The National Benevolent Association of the Christian Church (Disciples of Christ)

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2017 and 2016

The National Benevolent Association of the Christian Church (Disciples of Christ)

December 31, 2017 and 2016

Contents

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Independent Auditor's Report

Board of Trustees
The National Benevolent Association
of the Christian Church (Disciples of Christ)
St. Louis, Missouri

We have audited the accompanying consolidated financial statements of The National Benevolent Association of the Christian Church (Disciples of Christ) ("NBA"), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to NBA's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NBA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NBA as of December 31, 2017 and 2016, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The Functional Expenses listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

St. Louis, Missouri
May 11, 2018

The National Benevolent Association of the Christian Church (Disciples of Christ)

Consolidated Statements of Financial Position

December 31, 2017 and 2016

(Dollars in Thousands)

Assets

	2017	2016
Current Assets		
Cash and cash equivalents	$ 682	$ 554
Bequests and other receivable, net of allowance; 2017 - $5, 2016 - $5	160	233
Contributions receivable	5	8
Investments	53,348	49,261
Deposits	352	352
Prepaid expenses	91	68
Total current assets	54,638	50,476
Noncurrent Assets		
Other assets	43	210
Property and equipment, net of accumulated depreciation; 2017 - $372, 2016 - $303	426	491
Investments	21,779	18,526
Beneficial interest in perpetual trusts held by related party	708	676
Beneficial interest in perpetual trusts held by third-party	2,389	2,198
Total noncurrent assets	25,345	22,101
Total assets	$ 79,983	$ 72,577

Liabilities and Net Assets

	2017	2016
Current Liabilities		
Accounts payable and accrued expenses	$ 422	$ 406
Current portion of note payable to affiliate	46	44
Current portion of annuity obligations	387	399
Due to affiliated organizations	4,246	3,782
Total current liabilities	5,101	4,631
Noncurrent Liabilities		
Annuity and trust obligations	1,648	1,529
Funds held in trust	2,948	2,408
Note payable to affiliate	319	365
Other	377	514
Total noncurrent liabilities	5,292	4,816
Total liabilities	10,393	9,447
Net Assets		
Unrestricted	41,846	37,539
Temporarily restricted	10,973	9,023
Permanently restricted	16,771	16,568
Total net assets	69,590	63,130
Total liabilities and net assets	$ 79,983	$ 72,577

The National Benevolent Association of the Christian Church (Disciples of Christ)

Consolidated Statements of Activities

Years Ended December 31, 2017 and 2016

(Dollars in Thousands)

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Fees for services	$ 167	$ -	$ -	$ 167
Contributions	460	34	46	540
Net realized and unrealized gains on investments	5,217	3,036	3	8,256
Interest, dividends and other investment return	146	1	-	147
Gain (loss) on deferred gift values	273	46	17	336
Gain on sale of assets	64	-	-	64
Change in beneficial interest in perpetual trusts	-	62	168	230
Net assets released from restrictions	1,260	(1,229)	(31)	-
Other	41	-	-	41
Total revenues, gains and other support	7,628	1,950	203	9,781
Expenses				
Program services	1,658	-	-	1,658
Management and general	1,118	-	-	1,118
Fundraising	545	-	-	545
Total expenses	3,321	-	-	3,321
Change in Net Assets	4,307	1,950	203	6,460
Net Assets, Beginning of Year	37,539	9,023	16,568	63,130
Net Assets, End of Year	$ 41,846	$ 10,973	$ 16,771	$ 69,590

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 181	$ -	$ -	$ 181
606	22	27	655
3,490	1,918	3	5,411
100	1	-	101
111	(10)	6	107
-	-	-	-
-	-	64	64
1,000	(1,000)	-	-
574	-	-	574
6,062	931	100	7,093
1,361	-	-	1,361
1,192	-	-	1,192
456	-	-	456
3,009	-	-	3,009
3,053	931	100	4,084
34,486	8,092	16,468	59,046
$ 37,539	$ 9,023	$ 16,568	$ 63,130

The National Benevolent Association of the Christian Church (Disciples of Christ)

Consolidated Statements of Cash Flows

Years Ended December 31, 2017 and 2016

(Dollars in Thousands)

	2017	2016
Operating Activities		
Change in net assets	$ 6,460	$ 4,084
Items not requiring (providing) operating activities cash flows		
Depreciation	71	69
Net realized and unrealized gains on investments	(8,256)	(5,411)
Gain on beneficial interest in perpetual trusts	(230)	(64)
Change in deferred gift values	107	(314)
Changes in		
Accounts receivable	73	(4)
Deposits	-	438
Contributions receivable	3	(8)
Prepaid expenses	(23)	3
Accounts payable and accrued expenses	16	8
Other assets and current/noncurrent liabilities	494	(19)
Net cash used in operating activities	(1,285)	(1,218)
Investing Activities		
Purchase of property and equipment	(6)	(30)
Purchase of investments	(3,390)	(1,435)
Proceeds from disposition of investments	4,501	2,456
Net cash provided by investing activities	1,105	991
Financing Activities		
Proceeds from issuance of notes payable to affiliate	-	59
Principal payments on notes payable to affiliate	(44)	(42)
Net proceeds from planned giving program	352	435
Net cash provided by financing activities	308	452
Increase in Cash and Cash Equivalents	128	225
Cash and Cash Equivalents, Beginning of Year	554	329
Cash and Cash Equivalents, End of Year	$ 682	$ 554
Supplemental Cash Flows Information		
Interest paid	$ 17	$ 19

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The National Benevolent Association ("NBA") is the social and health services general ministry of the Christian Church (Disciples of Christ). NBA is a Missouri not-for-profit corporation. The mission statement of the NBA is:

> *Following God's call, the National Benevolent Association exists to inspire and connect the people and ministries of the Christian Church (Disciples of Christ), to accompany one another in the creation of communities of compassion and care and to advocate for the well-being of humanity.*

The NBA partners with local congregations, regional and general ministries of the Christian Church (Disciples of Christ), and a variety of Disciples-related health and social service providers, *i.e*., agencies. The NBA equips and collaborates with partner organizations that provide direct care to those in need through affordable housing, spiritual care for the incarcerated, children and family services, programs for adults with intellectual and developmental disabilities, care and advocacy for older adults, and initiatives responding to hunger, to name only a few.

In affiliation with nonprofit agencies and projects, there are times that the NBA enters into Memorandums of Understanding (MOU) with Disciples' related health and social service providers in their work. The MOU serves to define and clarify the NBA's affiliation with these organizations. As affiliated partners, the NBA can be publically listed with each organization. Reciprocally, the NBA will list the agency and/or project with whom they are affiliated. Each MOU details the specifics of the relationship between the NBA and the particular service provider. Individual MOU's may include items such as: funding grants; coaching services; access to NBA's networks of health and social service ministries; marketing and communication assistance in their local community and across the Christian Church (Disciples of Christ).

Principles of Consolidation

The consolidated financial statements include the accounts of NBA, the NBA Central Offices located in St. Louis, Missouri and the National Benevolent Foundation, all of which are corporations of which NBA serves as the sole corporate member. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

NBA considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2017 and 2016, cash equivalents consisted of a certificate of deposit.

At December 31, 2017, the Organization's cash accounts exceeded federally insured limits by approximately $285.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using a rate of 4 percent and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. These investments are classified as either current or long-term investments in the consolidated statements of financial position. These classifications are made to divide those investments held in trust in conjunction with pooled investment trusts, living trusts, unitrusts, annuity trusts and those investments permanently restricted by donors in conjunction with endowment agreements from other investments.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in temporarily restricted net assets and then released from restriction. Other investment return is reflected in the consolidated statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

NBA maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Irrevocable Split-Interest Agreements

NBA is the trustee of certain irrevocable split-interest agreements, including pooled life income funds, unitrusts and annuity trusts. Under the terms of these instruments, NBA is named as the trustee, current distributions are made to specified individuals and a remainder interest is to be distributed to NBA. Unitrusts are accounted for using the standard method, which pays the donors based on a fixed percentage. NBA is also the issuer of gift annuity agreements under which NBA, in exchange for a transfer of cash or other property, is obligated to pay an annuity to one or two individuals for their remaining lives. NBA recognizes any assets transferred as part of the initial payment at their fair values. Liabilities for the future payments to annuitants are recorded using published actuarial life expectancies and the Applicable Federal Rate at the date of the gift. Prior to 2006, NBA used assumed discount rates ranging from 11 percent to 4 percent. The difference between the fair value of donated assets and the calculated liability is recognized as contribution revenue in the year the irrevocable gift is made.

Each year, NBA recognizes net gains and losses on deferred gift values based on the investment income and market appreciation (depreciation) of trust assets, distributions to annuitants and releases of remainder trusts or gift annuities. Assets of the pooled life income funds, unitrusts and annuity trusts are held by NBA as the trustee pursuant to the terms of specific trust agreements. Assets transferred to NBA in exchange for a gift annuity become property of NBA and are not held in trust.

Property and Equipment

Property and equipment are recorded at cost, except for property received by gifts which is recorded at fair value on the date of receipt. Property and equipment are depreciated on a straight-line basis over the useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Leasehold improvements	3-10 years
Furniture and equipment	3-15 years

Long-Lived Asset Impairment

NBA evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2017 and 2016.

Due to Affiliated Organizations

Due to affiliated organizations represent investments held by NBA in a pooled investment account on behalf of affiliated agencies.

Other Noncurrent Liabilities

Other noncurrent liabilities are comprised of reserves established for self-insurance and other insurance reserves for the benefit of NBA and endowment funds held for the benefit of other entities.

Liability for Annuity Obligations

Liability for annuity obligations represent the net present value of future payments due under irrevocable agreements written in conjunction with certain deferred gift programs.

Funds Held in Trust

Funds held in trust are comprised primarily of revocable deferred gift deposit agreements and various unitrusts, annuity trusts, gift annuities and pooled fund agreements whose residual beneficiaries are not-for-profit entities other than NBA.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by NBA has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by NBA in perpetuity.

Fees for Services

Fees for services for the year ended December 31, 2017, are comprised largely of revenues from the Xplor program which were $99 and $141, in 2017 and 2016, respectively. Xplor program revenues are payments received by the Organization from hosting churches in amounts that approximate stipends and benefits paid to Xplor residents. The balance of fees for services revenues for the current year are fees charged for services performed by the accounting staff, $68 and $40, in 2017 and 2016, respectively, for services such as outsourced accounting and funds management.

Income Taxes

NBA is exempt from income taxes under Section 501 of the *Internal Revenue Code* and a similar provision of state law, pursuant to a group exemption letter issued to the Disciples of Christ. However, NBA is subject to federal income tax on any unrelated business taxable income.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the program, management and general and fundraising categories based on the best estimates of management.

Reclassifications

Certain reclassifications have been made to the 2016 consolidated financial statements to conform to the 2017 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through May 11, 2018, which is the date the consolidated financial statements were available to be issued.

(Dollars in Thousands)

Note 2: Investments and Investment Return

Investments at December 31, 2017 and 2016, consisted of the following:

	2017		2016	
	Current Investments	Long-term Investments	Current Investments	Long-term Investments
Money market funds	$ -	$ 899	$ -	$ 47
Equity securities	3	-	3	-
Mutual funds				
Balanced funds	-	1,892	-	1,394
Fixed income	-	619	-	741
Other	-	618	-	1,006
Christian Church Foundation funds				
Total return plan	52,200	17,751	48,139	15,338
Annuity growth plan				
Money market funds	49	-	45	-
U.S. Treasury securities	56	-	82	-
Mutual funds				
Large cap	88	-	158	-
Balanced funds	629	-	440	-
Fixed income	206	-	234	-
Other	117	-	160	-
	$ 53,348	$ 21,779	$ 49,261	$ 18,526

Total investment return is comprised of the following:

	2017	2016
Net realized and unrealized gains (losses) on investments reported at fair value	$ 8,256	$ 5,411
Interest, dividends and other investment return	147	101
	$ 8,403	$ 5,512

NBA invests in various investment securities. 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 in the near term and that such change could materially affect the amounts reported in the accompanying consolidated statements of financial position.

(Dollars in Thousands)

Note 3: Property and Equipment

Property and equipment at December 31, 2017 and 2016, consists of:

	2017	2016
Leasehold improvements	$ 458	$ 458
Furniture and equipment	340	336
	798	794
Less accumulated depreciation	372	303
	$ 426	$ 491

Note 4: Annuities and Trusts Payable

NBA is the recipient of gift annuities and other charitable trusts which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. NBA has recorded a liability at December 31, 2017 and 2016, of approximately $2,035 and $1,928, respectively, which represents the present value of the future annuity obligations. The liability has been determined using discount rates ranging from 2 percent to 11 percent, based on applicable mortality tables.

NBA administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the use of NBA. The portion of the trust attributable to the future interest of NBA is recorded in the consolidated statements of activities as temporarily restricted contributions in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair value in NBA's consolidated statements of financial position. On an annual basis, NBA revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions.

Note 5: Note Payable to Affiliate

NBA has a note payable agreement with the Board of Church Extension of Disciples of Christ, Inc. At December 31, 2017 and 2016, there was $365 and $409, respectively, outstanding on the note payable. $5 is payable monthly including interest at 4.5 percent. The initial note payable term is five years expiring on March 31, 2020, with an optional five year extension at the end of the first term. The note is secured by a hold on funds on deposit with Christian Church Foundation.

(Dollars in Thousands)

Aggregate annual maturities of the note payable at December 31, 2017, are:

2018	$	46
2019		48
2020		271
	$	365

Note 6: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	2017		2016	
Purpose restrictions				
NBA Ministry Programs	$	3,911	$	3,475
Educational		-		118
Funds held by Christian Church Foundation, Inc.		150		139
Deferred gift agreements		962		931
		5,023		4,663
For periods after December 31				
Fair value in excess of corpus on permanently restricted net assets		5,950		4,360
	$	10,973	$	9,023

Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity. The income derived from most permanently restricted net assets is to be used for the support of unrestricted program activities.

(Dollars in Thousands)

Net Assets Released from Restrictions

Net assets were released from donor restrictions for continuing operations by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. For the years ended December 31, 2017 and 2016, restricted net assets were released as follows:

	2017	2016
Expiration of time restrictions	$ 16	$ 10
Cy Pres Release	138	182
Release of funds to separated unit	55	-
Purpose restrictions accomplished		
NBA Ministry Programs support	1,051	808
	$ 1,260	$ 1,000

Note 7: Beneficial Interest in Perpetual Trusts

Trusts Held by Related Party

NBA and the Christian Church Foundation, Inc. (the "Foundation") are related parties that are not financially interrelated organizations. Each organization is one of 18 General Ministries of the Christian Church (Disciples of Christ). These ministries address broad areas of work, central administrative functions and specialized study and services to meet responsibilities of the Church in its mission of witness and service to the world. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to NBA.

The Foundation has not made contributions to NBA, other than required pass-through contributions due, during the years ended December 31, 2017 and 2016. NBA assets held by the Foundation are recorded at fair value by the Foundation. NBA has recorded a beneficial interest in trust at December 31, 2017 and 2016, of approximately $708 and $676, respectively. The change in value of the beneficial interest in trust is recorded on a separate line within revenues on the consolidated statements of activities.

Trusts Held by Third Party

NBA is the beneficiary under a number of perpetual trusts administered by outside parties. Under the terms of the trusts, NBA has the irrevocable right to receive a portion of income earned on trust assets in perpetuity, but never receives the assets held in the trusts. The estimated value of the expected future cash flows is $2,389 and $2,198, which represents the fair value of trust assets at December 31, 2017 and 2016, respectively. The income from these trusts for 2017 and 2016 was $191 and $94, respectively.

Note 8: Pension Plan

The employees of NBA can participate in a contributory, defined benefit pension plan which is administered by the Pension Fund of the Christian Church (Disciples of Christ), Indianapolis, Indiana. This is a multiemployer pension plan which does not accumulate data on an individual employer basis and accordingly, such disclosure is not possible. Total pension expense for 2017 and 2016 was $159 and $147, respectively.

Note 9: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Insurance

Since 1995, NBA has purchased insurance for workers' compensation with between a $250 and $350 deductible per occurrence. At December 31, 2017 and 2016, based on actuarial estimates, NBA has provided an accrual of $156 and $176, respectively. At December 31, 2017 and 2016, the insurers are holding approximately $352 and $352, respectively, in collateral for these related occurrences, which are included as deposits in the consolidated statements of financial position. Effective March 2005, NBA has workers' compensation insurance with no deductible per occurrence.

Note 10: Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

(Dollars in Thousands)

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2017 and 2016:

	2017			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 899	$ 899	$ -	$ -
Equity securities	$ 3	$ 3	$ -	$ -
Mutual funds				
Balanced funds	$ 1,892	$ 1,892	$ -	$ -
Fixed income	$ 619	$ 619	$ -	$ -
Other	$ 618	$ 618	$ -	$ -
Christian Church Foundation funds				
Total return plan	$ 69,951	$ 212	$ 69,739	$ -
Annuity growth plan				
Money market funds	$ 49	$ 49	$ -	$ -
U.S. Treasury securities	$ 56	$ -	$ 56	$ -
Mutual funds				
Large cap	$ 88	$ 88	$ -	$ -
Balanced funds	$ 629	$ 629	$ -	$ -
Fixed income	$ 206	$ 206	$ -	$ -
Other	$ 117	$ 117	$ -	$ -
Beneficial interest in perpetual trusts:				
Held by related party	$ 708	$ -	$ 708	$ -
Held by third party	$ 2,389	$ -	$ 2,389	$ -

The National Benevolent Association of the Christian Church (Disciples of Christ)

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

(Dollars in Thousands)

		2016		
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 47	$ 47	$ -	$ -
Equity securities	$ 3	$ 3	$ -	$ -
Mutual funds				
Balanced funds	$ 1,394	$ 1,394	$ -	$ -
Fixed income	$ 741	$ 741	$ -	$ -
Other	$ 1,006	$ 1,006	$ -	$ -
Christian Church Foundation funds				
Total return plan	$ 63,477	$ 184	$ 63,293	$ -
Annuity growth plan				
Money market funds	$ 45	$ 45	$ -	$ -
U.S. Treasury securities	$ 82	$ -	$ 82	$ -
Mutual funds				
Large cap	$ 158	$ 158	$ -	$ -
Balanced funds	$ 440	$ 440	$ -	$ -
Fixed income	$ 234	$ 234	$ -	$ -
Other	$ 160	$ 160	$ -	$ -
Beneficial interest in perpetual trusts:				
Held by related party	$ 676	$ -	$ 676	$ -
Held by third party	$ 2,198	$ -	$ 2,198	$ -

Following is a description of the valuation methodologies and inputs used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2017.

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy. NBA has no Level 3 investments.

A majority of the investments held by NBA for endowment purposes are held at the Christian Church Foundation. NBA holds units within the Total Return Fund which represents their proportionate share of the fund and the underlying investments. The Total Return Fund consists of domestic and international equity securities, fixed income securities, alternative strategies and real assets.

Beneficial Interest in Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

Note 11: Endowment

NBA's endowment consists of approximately 160 individual funds established for a variety of purposes. NBA's definition of endowment is limited to donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The NBA's board of trustees has interpreted the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NBA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. For each individual fund where the value exceeds the permanently restricted amount the remaining portion of the donor-restricted endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by NBA in a manner consistent with the standard of prudence prescribed by SPMIFA. For each individual fund where the value is less than the permanently restricted portion the deficit amount is classified as unrestricted net assets. In accordance with SPMIFA, NBA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(Dollars in Thousands)

1. Duration and preservation of the fund
2. Purposes of NBA and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of NBA
7. Investment policies of NBA

The composition of net assets by type of endowment fund at December 31, 2017 and 2016, was:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 5,950	$ 14,382	$ 20,332
	2016			
Donor-restricted endowment funds	$ (36)	$ 4,360	$ 14,347	$ 18,671

Changes in endowment net assets for the years ended December 31, 2017 and 2016, were:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (36)	$ 4,360	$ 14,347	$ 18,671
Investment return				
Investment income	-	48	-	48
Net appreciation	36	2,388	3	2,427
Total investment return	36	2,436	3	2,475
Contributions	-	-	46	46
Release of funds to separated unit	-	(24)	(31)	(55)
Actuarial changes (released planned gifts)	-	-	17	17
Appropriation of endowment assets for expenditure per spending policy	-	(822)	-	(822)
Endowment net assets, end of year	$ -	$ 5,950	$ 14,382	$ 20,332

(Dollars in Thousands)

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (86)	$ 3,534	$ 14,311	$ 17,759
Investment return				
Investment income	-	1	-	1
Net depreciation	50	1,611	3	1,664
Total investment return	50	1,612	3	1,665
Contributions	-	-	27	27
Actuarial changes (released planned gifts)	-	-	6	6
Appropriation of endowment assets for expenditure per spending policy	-	(786)	-	(786)
Endowment net assets, end of year	$ (36)	$ 4,360	$ 14,347	$ 18,671

Amounts of donor-restricted endowment funds classified as permanently and temporarily restricted net assets at December 31, 2017 and 2016, consisted of:

	2017	2016
Permanently restricted net assets - portion of perpetual endowment funds required to be retained permanently by explicit donor stipulation	$ 14,382	$ 14,347
Temporarily restricted net assets - value of perpetual endowment funds in excess of amounts required to be retained permanently by explicit donor stipulation without purpose restrictions	$ 5,950	$ 4,360

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level NBA is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated $0 and $36 at December 31, 2017 and 2016, respectively.

In investing the funds of its permanent endowments, NBA has adopted a total return strategy in which investment returns are achieved through both current yield and realized/unrealized capital appreciation and which target a diversified asset allocation that places a greater emphasis on equity based securities to achieve long-term return objectives within prudent risk constraints. To that end, NBA has invested the majority of its permanently restricted endowments in the Common Fund and the Campbell Fund maintained by the Christian Church Foundation (Disciples of Christ). The long-term return, net of maximum costs and expenses, are 5.5 percent for the Common Fund and 6.4 percent for the Campbell Fund and which assume a moderate level of investment risk although actual returns in a given year will vary.

In order to provide a predictable stream of funding to programs from its permanently restricted endowment funds while seeking to maintain the purchasing power of the permanent funds, NBA has appropriated for expenditure each year 4.5 percent of the average fair value of the fund invested in the Common Fund and the Campbell Fund. Over the long term, NBA believes that these expenditures will allow its permanently restricted endowment funds to grow at an average rate that will exceed the spending rate and maintain the purchasing power of its permanently restricted endowment funds.

Note 12: Future Change in Accounting Principle

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2018. NBA is in the process of evaluating the impact the amendment will have on the consolidated financial statements.

Supplementary Information

The National Benevolent Association of the Christian Church (Disciples of Christ)

Consolidated Statements of Functional Expenses

Years Ended December 31, 2017 and 2016

(Unaudited)

(Dollars in Thousands)

	2017			
	Program Services	Management and General	Fundraising	Total Expenses
Wages, benefits and program consultants	$ 918	$ 561	$ 326	$ 1,805
Staff travel	122	40	57	219
Mission grants	400	-	-	400
Mission events	113	-	-	113
Publication and information events	35	64	94	193
Office, information technology and other	61	147	62	270
Professional services	2	228	3	233
Depreciation and amortization	7	61	3	71
Interest	-	17	-	17
Totals	$ 1,658	$ 1,118	$ 545	$ 3,321

	2016			
	Program Services	Management and General	Fundraising	Total Expenses
Wages, benefits and program consultants	$ 902	$ 578	$ 300	$ 1,780
Staff travel	127	45	57	229
Mission grants	185	-	-	185
Mission events	108	-	-	108
Publication and information events	15	67	66	148
Office, information technology and other	19	244	32	295
Professional services	3	173	-	176
Depreciation and amortization	2	67	1	70
Interest	-	18	-	18
Totals	$ 1,361	$ 1,192	$ 456	$ 3,009