

**MISSIONARY SOCIETY OF CONNECTICUT
CONSOLIDATED TRUST FUNDS**

Independent Accountants' Compilation Report

Financial Statements

December 31, 2019 and 2018



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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors of
Missionary Society of Connecticut Consolidated Trust Funds

Management is responsible for the accompanying financial statements of Missionary Society of Connecticut Consolidated Trust Funds (a nonprofit organization), which comprise the statements of assets and liabilities as of December 31, 2019 and 2018, and the related statements of operations, and changes in net assets for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Whittlesey PC

Hartford, Connecticut
September 8, 2020

MISSIONARY SOCIETY OF CONNECTICUT CONSOLIDATED TRUST FUNDS

Statements of Assets and Liabilities

December 31, 2019 and 2018

(See Accompanying Notes and Independent Accountants' Compilation Report)

	2019			2018		
	Total Return	Eden	Total	Total Return	Eden	Total
Assets						
Investments in marketable securities						
Equities - common stocks	\$ 38,585,619	\$ 13,994,928	\$ 52,580,547	\$ 32,285,394	\$ 8,056,595	\$ 40,341,989
Equities - mutual funds and ETFs	33,880,169	4,650,637	38,530,806	30,885,602	2,787,584	33,673,186
Municipal bonds	3,931,262	1,362,661	5,293,923	4,768,969	1,131,511	5,900,480
U.S. and foreign bonds	17,700,193	2,950,366	20,650,559	18,060,679	2,049,866	20,110,545
U.S. government and agency obligations	7,013,190	3,033,135	10,046,325	8,203,050	1,888,935	10,091,985
	101,110,433	25,991,727	127,102,160	94,203,694	15,914,491	110,118,185
Cash - pending purchases	354,542	95,581	450,123	82,120	2,285	84,405
Investment in cash management	653,491	125,331	778,822	440,701	114,375	555,076
Dividends and interest receivable	200,715	54,601	255,316	207,004	39,570	246,574
	102,319,181	26,267,240	128,586,421	94,933,519	16,070,721	111,004,240
Liabilities and Net Assets						
Liabilities						
Accounts payable	\$ 12,560	\$ 3,940	\$ 16,500	\$ 25,192	\$ 5,788	\$ 30,980
Payable to participants	445,337	153,076	598,413	469,755	120,259	590,014
Total liabilities	457,897	157,016	614,913	494,947	126,047	620,994
Net assets without donor restrictions	101,861,284	26,110,224	127,971,508	94,438,572	15,944,674	110,383,246
	102,319,181	26,267,240	128,586,421	94,933,519	16,070,721	111,004,240
Units shares outstanding	742,239	2,044,513		803,053	1,472,960	
Net asset value per unit	\$ 137.2600	\$ 12.7700		\$ 117.6000	\$ 10.8300	

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

MISSIONARY SOCIETY OF CONNECTICUT CONSOLIDATED TRUST FUNDS

Statements of Operations

For the years ended December 31, 2019 and 2018

(See Accompanying Notes and Independent Accountants' Compilation Report)

	2019			2018		
	Total Return	Eden	Total	Total Return	Eden	Total
Changes in net assets without donor restrictions:						
Investment income						
Interest income	\$ 2,681,126	\$ 560,526	\$ 3,241,652	\$ 2,449,289	\$ 407,119	\$ 2,856,408
Dividend income	2,085,285	426,979	2,512,264	1,952,658	283,150	2,235,808
Other income	-	-	-	56,257	4,208	60,465
Total investment income	<u>4,766,411</u>	<u>987,505</u>	<u>5,753,916</u>	<u>4,458,204</u>	<u>694,477</u>	<u>5,152,681</u>
Expenses						
Investment advisory fee	185,058	32,500	217,558	161,068	22,477	183,545
Custody services	35,230	7,842	43,072	29,165	16,554	45,719
Transfer agent fees	45,352	10,035	55,387	53,354	9,119	62,473
Subaccounting fee	43,852	9,706	53,558	45,879	7,819	53,698
MSC administrative fee	48,651	29,644	78,295	55,161	27,405	82,566
Misc expense	15,449	2,504	17,953	13,580	2,191	15,771
Accounting fee	3,239	711	3,950	3,406	594	4,000
Proxy voting service	24,294	5,336	29,630	11,056	1,927	12,983
Total expenses	<u>401,125</u>	<u>98,278</u>	<u>499,403</u>	<u>372,669</u>	<u>88,086</u>	<u>460,755</u>
Net investment income	4,365,286	889,227	5,254,514	4,085,535	606,391	4,691,926
Net realized and unrealized gains/(losses) on investments	<u>15,262,795</u>	<u>3,413,467</u>	<u>18,676,262</u>	<u>(9,401,102)</u>	<u>(1,630,549)</u>	<u>(11,031,651)</u>
Change in net assets resulting from operations	<u>\$ 19,628,081</u>	<u>\$ 4,302,694</u>	<u>\$ 23,930,775</u>	<u>\$ (5,315,567)</u>	<u>\$ (1,024,158)</u>	<u>\$ (6,339,725)</u>

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

MISSIONARY SOCIETY OF CONNECTICUT CONSOLIDATED TRUST FUNDS

Statements of Changes in Net Assets

For the years ended December 31, 2019 and 2018

(See Accompanying Notes and Independent Accountants' Compilation Report)

	2019			2018		
	Total Return	Eden	Total	Total Return	Eden	Total
From operations						
Net investment income	\$ 4,365,286	\$ 889,227	\$ 5,254,513	\$ 4,085,535	\$ 606,391	\$ 4,691,926
Net realized and unrealized gains/(losses) on investments	15,262,795	3,413,467	18,676,262	(9,401,102)	(1,630,549)	(11,031,651)
Change in net assets resulting from operations	19,628,081	4,302,694	23,930,775	(5,315,567)	(1,024,158)	(6,339,725)
Distributions to participants	(2,280,001)	(462,248)	(2,742,249)	(2,132,876)	(323,241)	(2,456,117)
Fund unit (principal) transactions						
Proceeds from sale of units	3,033,294	7,881,212	10,914,506	3,002,394	939,130	3,941,524
Units redeemed	(12,958,662)	(1,556,108)	(14,514,770)	(7,216,878)	(1,352,239)	(8,569,117)
Change in net assets from fund unit transactions	(9,925,368)	6,325,104	(3,600,265)	(4,214,484)	(413,109)	(4,627,593)
Change in net assets	7,422,712	10,165,550	17,588,262	(11,662,927)	(1,760,508)	(13,423,435)
Net assets, beginning of year	94,438,572	15,944,674	110,383,246	106,101,499	17,705,182	123,806,681
Net assets, end of year	<u>\$ 101,861,284</u>	<u>\$ 26,110,224</u>	<u>\$ 127,971,508</u>	<u>\$ 94,438,572</u>	<u>\$ 15,944,674</u>	<u>\$ 110,383,246</u>

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

MISSIONARY SOCIETY OF CONNECTICUT CONSOLIDATED TRUST FUNDS

Notes to Financial Statements

December 31, 2019 and 2018

(See Independent Accountants' Compilation Report)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Missionary Society of Connecticut Consolidated Trust Fund (“CTF” or “the Fund”) was established in 1955. The Missionary Society of Connecticut (“MSC”) established the Fund for the purpose of merging several of its own funds, which had previously been managed separately. A further provision was included which would allow any church or institution connected with the “Congregational Christian Denomination”, predecessor to the Connecticut Conference of the United Church of Christ, to participate in the Fund.

In November 2015, the Eden Fund was created to offer an alternative investment for institutions and churches. The original fund is now identified as the Total Return Fund. According to the Amended Agreement and Declaration of Trust, each fund is a Consolidated Trust Fund and they are collectively identified as the Consolidated Trust Funds (“CTF” or “the Funds”).

Basis of Accounting

The Funds maintain their records and prepare their financial statements on the accrual basis of accounting. Income is recorded when earned. Investment revenue is recorded on the trade date. Expenses are recorded when incurred.

Basis of Presentation

Each account receives a percentage of the overall units invested in each fund. The primary investment objective for the CTF is to maintain the inflation-adjusted market value of assets while providing a relatively predictable, growing stream of income. In addition, portfolio securities are selected from among those investments meeting standards of socially responsible investments as established by annual meetings and the Board of Directors of the Connecticut Conference of the United Church of Christ.

The financial statements do not report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. It is the responsibility of the entities who placed their investments into the Fund to determine the character of the restriction of the funds. CTF only operates as the trustee for the funds.

Expenses

Investment advisory services are provided by Fiduciary Investment Advisors. Transfer agency and recordkeeping services are provided by Apex Fund Services. MUFG Union Bank is the custodian of the assets. Fees are a combination of asset-based and flat fees. Other expenses include separately managed account investment management fees, auditing fees, proxy voting service fees, and annual report printing fees. MSC is reimbursed for expenses, primarily staff related, incurred for the management of the Funds.

Basis of Participation

Additions to and withdrawals from participation in the Fund may be made only on the valuation dates at the end of each month. The value of units for purposes of admission or withdrawal is computed by dividing total market value of the Fund on the valuation date by the number of units then outstanding.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of assets and liabilities. Unrealized gains and losses are included in the change in net assets. Investments (other than short-term cash equivalents) are carried at fair value and primarily consist of investment in the CTF. U.S. Trust, a subsidiary of Bank of America is responsible for investment management and recordkeeping for the CTF, under direction of the Missionary Society. In December of 2017, Fiduciary Investment Advisors assumed the responsibilities of the Fiduciary Partner, as described in the Investment Policy. On January 1, 2018, Atlantic Fund Services took over responsibility for fund accounting and administration. During the early part of 2018, custody of assets were transferred to MUFG Union Bank. The Society has instructed Fiduciary Investment Advisors to have a target mix of 60% invested in equities, 30% invested in fixed income and 10% invested in real assets (REIT and commodity mutual funds and exchange trade funds).

Purchases and sales of investments are reported and accounted for on the trade date. Securities traded on a national securities exchange are valued at the closing prices on such exchanges on the appropriate dates. Securities traded on over-the-counter markets are valued at the closing bid price on the appropriate dates. Short-term investments are valued at acquisition costs. Securities received are valued on the date of transfer of the securities, in accordance with valuation methods described above.

Investments include securities held directly as well as positions in mutual funds and exchange traded funds (“ETF”s). Positions in mutual funds and ETFs were initially established in 2010 in order to accomplish additional diversification efficiently. Mutual fund and ETF income and expense are reflected in the market value of the positions held and are not included in reported income and expense.

Dividend income is recognized as of the ex-dividend date. Interest income is accrued daily. Net investment income earned is distributed to participants on a monthly basis.

The Adjustment to Principal presented on the statements of operations reflected a UST reporting convention that reclassifies certain non-interest, non-dividend income items, for example, class action lawsuit settlements, as additions to principal. MSC has determined that the work needed to conform to standard accounting formats is cost prohibitive relative to the benefit of doing so, and as such includes this adjustment in the financial statements.

Concentration of Credit Risk

The Funds maintain their cash as temporary investments. MSC has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash and cash equivalents.

The CTF invests in various debt and equity securities. These investment securities are recorded at market value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit and other risks depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors will result in changes in the value of the CTF’s investments which could materially affect amounts reported in the financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes

As part of the Missionary Society of Connecticut, the CTF is exempt from Federal and State income taxes, and is not required to file a Federal informational return.

Subsequent Event Measurement Date

The CTF monitored and evaluated any subsequent events for footnote disclosure or adjustments required in its financial statements from the year ended December 31, 2019 through September 8, 2020, the date on which the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic. COVID-19 has caused significant disruption in the national and global economy. The CTF’s operating activities, liquidity, and cash flows may be adversely affected by this global pandemic. While the disruption is currently expected to be temporary, there is uncertainty related to the duration. Therefore, while the CTF expects this matter to negatively impact the operations, the related financial impact cannot be reasonably estimated at this time. In addition, there has generally been a steep decline in all investment securities. CTF does not have the intention to liquidate these investments and has the ability to hold these investments for the foreseeable future.

NOTE 2 – FAIR VALUE MEASUREMENT

The Funds follow accounting principles recommended by the FASB Accounting Standards Codification regarding *Fair Value Measurements*. The codification defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. The codification defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The codification also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair values:

- Level 1 – 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 2 – 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 3 – Significant unobservable inputs that reflect a company’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 2 – FAIR VALUE MEASUREMENT (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Common stocks, mutual funds and ETFs: Valued at the closing price reported on the active market on which the individual securities are traded.

Unit investment trust, bonds, and government obligations: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Fund believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents assets measured at fair value at December 31, 2019:

Investments	Level 1	Level 2	Level 3	Total
Equities - common stocks	\$ 38,585,619	\$ -	\$ -	\$ 38,585,619
Equities - mutual funds and ETFs	33,880,169	-	-	33,880,169
U.S. and foreign bonds	-	17,700,193	-	17,700,193
U.S. government and agency obligations	-	7,013,190	-	7,013,190
Municipal bonds	-	3,931,262	-	3,931,262
Investment in cash management	653,491	-	-	653,491
Dividends and interest receivable	-	200,715	-	200,715
Cash - pending purchases	354,542	-	-	354,542
Total Return	73,473,821	28,845,360	-	102,319,181
Equities - common stocks	13,994,928	-	-	13,994,928
Equities - mutual funds and ETFs	4,650,637	-	-	4,650,636
U.S. and foreign bonds	-	2,950,366	-	2,950,366
U.S. government and agency obligations	-	3,033,135	-	3,033,135
Municipal bonds	-	1,362,661	-	1,362,661
Investment in cash management	125,331	-	-	125,331
Dividends and interest receivable	-	54,601	-	54,601
Cash - pending purchases	95,581	-	-	95,581
Eden Fund	18,866,477	7,400,763	-	26,267,239
Total	\$ 92,340,298	\$ 36,246,123	\$ -	\$ 128,586,420

NOTE 2 – FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents assets measured at fair value at December 31, 2018:

Investments	Level 1	Level 2	Level 3	Total
Equities - common stocks	\$ 32,285,394	\$ -	\$ -	\$ 32,285,394
Equities - mutual funds and ETFs	30,885,602	-	-	30,885,602
U.S. and foreign bonds	-	18,060,679	-	18,060,679
U.S. government and agency obligations	-	8,203,050	-	8,203,050
Municipal bonds	-	4,768,969	-	4,768,969
Investment in cash management	440,701	-	-	440,701
Unit investment trust	-	207,004	-	207,004
Dividends and interest receivable	82,120	-	-	82,120
Total Return	63,693,817	31,239,702	-	94,933,519
Equities - common stocks	8,056,595	-	-	8,056,595
Equities - mutual funds and ETFs	2,787,584	-	-	2,787,584
U.S. and foreign bonds	-	2,049,866	-	2,049,866
U.S. government and agency obligations	-	1,888,935	-	1,888,935
Municipal bonds	-	1,131,511	-	1,131,511
Investment in cash management	114,375	-	-	114,375
Dividends and interest receivable	-	39,570	-	39,570
Cash - pending purchases	2,285	-	-	2,285
Eden Fund	10,960,839	5,109,882	-	16,070,721
Total	\$ 74,654,656	\$ 36,349,584	\$ -	\$ 111,004,240

NOTE 3 – NET VALUATION PER UNIT

The asset values per unit for purposes of admission and withdrawal on valuation dates were as follows during the years ended December 31,:

	2019		2018	
	Total Return	Eden	Total Return	Eden
January 31	\$ 124.3500	\$ 11.4700	\$ 132.9700	\$ 12.2700
February 28	126.4500	11.6600	128.1700	11.8000
March 31	127.5300	11.7700	127.2200	11.7000
April 30	130.3300	12.0300	127.4600	11.6900
May 31	124.9400	11.6100	128.0200	11.7300
June 30	130.6300	12.0900	127.2800	11.6500
July 31	130.4900	12.0800	129.7000	11.8600
August 31	128.5500	11.9800	129.9800	11.9300
September 30	130.4700	12.1300	129.7700	11.8800
October 31	132.7100	12.3700	122.6500	11.2400
November 30	134.4200	12.5300	123.9200	11.3800
December 31	137.2600	12.7700	117.6000	10.8300

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