

TRUSTEES OF THE FUND FOR MINISTERS

Financial Statements
(With Supplementary Information)

December 31, 2018 and 2017



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

TRUSTEES OF THE FUND FOR MINISTERS

Contents

FINANCIAL STATEMENTS:

Independent Auditors' Report on the Financial Statements	1 - 2
Statements of Assets, Liabilities and Net Assets – Cash Basis December 31, 2018 and 2017	3
Statement of Support, Revenue and Expenses – Cash Basis Year Ended December 31, 2018 (with Comparative Totals for 2017).....	4
Statement of Support, Revenue and Expenses – Cash Basis Year Ended December 31, 2017	5
Statements of Functional Expenses – Cash Basis Year Ended December 31, 2018 and 2017	6
Statements of Cash Flows – Cash Basis Years Ended December 31, 2018 and 2017	7
Notes to the Financial Statements.....	8 - 19

SUPPLEMENTARY INFORMATION:

Independent Auditors' Report on Supplementary Information	20
Schedule of Expenses – Cash Basis For the Years Ended December 31, 2018 and 2017.....	21
Schedule of Net Assets by Classification – Cash Basis Year Ended December 31, 2018 (with Comparative Totals for 2017).....	22

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Trustees of the Fund for Ministers

We have audited the accompanying financial statements of the Trustees of the Fund for Ministers, which comprise the statements of assets, liabilities and net assets - cash basis as of December 31, 2018 and 2017, and the related statements of support, revenue and expenses - cash basis, functional expenses – cash basis and cash flows - cash basis for the years then ended, and the related notes to 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 cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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.

Auditors' 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 of 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 auditors' 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 assets, liabilities and net assets of the Trustees of the Fund for Ministers as December 31, 2018 and 2017, and its support, revenue, and expenses for the years then ended in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, 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 that matter.

A handwritten signature in cursive script that reads "Whittlesey PC". The signature is written in black ink and is positioned above the typed name and date.

Hartford, Connecticut
September 17, 2019

TRUSTEES OF THE FUND FOR MINISTERS

Statements of Assets, Liabilities, and Net Assets – Cash Basis

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents:		
Unrestricted	\$ 181,038	\$ 246,979
Restricted	130,447	112,116
	<u>311,485</u>	<u>359,095</u>
Investment in Consolidated Trust Funds	11,344,399	12,671,112
Interests in beneficial trusts	204,451	327,294
	<u>11,860,335</u>	<u>13,357,501</u>
Total assets	<u>\$ 11,860,335</u>	<u>\$ 13,357,501</u>
Liabilities and Net Assets		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Net assets:		
Net assets without donor restrictions		
Board designated funds operating as an endowment	5,678,321	6,409,289
Board designated funds - other	181,038	135,528
Undesignated	-	111,451
	<u>5,859,359</u>	<u>6,656,268</u>
Total net assets without donor restrictions	5,859,359	6,656,268
Net assets with donor restrictions	<u>6,000,976</u>	<u>6,701,233</u>
	<u>11,860,335</u>	<u>13,357,501</u>
Total net assets	<u>11,860,335</u>	<u>13,357,501</u>
Total liabilities and net assets	<u>\$ 11,860,335</u>	<u>\$ 13,357,501</u>

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

TRUSTEES OF THE FUND FOR MINISTERS

Statement of Support, Revenue, and Expenses – Cash Basis

For the year ended December 31, 2018
(with comparative totals for the year ended December 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating and support revenue:				
Investment income, net	132,301	127,650	259,951	197,493
Miscellaneous	1,285	-	1,285	858
Investment return designated for operations	159,887	120,081	279,968	323,827
Net assets released from restriction				
- satisfaction of restrictions	229,398	(229,398)	-	-
Total operating and support revenue	522,871	18,333	541,204	522,178
Operating expenses:				
Program	455,128	-	455,128	413,040
Administrative support services	133,686	-	133,686	101,472
Total operating expenses	588,814	-	588,814	514,512
Excess/(deficiency) of operating and support revenue over/(under) expenses	(65,943)	18,333	(47,610)	7,666
Non-operating gains and (losses):				
Net realized and unrealized appreciation/ (depreciation) of investments	(571,079)	(565,185)	(1,136,264)	1,629,367
Change in beneficial trusts	-	(33,324)	(33,324)	27,806
Investment return designated for operations	(159,887)	(120,081)	(279,968)	(323,827)
Net non-operating gains/(losses)	(730,966)	(718,590)	(1,449,556)	1,333,346
Change in net assets	(796,909)	(700,257)	(1,497,166)	1,341,012
Net assets, beginning of year	6,656,268	6,701,233	13,357,501	12,016,489
Net assets, end of year	<u>\$ 5,859,359</u>	<u>\$ 6,000,976</u>	<u>\$ 11,860,335</u>	<u>\$ 13,357,501</u>

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

TRUSTEES OF THE FUND FOR MINISTERS

Statement of Support, Revenue, and Expenses – Cash Basis

For the year ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Operating and support revenue:			
Investment income, net	104,652	92,841	197,493
Miscellaneous	858	-	858
Investment return designated for operations	175,866	147,961	323,827
Net assets released from restriction			
- satisfaction of restrictions	248,617	(248,617)	-
	<u>529,993</u>	<u>(7,815)</u>	<u>522,178</u>
Total operating and support revenue			
Operating expenses:			
Program	413,040	-	413,040
Administrative support services	101,472	-	101,472
	<u>514,512</u>	<u>-</u>	<u>514,512</u>
Total operating expenses			
Excess/(deficiency) of operating support and revenue over/(under) expenses	15,481	(7,815)	7,666
Non-operating gains and (losses):			
Net realized and unrealized appreciation of investments	818,895	810,472	1,629,367
Change in beneficial trusts	-	27,806	27,806
Investment return designated for operations	(175,866)	(147,961)	(323,827)
	<u>643,029</u>	<u>690,317</u>	<u>1,333,346</u>
Net non-operating gains			
Change in net assets	658,510	682,502	1,341,012
Net assets, beginning of year	5,997,758	6,018,731	12,016,489
Net assets, end of year	<u>\$ 6,656,268</u>	<u>\$ 6,701,233</u>	<u>\$ 13,357,501</u>

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

TRUSTEES OF THE FUND FOR MINISTERS

Statements of Functional Expenses – Cash Basis

For the years ended December 31, 2018 and 2017

	2018			2017		
	Program	Management and General	Total	Program	Management and General	Total
Grants	\$ 342,756	\$ -	\$ 342,756	\$ 274,509	\$ -	\$ 274,509
Health insurance - retired pastors	112,372	-	112,372	138,531	-	138,531
Administrative management fee	-	133,686	133,686	-	101,472	101,472
Total expenses	\$ 455,128	\$ 133,686	\$ 588,814	\$ 413,040	\$ 101,472	\$ 514,512

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

TRUSTEES OF THE FUND FOR MINISTERS

Statements of Cash Flows – Cash Basis

For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,497,166)	\$ 1,341,012
Adjustments to reconcile change in net assets to change in cash from operating activities:		
Net realized and unrealized (gains)/losses on investments	1,136,264	(1,629,367)
Change in beneficial trusts	<u>33,324</u>	<u>(27,806)</u>
Change in cash from operating activities	<u>(327,578)</u>	<u>(316,161)</u>
Cash flows from investing activities:		
Investment return designated for operations	<u>279,968</u>	<u>323,827</u>
Change in cash from investing activities	<u>279,968</u>	<u>323,827</u>
Net change in cash and cash equivalents	(47,610)	7,666
Cash and cash equivalents, beginning of year	<u>359,095</u>	<u>351,429</u>
Cash and cash equivalents, end of year	<u><u>\$ 311,485</u></u>	<u><u>\$ 359,095</u></u>

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

TRUSTEES OF THE FUND FOR MINISTERS

Notes to the Financial Statements

December 31, 2018 and 2017

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Trustees of the Fund for Ministers (hereinafter referred to as the “Trustees” or “TFM”) is located in Hartford, Connecticut. The Trustees was established on June 28, 1867 under the name The Trustees of the Fund for the Aid of Disabled Ministers and Needy Widows and Orphans of Ministers. The name was changed to its current form on June 29, 1870. The purpose of the Trustees, as stated in its Amended and Restated Certificate of Incorporation, is to advance the general welfare of the Ministry of the Connecticut Conference of the United Church of Christ.

As a nonprofit organization, the TFM is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable state law. TFM is not required to file a federal information return.

Basis of Accounting – The Trustees maintains its records and prepares its financial statements on the cash basis of accounting. Income is recorded when cash is received. Investment revenue is recorded as received. Expenses are recorded when paid in accordance with the cash basis of accounting.

The Trustees do not budget or routinely report to its Board of Directors following generally accepted accounting principles (“GAAP”), having discerned that a cash accounting basis supports effective stewardship of resources and is more understandable to members. The most significant modifications are that investment assets designated for operation under the total return policy are treated as revenue and the actuarial change in the retiree benefit commitment are recorded when paid (see Note 9). The “Excess of operating support and revenue over expenses shown on the Statements of Support, Revenue and Expenses – Cash Basis reflects the financial result under the cash accounting basis. The Trustees typically seeks to show a modest excess on this basis. However, timing differences between the receipt of donor restricted funds and the use of such funds, as well as the designation of funds without donor restrictions for specific purposes and the use of such funds, can create excesses or deficiencies even if ordinary operations do not. Such timing differences can be identified in Notes 6 and 7, respectively. Adjustments to make the financial statements conform to the cash basis are shown as non-operating gains and losses. The actuarial change in the retiree benefit commitment is not recorded (see Note 10). In addition, if new information about donor instructions or previous accounting for restricted assets results in the reclassification of assets to better conform to donor intentions, these changes are shown as non-operating gains and losses.

The Trustees departs from the cash basis of accounting by recording marketable securities at fair market value rather than at cost. Unrealized gains and losses are recorded in order to properly state investments at their market value at the end of the period.

Basis of Presentation – The financial statements 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. They are described as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to explicit donor-imposed stipulations. Net assets without Donor Restrictions may be designated for specific purposes by action of the Board of Directors.

Net Assets with Donor Restrictions – Net assets for which use by TFM is subject to explicit donor-imposed stipulations that can be fulfilled by actions of the Trustees or that expire by the passage of time. Some net assets with donor restrictions represent resources that have donor-imposed restrictions that require the principal be maintained in perpetuity but permit the TFM to expend the income earned thereon.

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

Basis of Presentation (Continued) – The Trustees classifies net appreciation on donor restricted endowment funds held in perpetuity as donor restricted with time and purpose restrictions until appropriated for spending by the Trustees. Appropriation decisions are governed by the Uniform Prudent Management of Institutional Funds Act and other applicable legal requirements. Page 23 provides a presentation of net assets by fund.

Adoption of a New Accounting Pronouncement – For the year ended December 31, 2018, the TFM adopted the Financial Accounting Standard Board’s Accounting Standards Update (“ASU”) No. 2016-14 – Not-for-Profit Entities (Topic 958); *Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return among not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the net asset classes used in these financial statements.

The net asset reclassifications driven by the adoption of ASU 2016-14 as of January 1, 2017 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
As previously presented:			
Unrestricted	\$ 5,997,758	\$ -	\$ 5,997,758
Temporarily restricted	-	4,628,203	4,628,203
Permanently restricted	-	1,390,528	1,390,528
	<u> </u>	<u> </u>	<u> </u>
Reclassified net assets at January 1, 2017	<u>\$ 5,997,758</u>	<u>\$ 6,018,731</u>	<u>\$ 12,016,489</u>

Cash and Cash Equivalents – For purposes of the statements of cash flows - cash basis, the Trustees considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted and board designated cash consists of funds with donor restrictions held in cash as well as funds the board has segregated into separate accounts to fund the board designations of net assets.

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, liabilities and net assets - cash basis. 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 was responsible for investment management and recordkeeping for the CTF, under direction of the Missionary Society. The Society instructed U.S. Trust 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). In December of 2017, Fiduciary Investment Advisors assumed the responsibilities of the Fiduciary Partner, as described in the Investment Policy. On January 1, 2018, Apex Fund Services took over responsibility for fund accounting and administration. During the early part of 2018, custody of assets was transferred to MUFG Union Bank. As of December 31, 2018 and 2017, the market value was \$11,344,399 and \$12,671,112 respectively.

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

Investments – The Trustees invests in various debt and equity securities. These investment securities are recorded at confirmed fair 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 Trustee’s investments which could materially affect amounts reported in the financial statements.

Contributions, Revenue and Expenses – Contributions received are recorded support with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of support, revenue and expenses – cash basis as net assets released from restrictions.

Functional Allocation of Expenses – The costs of providing various programs and other activities have been presented on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated amount the program and supporting services benefited. All costs have been allocated based on time and effort.

Use of Estimates – The preparation of the Trustees’ financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Event Measurement Date – The Trustees monitored and evaluated any subsequent events for footnote disclosure or adjustments required in its financial statements from the year ended December 31, 2018 through September 17, 2019, the date on which the financial statements were available to be issued.

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents TFM’s financial assets at December 31,:

Financial assets at year end:	
Cash and cash equivalents	\$ 311,485
Investment in Consolidated Trust Funds	11,344,399
Interests in beneficial trusts	204,451
	<hr/>
	11,860,335
	<hr/>
Less amounts not available to be used within one year:	
Board designated funds operating as an endowment	(5,678,321)
Board designated funds - other	(181,038)
Net assets with donor restrictions	(6,000,976)
	<hr/>
	(11,860,335)
	<hr/>
Other sources/(uses) of cash:	
Expected endowment draw	535,627
	<hr/>
Financial assets available to meet general expenditures over the next twelve months	\$ 535,627
	<hr/>

All operating support revenue is received in cash, and operating revenue and cash reserves were sufficient to meet all liquidity requirements for the periods covered by these statements. If necessary, Board designated funds could be used to meet any unanticipated liquidity needs.

NOTE 3 – INVESTMENTS

The Trustees generally invests in publicly traded equities and debt securities through CTF which are allocated to the Trustees on a unitized basis. Donated securities are liquidated immediately and reinvested in CTF or applied to operations, unless a donor provides explicit instructions otherwise.

The primary investment objective of 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 established by annual meetings and the Board of Directors of the Connecticut Conference of the United Church of Christ.

The Board of Directors of the Trustees has adopted a total return investment and spending policy with the objective of preserving the inflation adjusted value of invested endowment assets. Annual spending for 2018 and 2017 was based on a twenty-quarter rolling average of asset value. The Board authorized annual endowment spending rate of 4.5% for both 2018 and 2017. The current annual spending rate is based on the assumptions that the average annual rate of return on investments, including interest and dividends, net of fees, will be 7.5% and inflation will be 3.0%. Quasi-endowments (funds without donor restrictions functioning as endowments) are managed in the same manner as endowments, except additional spending is permitted according to a policy adopted by the Board of Directors when the endowment spending rate was reduced to 4.5%. The amount of authorized spending in excess of interest and dividend income for 2018 and 2017 was \$279,968 and \$323,827, respectively. The 2018 and 2017 amounts include \$29,802 and \$29,089 of “additional spending” as described above, respectively.

This amount is identified as “investment return designated for operations” on the statements of support, revenue, and expenses – cash basis.

The composition of investment income for Trustees consisted of the following at December 31,:

	2018	2017
Interest and dividends, net	\$ 293,850	\$ 251,231
Investment income from trusts	15,892	8,659
Investment expenses	(49,791)	(62,397)
Investment income, net	<u>\$ 259,951</u>	<u>\$ 197,493</u>

Fair Value Measurement – The Trustees 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 Codification 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.

NOTE 3 – INVESTMENTS - (CONTINUED)

Valuation techniques based on unobservable inputs are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that may appropriately reflect market and credit risks. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are as of a specific point in time, they are susceptible to material near-term changes.

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

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, 2018 and 2017.

Investment in Consolidated Trust Fund - TFM owns units of the CTF. It values its share of the CTF at the net asset value of shares held by the Trustees at year end.

Beneficial Interest in Perpetual Trusts - TFM values its beneficial interests in trusts at the quoted market price of trust investments at year end.

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 TFM 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.

Assets measured at fair value were as follows for the years ended December 31,:

	2018			
	Level 1	Level 2	Level 3	Total
CTF - Total Return Fund	\$ -	\$ 8,160,564	\$ -	\$ 8,160,564
CTF - Eden Fund	-	3,183,835	-	3,183,835
Beneficial interests in trusts	-	204,451	-	204,451
Total	\$ -	\$ 11,548,850	\$ -	\$ 11,548,850

	2017			
	Level 1	Level 2	Level 3	Total
CTF - Total Return Fund	\$ -	\$ 9,071,720	\$ -	\$ 9,071,720
CTF - Eden Fund	-	3,599,392	-	3,599,392
Beneficial interests in trusts	-	327,294	-	327,294
Total	\$ -	\$ 12,998,406	\$ -	\$ 12,998,406

NOTE 3 – INVESTMENTS - (CONTINUED)

The Total Return Fund has adopted a moderate risk, balance investment strategy that emphasizes diversification. Investments are diversified across asset classes, industry sectors, individual companies, and duration of fixed income securities. In order to meet the investment objective, asset allocation is biased towards equities and other asset classes with equity-like returns. Fixed income securities and other asset classes are used to reduce volatility and hedge investment risks. Active management strategies are favored with the expectation that performance improvements will at least offset management costs.

The Eden Fund employs similar strategies, but the investment managers exclude companies holding fossil fuel reserves. Active management and optimization strategies are utilized to offset the loss of potential investment return and diversification benefits of the excluded sectors.

NOTE 4 – ENDOWMENT FUNDS

The Trustees adopted accounting principles recommended by the FASB Accounting Standards Codification regarding, “Endowments of Not-for-Profit Organizations – Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds” (“UPMIFA”). The Trustees’ endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and Board designated endowment (quasi-endowment) funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Trustees has interpreted 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 Trustees classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified above is classified as donor restricted net assets until those amounts are appropriated for expenditure by the Trustees in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Trustees consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Trustees and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Trustees
- The investment policies of the Trustees

Return Objectives and Risk Parameters – The Trustees have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Trustees must hold in perpetuity or for a donor-specified period.

NOTE 4 – ENDOWMENT FUNDS (CONTINUED)

To satisfy its long-term rate-of-return objectives, the Trustees relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Trustees targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Under Connecticut law, which has adopted the provisions of UPMIFA, the Trustees are permitted to appropriate as much of the investment appreciation as is prudent considering the Trustees’ long and short-term needs, present and anticipated financial requirements, expected total return on investments, price level trends, the possible effect of inflation or deflation, general economic conditions, and with giving primary consideration to donor intent.

The change in the Trustees’ endowment funds are as follows for the years ended December 31, 2018 and 2017:

	<u>Board- Designated</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment, January 1, 2017	\$ 5,766,261	\$ 5,992,199	\$ 11,758,460
Investment return:			
Investment income, net	104,652	92,841	197,493
Net appreciation (realized and unrealized)	818,895	810,472	1,629,367
Change in beneficial trusts	-	27,806	27,806
Total investment return	<u>923,547</u>	<u>931,119</u>	<u>1,854,666</u>
Amounts appropriated for expenditure:	<u>(280,519)</u>	<u>(237,717)</u>	<u>(518,236)</u>
Endowment, December 31, 2017	6,409,289	6,685,601	13,094,890
Investment return:			
Investment income, net	132,301	127,650	259,951
Net depreciation (realized and unrealized)	(571,079)	(565,185)	(1,136,264)
Change in beneficial trusts	-	(33,324)	(33,324)
Total investment return	<u>(438,778)</u>	<u>(470,859)</u>	<u>(909,637)</u>
Amounts appropriated for expenditure:	<u>(292,190)</u>	<u>(224,626)</u>	<u>(516,816)</u>
Endowment, December 31, 2018	<u>\$ 5,678,321</u>	<u>\$ 5,990,116</u>	<u>\$ 11,668,437</u>

*Descriptions of Endowment Funds, by Classification*Restricted Purpose Endowment Funds (Name, year established, historic dollar value of gifts)*Root Fund, 1875, \$25,000*

This bequest from James Root was originally made to the Connecticut Home Missionary Society “in trust and for the use of poor and decayed ministers and their families of the Congregational order, not having charge or settlement.” Control of this trust was passed to the Trustees on January 1, 1881. Proceeds are currently used for grants and Christmas gifts to low-income retired clergy or their surviving spouses.

NOTE 4 – ENDOWMENT FUNDS - (CONTINUED)

The Thomas L Shipman Memorial Fund, 1931, \$7,200

This fund was established under agreement with Charles C. Tyler in 1931. The following payments were made to the fund: 1931, \$100; 1932, \$100; 1935, \$300; 1936, \$100; 1937, \$600, and 1961, \$6,000. The gift agreement specifies that the proceeds be used for aiding aged and disabled Congregational Ministers. The proceeds are currently given to retired clergy or their surviving spouses to help pay health insurance premiums.

The Perry-Deyo Fund, 1957, real estate \$9,460 and 1967, securities \$359,804

Susan Perry-Deyo bequeathed real estate to establish The Perry-Deyo Home for Aged Congregational Ministers and Wives and further bequeathed additional assets to create an endowment for developing and maintaining the Home. The will permitted the sale of the real estate and the consolidation of assets into The Perry-Deyo Fund, with proceeds to be applied to the care of aged Congregational ministers and wives. The real estate was transferred to the Trustees in 1957 and was sold in 1979. The endowment fund was established in 1967. The proceeds are currently given to retired clergy or their surviving spouses to help pay health insurance premiums.

Interim Pastors Health Insurance Fund, 1991, \$25,036

Fund established by Board in 1991 and gifts solicited for creation of endowment fund. Assets were allowed to accumulate to \$25,000 before spending income or investment proceeds. Grants are made to interim pastors that are between calls to help pay for health insurance.

The Harold B. Robbins and Lucille A. Robbins Memorial Fund, 1988, \$711,348

In 1978, property in New Milford was given to the Trustees for conversion into a residence for retired clergy. This proved impossible. In 1987, a settlement was reached that permitted the sale of the property and the use of the proceeds to establish an endowment fund. In 1988, the property was sold and net proceeds invested. The fund may be used for any one or more of the charitable and religious purposes of the Trustees and for the benefit of any of those persons whom the Trustees is established to serve, as set forth in the Certificate of Incorporation of the Trustees, as from time to time amended. However, the fund may not be used for any salaries or any general operating or administrative expenses. The Board has designated the proceeds to be used for housing grants for retired clergy.

Fairhaven Retired Ministers' and Spouses' Aid Fund, 1997, \$10,500

The First Congregational Church in Fair Haven closed in 1997 and gave \$10,500 of its remaining assets to establish this fund. The proceeds are currently given to retired clergy or their surviving spouses to help pay health insurance premiums.

General Purpose Endowment Fund

The Trustees historically maintained two general purpose endowment funds, the State Work Fund and the Permanent Fund. On October 31, 2013, these two funds were consolidated to simplify accounting and reporting. At the time of consolidation, the balance of the State Work Fund was \$283,399 and the balance of the Permanent Fund was \$56,087.

NOTE 4 – ENDOWMENT FUNDS - (CONTINUED)*State Work Fund donors*

The following endowment gifts were included in this fund:

Donor	Year	Original Gift Amount
Irene Battell Larned	1878	\$ 3,000
Robert Crane	1902	1,000
Arabella J. B. Loomis	1902	1,000
George Austin Pelton Memorial	1915	100
Melissa E. Smith	1916	2,000
Ellen M. Harrison	1919	1,000
Mary P. Mansfield	1956	10,154
Helen M. G. Stevens	1958	1,036
S. Berenice Baldwin	1973	8,883

Permanent Fund donors

The Permanent Fund was created by the Board in 1905, when the State Work Fund was still primarily an operating account. The following endowment gifts were included in this fund:

Donor	Year	Original Gift Amount
Mary B. Eldridge	1926	\$ 5,000
Susan E. Carr	1934	1,000

Board Designated Funds Functioning as Endowment – General Purpose

The Trustees maintained several board designated funds without donor restrictions functioning as endowments accounts, which are listed below. On October 31, 2013, accounts were consolidated to simplify accounting and reporting. Fund balances before the consolidation on October 31, 2013 are listed for historical purposes. For account descriptions, see the December 31, 2013 statements.

State Work Fund – Board Designated Gifts. October 31, 2013 balance \$1,369,711

Endowment Fund. October 31, 2013 balance \$1,512,171

Permanent Fund – Board Designated Gifts. October 31, 2013 balance \$1,564,717

J. N. Harris Fund. October 31, 2013 balance \$329,626

W.C. Russell Fund. October 31, 2013 balance \$661,023

Operating Funds. October 31, 2013 balance \$65,093

Tyler Memorial Funds. October 31, 2013 balance \$59,118

2012 Fund. October 31, 2013 balance \$338,433

NOTE 5 – INTERESTS IN BENEFICIAL TRUSTS

The Trustees of the Funds for Ministers is the beneficiary of trusts held by third parties. In conformance with the FASB Accounting Standards Codification regarding, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Hold Contributions for Others*, the Trustees recognizes its interest in the net assets of the trusts at fair value.

NOTE 5 – INTERESTS IN BENEFICIAL TRUSTS (CONTINUED)

There are three beneficial trusts:

John M. Baker Fund, Missionary Society of Connecticut, trustee. The proceeds are “to help aged ministers.”

Bingham Fund, Bank of America, trustee. The proceeds are without donor restrictions. The original gift amount is unavailable, so the entire amount is classified as with donor restrictions. This balance changes annually based on fund income, fund distributions, and investment results.

Edward F. Harrison Fund, Missionary Society of Connecticut, trustee. The proceeds are without donor restrictions.

NOTE 6 – BOARD DESIGNATED FUNDS

The Trustees have two categories of Board Designated Funds: net assets without donor restrictions functioning as endowment, described in Note 4, and net assets without donor restrictions designated for specific purposes.

The preliminary net operating income without donor restrictions for 2018 of \$20,353 has been designated for the Contingency Fund. In addition, at the close of 2018, \$111,451 of undesignated unrestricted funds has been designated for the Contingency Fund, for a total Board Allocation of \$131,804. The Board then approved a grant to the United Church of Christ Pension Boards “Generations of Service” capital campaign of \$75,000, resulting in a 2018 final. Net operating deficiency without donor restrictions of \$65,943. The operating income without donor restrictions of 2017 has been designated for the Contingency Fund.

	BOD Designated 12/31/2017	Additions	Expense	Board Allocation	BOD Designated 12/31/2018
Emergency Grant Fund	\$ 29,314	\$ -	\$ (4,896)	\$ -	\$ 24,418
Clergy Leadership Fund	64,955	-	(6,398)	-	58,557
TFM Contingency Fund	41,259	-	(75,000)	131,804	98,063
Total	<u>\$ 135,528</u>	<u>\$ -</u>	<u>\$ (86,294)</u>	<u>\$ 131,804</u>	<u>\$ 181,038</u>

	BOD Designated 1/1/2017	Additions	Expense	Board Allocation	BOD Designated 12/31/2017
Emergency Grant Fund	\$ 29,314	\$ -	\$ -	\$ -	\$ 29,314
Clergy Leadership Fund	70,406	-	(5,451)	-	64,955
TFM Contingency Fund	20,325	-	-	20,934	41,259
Total	<u>\$ 120,045</u>	<u>\$ -</u>	<u>\$ (5,451)</u>	<u>\$ 20,934</u>	<u>\$ 135,528</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

The Trustees have three categories of net assets with donor restrictions.

Net appreciation of endowment funds

The Trustees classifies net appreciation on donor restricted endowment funds held in perpetuity as donor restricted as to time until appropriated for spending by the Trustees. Appropriation decisions are governed by the Uniform Prudent Management of Institutional Funds Act and other applicable legal requirements. It is the policy of the Trustees to treat these donor restricted amounts as if they were donor restricted and to only apply the annual distributions determined by the total return spending policies to the donor designated purposes or general purposes of the Trustees as the case may be. Net appreciation of endowment funds totaled \$4,571,782 and \$5,267,267 for the years ended December 31, 2018 and 2017, respectively.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)*Distributed total return to be expended*

Endowment total return distributions to be expended are listed by fund in the schedule of net assets by classification on page 23. Distributions are received monthly and held as cash until expended or until the Board of Directors authorizes re-investment. Endowment total return distributions to be expended were \$93,050 and \$93,400 for the years ended December 31, 2018 and 2017, respectively.

Purpose restricted gifts

Purpose restricted gifts that have not yet been expended are included in the Emergency Fund, which includes restricted grants to aid clergy that have not yet been distributed according to the terms of the grants, and the Interim Pastors' Health Insurance Fund, which includes restricted gifts that have not yet been distributed according to the terms of the gift.

	<u>12/31/2017</u>	<u>Additions</u>	<u>Expense</u>	<u>12/31/2018</u>
Emergency Fund	\$ 4,772	\$ -	\$ (4,772)	\$ -
Interim Pastors Health Fund	<u>10,860</u>	<u>-</u>	<u>-</u>	<u>10,860</u>
Total	<u>\$ 15,632</u>	<u>\$ -</u>	<u>\$ (4,772)</u>	<u>\$ 10,860</u>

	<u>1/1/2017</u>	<u>Additions</u>	<u>Expense</u>	<u>12/31/2017</u>
Emergency Fund	\$ 15,672	\$ -	\$ (10,900)	\$ 4,772
Interim Pastors Health Fund	<u>10,860</u>	<u>-</u>	<u>-</u>	<u>10,860</u>
Total	<u>\$ 26,532</u>	<u>\$ -</u>	<u>\$ (10,900)</u>	<u>\$ 15,632</u>

For the year ending December 31, 2018, net assets released from restriction relating to the endowment were \$224,627 and the net assets released from restrictions relating to purpose restricted funds were \$4,772 totaling \$227,398.

For the year ending December 31, 2017, net assets released from restriction relating to the endowment were \$237,716, and the net assets released from restrictions relating to purpose restricted funds were \$10,900, totaling \$248,617.

NOTE 8 – RELATED ORGANIZATIONS

TFM is a related organization to the Missionary Society of Connecticut, Inc. The two organizations share common board members and administrative offices in Hartford. The Trustees reimburse the Missionary Society for its share of allocable program and administrative expenses. Payments for the years ended December 31, 2018 and 2017 were \$251,695 and \$246,801, respectively.

NOTE 9 – CONCENTRATION OF CREDIT RISK

The Trustees maintains its temporary cash in bank deposit accounts which, at times, may exceed federally insured limits. The Trustees has not experienced any losses in such accounts. The Trustees believe it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 10 – RETIREE BENEFIT COMMITMENT

The Board of Directors of the Trustees of the Funds for Ministers in select circumstances will vote to provide ministers employed by the Missionary Society of Connecticut with a long record of service with Medicare supplemental coverage plan premiums for the remainder of their lives upon retirement. As of December 31, 2018 and 2017, one minister was receiving this benefit. Total premiums paid on behalf of this retired minister were \$4,377 and \$4,263 for the years ended December 31, 2018 and 2017, respectively.

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of
Trustees of the Fund for Ministers

We have audited the financial statements of the Trustees of the Fund for Ministers as of and for the year ended December 31, 2018, and have issued our report thereon dated September 17, 2019, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of expenses – cash basis and net assets by classification - cash basis are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Hartford, Connecticut
September 17, 2019

TRUSTEES OF THE FUND FOR MINISTERS

Schedule of Expenses – Cash Basis

For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Pastoral support services	\$ 129,428	\$ 156,445
Health insurance - retired pastors	110,372	134,844
Robbins funds grants (housing support)	82,642	70,400
Administrative support services	133,686	101,472
Clergy support programs	28,023	13,915
Root fund grants	11,382	14,500
Emergency grants	9,668	10,900
Clergy leadership grants	6,398	8,120
Health insurance - interim pastors	2,000	3,687
Miscellaneous grants	<u>75,215</u>	<u>229</u>
 Total	 <u>\$ 588,814</u>	 <u>\$ 514,512</u>

TRUSTEES OF THE FUND FOR MINISTERS

Schedule of Net Assets by Classification – Cash Basis

For the year ended December 31, 2018
(with comparative totals for 2017)

	2018				2017	
	With Donor Restrictions	Donor Restricted Distributed Total Return to be Expended	Board Designated Functioning as an Endowment	Board Designated - Other	Total	Total
<i><u>Endowment - Donor Restricted Purpose</u></i>						
Root Fund	\$ 260,354	\$ -	\$ -	\$ -	\$ 260,354	\$ 291,842
The Thomas L. Shipman Memorial Fund	44,590	3,845	-	-	48,435	51,878
Perry-Deyo Fund	2,900,418	86,036	-	-	2,986,454	3,320,795
Interim Pastors Health Insurance Fund	51,813	8,183	-	-	59,996	65,997
The Harold B. Robbins and Lucille A Robbins Memorial Fund	1,972,183	19,824	-	-	1,992,007	2,226,941
Fairhaven Retired Ministers' and Spouses' Aid Fund	19,755	1,703	-	-	21,458	22,984
<i><u>General Purpose Endowment</u></i>	337,100	-	-	-	337,100	377,870
<i><u>Unrestricted Functioning as Endowment</u></i>	-	-	5,678,321	-	5,678,321	6,409,289
<i><u>Outside Trusts - General Purpose</u></i>						
Baker, J Fund	24,213	-	-	-	24,213	27,141
Harrison, E Fund	55,650	-	-	-	55,650	62,380
Bingham Fund	204,449	-	-	-	204,449	237,773
<i><u>Purpose Restricted Funds</u></i>						
Emergency Fund	-	-	-	-	-	4,772
Interim Pastors Health Insurance	10,860	-	-	-	10,860	10,860
<i><u>Other Unrestricted Funds</u></i>						
Board Designated	-	-	-	181,038	181,038	135,527
Undesignated	-	-	-	-	-	111,452
	<u>\$ 5,881,385</u>	<u>\$ 119,591</u>	<u>\$ 5,678,321</u>	<u>\$ 181,038</u>	<u>\$ 11,860,335</u>	<u>\$ 13,357,501</u>

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