



**ARMENIAN CHURCH ENDOWMENT FUND, INC.**  
**Financial Statements**  
**December 31, 2021 and 2020**  
**With Independent Auditor's Report**

**Armenian Church Endowment Fund, Inc.**  
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**December 31, 2021 and 2020**

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## INDEPENDENT AUDITOR'S REPORT

Very Rev Fr Mesrop Parsamyan  
and the Board of Directors,  
Armenian Church Endowment Fund, Inc.:

### Opinion

We have audited the financial statements of Armenian Church Endowment Fund, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Armenian Church Endowment Fund, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Organization's ability to continue as a going concern for one year after the date that the financial statements are 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 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 the 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 the Organization's 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 Organization's 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.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

May 31, 2022

**Armenian Church Endowment Fund, Inc.**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 9,255,239	\$ 6,507,923
Investments	150,729,570	120,768,542
Contributions receivable	56,377	69,900
Accrued interest receivable	-	64,361
Loan receivable	<u>-</u>	<u>23,237</u>
Total assets	<u>\$ 160,041,186</u>	<u>\$ 127,433,963</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Custodial funds	\$ 62,155,354	\$ 46,316,329
Future obligations of charitable remainder annuities	37,301	60,123
Accounts payable and accrued expenses	<u>14,922</u>	<u>21,911</u>
Total liabilities	<u>62,207,577</u>	<u>46,398,363</u>
Net assets		
Without donor restrictions	1,681,392	1,356,000
With donor restrictions	<u>96,152,217</u>	<u>79,679,600</u>
Total net assets	<u>97,833,609</u>	<u>81,035,600</u>
Total liabilities and net assets	<u>\$ 160,041,186</u>	<u>\$ 127,433,963</u>

The Notes to Financial Statements are an integral part of these statements.

**Armenian Church Endowment Fund, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and revenues</b>			
Contributions and custodial funds invested with ACEF	\$ 744	\$ 6,975,830	\$ 6,976,574
Transfer to custodial funds	-	(6,113,810)	(6,113,810)
	744	862,020	862,764
Investment return, net	282,593	18,745,061	19,027,654
Administrative fee charged to custodial funds	122,500	-	122,500
Net present value adjustment to annuities	22,822	-	22,822
	428,659	19,607,081	20,035,740
Net assets released due to satisfaction of purpose restrictions	3,134,464	(3,134,464)	-
Total support and revenues	3,563,123	16,472,617	20,035,740
<b>Expenses</b>			
Program	2,946,523	-	2,946,523
Management and general expenses	291,208	-	291,208
Total expenses	3,237,731	-	3,237,731
<b>Changes in net assets</b>	325,392	16,472,617	16,798,009
<b>Net assets</b>			
Beginning of year	1,356,000	79,679,600	81,035,600
End of year	\$ 1,681,392	\$ 96,152,217	\$ 97,833,609

The Notes to Financial Statements are an integral part of this statement.

**Armenian Church Endowment Fund, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and revenues</b>			
Contributions and custodial funds invested with ACEF	\$ -	\$ 4,888,792	\$ 4,888,792
Transfer to custodial funds	-	(4,031,569)	(4,031,569)
	-	857,223	857,223
Investment return, net	98,325	7,237,030	7,335,355
Administrative fee charged to custodial funds	114,790	-	114,790
Net present value adjustment to annuities	3,264	-	3,264
	216,379	8,094,253	8,310,632
Net assets released due to satisfaction of purpose restrictions	2,987,450	(2,987,450)	-
Total support and revenues	3,203,829	5,106,803	8,310,632
<b>Expenses</b>			
Program	2,819,408	-	2,819,408
Management and general expenses	286,912	-	286,912
Total expenses	3,106,320	-	3,106,320
<b>Changes in net assets</b>	97,509	5,106,803	5,204,312
<b>Net assets</b>			
Beginning of year	1,258,491	74,572,797	75,831,288
End of year	\$ 1,356,000	\$ 79,679,600	\$ 81,035,600

The Notes to Financial Statements are an integral part of this statement.

**Armenian Church Endowment Fund, Inc.**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2021 and 2020**

	<b>2021</b>			<b>2020</b>		
	<b>Program</b>	<b>Management and General</b>	<b>Total</b>	<b>Program</b>	<b>Management and General</b>	<b>Total</b>
Salaries	\$ 23,325	\$ 69,975	\$ 93,300	\$ 25,607	\$ 76,820	\$ 102,427
Fringe benefits	3,016	9,049	12,065	3,121	9,363	12,484
Occupancy	9,000	27,000	36,000	9,000	27,000	36,000
Distributions paid	2,911,182	-	2,911,182	2,781,680	-	2,781,680
Professional fees	-	111,155	111,155	-	110,640	110,640
Office expense	-	4,953	4,953	-	4,298	4,298
Marketing and promotion	-	9,340	9,340	-	4,613	4,613
Taxes and fees	-	8,909	8,909	-	3,370	3,370
Conferences	-	-	-	-	469	469
Computer maintenance	-	5,378	5,378	-	6,299	6,299
Insurance	-	45,449	45,449	-	44,040	44,040
	<u>\$ 2,946,523</u>	<u>\$ 291,208</u>	<u>\$ 3,237,731</u>	<u>\$ 2,819,408</u>	<u>\$ 286,912</u>	<u>\$ 3,106,320</u>

The Notes to Financial Statements are an integral part of these statements.



**Armenian Church Endowment Fund, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Operating activities</b>		
Changes in net assets	\$ 16,798,009	\$ 5,204,312
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized gains	(28,706,628)	(11,568,637)
Donor restricted contributions - endowment	(862,020)	(857,223)
Changes in net present value of annuities	(22,822)	(3,264)
Accrued interest receivable forgiven	64,361	-
Changes in assets and liabilities		
Contributions receivable	13,523	(26,859)
Accrued interest receivable	-	(522)
Custodial funds	15,839,025	6,723,474
Accounts payable and accrued expenses	(6,989)	6,971
Net cash provided by (used in) operating activities	<u>3,116,459</u>	<u>(521,748)</u>
<b>Investing activities</b>		
Principal payment on loan receivable	23,237	22,500
Purchase of investments	(81,651,665)	(10,465,141)
Proceeds on sale of investments	<u>80,397,265</u>	<u>14,159,454</u>
Net cash (used in) provided by investing activities	<u>(1,231,163)</u>	<u>3,716,813</u>
<b>Financing activities</b>		
Donor restricted contributions - endowment	<u>862,020</u>	<u>857,223</u>
Net cash provided by investing activities	<u>862,020</u>	<u>857,223</u>
Net change in cash and cash equivalents	2,747,316	4,052,288
<b>Cash</b>		
Beginning of year	<u>6,507,923</u>	<u>2,455,635</u>
End of year	<u>\$ 9,255,239</u>	<u>\$ 6,507,923</u>
<b>Supplemental disclosure of cash flow information</b>		
No amounts were paid for interest during the years ended December 31, 2021 and 2020.		
Income taxes paid	<u>\$ 185</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of these statements.

**Armenian Church Endowment Fund, Inc.**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

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**1. NATURE OF ACTIVITIES**

Armenian Church Endowment Fund, Inc. ("ACEF") is a private, Delaware not-for-profit corporation incorporated in 2005. Prior to the date of incorporation, ACEF operated as an unincorporated component of the Diocese of the Armenian Church of America (Eastern) (the "Diocese"), a non-profit religious organization established in 1934. ACEF functions as the custodian of certain funds delivered to it by the Diocese and other affiliated churches and organizations of the Diocese. ACEF's primary purpose is to make investment decisions regarding the funds it holds, to maintain in perpetuity the permanently restricted funds received from contributors and to administer and distribute a consistent annual level of income to all beneficiaries named by the contributors. ACEF also holds custodial funds in a management capacity for the Diocese and other churches and organizations, where the funds are managed and held for their benefit.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, ACEF's resources are classified and reported as separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

**Without donor restrictions** - include expendable resources that are used to carry out ACEF's operations and are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by ACEF or may be limited by contractual agreements with outside parties.

**With donor restrictions** - Net assets subject to donor-imposed restrictions that will be met either by the actions of ACEF or through the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by ACEF, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income may be made available for distribution to the beneficiary agencies, subject to the ACEF's spending policies.

**Revenue and Support Recognition**

*Contributions*

ACEF recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with or without donor support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. Donor stipulations met in the same year of receipt are recorded as without donor restricted support. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not included as support until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

**Armenian Church Endowment Fund, Inc.**  
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Other revenues are obtained from investment income. These revenues are shown net of investment expenses and are used to offset program and management and general expenses. Revenue from these sources is recognized when earned. Certain investment income has been classified as with donor restrictions based on donor stipulations.

**Cash and Cash Equivalents**

Cash and cash equivalents include funds held in money market account investments and certificates of deposit with a maturity of three months or less at the time of acquisition.

**Investments**

Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. Equity securities with readily determinable values and all investments in debt securities are measured at fair value in the statements of financial position. Those investments that are traded in the U.S. or on foreign exchanges are valued based on current traded value. ACEF has invested funds in certain investments that are considered alternative investments. These investments have been established as corporations, limited partnerships, limited liability companies, commingled trusts and offshore investment funds and are not traded on any public exchange or market. The alternative investments invest in various investment vehicles, including U.S. and global publicly traded equities and bonds, privately held companies, and global currencies. As a practical expedient, investments without a readily determinable fair value, including alternative investments, are reflected at net asset value as reported by the fund managers or general partners, and may differ significantly from the values that would have been reported had a ready market for these investments existed.

Income or loss, including realized and unrealized gains and losses on investments, interest and dividends is included in net assets without donor restrictions unless the income or loss is restricted by donor or law.

**Administrative and Investment Fees**

An administrative fee is charged annually to all funds, including custodial funds, based on the actual expenses incurred each year to invest and manage the funds. This fee is charged to each fund based on the weighted average market share held by a fund to the total market value in the fund. The fee is based on the costs incurred each year to operate the fund. Administrative fees of \$326,549 and \$324,640 were charged to all funds for the years ended December 31, 2021 and 2020, respectively. Investment fees are charged annually to all funds, including custodial funds, based on the actual investment expenses incurred each year to invest and manage the funds and have been reported as a reduction of investment return.

**Concentration of Credit Risk**

Financial instruments which potentially subject ACEF to concentrations of credit risk are cash and cash equivalents and investments. ACEF places cash and its investments in high quality securities with several financial and investment institutions which helps limit ACEF's exposure to concentrations of credit risk. However, ACEF is subject to the inherent risks associated with market fluctuations which it attempts to minimize by holding a diversified portfolio. Periodically, cash balances at financial institutions may exceed amounts insured by the Federal Deposit Insurance Corporation. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur and that such changes could materially affect the amounts reported in the financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements include the valuation of investments (Note 5).

**Armenian Church Endowment Fund, Inc.**  
**Notes to Financial Statements**  
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**Distributions of Investment Returns**

Distributions are made annually from investment returns to beneficiary organizations that were selected by the donors at the time the endowment fund was established. Custodial funds receive an annual distribution, which is paid to the organization that established the custodial account. The ACEF policy for annual distributions is calculated at an annual amount equal to approximately 4.5% of the average trailing twelve-quarter market values of each fund. In accordance with this policy, total distributions of \$4,623,135 and \$4,388,442 were distributed from all funds, including custodial funds, for the years ended December 31, 2021 and 2020, respectively. Distributions paid to beneficiary agencies from the endowment funds were \$2,911,182 and \$2,781,680 at December 31, 2021 and 2020, respectively, as shown in the statements of functional expenses. The total net return, which includes interest and dividend payments plus net capital appreciation earned by the pooled investments, net of the operating expenses and distributions, is applied to each fund at year-end.

New accounts or additional contributions to an existing account that have been in ACEF for less than one year will not receive a full 4.5% distribution. A prorata calculation is used based on the date of receipt of the contribution. The calculation for the distributions for accounts that have been in ACEF for more than one year, but less than three years is based on the date the contribution was received and the ending market values for each quarter.

**Income Taxes**

ACEF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for any unrelated business income tax ("UBIT") that is assessed on pass-through income earned on passive investments for certain limited partnerships. During the years ended December 31, 2021 and 2020, ACEF paid \$185 and \$0 for UBIT tax on these passive investments. There is no provision for federal income tax recorded in the statements of activities and changes in net assets. There are no uncertain tax positions at December 31, 2021 and 2020. ACEF did not have any income tax related penalties or interest included in the financial statements presented.

**Functional Expenses**

Expenses are reported in the statements of functional expenses based on the nature and function of the expenses as a program service or supporting function. ACEF incurs expenses that are attributable to both program and supporting functions. These expenses require allocation on a reasonable basis that is consistently applied. Salaries are allocated based on time spent in each of the functional categories for each employee. Fringe benefits and occupancy expenses are allocated using the weighted average of salaries in each category. Other administrative expenses are directly charged to program or management and general expenses.

**New Accounting Pronouncements Issued Not Yet Effective**

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842), which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on the statement of financial position for all of the Organization's lease obligations. This ASU's proposed effective date, as of the date of these financial statements, is for fiscal years beginning after December 15, 2021.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which is effective for fiscal years beginning after December 15, 2022 and requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions will now use forward-looking information to better inform their credit loss estimates.

**Armenian Church Endowment Fund, Inc.**  
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In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from other contributions of cash or financial assets, along with expanded disclosure requirements.

ACEF is currently evaluating the effect that these pronouncements will have on its financial statements and related disclosures.

**3. LOAN RECEIVABLE**

A loan receivable of \$23,237 as of December 31, 2020 represented an unsecured loan made to one parish. The loan was fully paid off during 2021. In accordance with the terms of the agreement, all interest accrued was forgiven as the loan was fully repaid before the final maturity date of December 2023. Interest was accrued at 2.25% per annum and had an accrued balance of \$64,361 at December 31, 2020.

**4. CONTRIBUTIONS RECEIVABLE**

Contributions receivable of \$56,377 and \$69,900 for the years ended December 31, 2021 and 2020, respectively, represent receivables due within one year.

**5. FAIR VALUE MEASUREMENTS**

ACEF has provided fair value disclosure information for relevant assets in these financial statements. ACEF values applicable assets using observable quoted market prices in active markets for identical assets to the extent possible (Level 1). To the extent that such market prices are not available, ACEF will next attempt to value such assets using observable measurement criteria, including quoted market prices of similar assets in active and inactive markets, utilizing net asset values for funds that can be redeemed in the near term and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, ACEF will develop measurement criteria based on the best information available (Level 3).

Investments that have been included in Level 3 are measured using the cost approach, observed transaction price used in subsequent valuations, liquidation value, company financial statements and the assessments by the investment managers and the information that was provided by the fund managers.

Investments in partnerships that are considered investment companies and reflect the net asset value at fair value have been reflected in these financial statements using the practical expedient, which would base the fair value of these investments has been estimated using the net asset value of ACEF's ownership interest in partners' capital. These investments have been excluded from the fair value table, however are included as part of the overall total of investments reported in the total only column. The redemptions for the investments valued using the practical expedient vary from daily to those that cannot be redeemed until distributions for each fund are made as the underlying assets of the fund are liquidated. However, the time of sale of these underlying assets is unknown.

**Armenian Church Endowment Fund, Inc.**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

The following tables summarize the assets which have been accounted for at fair value on a recurring basis as of December 31, 2021 and 2020, along with the basis for the determination of fair value. Certain investments that are measured at fair value using the net asset value per share practical expedient have not been categorized in the fair value hierarchy. There were no changes in investment leveling methodology for the years ended December 31, 2021 and 2020. In addition, there were no transfers in or out of level 3 during the years ended December 31, 2021 and 2020.

<b>Asset Class</b>	<b>2021</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Hedge funds				
Multi strategy (a)	\$ 2,524,713	\$ -	\$ -	2,524,713
Real estate fund (b)	2,067,443	-	-	2,067,443
US Equity funds				
Mid cap	8,368,685	8,368,685	-	-
Small cap	8,116,245	8,116,245	-	-
Index fund	34,553,642	34,553,642	-	-
Emerging market fund	3,527,969	3,527,969		
Global equity fund	8,355,799	8,355,799	-	-
Fixed income fund - government bonds	9,385,020	9,385,020	-	-
	<u>76,899,516</u>	<u>\$ 72,307,360</u>	<u>\$ -</u>	<u>\$ 4,592,156</u>
Investments measured at net asset value (1)	<u>73,830,054</u>			
	<u>\$ 150,729,570</u>			

<b>Asset Class</b>	<b>2020</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Mutual fund				
Multi strategy	\$ 2,589,533	\$ 2,589,533	\$ -	\$ -
Hedge funds				
Multi strategy (a)	3,342,329	-	-	3,342,329
Real estate fund (b)	2,033,876	-	-	2,033,876
Fixed income fund - government bonds	3,383,833	3,383,833	-	-
	<u>11,349,571</u>	<u>\$ 3,383,833</u>	<u>\$ -</u>	<u>\$ 5,376,205</u>
Investments measured at net asset value (1)	<u>109,418,971</u>			
	<u>\$ 120,768,542</u>			

(1) In accordance with subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

**Armenian Church Endowment Fund, Inc.**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

- a) This investment is a commingled fund that has multi-strategy capabilities, with a focus on distressed credit investments. Redemptions are quarterly with 65 days' notice.
- b) This investment is a limited partnership that buys secondary positions in other limited partnerships, primarily in U.S. private real estate strategies. This investment is not redeemable.

The following is a summary of activity for the years ended December 31, 2021 and 2020 for assets measured at fair value in level 3:

	<u>Hedge Funds</u>	<u>Real Estate</u>	<u>Total</u>
Balance, beginning of year January 1, 2020	\$ 3,070,366	\$ 2,298,790	\$ 5,369,156
Realized and unrealized gains (losses)	271,963	(222,220)	49,743
Sales	-	(42,694)	(42,694)
Balance, beginning of year January 1, 2021	3,342,329	2,033,876	5,376,205
Realized and unrealized gains	382,384	203,767	586,151
Sales/redemptions	(1,200,000)	(170,200)	(1,370,200)
Balance, end of year December 31, 2021	<u>\$ 2,524,713</u>	<u>\$ 2,067,443</u>	<u>\$ 4,592,156</u>

The following table lists investments measured using the practical expedient by class and investment strategy as well as the unfunded commitments, redemption frequency and notice period for investments in entities that calculate fair value using net asset value per share or its equivalent:

Strategies	2021			2020			Redemption Frequency	Redemption Notice Period
	# of Funds	Valuation	Unfunded Commitments	# of Funds	2020 Valuation	Unfunded Commitments		
Global equity funds (a)	2	\$ 15,678,291	\$ -	9	\$ 62,878,692	\$ -	Daily - Monthly	1 - 33 days
Private equity funds (b)	28	39,737,422	9,867,000	23	23,733,973	14,700,000	Quarterly - Illiquid	33 days
Hedge Funds (c)	8	18,414,341	1,200,000	10	22,806,306	-	Quarterly - Annually	33 - 120 days
		<u>\$ 73,830,054</u>	<u>\$ 11,067,000</u>		<u>\$ 109,418,971</u>	<u>\$ 14,700,000</u>		

- a) Global equity funds are actively managed funds that invest in stocks and other securities issued by companies in domestic and foreign markets. Investments are held within a commingled trust or limited partnership structure.
- b) Private equity funds are actively managed funds and fund-of-funds that invest in private and public companies through a variety of strategies including, but not limited to early and late-stage venture capital, leveraged buyouts, distressed assets, special situations, and credit strategies. These investments are generally not redeemable from the fund manager. Instead, distributions are received throughout the liquidation of the underlying assets of the fund, typically over 10 years or more.
- c) Hedge funds are actively managed funds and fund-of-funds employing a variety of strategies, including not limited to multi-strategy, absolute return, long/short/ arbitrage, event-driven, distressed debt, and credit. Hedge funds have the ability to invest long and short, shift from a net long position to a net short position, apply leverage, invest in derivatives, and invest in the debt or equity of public and private companies in domestic and foreign markets.

An additional 1% of the value of this class has redemption restrictions limiting redemption amounts per period to a fund level or investor level gate per period. The remaining 99% of the class has no restrictions on redemptions beyond the redemption frequency and notification period.

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**6. INVESTMENT RETURN, NET**

Investment return, net, which includes investment income allocable to custodial funds for the years ended December 31, was:

	<u>2021</u>	<u>2020</u>
Interest, dividend income and capital gains distributions	\$ 2,762,840	\$ 108,753
Unrealized gain	8,874,646	13,162,368
Realized gain (loss)	19,831,982	(1,593,731)
Investment expenses	<u>(433,617)</u>	<u>(370,800)</u>
	31,035,851	11,306,590
Investment return shared with custodial funds	<u>(12,008,197)</u>	<u>(3,971,235)</u>
Net investment return	<u>\$ 19,027,654</u>	<u>\$ 7,335,355</u>

**7. FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

As of December 31, 2021 and 2020, financial assets and liquidity resources available within one year for general operating expenses were as follows:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 9,255,239	\$ 6,507,923
Investments	150,729,570	120,768,542
Contributions receivable	56,377	69,900
Loan and accrued interest receivable	<u>-</u>	<u>87,598</u>
	160,041,186	127,433,963
Less: Financial assets unavailable for general expenditures		
Perpetual endowments and accumulated earnings subject to appropriation beyond one year	(96,152,217)	(79,679,600)
Custodial funds held in investments	<u>(62,155,354)</u>	<u>(46,316,329)</u>
	<u>(158,307,571)</u>	<u>(125,995,929)</u>
Total financial assets and liquidity resources available within one year	<u>\$ 1,733,615</u>	<u>\$ 1,438,034</u>

The financial assets above are not subject to donor or other contractual restrictions that make them unavailable for general expenditures. Annual allocations authorized by the board in the subsequent year would be funded from net assets with restrictions as part of the spending policy in place for the endowment funds.



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**8. CUSTODIAL FUNDS**

Custodial funds are managed by ACEF and have been included in the investment pool. Each fund shares, on a pro rata basis based on their fund balances, in the investment earnings, expenses and the allocated undistributed earnings of the investment pool as determined by the allocation and distribution policies of ACEF. The custodial funds remain the property of the investing entity and are fully refundable at the investors' request and subject to the return of funds policy of ACEF which allows for a ninety-day timeframe for repayment of funds. Custodial funds were comprised of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Diocese of the Armenian Church	\$ 24,003,034	\$ 19,315,886
Other organizations	<u>38,152,320</u>	<u>27,000,443</u>
Total custodial funds	<u>\$ 62,155,354</u>	<u>\$ 46,316,329</u>

**9. ENDOWMENTS**

**Endowment Funds**

Endowment funds classified as with donor restrictions consist of approximately 140 donor-restricted endowment funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") provides guidance on the maintenance and spending of endowment funds. UPMIFA provides guidelines for the expenditure of a donor restricted endowment fund, absent explicit donor stipulations. UPMIFA eliminates the requirement for a permanent endowment to be maintained at its historic dollar value amount and instead allows not-for-profits to adopt prudent spending policies which can allow for the temporary invasion of corpus. The permanent endowments of ACEF are subject to written instruments in which the donor's intent as to purpose and spending policies are explicitly indicated. As a result, ACEF classifies these as net assets with donor restrictions. The permanent endowments historical gift value includes (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund, included with net assets with donor restrictions that is not classified as historical gift value, is classified as appreciation or depreciation of investments until those amounts are designated for expenditure by ACEF in a manner consistent with the standard of prudence prescribed by state law.

ACEF considers the following factors in making a determination to distribute or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of ACEF and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

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**Investment Return Objectives, Risk Parameters and Strategies**

ACEF has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, which is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4.5%, while growing the funds if possible. Therefore, ACEF expects its endowment assets, over time, to produce an average rate of return of approximately 7.5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**Spending Policy**

ACEF has a policy of appropriating for distribution each year 4.5% of its endowment fund's average fair value of the prior twelve quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, ACEF considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. ACEF expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3% annually. This is consistent with ACEF's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

**Board-Designated Endowment Net Assets**

Funds which are invested in the endowment pool that are not restricted by the donor accumulate in a quasi-endowment which allows for appropriation of investment return each year. The funds can be used at the discretion of and approved by the Board of Directors, and there are no other restrictions on the use of these funds.

The following tables provide information regarding the change in endowment net assets for the years ended December 31:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, January 1, 2020	\$ 1,116,831	\$ 74,572,797	\$ 75,689,628
Investment return	98,325	7,237,030	7,335,355
Contributions	-	857,223	857,223
Amounts appropriated for expenditure	<u>(3,208)</u>	<u>(2,987,450)</u>	<u>(2,990,658)</u>
Endowment net assets, December 31, 2020	1,211,948	79,679,600	80,891,548
Investment return	282,593	18,745,061	19,027,654
Contributions	-	862,020	862,020
Amounts appropriated for expenditure	<u>(45,129)</u>	<u>(3,134,464)</u>	<u>(3,179,593)</u>
Endowment net assets, December 31, 2021	<u>\$ 1,449,412</u>	<u>\$ 96,152,217</u>	<u>\$ 97,601,629</u>

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	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor restricted "true" endowment			
Historical gift value	\$ -	\$ 62,448,716	\$ 62,448,716
Appreciation	-	33,703,501	33,703,501
Board designated funds functioning as endowment	<u>1,449,412</u>	<u>-</u>	<u>1,449,412</u>
	<u>\$ 1,449,412</u>	<u>\$ 96,152,217</u>	<u>\$ 97,601,629</u>
<b>2020</b>			
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor restricted "true" endowment			
Historical gift value	\$ -	\$ 61,577,766	\$ 61,577,766
Appreciation	-	18,101,834	18,101,834
Board designated funds functioning as endowment	<u>1,211,948</u>	<u>-</u>	<u>1,211,948</u>
	<u>\$ 1,211,948</u>	<u>\$ 79,679,600</u>	<u>\$ 80,891,548</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires ACEF to retain as a fund of perpetual duration. Deficiencies of this nature approximated \$197,000 at December 31, 2020. There were five individual donor funds having a historical basis of \$3,509,000 with a corresponding fair value of \$3,312,000 as of December 31, 2020. There were no funds with deficiencies at December 31, 2021. These deficiencies resulted from unfavorable market fluctuations that occurred during the last fiscal year and continued distributions for certain programs that were deemed prudent by the Board of Directors. The Organization's policy permits spending from underwater endowments depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

**10. RELATED PARTY TRANSACTIONS**

ACEF rents space under an annual lease agreement from the Diocese. Total rent expense under this agreement was \$36,000 for each of the years ended December 31, 2021 and 2020. The future commitment under the lease agreement at December 31, 2021 is \$36,000.

The Diocese provides an employee directed tax-deferred savings plan, which is available to all full-time employees after sixty days of employment. The savings plan is non-contributory by ACEF. All ACEF employees are eligible to participate in the Diocese plan.

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**11. NET ASSETS WITH DONOR RESTRICTIONS**

ACEF's net assets with donor restrictions consisted of the following at December 31:

	<u><b>2021</b></u>	<u><b>2020</b></u>
United States Armenian churches and schools	\$ 8,267,930	\$ 3,921,233
Overseas Armenian churches and schools	3,732,800	1,667,689
Christian education	3,301,677	1,789,811
Diocesan programs	5,234,428	2,213,330
Spiritual leadership fund	827,107	446,759
Cultural programs	204,961	91,683
Clergy support	7,745,052	5,275,702
Seniors programs and social services	287,828	151,628
ACYOA	168,004	91,050
Camp and youth programs	602,988	294,358
Life income funds	17,056	32,570
Information and publication activities	995,136	555,911
Scholarship programs	306,710	133,919
Cathedral	651,702	315,496
Other programs	59,120	25,575
Alumni fund	90,377	44,915
Mission parishes	<u>1,210,625</u>	<u>1,050,205</u>
Expendable subject to purpose restrictions	33,703,501	18,101,834
Principal required to be held in perpetuity by donor	<u>62,448,716</u>	<u>61,577,766</u>
	<u><u>\$ 96,152,217</u></u>	<u><u>\$ 79,679,600</u></u>

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Net assets released from donor-imposed restrictions consisted of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
United States Armenian churches and schools	\$ 939,753	\$ 941,744
Overseas Armenian churches and schools	457,697	465,586
Christian education	333,990	334,817
Diocesan programs	652,374	653,195
Spiritual leadership fund	85,089	86,549
Cultural programs	25,288	25,664
Clergy support	125,587	126,450
Seniors programs and social services	27,604	26,181
ACYOA	17,073	17,349
Camp and youth programs	68,904	70,044
Life income funds	10,030	13,527
Information and publication activities	98,315	100,005
Scholarship programs	32,901	30,659
Cathedral	75,127	76,395
Other programs	6,122	8,962
Alumni fund	10,153	10,323
Mission parishes	168,457	-
	<u>\$ 3,134,464</u>	<u>\$ 2,987,450</u>

**12. RISKS AND UNCERTAINTIES**

The COVID-19 virus global pandemic continues to impact the global economy. While it is reasonably possible that the virus could have a negative effect on the financial condition and results of operations, the specific impact is not readily determinable as of the date of the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**13. SUBSEQUENT EVENTS**

The 2021 annual distribution of approximately \$5,560,000 was approved in March 2022.

ACEF has evaluated subsequent events occurring after the statement of financial position date through the date of May 31, 2022, which is the date the financial statements were available to be issued. Based on this evaluation, ACEF has determined that no other subsequent events have occurred which require disclosure in or adjustment to the financial statements.