



ARMENIAN CHURCH ENDOWMENT FUND, INC.
Financial Statements
December 31, 2023 and 2022
With Independent Auditor's Report

Armenian Church Endowment Fund, Inc.
Table of Contents
December 31, 2023 and 2022

Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8-19

INDEPENDENT AUDITOR'S REPORT

To Bishop 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, 2023 and 2022, 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, 2023 and 2022, 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

August 26, 2024

Armenian Church Endowment Fund, Inc.
Statements of Financial Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 5,180,576	\$ 6,699,673
Investments	141,637,786	128,920,875
Contributions receivable	29,580	60,125
Prepaid expense	<u>-</u>	<u>2,030</u>
 Total assets	 <u>\$ 146,847,942</u>	 <u>\$ 135,682,703</u>
Liabilities and Net Assets		
Liabilities		
Custodial funds	\$ 58,408,253	\$ 53,973,811
Future obligations of charitable remainder annuities	33,500	35,757
Accounts payable and accrued expenses	<u>22,849</u>	<u>12,781</u>
Total liabilities	<u>58,464,602</u>	<u>54,022,349</u>
Net assets		
Without donor restrictions		
Board designated endowment	1,431,805	1,256,902
Undesignated	<u>197,272</u>	<u>232,776</u>
	1,629,077	1,489,678
With donor restrictions	<u>86,754,263</u>	<u>80,170,676</u>
Total net assets	<u>88,383,340</u>	<u>81,660,354</u>
 Total liabilities and net assets	 <u>\$ 146,847,942</u>	 <u>\$ 135,682,703</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, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Contributions and custodial funds invested with ACEF	\$ -	\$ 2,818,520	\$ 2,818,520
Transfer to custodial funds	<u>-</u>	<u>(1,264,652)</u>	<u>(1,264,652)</u>
	-	1,553,868	1,553,868
Investment return, net	139,994	8,582,971	8,722,965
Administrative fee charged to custodial funds	152,781	-	152,781
Net present value adjustment to annuities	<u>2,257</u>	<u>-</u>	<u>2,257</u>
	295,032	10,136,839	10,431,871
Net assets released due to satisfaction of purpose restrictions	<u>3,553,252</u>	<u>(3,553,252)</u>	<u>-</u>
Total support and revenues	<u>3,848,284</u>	<u>6,583,587</u>	<u>10,431,871</u>
Expenses			
Program	3,366,888	-	3,366,888
Management and general expenses	<u>341,997</u>	<u>-</u>	<u>341,997</u>
Total expenses	<u>3,708,885</u>	<u>-</u>	<u>3,708,885</u>
Changes in net assets	139,399	6,583,587	6,722,986
Net assets			
Beginning of year	<u>1,489,678</u>	<u>80,170,676</u>	<u>81,660,354</u>
End of year	<u>\$ 1,629,077</u>	<u>\$ 86,754,263</u>	<u>\$ 88,383,340</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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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.
Statements of Functional Expenses
Years Ended December 31, 2023 and 2022

	2023			2022		
	<u>Program</u>	<u>Management and General</u>	<u>Total</u>	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 27,819	\$ 83,456	\$ 111,275	\$ 24,730	\$ 74,189	\$ 98,919
Fringe benefits	3,483	10,450	13,933	3,268	9,803	13,071
Occupancy	9,000	27,000	36,000	9,000	27,000	36,000
Distributions paid	3,326,586	-	3,326,586	3,079,350	-	3,079,350
Professional fees	-	124,425	124,425	-	122,088	122,088
Office expense	-	4,812	4,812	-	6,858	6,858
Marketing and promotion	-	21,000	21,000	-	14,781	14,781
Taxes and fees	-	10,944	10,944	-	25,602	25,602
Conferences	-	1,204	1,204	-	697	697
Computer maintenance	-	6,170	6,170	-	7,293	7,293
Insurance	-	52,536	52,536	-	47,327	47,327
	<u>\$ 3,366,888</u>	<u>\$ 341,997</u>	<u>\$ 3,708,885</u>	<u>\$ 3,116,348</u>	<u>\$ 335,638</u>	<u>\$ 3,451,986</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating activities		
Changes in net assets	\$ 6,722,986	\$ (16,173,255)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Net realized and unrealized (gains) losses	(13,132,333)	23,006,927
Donor restricted contributions - endowment	(1,553,868)	(460,125)
Changes in net present value of annuities	(2,257)	(1,544)
Changes in assets and liabilities		
Contributions receivable	30,545	(3,748)
Prepaid expense	2,030	(2,030)
Custodial funds	4,434,442	(8,181,543)
Accounts payable and accrued expenses	10,068	(2,141)
Net cash used in operating activities	<u>(3,488,387)</u>	<u>(1,817,459)</u>
Investing activities		
Purchase of investments	(27,946,735)	(52,357,000)
Proceeds on sale of investments	<u>28,362,157</u>	<u>51,158,768</u>
Net cash provided by (used in) investing activities	<u>415,422</u>	<u>(1,198,232)</u>
Financing activities		
Donor restricted contributions - endowment	<u>1,553,868</u>	<u>460,125</u>
Net cash provided by investing activities	<u>1,553,868</u>	<u>460,125</u>
Net change in cash and cash equivalents	(1,519,097)	(2,555,566)
Cash and cash equivalents		
Beginning of year	<u>6,699,673</u>	<u>9,255,239</u>
End of year	<u>\$ 5,180,576</u>	<u>\$ 6,699,673</u>
Supplemental disclosure of cash flow information		
No amounts were paid for interest during the years ended December 31, 2023 and 2022.		
Unrelated business income taxes paid	<u>\$ 9,072</u>	<u>\$ 21,914</u>

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

Armenian Church Endowment Fund, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

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, 2023 and 2022

Other revenues are obtained from investment income and administrative fees charged to custodial funds. These revenues 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 \$358,299 and \$372,634 were charged to all funds for the years ended December 31, 2023 and 2022, 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.

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 \$5,696,383 and \$5,143,043 were distributed from all funds, including custodial funds, for the years ended December 31, 2023 and 2022, respectively. Distributions paid to beneficiary agencies from the endowment funds were \$3,326,586 and \$3,079,350 at December 31, 2023 and 2022, 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.

Armenian Church Endowment Fund, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

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 pro rata 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, 2023 and 2022, ACEF paid \$9,072 and \$21,914, respectively, 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, 2023 and 2022. 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.

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).

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, 2023 and 2022

Accounting Pronouncements Adopted in the Current Year

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. ACEF will now use forward-looking information to better inform their credit loss estimates. The adoption of this standard did not have a significant impact on its financial statements.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable of \$29,580 and \$60,125 for the years ended December 31, 2023 and 2022, respectively, represent receivables due within one year.

4. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, 2023 and 2022, financial assets and liquidity resources available within one year for general operating expenses were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 5,180,576	\$ 6,699,673
Investments	141,637,786	128,920,875
Contributions receivable	<u>29,580</u>	<u>60,125</u>
	<u>146,847,942</u>	<u>135,680,673</u>
Less: Financial assets unavailable for general expenditures		
Net assets with donor restrictions	(86,754,263)	(80,170,676)
Board designated endowments	(1,431,805)	(1,256,902)
Custodial funds held in investments	<u>(58,408,253)</u>	<u>(53,973,811)</u>
	<u>(146,594,321)</u>	<u>(135,401,389)</u>
Total financial assets and liquidity resources available within one year	<u>\$ 253,621</u>	<u>\$ 279,284</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 donor restrictions as part of the spending policy in place for the endowment funds.

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 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.

Armenian Church Endowment Fund, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

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, 2023 and 2022.

The following tables summarize the assets which have been accounted for at fair value on a recurring basis as of December 31, 2023 and 2022, along with the basis for the determination of fair value.

<u>Asset Class</u>	<u>2023</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equities				
U.S. Large Cap	\$ 13,516,879	\$ 13,516,879	\$ -	\$ -
U.S. Mid Cap	7,989,297	7,989,297	-	-
U.S. Small Cap	6,699,856	6,699,856	-	-
International developed	3,956,631	3,956,631	-	-
Emerging markets	1,665,384	1,665,384	-	-
Fixed income				
Investment grade	12,512,412	4,595,171	7,917,241	-
International developed	407,965	-	407,965	-
Global high yield	2,001,967	-	2,001,967	-
Hedge fund - multi strategy (a)	2,599,123	-	-	2,599,123
Real estate fund (b)	5,960,116	4,525,976	-	1,434,140
U.S. equity funds				
Mid cap	4,690,953	4,690,953	-	-
Small cap	1,507,176	1,507,176	-	-
Large cap	8,151,125	8,151,125	-	-
Index fund	3,457,531	3,457,531	-	-
Commodity funds	2,726,807	2,726,807	-	-
Global equity fund	2,506,079	2,506,079	-	-
	<u>80,349,301</u>	<u>\$ 65,988,865</u>	<u>\$ 10,327,173</u>	<u>\$ 4,033,263</u>
Investments measured at net asset value (1)	<u>61,288,485</u>			
	<u>\$ 141,637,786</u>			

Armenian Church Endowment Fund, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

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
U.S. 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>			

(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.

(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.

Armenian Church Endowment Fund, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

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	2023				
	# of Funds	Valuation	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global equity funds (a)	2	\$ 9,186,681	\$ -	Daily - Monthly	1-30 days
Private equity funds (b)	29	35,992,068	7,297,000	Quarterly - Illiquid	30 days
Hedge Funds (c)	7	16,109,736	-	Quarterly - Annually	30-120 days
		<u>\$ 61,288,485</u>	<u>\$ 7,297,000</u>		
Strategies	2022				
	# of Funds	2022 Valuation	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global equity funds (a)	2	\$ 9,988,614	\$ -	Daily - Monthly	1-30 days
Private equity funds (b)	33	36,718,419	5,845,000	Quarterly - Illiquid	30 days
Hedge Funds (c)	8	16,284,488	-	Quarterly - Annually	30-120 days
		<u>\$ 62,991,521</u>	<u>\$ 5,845,000</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.

Armenian Church Endowment Fund, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

6. INVESTMENT RETURN, NET

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

	<u>2023</u>	<u>2022</u>
Interest, dividend income and capital gains distributions	\$ 1,661,905	\$ 1,240,124
Unrealized gain (loss)	10,555,886	(11,858,020)
Realized gain (loss)	2,576,447	(11,148,907)
Investment expenses	<u>(276,599)</u>	<u>(282,513)</u>
	14,517,639	(22,049,316)
Investment return shared with custodial funds	<u>(5,794,674)</u>	<u>8,718,487</u>
Net investment return	<u>\$ 8,722,965</u>	<u>\$ (13,330,829)</u>

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>2023</u>	<u>2022</u>
Diocese of the Armenian Church	\$ 25,557,216	\$ 23,520,850
Other organizations	<u>32,851,037</u>	<u>30,452,961</u>
Total custodial funds	<u>\$ 58,408,253</u>	<u>\$ 53,973,811</u>

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.

Armenian Church Endowment Fund, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

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.

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.

Armenian Church Endowment Fund, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2022	\$ 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	<u>(5,005)</u>	<u>(3,298,788)</u>	<u>(3,303,793)</u>
Endowment net assets, December 31, 2022	1,256,902	80,170,676	81,427,578
Investment return	173,112	8,582,971	8,756,083
Contributions	-	1,553,868	1,553,868
Amounts appropriated for expenditure	<u>1,791</u>	<u>(3,553,252)</u>	<u>(3,551,461)</u>
Endowment net assets, December 31, 2023	<u>\$ 1,431,805</u>	<u>\$ 86,754,263</u>	<u>\$ 88,186,068</u>

	2023		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted "true" endowment			
Historical gift value	\$ -	\$ 64,464,647	\$ 64,464,647
Appreciation	-	22,289,616	22,289,616
Board designated funds functioning as endowment	<u>1,431,805</u>	<u>-</u>	<u>1,431,805</u>
	<u>\$ 1,431,805</u>	<u>\$ 86,754,263</u>	<u>\$ 88,186,068</u>

	2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	<u>1,256,902</u>	<u>-</u>	<u>1,256,902</u>
	<u>\$ 1,256,902</u>	<u>\$ 80,170,676</u>	<u>\$ 81,427,578</u>

Armenian Church Endowment Fund, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

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 \$79,000 and \$259,000 at December 31, 2023 and 2022, respectively. There were seven individual donor funds having a historical basis of \$2,458,000 with a corresponding fair value of \$2,379,000 as of December 31, 2023. 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. 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. ACEF'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>2023</u>	<u>2022</u>
United States Armenian churches and schools	\$ 4,915,605	\$ 3,726,648
Overseas Armenian churches and schools	2,135,461	1,602,284
Christian education	2,103,211	1,659,389
Diocesan programs	2,912,092	2,152,042
Spiritual leadership fund	524,641	413,776
Cultural programs	116,714	87,748
Clergy support	6,753,754	5,274,800
Seniors programs and social services	176,526	137,382
ACYOA	106,904	84,379
Camp and youth programs	360,622	277,282
Life income funds	-	3,946
Information and publication activities	644,071	512,129
Scholarship programs	182,157	130,790
Cathedral	387,999	297,609
Other programs	24,426	21,949
Alumni fund	54,611	42,188
Mission parishes	<u>890,822</u>	<u>835,556</u>
Expendable subject to purpose restrictions	22,289,616	17,259,897
Principal required to be held in perpetuity by donor	<u>64,464,647</u>	<u>62,910,779</u>
	<u>\$ 86,754,263</u>	<u>\$ 80,170,676</u>

Armenian Church Endowment Fund, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

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

	<u>2023</u>	<u>2022</u>
United States Armenian churches and schools	\$ 1,083,189	\$ 1,026,856
Overseas Armenian churches and schools	508,864	490,267
Christian education	376,116	361,285
Diocesan programs	751,137	720,159
Spiritual leadership fund	94,865	91,406
Cultural programs	28,196	27,165
Clergy support	163,694	147,001
Seniors programs and social services	31,003	33,114
ACYOA	19,128	18,464
Camp and youth programs	76,878	74,073
Life income funds	9,981	10,007
Information and publication activities	109,605	105,613
Scholarship programs	42,769	38,816
Cathedral	83,805	80,698
Other programs	8,415	8,489
Alumni fund	11,324	10,909
Mission parishes	154,283	54,466
	<u>\$ 3,553,252</u>	<u>\$ 3,298,788</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, 2023 and 2022. The future commitment under the lease agreement for the year ended December 31, 2023 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 2023 annual distribution of approximately \$6,489,000 was approved in March 2024.

ACEF has evaluated subsequent events occurring after the statement of financial position date through the date of August 26, 2024, 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.