviate from the long-term return objective. To satisfy their long-term rate-of-return objective, the Church expects to maintain appropriate diversification among equity, fixed-income and alternative investment allocations. The purpose is to moderate the overall investment risk of the endowment fund.

Note 9. Endowment Fund and Net Asset Classification (Continued)

Distributions from endowment funds to support the purposes of the endowments are to be made in accordance with the distribution policies of the Church. It is the policy of the church to distribute a percentage of the fair market value of the endowment funds annually. The amount distributed, the spending rate, is an approved spending percentage of the three-year annual rolling average of the fair value of the endowment fund assets as of a date six months prior to the beginning of the fiscal year. This distribution may be made when the endowment fund balance is under water if the Presiding Bishopric deems it is prudent to do so, subject to the provisions of the Church's spending rate policy on endowments.

There were no appropriations made during the years ended December 31, 2020 or 2019.

From time to time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Church to retain as a fund of perpetual duration as underwater endowments. As of December 31, 2020 and 2019, there were no donor-restricted endowment funds under water. This amount is reported in net assets with donor restrictions. The Presiding Bishopric and Board determined that continued appropriation during the year ended December 31, 2020, for certain programs was prudent.

Church endowment net assets as of December 31, 2020 and 2019, are as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
		(In Thousands)	
Donor-restricted endowment funds	$ -	$ 23,786	$ 23,786
World Conference (quasi) endowment funds	8,216	-	8,216
Total endowment funds	$ 8,216	$ 23,786	$ 32,002

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
		(In Thousands)	
Donor-restricted endowment funds	$ -	$ 20,257	$ 20,257
World Conference (quasi) endowment funds	6,159	-	6,159
Total endowment funds	$ 6,159	$ 20,257	$ 26,416

Note 9. Endowment Fund and Net Asset Classification (Continued)

The changes in the Church's endowment net assets for the year ended December 31, 2020, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
		(In Thousands)	
Endowment net assets, December 31, 2019	$ 6,159	$ 20,257	$ 26,416
Investment return:			
Investment income	13	47	60
Net appreciation (depreciation) (realized and unrealized)	876	3,245	4,121
Total investment return	889	3,292	4,181
Contributions	-	237	237
Transfers from nonendowment assets	1,168	-	1,168
Endowment net assets, December 31, 2020	$ 8,216	$ 23,786	$ 32,002

The changes in the Church's endowment net assets for the period from July 1, 2019 to December 31, 2019, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
		(In Thousands)	
Endowment net assets, July 1, 2019	$ 5,575	$ 19,886	$ 25,461
Investment return:			
Investment income	4	13	17
Net appreciation (depreciation) (realized and unrealized)	80	287	367
Total investment return	84	300	384
Contributions	-	71	71
Transfers from nonendowment assets	500	-	500
Endowment net assets, December 31, 2019	$ 6,159	$ 2,257	$ 26,416

Note 10. Net Assets With Donor Restrictions

Donor-restricted net assets at December 31, 2020 and 2019, consisted of the following (in thousands):

	2020	2019
Charitable remainder trust	$ 4,855	$ 4,586
Worldwide Mission endowment	2,163	1,802
General Operating endowment	4,958	3,482
Children's Peace Pavilion	70	189
Kirtland Temple	880	579
Annuity and life income funds	227	222
Disaster relief	33	161
World Conference	26	1
Temple endowment	17,501	14,973
Income Producing Microloans	5	14
International Travel	13	-
	$ 30,731	$ 26,009

Note 11. Donor-Restricted Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished for the year ended December 31, 2020, were as follows (in thousands):

Charitable remainder trust	$ 96
Bridge of Hope	4,095
Children's Peace Pavilion	111
Disaster relief	129
World Conference	1
Income Producing Microloans	9
Other	223
Total restrictions released	$ 4,664

Note 12. Commitments and Contingencies

In the ordinary course of activities, there are various legal proceedings against the Church and its subsidiaries. Management, after consultation with legal counsel, believes that the ultimate resolution of these proceedings will have no material adverse effect on the consolidated financial position of the Church.

Note 13. Graceland and Subsidiary

Because of the nature of the relationship between the Church and Graceland University (the University), which includes both financial interest and legal control, U.S. GAAP would require that the University be included in the Church's consolidated financial report. However, the Church's contractual basis of accounting requires for the exclusion of the University's accounts. Graceland University is a private, nonprofit institution of higher education based in Lamoni, Iowa. The University's financial statements include the operations of the Graceland College Center for Professional Development and Lifelong Learning, Inc. (the Center), a nonprofit corporation in the state of Missouri controlled by the University. A summary of Graceland University and Subsidiary's financial position as of May 31, 2020 and 2019 and activities for the year ended May 31, 2020, is as follows:

Consolidated Statements of Financial Position
May 31, 2020 and 2019
(Dollars in Thousands)

		2020		2019
Assets				
University:				
Cash and cash equivalents	$	13,263	$	9,347
Student and other miscellaneous receivables, net allowance for cancellations and doubtful accounts, $223,000 and $244,700, respectively		974		949
U.S. government receivables		1,174		1,300
Prepaid expenses and deposits		438		795
Inventories		224		291
Contributions receivable, net		2,520		2,785
U.S. government loans receivable, net of allowance for doubtful loans of $60,000 for 2020 and 2019		1,782		2,136
Investments		39,519		41,280
Cash restricted for investment in land, buildings and equipment		1,983		3,492
Land, buildings and equipment, net		50,435		46,087
Funds held in trust by others		547		528
		112,859		108,990
Center:				
Cash and cash equivalents		2,863		3,464
Accounts receivable, net of allowance for doubtful accounts, 2020 $113,388; 2019 $166,399		1,048		2,853
Product inventories		328		543
Deferred seminar expenses		318		5,268
Prepaid expenses and other assets		835		861
Land, buildings and equipment, net		10,056		10,746
Intangible assets, net of amortization, $3,137,175 and $3,384,642, respectively		563		1,766
Goodwill		977		1,085
		16,988		26,586
Total assets	$	129,847	$	135,576

(Continued)

Note 13. Graceland and Subsidiary (Continued)

Consolidated Statements of Financial Position (Continued)
May 31, 2020 and 2019
(Dollars in Thousands)

	2020	2019
Liabilities and Net Assets		
University:		
Accounts payable, including amounts owed to related parties of $41,667 for 2020 and 2019	$ 1,434	$ 1,694
Funds held on behalf of others	621	429
Accrued expenses and deferred revenue	6,017	4,229
Accrued retirement liability	13,242	10,351
Annuities payable	1,007	1,064
Notes payable, net of unamortized issuance costs, 2020—$247,122; 2019—$317,728	29,933	27,497
Due to U.S. government, refundable loan program	2,977	3,152
	55,231	48,416
Center:		
Accounts payable	701	1,505
Accrued expenses	2,559	5,738
Deferred seminar income	4,353	8,507
Line of credit	2,500	1,035
Note payable	3,418	-
	13,531	16,785
Total liabilities	68,762	65,201
Net assets:		
Without donor restrictions:		
Operating reserve	1,500	1,000
Capital projects and other reserves	103	1,452
University portion of U.S. government loan program	287	310
Student loans	81	45
Endowed instruction and operational support funds	3,505	10,342
Endowed programs and chairs funds	2,710	2,713
Endowed scholarships	897	995
Annuity and life income funds	715	689
Minimum pension liability adjustment	(12,664)	(9,799)
Net investment in plant	22,571	17,302
	19,705	25,049
With donor restrictions:		
Instruction and operational support	1,971	2,049
Capital projects	3,229	5,097
Student loans	39	38
Annuity and life income funds	680	640
Endowed instruction and operational support funds	1,149	1,042
Endowed programs and chairs funds	14,728	16,055
Endowed scholarships	19,380	20,193
Other endowed or like funds	204	212
	41,380	45,326
Total net assets	61,085	70,375
Total liabilities and net assets	$ 129,847	$ 135,376

Note 13. Graceland and Subsidiary (Continued)

Consolidated Statement of Activities
Year Ended May 31, 2020
(Dollars in Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other additions:			
University:			
Student tuition and fees, net of scholarship allowance, $15,473,887	$ 19,561	$ -	$ 19,561
Federal grants and contracts	990	1,267	2,257
Private gifts, grants and contracts	1,037	5,794	6,831
Investment gains (loss)	283	90	373
Sales and services of auxiliary enterprises	5,922	-	5,922
Other income, net	354	19	373
	28,147	7,170	35,317
Net assets released from restrictions	11,116	(11,116)	-
	39,263	(3,946)	35,317
Center:			
Seminars	37,163	-	37,163
Products	4,086	-	4,086
Interest income and other	631	-	631
	41,880	-	41,880
Total revenues and other additions	81,143	(3,946)	77,197
Expenses:			
University:			
Instruction	12,032	-	12,032
Public service	1,219	-	1,219
Academic support	1,942	-	1,942
Student services	7,998	-	7,998
Institutional support	6,754	-	6,754
Auxiliary enterprises	5,452	-	5,452
	35,397	-	35,397
Center:			
Seminars, products, interest expense and losses on foreign currency, net	26,112	-	26,112
General and administrative	22,113	-	22,113
	48,225	-	48,225
Total expenses	83,622	-	83,622
Change in net assets before other adjustments	(2,479)	(3,946)	(6,425)
Minimum pension liability adjustment	(2,865)	-	(2,865)
Change in net assets	(5,344)	(3,946)	(9,290)
Net assets at beginning of year	25,049	45,326	70,375
Net assets at end of year	$ 19,705	$ 41,380	$ 61,085

Note 14. Subsequent Events

Management has evaluated and disclosed subsequent events up to and including August 5, 2021, which is the date the financial statements were available to be issued.