2023 FINANCIAL STATEMENT

Combined Financial Statements of
Pension Boards – United Church of Christ, Inc.
for the Year Ended: December 31, 2023

Our History

Since 1914, the Pension Boards-United Church of Christ, Inc. (PBUCC) has been a partner in ministry with those who serve the United Church of Christ (UCC). PBUCC offers comprehensive employee benefits programs for active and retired UCC clergy and lay employees and their eligible dependents, providing the highest standards of service, access, and options. PBUCC assists those who serve the church in achieving health and economic security through:

- thought leadership regarding faith-based, socially responsible investing;
- professional investment expertise that enhances returns;
- a comprehensive mix of products and services that meet diverse needs;
- innovative application of technology; and
- outreach to all settings of the UCC and the greater church.

Our Mission

Operating at the intersection of faith and finance, we are caring professionals partnering with those engaged in the life of the Church to provide valued services leading to greater financial security and wellness.

Our Vision

The Pension Boards delivers benefits and services from the intersection of faith and finance, providing clergy, lay employees, and all persons served with the peace of mind that comes through greater financial security and better health.

The Pension Boards
United Church of Christ, Inc.

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May 15, 2024

Report of Management

We have prepared the accompanying combined financial statements of Pension Boards -- United Church of Christ, Inc. (Pension Boards) for the year ended December 31, 2023. We are responsible for the content, integrity, and objectivity of the financial information presented in this annual report. The combined financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The statements include amounts based on management's best estimates and judgments.

We believe that the combined financial statements present fairly in all material respects the financial position, activities, and functional expenses for the Pension Boards in conformity with GAAP for the periods presented in this report. The 18-member Board of Trustees, all of whom are independent of the Pension Boards' management, oversees the Pension Boards' financial reporting and internal controls through its Audit Committee. The Audit Committee is responsible for the appointment, compensation, and oversight of the independent public accountants. The Audit Committee is also responsible for communications between the Board of Trustees and Pension Boards' independent public accountants, internal auditor, and financial management staff regarding the combined financial statements, audits, accounting and financial reporting practices, adequacy, and effectiveness of the system of internal controls, and the scope and results of the annual audit.

The Pension Boards combined financial statements have been audited by RSM US LLP, independent public accountants, whose report appears within. The independent public accountants, engaged to express an opinion on the combined financial statements, meet periodically with, and have been given free access to, the Audit Committee, without management present, to discuss internal controls, auditing, and financial reporting matters.

The Pension Boards recognizes its system of internal control plays an important role for the preparation of reliable combined financial statements. The system is designed to provide reasonable assurance that assets are safeguarded and that transactions are recorded properly and executed in accordance with management's authorization. The control environment is enhanced by the selection and training of competent management, maintaining the highest standards of conduct by employees, appropriately segregating duties, and delegating authority, and communicating accounting and operating policies and procedures to Pension Boards' employees.

Brian R. Bodager
President and CEO

Carolyn M. Weiss
Chief Financial Officer

RSM US LLP

Independent Auditor's Report

Board of Trustees
The Pension Boards – United Church of Christ, Inc.

Opinion

We have audited the combined financial statements of The Pension Boards – United Church of Christ, Inc. (the Pension Boards), which comprise the combined statement of financial position as of December 31, 2023, the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pension Boards as of December 31, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pension Boards and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pension Boards' ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pension Boards' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pension Boards' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

RSM US LLP

New York, New York
May 15, 2024

PENSION BOARDS – UNITED CHURCH OF CHRIST, INC.
COMBINED STATEMENT OF FINANCIAL POSITION

		December 31, 2023
ASSETS		
Cash	$	1,560,650
Investments:		
Investments at fair value		207,772,374
Investments held for others		14,806,387
Total investments		222,578,761
Receivables:		
Accounts receivable, net		1,479,554
Contributions receivable, net		415,620
Receivable due from affiliate		856,372
Accrued investment income receivable		1,804,246
Receivable from brokers for securities sales		185,208
Loans issued by Generations Financial Resources		727,874
Total receivables		5,468,874
Collateral provided by securities borrowers		7,460,846
Right-of-use assets		4,005,799
Property and equipment, net		131,637
Prepaid expenses and other assets		8,090,859
Investments restricted for endowment		13,795,715
Total assets	**$**	**263,093,141**
LIABILITIES AND NET ASSETS		
Health benefits payable		4,183,891
Deferred health benefit premiums		3,597,668
Payable to securities borrowers		7,460,846
Payable to brokers for securities purchases		131,193
Investments held for others		14,806,387
Operating lease liabilities		4,005,799
Accrued expenses and other liabilities		11,248,292
Total liabilities		45,434,076
Net assets:		
Without donor restrictions		136,466,026
With donor restrictions		81,193,039
Total net assets		217,659,065
Total liabilities and net assets	**$**	**263,093,141**

See notes to the combined financial statements.

PENSION BOARDS – UNITED CHURCH OF CHRIST, INC.
COMBINED STATEMENT OF ACTIVITIES

	Year Ended December 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Investment return, net	$ 15,389,917	$ 10,309,166	$ 25,699,083
Health benefits premiums	51,348,409	-	51,348,409
Contributions	2,446,086	336,547	2,782,633
Generations Investment Services management fees	22,381	-	22,381
Generations Financial Resources loan interest	20,479	-	20,479
Reimbursement of plan administration expenses	18,225,601	-	18,225,601
Other	1,157,492	-	1,157,492
Net assets released from restriction	4,034,676	(4,034,676)	-
Total revenues and support	92,645,041	6,611,037	99,256,078
EXPENSES			
Program services:			
Health Benefit Fund	59,400,805	-	59,400,805
Ministerial Assistance	5,896,370	-	5,896,370
Generation Companies	5,980	-	5,980
Total program services:	65,303,155	-	65,303,155
Supporting services:			
Management and general	19,898,600	-	19,898,600
Fundraising	414,081	-	414,081
Total support services:	20,312,681	-	20,312,681
Total expenses	85,615,836	-	85,615,836
Change in net assets	7,029,205	6,611,037	13,640,242
Net assets			
Beginning of year	129,436,821	74,582,002	204,018,823
End of year	$ 136,466,026	$ 81,193,039	$ 217,659,065

See notes to the combined financial statements.

PENSION BOARDS – UNITED CHURCH OF CHRIST, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31,	Health Benefits Fund	Ministerial Assistance Fund	Generations Companies	**Total Program Services**	Management & General	Fundraising	**Total Supporting**	**2023**
Compensation, benefits, and taxes	$ 2,815,122	$ 3,026,178	$ -	$ 5,841,300	$ 10,145,327	$ 337,503	$ 10,482,830	$ 16,324,130
Health service claims and costs	56,152,130	-	-	56,152,130	-	-	-	56,152,130
Contracted services and professional fees	6,659	2,940	-	9,599	4,049,280	26,000	4,075,280	4,084,879
Banking services	-	40,160	5,980	46,140	565,160	-	565,160	611,300
Grants and programs	-	2,193,304	-	2,193,304	600,000	-	600,000	2,793,304
Connectivity, supplies, postage, and other	400	14,378	-	14,778	3,186,218	-	3,186,218	3,200,996
Facility, taxes, and related expenses	-	31,962	-	31,962	653,563	-	653,563	685,525
Depreciation	-	-	-	-	90,261	-	90,261	90,261
Travel, conferences, meetings, and events	527	587,448	-	587,975	608,791	50,578	659,369	1,247,344
Bad debt	425,967	-	-	425,967	-	-	-	425,967
Total expenses	$ 59,400,805	$ 5,896,370	$ 5,980	$ 65,303,155	$ 19,898,600	$ 414,081	$ 20,312,681	$ 85,615,836

See notes to the combined financial statements.

PENSION BOARDS – UNITED CHURCH OF CHRIST, INC.
COMBINED STATEMENT OF CASH FLOWS

	Year Ended December 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 13,640,242
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	90,261
Contributions restricted for investment in perpetual endowment	(22,166)
Net realized and unrealized gain on investments	(21,735,123)
Amortization of operating right-of-use asset	681,133
Changes in assets and liabilities:	
(Increase) in assets:	
Accounts receivable, net	(1,468,975)
Contributions receivable, net	(336,872)
Receivable due from affiliates	576,890
Loans issued by Generations Financial Resources	(431,027)
Receivable from brokers for securities sales	(95,962)
Collateral provided by securities borrowers	(1,191,386)
Accrued investment income receivable	(335,086)
Prepaid expenses and other assets	(3,129,372)
Increase (decrease) in liabilities:	
Health benefits payable	899,888
Deferred benefit premiums	1,618,414
Payable to securities borrowers	46,282
Payable to brokers for securities purchases	1,191,386
Investments held for others	(1,562,432)
Principal reduction in operating lease liability	(681,133)
Accrued expenses and other liabilities	3,097,536
Net cash used in operating activities	(9,147,504)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales of investments	241,188,471
Purchase of investments	(231,563,111)
Purchase of property and equipment	(8,338)
Net cash provided by investing activities	9,617,022
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from contributions restricted for endowment	22,166
Net cash provided by investing activities	22,166
Net increase in cash	491,685
Net cash, Beginning of year	1,068,965
Net cash, End of year	$ 1,560,650

See notes to the combined financial statements.

PENSION BOARDS – UNITED CHURCH OF CHRIST, INC
NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. ORGANIZATION

The Pension Boards - United Church of Christ, Inc. (Pension Boards) incorporated in 1914 in New Jersey as a non-profit corporation and is an affiliated ministry of the United Church of Christ (UCC). The Pension Boards provides retirement, disability, life insurance, medical, dental, and vision benefits for clergy and lay employees of the UCC, its predecessor religious denominations, and UCC-related organizations, through the administration of retirement and other benefit plans. As an affiliated ministry of the UCC, the Pension Boards is able to serve all other ministries of the UCC.

The Pension Boards is governed by an 18-member Board of Trustees.

The Pension Boards is the plan sponsor and trustee of The United Church of Christ Lifetime Retirement Income Plan, the net assets and activity of which are presented on separate audited financial statements and excluded from these combined financial statements.

United Church Board for Ministerial Assistance, Inc.

The United Church Board for Ministerial Assistance, Inc (Ministerial Assistance) incorporated in 1885 in Connecticut as a non-profit corporation for the purpose of holding, managing, and distributing funds to provide direct support to authorized ministers and lay church employees of the UCC whose circumstances call for compassionate responses. Ministerial Assistance offers specialized initiatives and insightful witness to promote sustainable ministry within the UCC.

Ministerial Assistance is an affiliated ministry of the UCC and is a controlled affiliate of the Pension Boards. Ministerial Assistance maintains The Christmas Fund for the Veterans of the Cross and the Emergency Fund to receive contributions from an annual church-wide appeal. These contributions help provide small pension supplementation, health benefits supplementation for retirees, emergency grants, and Christmas “thank you” checks to lower-income retirees and their spouses/partners.

Benefit Services Fund

The Pension Boards sponsors church welfare benefits plans, including plans providing employer group medical, dental, vision, long-term disability, short-term disability, and death benefits (collectively, Welfare Plans). The Pension Boards established the Welfare Plans Trust in 2015 to hold cash and investments of the Welfare Plans for the sole and exclusive benefit of the participants. The Welfare Plans Trust is held within the Benefit Services Fund and includes net assets and activities relating to the Welfare Plans. Self-insured medical, dental, vision, and short-term disability plans are administered by third parties and the Pension Boards also offers a life insurance and long-term disability income benefit plan underwritten by an independent commercial insurance carrier.

Generations Investment Services, Inc.

Generations Investment Services, Inc. (GIS) is a controlled affiliate of the Pension Boards. GIS is a non-profit corporation exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code (Code) organized exclusively for religious and charitable purposes to support the mission and for the benefit of the UCC. GIS offers investment management for certain UCC-related funds.

Generations Financial Resources, Inc.

Generations Financial Resources, Inc. (GFR) is a controlled affiliate of the Pension Boards. GFR is a non-profit corporation exempt from federal income tax under Section 501(c)(3) of the Code organized exclusively for religious and charitable purposes to support the mission, and for the benefit, of the UCC. GFR promotes financial literacy of clergy members of the UCC and offers loans for refinancing a portion of education debt on favorable terms. GFR aims to further the Faith and Finance mission of Ministerial Assistance by improving the financial wellness of UCC clergy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying combined financial statements include the assets, liabilities, activities and cash flows of the Pension Boards, Ministerial Assistance, the Benefit Services Fund, GIS, and GFR on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). All inter-fund balances have been eliminated in combination.

Net Assets

The combined financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 - Non-Profit Entities. The Pension Boards is required to report information regarding its financial position and activities as net assets without donor restrictions or net assets with donor restrictions.

Net Assets Without Donor Restriction – Resources that are free of donor-imposed restrictions. The Board of Trustees and management of the Pension Boards have full discretion with respect to use. All revenues that are not restricted by donors, and all expenses, excluding investment-related expenses, are included in this category. Investment-related expenses are netted against returns on investments in the appropriate net asset category. “Board designated” activities are included in net assets without donor restriction in combined statement of financial position.

Net Assets With Donor Restriction – Resources that are subject to donor-imposed restrictions that will be satisfied by actions of the Pension Boards or the passage of time. Generally, donor-imposed restrictions stipulate that resources are maintained in perpetuity but permit the Pension Boards to expend part or all the income derived from the donated assets for either a specified or unspecified purpose.

Use of Estimates

The preparation of the combined financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses and realized and unrealized gains and losses during the reporting period. The fair values of investments represent the most significant estimates and assumptions. Actual results could differ from those estimates.

Cash

The Pension Boards’ cash consists of cash on deposits with banks.

Accounts Receivable, Net

Accounts Receivable consists of amounts billed to customers for health benefit premiums. The Pension Boards records an allowance for credit losses, which is an estimate of amounts that may not be collectible. As of December 31, 2023, accounts receivable, net in the combined statements of financial position are shown net of allowance for credit loss of $425,967.

The measurement of expected credit losses under the current expected credit loss (CECL) methodology is applicable to financial assets measured at amortized cost, which include billed and unbilled receivables as well as contract assets. The Pension Boards separates accounts receivable into risk pools based on their aging. In determining the amount of the allowance as of the combined statement of financial position data, the Pension Board develops a loss rate for each risk pool. This loss rate is based on management’s historical collection experience, adjusted for management’s expectations about current and future conditions. As of December 31, 2023, management deemed the current loss rate appropriate given the nature of billing activity. Receivables are written off when deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. No write offs of accounts receivable were deemed necessary as of December 31, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions Receivable, Net
Contributions receivable are recorded in the period the promise is received. Contributions receivable due within one year are recorded at their net realizable value. Contributions receivable due in more than one year are recorded at the present value of their net realizable value, using applicable risk-adjusted interest rates to discount the amounts. Allowances for doubtful contributions receivable are provided by management based on the Pension Boards' experience with the donors and their ability to pay.

As of December 31, 2023, the Pension Boards' contribution receivable consisted of $415,620, all of which are expected to be collected within one year. The Pension Boards believes that each has limited credit risk with respect to these donors given their relationship with and support of the Pension Boards and its activities. Management did not record an allowance for uncollectible receivables as of December 31, 2023.

Investment Valuation and Income Recognition
Investments are reported at fair value in accordance with ASC Topic 820, Fair Value Measurements. Securities traded in active markets on national and international securities exchanges are valued at closing prices on the last business day of each year presented. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Investment transactions are accounted for on the date the securities are purchased or sold, which is the trade date. A corresponding payable to or receivable from the transaction counterparty is recorded until cash and securities are exchanged on the settlement date. Dividend income is recorded on the ex-dividend date.

Interest income is accrued as earned. Realized gain or loss represents the difference between the proceeds received on a sale of a security and its historical cost. Unrealized gain or loss represents the difference between the fair value of a security and its historical cost.

Investments denominated in non-U.S. dollar currencies are translated at the exchange rates in effect at each financial statement date. Gains and losses from the sale of such investments are translated at the exchange rates in effect at the transaction date.

Financial Risk
Investment securities, in general, are exposed to various risks, such as interest rate, credit, liquidity, and overall market volatility. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near or long term and those changes could materially affect the amounts reported in the combined statement of financial position.

Investments Held for Others
Commingled assets managed for others by GIS are recorded on the combined statement of financial position as investments held for others with the corresponding liability. Assets returned to external entities by GIS also bear no impact to the combined statement of activities.

Investment management fee income earned by GIS and related expenses is reported in the combined statement of activities.

Property and Equipment, Net
Property and Equipment include technical equipment, furniture and fixtures, and leasehold improvements. Property and equipment are stated at cost on the dates of acquisition less accumulated depreciation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Pension Boards capitalize property and equipment with costs aggregating $1,500 or more. Depreciation is computed for all property and equipment using the straight-line method over the assets' estimated useful lives.

The following table provides the estimated useful lives for each asset class.

Asset Class	Estimated useful lives
Technical Equipment	5 - 7 years
Furniture and Fixtures	7 years
Leasehold Improvement	Shorter of the remaining useful life of the lease or the life of the improvement

Leases

Leases arise from contractual obligations that convey the right to control the use of identified property, plant, or equipment for a period in exchange for consideration. At the inception of the contract, the Pension Boards determines if an arrangement contains a lease based on whether there is an identified asset and whether the Pension Boards controls the use of the identified asset. The Pension Boards also determines whether the lease classification is an operating or financing lease at the commencement date.

A right of use asset represents the Pension Boards' right to use an underlying asset and a lease liability represents the Pension Boards' obligation to make payments during the lease term. Lease liabilities are recorded at the present value of the future lease payments over the lease term at commencement. The implicit rates for the Pension Boards' lease is not readily determinable; therefore, the Pension Boards elected to use a risk-free discount rate at the lease commencement date for its real estate operating lease.

Pension Boards' real estate operating lease includes non-lease components such as common-area maintenance costs, utilities and other maintenance costs. The Pension Boards elected to combine non-lease components with lease payments for the purpose of calculating lease right-of-use assets and liabilities to the extent that they are fixed.

As a matter of policy, the Pension Boards elected to exclude leases with terms of 12 months or less from the combined statement of financial position. Short-term lease expense is recognized on a straight-line basis over the expected term of the lease. The Pension Boards had one short term lease as of December 31, 2023. The Pension Boards also elected to exclude leases with remaining payments of $250,000 or less from the combined statement of financial position. The Pension Boards had three such leases for office equipment as of December 31, 2023.

Revenue Recognition

The Pension Boards' significant revenue recognition polices relative to its primary source of revenue, contracts with customers and contributions, as outlined below.

Contracts With Customers - In accordance with ASC Topic 606, Revenue from Contractors with Customers, the Pension Boards recognizes revenue when control of the promised services is transferred to the outside parties in an amount that reflects the consideration Pension Boards expects to be entitled to in exchange for those services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Pension Boards derives its revenue from health service premiums and is recognized as the health benefit insurance is effective. Payments paid in advance of the insurance period are recorded as deferred revenue. The Pension Boards did not have any impairment or credit losses on any receivables arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components.

Contributions - Contributions are recognized as support when promised unconditionally and are recorded net of any current year allowance or discount activity. The Pension Boards reports gifts of cash and other assets with donor restrictions if they are received or promised with donor stipulations that limit the use of the donated assets to the Pension Boards' programs, or to a future year. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from donor restrictions.

Functional Allocation of Expenses
The costs of providing various core functions and supporting services by the Pension Boards have been summarized on a functional basis in the accompanying combined financial statements. Each department within the Pension Boards is allocated to core function or supporting services based on their respective time and a determination of what functions they perform.

Income Taxes
The Pension Boards, GFR, GIS, and Ministerial Assistance, are exempt from federal income tax under Section 501(c)(3) of the Code. The Welfare Plans Trust is exempt from income tax pursuant to Section 501(a) of the Code. While exempt from federal income tax, the Pension Boards, GFR, GIS, Ministerial Assistance, and the Welfare Plans Trust are subject to tax on income unrelated to their exempt purposes. To the extent certain investments in limited partnerships generate income, the Pension Boards is required to pay federal and state income taxes. The Pension Boards annually files Internal Revenue Service Form 990-T tax return. For the year ended December 31, 2023, there were no interest or penalties recorded or included in the combined financial statements.

ASC Topic No. 740, Income Taxes, requires management to evaluate tax positions taken by the Pension Boards and to recognize a tax liability (or asset) if the Pension Boards has taken an uncertain position that more likely than not would not be sustained upon examination by the authorities. The definition of tax position includes an entity's status as a tax-exempt nonprofit entity. Management believes there are no material uncertain positions that require recognition in the accompanying combined financial statements.

Change in Reporting Entity
For the year ended December 31, 2023, the net assets available for benefits and changes in net assets available for benefits of the United Church of Christ Lifetime Retirement Income Plan, formerly known as the Annuity Plan for the United Church, is reported on standalone financial statements.

The change in reporting entity for the combined financial statements is applied retrospectively and the estimated impact of the change is reflected in the opening net asset balance.

Recently Adopted Accounting Standards
In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326)*: *Measurement of Credit Losses on Financial Instruments*. The standard's main

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. In November 2018, the FASB issued ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*, which deferred the effective date of adoption to fiscal years beginning after December 15, 2022. The Pension Boards adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the combined financial statements.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments are classified on the combined statement of financial position as follows:

Investments	$	207,772,374
Investments held by Generations Investment Services		14,806,387
Investments restricted for endowment		13,795,715
Total investments	$	236,374,476

Fair Value Hierarchy
The fair value of a financial instrument is the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). All financial instruments that are measured and reported on a fair value basis are classified according to a fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

The three levels of fair value hierarchy are:

- **Level 1**: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities. The types of investments generally included in this category are exchange-traded equities, short-term money market instruments, actively traded U.S. government bonds and notes, and exchange-traded mutual funds. The fair values of these securities are generally based on quotations obtained from national securities exchanges.

- **Level 2**: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly. Where securities are not listed on an exchange, quotations are obtained from brokerage firms. Level 2 investments generally included in this category are corporate bonds and non-exchange traded equities, debt, and mutual funds.

- **Level 3**: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A review of fair value hierarchy classifications is conducted annually. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications of the fair value hierarchy are reported as transfers in/out of the category as of the beginning of the period in which the reclassifications occur.

As a practical expedient, the Pension Boards uses net asset value (NAV) as the fair value for certain investments. The practical expedient is applied to measure the fair value of investments in certain entities that do not have a quoted market value price but calculate NAV per share or its equivalent. These securities are excluded from the fair value hierarchy level classification and instead are disclosed

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

separately and shown as a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the combined statement of financial position.

The following table sets forth by level within the fair value hierarchy investment assets as of December 31, 2023:

	Investments as of December 31, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
INVESTMENTS				
Equity:				
Common Stock	$ 86,039,212	$ -	$ -	$ 86,039,212
Preferred Stock	25,336	-	-	25,336
Equity Total	86,064,548	-	-	86,064,548
Fixed Income:				
Corporate Bonds	-	41,066,507	-	41,066,507
Government Bonds	-	23,759,463	-	23,759,463
Mortgage Backed Securities	-	7,115,278	-	7,115,278
Government Agencies	-	15,610,908	-	15,610,908
Institutional Money Market Fund Shares	-	13,547,703	-	13,547,703
Asset Backed Securities	-	958,902	-	958,902
Bank Loans	-	178,165	-	178,165
Fixed Income Total	-	102,236,926	-	102,236,926
Investment Funds and Other:				
Mutual Funds	16,276,275	-	-	16,276,275
Exchange Traded Funds	17,314	-	-	17,314
Stapled Securities	2,034	-	-	2,034
Escrow Securities	25,109	-	-	25,109
Investment Funds and Other Total	16,320,732	-	-	16,320,732
SUBTOTAL INVESTMENTS	102,385,280	102,236,926	-	204,622,206
TOTAL INVESTMENTS VALUED AT NAV AS A PRACTICAL EXPEDIENT				31,752,270
TOTAL INVESTMENTS	$ 102,385,280	$ 102,236,926	$ -	$ 236,374,476
COLLATERAL PROVIDED BY SECURITIES BORROWERS				
Non-cash collateral	$ -	$ 3,869,901	$ -	$ 3,869,901
Cash collateral (Valued at NAV as Practical Expedient)	-	-	-	3,590,945
TOTAL COLLATERAL PROVIDED BY SECURITIES BORROWERS	$ -	$ 3,869,901	$ -	$ 7,460,846

Equity Investments

Common and preferred stocks consist primarily of direct investments in the common and preferred stocks of a wide range of unaffiliated companies, which include domestic and foreign corporations and holdings in large, midsize and small companies. Common and preferred stocks are valued at closing price on the exchange or system in which such securities are principally traded.

Fixed Income Investments

Fixed income investments include corporate bonds, U.S. government notes and bonds, commercial asset-backed and mortgage-backed securities, U.S. government agency bonds, money market mutual funds, and bank loans.

Fixed income investments are priced based on evaluated prices provided by independent pricing services. Such evaluated prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities. Bank loans are priced using a pricing vendor quote or broker quote.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

Derivative Financial Investments

Interest Rate Swaps

Swaps are marked to market and unrealized appreciation or (depreciation) on derivatives contracts is recorded at each valuation date. An interest rate swap is an agreement between two parties where one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps often exchange a fixed payment for a floating payment that is linked to an interest rate. The Pension Boards enters interest rate swap contracts with the objective to hedge its interest rate exposure. Interest rate swap contracts involve the risk of dealing with counterparties and their ability to meet the terms of the contract. Market risk exists with such contracts to the extent that the underlying index or benchmark rates change. The realized gain and unrealized loss of the interest rate swap contracts was $9 thousand and ($1 thousand), respectively, for the year ended December 31, 2023, and are recorded in the accompanying financial statements as a component of investment return, net. The market value of the swap contracts was ($10 thousand) at December 31, 2023, and is included in accrued expenses and other liabilities in the statement of financial position.

Equity Futures

Equity Futures contracts are used by an external investment manager to equitize cash in the management of the S&P 500 Index strategy and can also be used by the investment team for asset rebalancing purposes. Such futures contracts trade on recognized exchanges and margin requirements are met by pledging cash and cash equivalents. The contracts are liquid instruments, usually with a 90-day settlement period, and their prices are observable daily on a nationally recognized exchange. The maximum gross notional exchange-traded equity futures position open for 2023 to equitize cash was $689 thousand. Futures contracts require daily cash settlement of the prior day's change in fair value. These settlements total a gain of $78 thousand for the year ended December 31, 2023, and are recorded in the accompanying financial statements as a component of investment return, net.

Fixed Income Futures

Fixed income futures contracts are used as a simple and cost-effective tool to better manage portfolio interest rate exposure without reducing portfolio yield or selling attractive and illiquid bonds. Purchases of Treasury futures would increase interest rate exposure (duration); conversely, sales of Treasury futures would lower interest rate exposure. The Pension Boards had six open fixed income futures contracts as of December 31, 2023. The maximum gross notional exchange-traded fixed income futures positions open for 2023 was $18.1 million. Futures contracts require daily cash settlement of the prior day's change in fair value. These settlements total a loss of ($176 thousand) for the year ended December 31, 2023, and are recorded in the accompanying financial statements as a component of investment return, net.

Investments Measured at Net Asset Value

In accordance with ASC Topic No. 820, Fair Value Measurement, the Pension Boards uses the net asset value reported by each fund as a practical expedient to estimate the fair value of certain of the Pension Boards' investments. The fair value of these investments is based upon the Pension Boards' share of the fair value of the partnership. Because of the inherent uncertainty of the valuations of these investments, the estimated fair values may differ, perhaps materially, from the values that would have been used had a ready market for the investments existed.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table sets forth additional disclosures whose fair value is estimated using NAV per share as a practical expedient as of December 31, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled Funds:				
Small Cap Equity Fund	$ 6,557,923	$ -	Daily	3 days
Emerging Market Equity Fund	5,682,648	-	Daily	None
Emerging Market Bond Fund	7,180,702	-	Daily	None
Other Equity:				
Global Equity Fund LP	81,989	-	Monthly	5 days
Hedge Funds	12,249,008	-	Subject to liquidity*	None
	$ 31,752,270	$ -		

*As of December 31, 2023, 95.3% of the 475 Fund's assets may be liquidated within 12 months or less; 99.4% of the 475 Fund's assets may be liquidated within 24 months or less; and 99.4% of the 475 Fund's assets may be liquidated within 36 months or less.

Commingled Funds

Commingled Funds investment types include funds with strategies that focus on emerging markets, non-U.S. developed markets, U.S. small cap, and ESG.

Emerging markets funds purchase a broad and diverse group of securities associated with emerging markets, including frontier markets (emerging market countries in an earlier stage of development). Investments in emerging markets may be more likely to experience political turmoil or rapid changes in market or economic conditions than investments in markets in more developed countries.

Frontier market countries generally have smaller economies or less-developed capital markets and, as a result, the risks of investing in emerging market countries are magnified in frontier market countries.

The U.S. small-cap equity fund invests in a broad and diverse group of readily marketable common stocks of U.S. small-cap companies. Securities of small-cap companies are often less liquid than those of large companies, which could make it difficult to sell shares of a small-cap stock at a desired time or price. As a result, small-cap stocks may have more price volatility. In general, smaller capitalization companies are also more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

The Northern Trust Global Sustainability Index Fund is a registered mutual fund with enhanced ESG criteria, based on the MSCI World ESG Leaders Index, which measures not only the traditional investment performance of publicly traded companies, but also the quality of their performance in ESG factors and sustainability.

Equity securities listed on a recognized U.S. securities exchange or quoted on the NASDAQ National Market System are priced at closing price on the exchange or system in which such securities are principally traded. Securities not traded on the valuation date are priced at the most recent quoted bid price. Global securities' prices are based upon primary local market quotations. Depending upon local convention or regulation, the price may represent the last sale price or the mean between the last bid and ask price as at the close of the appropriate exchange or at other designated times as determined by the appropriate governing body.

The emerging markets debt funds invest primarily in local currency and U.S. dollar-denominated emerging markets fixed income securities and derivative instruments that are economically tied to an emerging market or company. Performance of the emerging market debt funds is linked to those countries' currencies, markets, economies, and ability to repay loans. Investing in emerging markets has special risks such as currency market volatility and political and social instability.

Fixed income securities including short-term instruments are priced based on evaluated prices provided by independent pricing services. Such evaluated prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

similar groups of securities and developments related to specific securities. Bank Loans are priced using a pricing vendor quote or broker quote.

Hedge Funds
Hedge Funds are interests in limited partnerships and private investment companies that use a variety of investment strategies and whose portfolios may comprise U.S. and non-U.S., publicly and non-publicly traded equity and debt securities, options, derivatives (futures), and commodities.

The 475 Fund, Ltd is an investment vehicle that was established to hold hedge fund investments and is managed on a discretionary basis by an external investment manager. The Pension Boards' agreement with the external investment manager remained in effect through December 31, 2023, and may be terminated by either party, with notice.

Securities Lending Program
The Pension Boards participates in a securities lending program with various brokers and dealers in securities through its custodian bank. It is the policy to hold, as collateral, cash, or short-term fixed income securities in amounts at least equal to or greater than the market value of the investments on loan until the loaned securities are returned. By the end of the business day on which securities are delivered to the borrower, collateral equal to 102% of the market value of a loaned U.S. security and/or 105% of a non-U.S. security, including any accrued interest, is obtained from the borrower for the benefit of the Pension Boards.

The cash collateral obtained is invested in the Northern Trust Institutional Liquid Asset Portfolio Fund and is measured at NAV per share as provided by Northern Trust. There are no known or anticipated redemptions, no unfunded commitments, and no notice required redemptions, no unfunded commitments and no notice required to sell the shares/units at any given time. The fair value of the Pension Boards' non-cash collateral was $3.9 million at December 31, 2023. The fair value of the non-cash collateral under a securities lending program is based upon quoted market close prices for identical securities from the exchanges upon which they trade. For securities for which market prices are not readily available, fair values are determined by a pricing service based upon quoted market close prices for similar issues, dealer quotes or pricing models utilizing market observable inputs from comparable securities. The amortized cost of short-term financial instruments, including time deposits, repurchase agreements, commercial paper, and other short-term investments approximates the fair value of these instruments. The fair value of securities on loan was $7.5 million at December 31, 2023. Loaned securities in the program include equities and fixed income securities.

4. NET ASSETS

Net assets without and with donor restrictions are comprised of the following as of December 31, 2023:

Without donor restrictions:		
Undesignated	$	3,444,172
Benefit Services Fund		131,902,675
Generations Financial Resources Inc. and Generations Investment Services Inc.		1,119,179
Total without donor restrictions		136,466,026
With donor restrictions:		
Operating Fund Endowment - purpose restrictions		3,445,187
Ministerial Assistance Fund - purpose and time restrictions		77,747,852
Total with donor restrictions		81,193,039
	$	217,659,065

4. NET ASSETS (continued)

$4,034,676 of net assets were released from donor restrictions during the year ended December 31, 2023, by incurring expenses satisfying purposes for the Ministerial Assistance Fund's grants and programs.

5. ENDOWMENTS

Net assets with donor restrictions are also maintained in perpetuity. Most of the income from the restricted funds maintained in perpetuity is expendable to support grants and other activities.

The Pension Boards' endowment funds include various funds with and without restrictions established for a variety of purposes and include both funds designated by the Board of Pension Boards' to function as endowments and traditional donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Boards to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) of the state of New Jersey, the Pension Boards has interpreted the law that underlies the net asset classification of donor-restricted endowment funds as requiring the preservation of the fair value of the original gift. As a result of this interpretation, the Pension Boards classifies net assets maintained in perpetuity as: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Without explicit instructions from the donor, investment income from restricted funds maintained in perpetuity is classified within net assets with donor restricted activities because it is considered to have an implied time restriction which is released upon appropriation.

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor restricted funds may fall below the level that the donor originally contributed as a restricted fund to the Pension Boards. If the Pension Boards deems the decline to be temporary, it is not replenished from funds without donor restrictions. Continued expenditures from certain funds may be deemed prudent by the Pension Boards if recovery of the restricted fund balance through market appreciation is probable. There were no funds with deficiencies at December 31, 2023.

Endowment net assets at December 31, 2023, consist of the following:

		With Donor Restrictions		
	Without Donor Restriction	Purpose/ Time Restricted	Maintained in Perpetuity	Total
Donor-restricted	$ -	$ 7,983,849	$ 5,811,866	$ 13,795,715
Board-designated	2,967,821	-	-	2,967,821
Total endowments	$ 2,967,821	$ 7,983,849	$ 5,811,866	$ 16,763,536

5. ENDOWMENTS (continued)

Changes in endowment funds consist of the following for the year ended December 31, 2023:

	Without Donor Restrictions	With Donor Restriction: Purpose/ Time	With Donor Restriction: Maintained Restricted in Perpertuity	Total
Beginning Balance	$ 2,710,945	$ 6,097,979	$ 5,789,700	$ 14,598,624
Contributions	60	-	22,166	22,226
Investment Income	256,816	2,002,406	-	2,259,222
Appropriation	-	(116,536)	-	(116,536)
Ending Balance	$ 2,967,821	$ 7,983,849	$ 5,811,866	$ 16,763,536

6. LEASES

The Pension Boards leases premises for the purposes of general office use as well as office equipment from unrelated parties under operating lease agreements. Lease terms range from one year to 10 years. Equipment leases contain purchase options at fair market value. U.S. GAAP requires that scheduled rent increases resulting from the escalation of base rentals be recorded as a liability and amortized ratably to record rent expense on a straight-line basis over the term of the lease agreement. For December 31, 2023, the Pension Boards recognized lease expense of $685,525 included within ministerial assistance and management and general expenses in the combined statement of activities.

As of December 31, 2023, the weighted-average discount rate for the Pension Boards' right of use lease was 1.57%. The weighted-average remaining lease term is 5.6 years.

Sublease income of $28,631 was also recognized during the year ended December 31, 2023, and is included within other revenue in the combined statement of activities.

Aggregate remaining maturities of lease liabilities as of December 31, 2023, are as follows:

2024	$ 749,830
2025	749,830
2026	749,830
2027	749,830
2028	749,830
Thereafter	437,403
Total operating lease payments	4,186,553
Minus: Imputed interest	(180,754)
Total operating lease liabilities	$ 4,005,799

7. DEFERRED COMPENSATION PLAN

The Pension Boards maintains a nonqualified compensation plan under Section 409A of the IRC. Contributions by the Pension Boards to the plan for the year ended December 31, 2023, aggregated $114,900. The deferred compensation obligation is adjusted annually to the fair market value of the investments in the plan. At December 31, 2023, the fair market value of the investments in the plan was $5,660,116 and the deferred compensation obligation was $5,697,858 and is included within other assets and accrued expenses and other liabilities, respectively, on the combined statement of financial position.

8. RELATED-PARTY TRANSACTIONS

During the year ended December 31, 2023, the Pension Boards billed United Church Fund, an associated ministry of the UCC, $954,515 for investment management services and $28,631 for operating sublease rent. Amounts are included in investment return, net and other revenue, respectively, in the accompanying combined statement of activities. Billing for services is calculated on the basis of agreed upon formulae. As of December 31, 2023, $235,745 is included in receivable due from affiliate, in the accompanying combined statement of financial position.

The Pension Boards is the plan sponsor of The United Church of Christ Lifetime Retirement Income Plan. The plan paid $18,225,601 for reimbursement of plan administration expenses to the Pension Boards for the year ended December 31, 2023. As of December 31, 2023, $620,627 due from the Plan is included in receivable due from affiliate, in the accompanying combined statement of financial position.

9. AVAILABILITY AND LIQUIDITY

The Pension Boards has $158,515,266 of financial assets available within one year of the combined statement of financial position date to meet cash needs for general expenditure consisting of cash, receivables, investments as of December 31, 2023. The Pension Boards manages its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, cash more than daily requirements is invested in short-term money market accounts.

Financial assets at year end	December 31, 2023
Cash	$ 1,560,650
Total receivables	5,468,874
Investments	207,772,374
Investments held by Generations Investment Services	14,806,387
Investments held for endowment	13,795,715
Total financial assets	243,404,000
Less amounts not available to be used within one year	
Loans issued by Generations Financial Resources	(727,874)
Board designations	(2,967,821)
Net assets with donor restrictions	(81,193,039)
Total amounts not available within one year	(84,888,734)
Financial assets available to meet general expenditures within one year	$ 158,515,266

10. SUBSEQUENT EVENTS

The Pension Boards evaluated subsequent events through May 15, 2024. There were no subsequent events that required recognition or disclosure in the Pension Boards' financial statements.

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