



ARMENIAN CHURCH ENDOWMENT FUND, INC.
Financial Statements
December 31, 2022 and 2021
With Independent Auditor's Report

Armenian Church Endowment Fund, Inc.
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December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Very Rev Fr Mesrop Parsamyan
and the Board of Directors of
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, 2022 and 2021, 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, 2022 and 2021, 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 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 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.

Withum Smith & Brown, PC

July 10, 2023

Armenian Church Endowment Fund, Inc.
Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 6,699,673	\$ 9,255,239
Investments	128,920,875	150,729,570
Contributions receivable	60,125	56,377
Prepaid expense	<u>2,030</u>	<u>-</u>
 Total assets	 <u>\$ 135,682,703</u>	 <u>\$ 160,041,186</u>
 Liabilities and Net Assets		
Liabilities		
Custodial funds	\$ 53,973,811	\$ 62,155,354
Future obligations of charitable remainder annuities	35,757	37,301
Accounts payable and accrued expenses	<u>12,781</u>	<u>14,922</u>
Total liabilities	<u>54,022,349</u>	<u>62,207,577</u>
 Net assets		
Without donor restrictions	1,489,678	1,681,392
With donor restrictions	<u>80,170,676</u>	<u>96,152,217</u>
Total net assets	<u>81,660,354</u>	<u>97,833,609</u>
 Total liabilities and net assets	 <u>\$ 135,682,703</u>	 <u>\$ 160,041,186</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions and custodial funds invested with ACEF	\$ 50	\$ 3,290,964	\$ 3,291,014
Transfer to custodial funds	<u>-</u>	<u>(2,830,839)</u>	<u>(2,830,839)</u>
	50	460,125	460,175
Investment return, net	(187,951)	(13,142,878)	(13,330,829)
Administrative fee charged to custodial funds	147,841	-	147,841
Net present value adjustment to annuities	<u>1,544</u>	<u>-</u>	<u>1,544</u>
	(38,516)	(12,682,753)	(12,721,269)
Net assets released due to satisfaction of purpose restrictions	<u>3,298,788</u>	<u>(3,298,788)</u>	<u>-</u>
Total support and revenues	<u>3,260,272</u>	<u>(15,981,541)</u>	<u>(12,721,269)</u>
Expenses			
Program	3,116,348	-	3,116,348
Management and general expenses	<u>335,638</u>	<u>-</u>	<u>335,638</u>
Total expenses	<u>3,451,986</u>	<u>-</u>	<u>3,451,986</u>
Changes in net assets	(191,714)	(15,981,541)	(16,173,255)
Net assets			
Beginning of year	<u>1,681,392</u>	<u>96,152,217</u>	<u>97,833,609</u>
End of year	<u>\$ 1,489,678</u>	<u>\$ 80,170,676</u>	<u>\$ 81,660,354</u>

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, 2021

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

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, 2022 and 2021

	2022			2021		
	Program	Management and General	Total	Program	Management and General	Total
Salaries	\$ 24,730	\$ 74,189	\$ 98,919	\$ 23,325	\$ 69,975	\$ 93,300
Fringe benefits	3,268	9,803	13,071	3,016	9,049	12,065
Occupancy	9,000	27,000	36,000	9,000	27,000	36,000
Distributions paid	3,079,350	-	3,079,350	2,911,182	-	2,911,182
Professional fees	-	122,088	122,088	-	111,155	111,155
Office expense	-	6,858	6,858	-	4,953	4,953
Marketing and promotion	-	14,781	14,781	-	9,340	9,340
Taxes and fees	-	25,602	25,602	-	8,909	8,909
Conferences	-	697	697	-	-	-
Computer maintenance	-	7,293	7,293	-	5,378	5,378
Insurance	-	47,327	47,327	-	45,449	45,449
	<u>\$ 3,116,348</u>	<u>\$ 335,638</u>	<u>\$ 3,451,986</u>	<u>\$ 2,946,523</u>	<u>\$ 291,208</u>	<u>\$ 3,237,731</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating activities		
Changes in net assets	\$(16,173,255)	\$ 16,798,009
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Net realized and unrealized losses (gains)	23,006,927	(28,706,628)
Donor restricted contributions - endowment	(460,125)	(862,020)
Changes in net present value of annuities	(1,544)	(22,822)
Accrued interest receivable forgiven	-	64,361
Changes in assets and liabilities		
Contributions receivable	(3,748)	13,523
Prepaid expense	(2,030)	-
Custodial funds	(8,181,543)	15,839,025
Accounts payable and accrued expenses	<u>(2,141)</u>	<u>(6,989)</u>
Net cash (used in) provided by operating activities	<u>(1,817,459)</u>	<u>3,116,459</u>
Investing activities		
Principal payment on loan receivable	-	23,237
Purchase of investments	(52,357,000)	(81,651,665)
Proceeds on sale of investments	<u>51,158,768</u>	<u>80,397,265</u>
Net cash used in investing activities	<u>(1,198,232)</u>	<u>(1,231,163)</u>
Financing activities		
Donor restricted contributions - endowment	<u>460,125</u>	<u>862,020</u>
Net cash provided by investing activities	<u>460,125</u>	<u>862,020</u>
Net change in cash and cash equivalents	(2,555,566)	2,747,316
Cash		
Beginning of year	<u>9,255,239</u>	<u>6,507,923</u>
End of year	<u>\$ 6,699,673</u>	<u>\$ 9,255,239</u>
Supplemental disclosure of cash flow information		
No amounts were paid for interest during the years ended December 31, 2022 and 2021.		
Unrelated Business Income taxes paid	<u>\$ 21,914</u>	<u>\$ 185</u>

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

Armenian Church Endowment Fund, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

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 and changes in net assets 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.
Notes to Financial Statements
December 31, 2022 and 2021

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 \$372,634 and \$326,549 were charged to all funds for the years ended December 31, 2022 and 2021, 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 has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on ACEF's financial condition, results of operations, and cash flows.

ACEF places 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. 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.

Armenian Church Endowment Fund, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

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 allocation of functional expenses and the valuation of alternative investments (Note 4).

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 \$5,143,043 and \$4,623,135 were distributed from all funds, including custodial funds, for the years ended December 31, 2022 and 2021, respectively. Distributions paid to beneficiary agencies from the endowment funds were \$3,079,350 and \$2,911,182 at December 31, 2022 and 2021, 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, 2022 and 2021, ACEF paid \$21,914 and \$185 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, 2022 and 2021. 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.

Accounting Pronouncements Adopted in the Current Year

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 company's lease obligations. The adoption of this standard did not have a significant impact on ACEF's financial statements.

Armenian Church Endowment Fund, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

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, and is intended to improve transparency in the reporting of contributed nonfinancial assets. 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. The adoption of this standard did not have a significant impact on ACEF's financial statements.

New Accounting Pronouncements Issued Not Yet Effective

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.

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

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable of \$60,125 and \$56,377 for the years ended December 31, 2022 and 2021, respectively, represent receivables due within one year.

4. 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 at fair value using 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.

There were no changes in investment leveling methodology and there were no transfers in or out of Level 3 during the years ended December 31, 2022 and 2021.

Armenian Church Endowment Fund, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

The following tables summarize the assets which have been accounted for at fair value on a recurring basis as of December 31, 2022 and 2021, along with the basis for the determination of fair value.

Asset Class	2022			
	Total	Level 1	Level 2	Level 3
Equities				
U.S. Large Cap	\$ 9,966,948	\$ 9,966,948	\$ -	\$ -
U.S. Mid Cap	5,512,577	5,512,577	-	-
U.S. Small Cap	5,342,728	5,342,728	-	-
International developed	2,896,411	2,896,411	-	-
Emerging markets	1,517,525	1,517,525	-	-
Fixed income				
Investment grade	7,512,869	2,874,984	4,637,885	-
International developed	444,270	-	444,270	-
Global high yield	1,843,912	-	1,843,912	-
Hedge fund - Multi strategy (a)	2,414,555	-	-	2,414,555
Real estate fund (b)	4,736,652	3,206,163	-	1,530,489
US Equity funds				
Mid cap	4,899,185	4,899,185	-	-
Small cap	1,468,687	1,468,687	-	-
Large cap	10,198,698	10,198,698	-	-
Index fund	1,820,508	1,820,508	-	-
Commodity funds	2,360,282	2,360,282	-	-
Global equity fund	2,993,547	2,993,547	-	-
	65,929,354	\$ 55,058,243	\$ 6,926,067	\$ 3,945,044
Investments measured at net asset value (1)	62,991,521			
	<u>\$ 128,920,875</u>			

Asset Class	2021			
	Total	Level 1	Level 2	Level 3
Hedge fund - 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	8,355,799.00	-	-
Fixed income fund - government bonds	9,385,020	9,385,020	-	-
	76,899,516	\$ 17,740,819	\$ -	\$ 4,592,156
Investments measured at net asset value (1)	73,830,054			
	<u>\$ 150,729,570</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, 2022 and 2021

- 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 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	2022			2021			Redemption Frequency	Redemption Notice Period
	# of Funds	Valuation	Unfunded Commitments	# of Funds	2021 Valuation	Unfunded Commitments		
Global equity funds (a)	2	\$ 9,988,614	\$ -	2	\$ 15,678,291	\$ -	Daily - Monthly	1 - 30 days
Private equity funds (b)	33	36,718,419	5,845,000	28	39,737,422	9,867,000	Quarterly - Illiquid	30 days
Hedge Funds (c)	8	16,284,488	-	8	18,414,341	1,200,000	Quarterly - Annually	30- 120 days
		<u>\$ 62,991,521</u>	<u>\$ 5,845,000</u>		<u>\$ 73,830,054</u>	<u>\$11,067,000</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.

5. INVESTMENT RETURN, NET

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

	2022	2021
Interest, dividend income and capital gains distributions	\$ 1,240,124	\$ 2,762,840
Unrealized (loss) gain	(11,858,020)	8,874,646
Realized (loss) gain	(11,148,907)	19,831,982
Investment expenses	<u>(282,513)</u>	<u>(433,617)</u>
	(22,049,316)	31,035,851
Investment return shared with custodial funds	<u>8,718,487</u>	<u>(12,008,197)</u>
Net investment return	<u><u>\$ (13,330,829)</u></u>	<u><u>\$ 19,027,654</u></u>

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6. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2022 and 2021, financial assets and liquidity resources available within one year for general operating expenses were as follows:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 6,699,673	\$ 9,255,239
Investments	128,920,875	150,729,570
Contributions receivable	60,125	56,377.00
	<u>135,680,673</u>	<u>160,041,186</u>
Less: Financial assets unavailable for general expenditures		
Perpetual endowments and accumulated earnings subject to appropriation beyond one year	(80,170,676)	(96,152,217)
Custodial funds held in investments	<u>(53,973,811)</u>	<u>(62,155,354)</u>
	<u>(134,144,487)</u>	<u>(158,307,571)</u>
Total financial assets and liquidity resources available within one year	<u>\$ 1,536,186</u>	<u>\$ 1,733,615</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.

7. 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>2022</u>	<u>2021</u>
Diocese of the Armenian Church	\$ 23,520,850	\$ 24,003,034
Other organizations	<u>30,452,961</u>	<u>38,152,320</u>
Total custodial funds	<u>\$ 53,973,811</u>	<u>\$ 62,155,354</u>

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8. ENDOWMENTS

Endowment Funds

Endowment funds classified as with donor restrictions consist of approximately 150 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 and provides guidelines for the expenditure of donor restricted endowment funds, 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 the original value of gifts donated to the permanent endowment and 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

Investment Return Objectives, Risk Parameters and Strategies

ACEF has adopted investment and spending policies 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.

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Spending Policy

ACEF has a policy of appropriating annual distributions of 4.5% of each 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:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2021	\$ 1,211,949	\$ 79,679,600	\$ 80,891,549
Investment return	282,592	18,745,061	19,027,653
Contributions	744	862,020	862,764
Amounts appropriated for expenditure	(45,478)	(3,134,464)	(3,179,942)
Endowment net assets, December 31, 2021	1,449,807	96,152,217	97,602,024
Investment return	(187,950)	(13,142,878)	(13,330,828)
Contributions	50	460,125	460,175
Amounts appropriated for expenditure	(5,005)	(3,298,788)	(3,303,793)
Endowment net assets, December 31, 2022	<u>\$ 1,256,902</u>	<u>\$ 80,170,676</u>	<u>\$ 81,427,578</u>
2022			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted "true" endowment			
Historical gift value	\$ -	\$ 62,910,779	\$ 62,910,779
Appreciation	-	17,259,897	17,259,897
Board designated funds functioning as endowment	1,256,902	-	1,256,902
	<u>\$ 1,256,902</u>	<u>\$ 80,170,676</u>	<u>\$ 81,427,578</u>
2021			
	Without Donor Restrictions	With Donor Restrictions	Total
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	1,449,807	-	1,449,807
	<u>\$ 1,449,807</u>	<u>\$ 96,152,217</u>	<u>\$ 97,602,024</u>

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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 \$259,000 at December 31, 2022. There were ten individual donor funds having a historical basis of \$4,234,000 with a corresponding fair value of \$3,975,000 as of December 31, 2022. 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.

9. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
United States Armenian churches and schools	\$ 3,726,648	\$ 8,267,930
Overseas Armenian churches and schools	1,602,284	3,732,800
Christian education	1,659,389	3,301,677
Diocesan programs	2,152,042	5,234,428
Spiritual leadership fund	413,776	827,107
Cultural programs	87,748	204,961
Clergy support	5,274,800	7,745,052
Seniors programs and social services	137,382	287,828
ACYOA	84,379	168,004
Camp and youth programs	277,282	602,988
Life income funds	3,946	17,056
Information and publication activities	512,129	995,136
Scholarship programs	130,790	306,710
Cathedral	297,609	651,702
Other programs	21,949	59,120
Alumni fund	42,188	90,377
Mission parishes	<u>835,556</u>	<u>1,210,625</u>
Expendable subject to purpose restrictions	17,259,897	33,703,501
Principal required to be held in perpetuity by donor	<u>62,910,779</u>	<u>62,448,716</u>
	<u>\$ 80,170,676</u>	<u>\$ 96,152,217</u>

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

	<u>2022</u>	<u>2021</u>
United States Armenian churches and schools	\$ 1,026,856	\$ 939,753
Overseas Armenian churches and schools	490,267	457,697
Christian education	361,285	333,990
Diocesan programs	720,159	652,374
Spiritual leadership fund	91,406	85,089
Cultural programs	27,165	25,288
Clergy support	147,001	125,587
Seniors programs and social services	33,114	27,604
ACYOA	18,464	17,073
Camp and youth programs	74,073	68,904
Life income funds	10,007	10,030
Information and publication activities	105,613	98,315
Scholarship programs	38,816	32,901
Cathedral	80,698	75,127
Other programs	8,489	6,122
Alumni fund	10,909	10,153
Mission parishes	54,466	168,457
	<u>\$ 3,298,788</u>	<u>\$ 3,134,464</u>

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, 2022 and 2021. The future commitment under the lease agreement for the year ended December 31, 2022 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.

11. SUBSEQUENT EVENTS

The 2022 annual distribution of approximately \$6,049,500 was approved in March 2023.

ACEF has evaluated subsequent events occurring after the statement of financial position date through the date of July 10, 2023, 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.