

THE EPISCOPAL CHURCH FOUNDATION

Financial Statements
With Independent Auditors' Report

December 31, 2020 and 2019

THE EPISCOPAL CHURCH FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Episcopal Church Foundation
New York, New York

We have audited the accompanying financial statements of The Episcopal Church Foundation, a New York not-for-profit corporation, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 the entity'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 financial statements.

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

Board of Directors
The Episcopal Church Foundation
New York, New York

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Episcopal Church Foundation as of December 31, 2020 and 2019, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

New York, New York
June 9, 2021

THE EPISCOPAL CHURCH FOUNDATION

Statements of Financial Position

	December 31,	
	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 385,950	\$ 306,550
Contributions receivable	10,254	23,405
Other assets	1,528,143	1,495,484
Investments held under split-interest agreements	33,853,327	34,001,133
Investments managed on behalf of others	524,182,161	482,842,746
Investments	52,516,463	48,860,379
Property and equipment, net	256,071	237,041
Total Assets	\$ 612,732,369	\$ 567,766,738
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	\$ 428,684	\$ 477,292
Deferred grant revenue	426,490	674,394
Deferred event revenue	12,500	147,078
Liabilities under split-interest agreements and discount for future interest - pooled income fund	31,884,881	32,116,003
Funds managed on behalf of others	524,182,161	482,842,746
Total liabilities	556,934,716	516,257,513
Net assets:		
Net assets without donor restrictions	47,472,339	43,462,500
Net assets with donor restrictions:		
Restricted by time and purpose	3,794,205	3,601,242
Restricted in perpetuity	4,531,109	4,445,483
	8,325,314	8,046,725
Total net assets	55,797,653	51,509,225
Total Liabilities and Net Assets	\$ 612,732,369	\$ 567,766,738

See notes to financial statements

THE EPISCOPAL CHURCH FOUNDATION

Statements of Activities

	Year Ended December 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND SUPPORT:						
Contributions and legacies	\$ 615,482	\$ 888,427	\$ 1,503,909	\$ 596,759	\$ 441,614	\$ 1,038,373
Fees for services	1,716,173	-	1,716,173	1,814,107	-	1,814,107
Publication and other fees	30,030	-	30,030	34,921	-	34,921
Investment income authorized for use in operations	1,789,500	-	1,789,500	1,805,670	-	1,805,670
Net assets released from restrictions for operating activity	1,362,723	(1,362,723)	-	598,129	(598,129)	-
Total Operating Revenues and Support	5,513,908	(474,296)	5,039,612	4,849,586	(156,515)	4,693,071
OPERATING EXPENSES:						
Program services (Note 2):						
Leadership resources	2,029,125	-	2,029,125	1,670,882	-	1,670,882
Financial resources	1,489,364	-	1,489,364	1,994,111	-	1,994,111
Total program services	3,518,489	-	3,518,489	3,664,993	-	3,664,993
Supporting activities:						
Management and general	346,106	-	346,106	321,192	-	321,192
Fundraising	293,495	-	293,495	330,128	-	330,128
Total supporting services	639,601	-	639,601	651,320	-	651,320
Total Expenses	4,158,090	-	4,158,090	4,316,313	-	4,316,313
Change in operating activity	1,355,818	(474,296)	881,522	533,273	(156,515)	376,758

(continued)

See notes to financial statements

THE EPISCOPAL CHURCH FOUNDATION

Statements of Activities (continued)

	Year Ended December 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
NONOPERATING ACTIVITY:						
Investment gain in excess of amounts authorized for use in operations	2,654,021	253,621	2,907,642	5,146,687	432,092	5,578,779
Change in value of split-interest agreements	-	413,638	413,638	-	569,679	569,679
Change in value of beneficial interest in perpetual trusts	-	85,626	85,626	-	175,097	175,097
Change in nonoperating activity	<u>2,654,021</u>	<u>752,885</u>	<u>3,406,906</u>	<u>5,146,687</u>	<u>1,176,868</u>	<u>6,323,555</u>
Total Change in Net Assets	4,009,839	278,589	4,288,428	5,679,960	1,020,353	6,700,313
Net Assets, Beginning of Year	<u>43,462,500</u>	<u>8,046,725</u>	<u>51,509,225</u>	<u>37,782,540</u>	<u>7,026,372</u>	<u>44,808,912</u>
Net Assets, End of Year	<u>\$ 47,472,339</u>	<u>\$ 8,325,314</u>	<u>\$ 55,797,653</u>	<u>\$ 43,462,500</u>	<u>\$ 8,046,725</u>	<u>\$ 51,509,225</u>

See notes to financial statements

THE EPISCOPAL CHURCH FOUNDATION

Statement of Functional Expenses

Year Ended December 31, 2020

	Program Services			Supporting Activities			Total
	Leadership Resources	Financial Resources	Totals	Management and General	Fundraising	Totals	2020
Salaries	\$ 699,634	\$ 892,613	\$ 1,592,247	\$ 199,301	\$ 111,262	\$ 310,563	\$ 1,902,810
Payroll taxes	54,170	67,781	121,951	13,808	7,234	21,042	142,993
Employee benefits	155,588	202,991	358,579	48,327	26,979	75,306	433,885
	<u>909,392</u>	<u>1,163,385</u>	<u>2,072,777</u>	<u>261,436</u>	<u>145,475</u>	<u>406,911</u>	<u>2,479,688</u>
Professional fees and honoraria	238,894	89,548	328,442	45,281	18,304	63,585	392,027
Grants to other organizations	350,801	-	350,801	-	-	-	350,801
Travel and conferences	305,038	37,507	342,545	1,357	1,430	2,787	345,332
Office supplies	60,383	54,609	114,992	8,474	30,605	39,079	154,071
Occupancy costs	48,088	61,352	109,440	13,699	7,647	21,346	130,786
Depreciation	43,418	55,394	98,812	12,368	6,905	19,273	118,085
Public relations and advertising	7,237	13,695	20,932	150	61,227	61,377	82,309
Fellowship grants	55,000	-	55,000	-	-	-	55,000
Insurance	10,874	13,874	24,748	3,098	1,729	4,827	29,575
Other	-	-	-	243	20,173	20,416	20,416
	<u>-</u>	<u>-</u>	<u>-</u>	<u>243</u>	<u>20,173</u>	<u>20,416</u>	<u>20,416</u>
Total expenses	<u>\$ 2,029,125</u>	<u>\$ 1,489,364</u>	<u>\$ 3,518,489</u>	<u>\$ 346,106</u>	<u>\$ 293,495</u>	<u>\$ 639,601</u>	<u>\$ 4,158,090</u>

See notes to financial statements

THE EPISCOPAL CHURCH FOUNDATION

Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services			Supporting Activities			Total
	Leadership Resources	Financial Resources	Totals	Management and General	Fundraising	Totals	2019
Salaries	\$ 694,731	\$ 1,158,297	\$ 1,853,028	\$ 186,449	\$ 121,847	\$ 308,296	\$ 2,161,324
Payroll taxes	51,606	86,559	138,165	12,599	7,982	20,581	158,746
Employee benefits	142,102	216,361	358,463	43,029	28,120	71,149	429,612
	<u>888,439</u>	<u>1,461,217</u>	<u>2,349,656</u>	<u>242,077</u>	<u>157,949</u>	<u>400,026</u>	<u>2,749,682</u>
Travel and conferences	140,268	170,426	310,694	6,699	27,957	34,656	345,350
Professional fees and honoraria	159,966	61,663	221,629	42,558	11,260	53,818	275,447
Office supplies	50,707	164,270	214,977	7,864	38,338	46,202	261,179
Grants to other organizations	244,610	-	244,610	-	-	-	244,610
Occupancy costs	42,470	70,809	113,279	11,398	7,449	18,847	132,126
Fellowship grants	105,000	-	105,000	-	-	-	105,000
Depreciation	29,816	49,711	79,527	8,002	5,229	13,231	92,758
Public relations and advertising	-	-	-	-	63,655	63,655	63,655
Insurance	9,606	16,015	25,621	2,578	1,685	4,263	29,884
Other	-	-	-	16	16,606	16,622	16,622
	<u>-</u>	<u>-</u>	<u>-</u>	<u>16</u>	<u>16,606</u>	<u>16,622</u>	<u>16,622</u>
Total expenses	<u>\$ 1,670,882</u>	<u>\$ 1,994,111</u>	<u>\$ 3,664,993</u>	<u>\$ 321,192</u>	<u>\$ 330,128</u>	<u>\$ 651,320</u>	<u>\$ 4,316,313</u>

See notes to financial statements

EPISCOPAL CHURCH FOUNDATION

Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 4,288,428	\$ 6,700,313
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	118,085	92,758
Change in value of split-interest agreements	(413,638)	(569,679)
Change in value of beneficial interest in perpetual trusts	(85,626)	(175,097)
Net realized and unrealized gains in investments	(3,746,266)	(6,423,709)
Forgiveness of Paycheck Protection Program loan (Note 2)	(465,800)	-
Change in operating assets and liabilities:		
Contributions receivable	13,151	4,470
Other assets	(32,659)	(359,167)
Accounts payable and accrued expenses	(48,608)	253,850
Deferred grant revenue	(247,904)	174,394
Deferred event revenue	(134,578)	147,078
Net Cash Used by Operating Activities	(755,415)	(154,789)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(137,115)	(28,217)
Proceeds from sale of investments	4,340,795	1,726,579
Purchase of investments	(4,164,988)	(1,312,006)
Net Cash Provided by Investing Activities	38,692	386,356
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	465,800	-
Payments of annuity and trust obligations	(2,355,102)	(2,366,690)
Proceeds from contributions and transfers restricted for split-interest agreements	2,685,425	2,416,286
Net Cash Provided by Financing Activities	796,123	49,596
Change in Cash and Cash Equivalents	79,400	281,163
Cash and Cash Equivalents, Beginning of Year	306,550	25,387
Cash and Cash Equivalents, End of Year	\$ 385,950	\$ 306,550
SUPPLEMENTAL DISCLOSURES:		
Noncash financing activity—loan forgiveness recognized as revenue	\$ 465,800	\$ -

See notes to financial statements

THE EPISCOPAL CHURCH FOUNDATION

Notes to Financial Statements

December 31, 2020 and 2019

1. NATURE OF OPERATIONS:

The Episcopal Church Foundation (ECF) is an independent, lay-led organization that helps congregations, dioceses and other Episcopal communities of faith engage in visioning and planning, develop leadership and raise resources for ministry. ECF's practical, innovative and spiritually-grounded programs, products and services include leadership training and development, the Fellowship Partners Program, publications and web-based resources, consulting services for visioning and strategy planning, annual stewardship support, planned giving, capital campaigns and endowment management services. ECF is also involved in a variety of collaborative projects and partnerships to provide new kinds of solutions to help address the changing needs of the Episcopal Church (Church).

ECF is classified as a publicly supported 501(c)(3) organization under Section 170(b)(1)(a)(vi) of the Internal Revenue Code (code) and is exempt from federal income tax under Section 501(a) of the code. ECF is also exempt from NYS and NYC income and sales tax. However, ECF is subject to federal income tax on any unrelated business taxable income. Currently ECF does not have any income subject to unrelated business income. In addition the organization is not classified as a private foundation within the meaning of Section 509(a) of the code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

ECF's net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of ECF and changes therein are classified and reported as follows:

Net assets without donor restrictions - resources which are available for carrying out ECF's operations and that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by ECF's Board of Directors or may be limited by contractual agreements with outside parties.

Net assets with donor restrictions - net assets which have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled by the actions of ECF pursuant to those stipulations. Net asset with donor restrictions also include resources whereby the donors have stipulated that the principal contributed be invested and maintained in perpetuity, with investment return available for expenditure according to restrictions, if any, imposed by those donors.

CASH AND CASH EQUIVALENTS

Cash consists of cash on hand, checking, and money market funds. ECF considers all highly liquid investments with an original maturity of three months or less, other than those held in the investment portfolio and under split-interest agreements, to be cash equivalents.

THE EPISCOPAL CHURCH FOUNDATION

Notes to Financial Statements

December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS RECEIVABLE

Unconditional promises to give that are expected to be collected within one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in future years are reported at the present value of their estimated future cash flows. When applicable, the discounts on those amounts are computed using risk adjusted interest rates applicable to the years in which the promises are expected to be received. At December 31, 2020 and 2019, the amounts due in greater than one year are not significant. Therefore, a discount was not recorded. Additionally, all balances are deemed fully collectible, therefore no allowance for doubtful accounts was recognized.

OTHER ASSETS

Other assets consist of prepaid expenses and accounts receivable. Prepaid expenses consist of expenses paid for future services not yet incurred. Accounts receivable from clients are reported at their full values, with no allowance for uncollectible amounts. All accounts receivable are due within the next year.

INVESTMENTS

ECF carries investments in equity securities, mutual funds and beneficial interest in perpetual trust with readily determinable market values, at fair value. Money market funds are held at cost. Common trust funds, hedge funds, pooled income funds and equity unit investment trusts and hedge funds are held at net asset value as a practical expedient. Investment returns appropriated for operating activities and nonoperating activities during the year are reported in the accompanying statements of activities.

DONOR ADVISED FUNDS

Charitable fund agreements allow donors to make outright charitable contributions to this fund which is used to provide charitable donations (grants) to qualified charitable organizations whose purposes, programs and practices are not inconsistent with the Christian character of ECF. The funds are under the complete control of ECF, but donors are allowed to make recommendations as to their distribution. These types of gift agreements are commonly referred to as donor advised funds and are reported as a part of net assets without donor restrictions.

THE EPISCOPAL CHURCH FOUNDATION

Notes to Financial Statements

December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

FAIR VALUE MEASUREMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

ECF measures fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. ECF also prioritizes, within the measurement of fair value, the use of market based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

The three levels of the fair value hierarchy follow:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that ECF has the ability to access at the measurement date. The types of investments included in Level 1 are equity securities, and mutual funds (equity and fixed income).

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

U.S. government and corporate obligations and mortgage-backed securities - The fair value is based on yields currently available on comparable securities.

Level 3 - Inputs that are unobservable. There have been no transfers into or out of this level nor any purchases or issuances of assets held at this level during the years ended December 31, 2020 and 2019.

Beneficial interest in perpetual trusts - The fair value of beneficial interest in perpetual trusts is determined by using the ECF's percentage interest in the trust and the fair value of the trust as determined by the trustee.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgement by ECF's management. ECF considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to ECF's perceived risk of that instrument. Respective carrying value approximates the fair value for each financial instrument asset (cash and cash equivalents and investments) and financial instrument liability (liabilities under split instrument agreements and discounts for future interest - pooled income fund and funds managed on the behalf of others).

THE EPISCOPAL CHURCH FOUNDATION

Notes to Financial Statements

December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

FAIR VALUE MEASUREMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS, continued

ECF holds hedge funds, equity unit investment trusts, pooled investments, and common trust funds (CTF's) at the estimated net asset value (NAV), as a practical expedient, as the holdings may not be readily marketable. These investments are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. The values assigned to these holdings do not necessarily represent amounts which might ultimately be realized upon sale or other disposition since such amounts depend on future circumstances and cannot reasonably be determined until the actual liquidation occurs. Because of the inherent uncertainty of such valuations, those estimated net asset values may differ significantly from the values that would have been used had a ready market for such investments existed and the differences could be material.

ECF values certain investments at NAV. These investments held at NAV are:

CTF's - Common trust funds include funds categorized as international equity, emerging markets, and fixed-income debt securities. Each individual fund seeks an investment return on par with or in excess of the performance in the related market they are traded in. Their underlying assets are daily priced and traded public equities; however, trades in and out of the investment vehicle are executed at net asset value.

Pooled investments - Underlying assets are daily priced and traded public equities; however trades in and out of the investment vehicle are executed at net asset value.

Hedge funds - Long/short equity investing, event-driven investing, and specialized equity or debt investments.

Equity unit investment trusts - Long/short diversified portfolio of equity securities of companies located in any country other than the United States and long term return in excess of the S&P 500.

PROPERTY AND EQUIPMENT, NET

Property and equipment are carried at their acquisition cost or, if received as a gift, at fair market value at the date of contribution. ECF capitalizes expenditures greater than \$250. Depreciation of property and equipment is provided using the straight-line method, over the useful lives ranging from five to seven years.

THE EPISCOPAL CHURCH FOUNDATION

Notes to Financial Statements

December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

DEFERRED REVENUE

Grant revenue is recognized when earned as the eligible expenses are incurred. Grant money received in excess of that earned is recorded as deferred revenue. The deferred grant revenue, totaling \$426,490 and \$674,394 for the years ended December 31, 2020 and 2019, respectively, is restricted on behalf of the Lilly Endowment grant to provide ECF the ability to support the National Initiative to Address the Economic Challenges Facing Pastoral Leaders. Any portion of the grant unexpended at the end of the grant period (December 31, 2021) shall be repaid to the grantor. As of and for the years ended December 31, 2020 and 2019, deferred and earned grant revenue were not retrospectively adjusted based upon the adoption of ASU 2018-08, as it did not have a material effect on the financial statements.

Event revenue is recognized when earned, which is the date the event occurs. Amounts collected for ticket sales and contributions prior to year end for events occurring in the subsequent year and for which a right of return exists if the event were to be cancelled, are reported as deferred event revenue in the statements of financial position.

SUPPORT AND REVENUE

Contributions are recognized in the year an unconditional promise to give is received from a donor. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at date of gift.

ECF reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions, time and purpose are reclassified to net assets without donor restrictions and presented in the accompanying statements of activities as net assets released from restrictions.

Revenue from fees for services is recognized when earned, according to predetermined management fee rates as agreed to with the organizations for which funds are held.

PAYCHECK PROTECTION PROGRAM LOAN

ECF was approved on April 20, 2020, for a Paycheck Protection Program (PPP) loan of \$465,800 through the United States Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan accrues interest at 1.00% per annum and matures two years from the date it was funded. The loan may be forgiven up to the full amount if requirements set by the Small Business Administration are met. As of December 31, 2020, ECF has incurred \$465,800 of eligible costs and has recognized the anticipated loan forgiveness as grant revenue in accordance with conditional grant accounting under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08.

THE EPISCOPAL CHURCH FOUNDATION

Notes to Financial Statements

December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program services and supporting activities have been summarized on a functional basis in the statements of activities. Certain costs not directly attributable to specific program services or functions have been allocated to program services and supporting activities. Management allocates costs based on an average of the programs budget, full time equivalents, and staff time attributed to the function. Management considers its method of allocation to be equitable. ECF incurred no joint costs for the years ended December 31, 2020 and 2019.

Total advertising costs incurred during the years ended December 31, 2020 and 2019, were approximately \$61,000 and \$64,000, respectively.

LEADERSHIP RESOURCES PROGRAM EXPENSES

To lead effectively, church leaders must be fully equipped. ECF's comprehensive leadership resources help empower lay and ordained leaders with the tools they need to strengthen and grow their congregations.

FINANCIAL RESOURCES PROGRAM EXPENSES

ECF provides a holistic approach to financial resource development for Episcopal organizations and a continuum of services and support including annual giving, planned giving, capital campaign consultation and endowment management services. In conjunction with ECF's leadership initiatives, these programs help congregations raise resources to enhance and grow their local ministries and their broader mission.

USE OF ESTIMATES

The preparation of financial statements in conformity with US GAAP 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

OPERATING MEASURE

The accompanying statements of activities distinguish between operating and non-operating activities. ECF has defined operating activities to include contributions and legacies; fees for services, publication and other fees; and investment income authorized for use in operations. Investment returns authorized for use in operations represents the estimated amount appropriated by the board. All other investment activities, including change in split interest agreements, change in beneficial interest in perpetual trusts, investment gain (loss) in excess of amounts authorized for use in operations, are presented as non-operating activities.

THE EPISCOPAL CHURCH FOUNDATION

Notes to Financial Statements

December 31, 2020 and 2019

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following reflects ECF's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date.

	December 31,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 385,950	\$ 306,550
Accounts receivable	1,437,181	1,439,774
Contributions receivable	10,254	23,405
Investments held under split-interest agreements	33,853,327	34,001,133
Investments managed on behalf of others	524,182,161	482,842,746
Investments	52,516,463	48,860,379
Financial assets, at year end	612,385,336	567,473,987
Less those not available for general expenditure within one year:		
Restrictions by donors held in perpetuity	(4,531,109)	(4,445,483)
Subject to appropriation or satisfaction of donor restrictions	(3,794,205)	(3,601,242)
Investments designated for donor advised funds	(921,204)	(917,974)
Funds managed on behalf of others	(524,182,161)	(482,842,746)
Investments managed under split-interest agreements	(33,853,327)	(34,001,133)
State-mandated insurance reserves	(12,000,000)	(13,000,000)
	(579,282,006)	(538,808,578)
Financial assets available to meet cash needs for general expenditures within one year	\$ 33,103,330	\$ 28,665,409

ECF is substantially supported by contributions, service fees, and investment income for which a substantial portion does not carry restrictions. As part of ECF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. With board approval the investments designated for donor advised funds could be made available for liquidity needs.

THE EPISCOPAL CHURCH FOUNDATION

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4. INVESTMENTS HELD UNDER SPLIT-INTEREST AGREEMENTS:

ECF is the beneficiary or agent for third-party beneficiaries of a number of split-interest agreements. Under these agreements, ECF controls the donated assets and distributes to the donor or donor's designee a predetermined amount or percentage or, in the case of pooled income funds, all of the income generated from those assets until such time as stated in the agreement (usually upon the death of the donor or donor's designee). ECF will be able to utilize that portion of the gifts in which it has an interest upon the death of the respective life income beneficiary and will distribute to any third-party beneficiaries their respective remainder interests.

At the time of the gift and adjusted annually, ECF records contribution income, if any, and a liability for amounts payable to annuitants and third-party beneficiaries using an actuarial calculation based upon estimated mortality rates and other assumptions that could change in the near term. The discount rates used in the calculation ranged from 1.2% to 8.2% as of December 31, 2020 and 2019, respectively. State-mandated insurance reserves related to these arrangements are maintained at \$12 million and \$13 million as of December 31, 2020 and 2019, respectively, and are included as a component of net assets without donor restrictions.

Investments, at fair value, held under split-interest agreements consisted of the following categories:

	December 31,	
	2020	2019
Pooled income funds	\$ 2,442,781	\$ 2,500,689
Charitable remainder trusts	14,782,971	14,101,026
Charitable gift annuities	16,627,575	17,399,418
	\$ 33,853,327	\$ 34,001,133

Investments held under split-interest agreements by valuation hierarchy as of December 31, 2020, is as follows:

	Level 1	Level 2	Level 3	Total
U.S. government and corporate obligations	\$ -	\$ 1,154,038	\$ -	\$ 1,154,038
Mutual funds	18,041,847	-	-	18,041,847
Mortgage-backed securities	-	153,468	-	153,468
	\$ 18,041,847	\$ 1,307,506	\$ -	19,349,353

Investments held at other than fair value:

CTF's, held at NAV	13,780,045
Cash and cash equivalents, valued at cost	723,929
	\$ 33,853,327

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December 31, 2020 and 2019

4. INVESTMENTS HELD UNDER SPLIT-INTEREST AGREEMENTS, continued:

Investments valued at NAV as of December 31, 2020, consisted of the following:

	Net Asset Value	Commitments	Redemption Frequency/ Restrictions	Redemption Notice Period
CTF's	<u>\$ 13,780,045</u>	\$ -	Daily to Monthly/ None	None

Investments held under split-interest agreements by valuation hierarchy as of December 31, 2019, is as follows:

	Level 1	Level 2	Level 3	Total
U.S. government and corporate obligations	\$ -	\$ 1,260,960	\$ -	\$ 1,260,960
Mutual funds	17,411,205	-	-	17,411,205
Mortgage-backed securities	-	252,220	-	252,220
	<u>\$ 17,411,205</u>	<u>\$ 1,513,180</u>	<u>\$ -</u>	18,924,385

Investments held at other than fair value:

CTF's, held at NAV	14,358,806
Cash and cash equivalents, valued at cost	717,942
	<u>\$ 34,001,133</u>

Investments valued at NAV as of December 31, 2019, consisted of the following:

	Net Asset Value	Commitments	Redemption Frequency/ Restrictions	Redemption Notice Period
CTF's	<u>\$ 14,358,806</u>	\$ -	Daily to Monthly/ None	None

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5. INVESTMENTS MANAGED ON BEHALF OF OTHERS:

ECF manages certain investments on behalf of parishes and other Episcopal entities. Such investments are reflected in the accompanying statements of financial position as investments managed on behalf of others. ECF has no ownership of or residual interest in these investments and as such, a liability equal to the balance of the investments is reflected in the accompanying statements of financial position as funds managed on behalf of others.

In April 2004, ECF entered into an agreement with The Domestic and Foreign Missionary Society (DFMS) whereby DFMS appointed ECF as its agent to act as manager of DFMS's planned giving assets underlying its split-interest trusts and pooled income funds and to manage all future additions to such trusts or funds. At December 31, 2020 and 2019, the fair values of such funds were approximately \$6,573,000 and \$6,726,000, respectively, and were included within investments managed on behalf of others, with a corresponding liability reflected in funds managed on behalf of others, in the accompanying statements of financial position.

In situations where ECF acts as an agent on behalf of others, the related investments are included in investments managed on behalf of others, with a related liability reflected in the accompanying statements of financial position.

The composition of investments managed on behalf of others is as follows:

	December 31,	
	2020	2019
Cash and cash equivalents	\$ 5,710,507	\$ 30,393,695
U.S. government and corporate obligations	13,774,380	806,404
Mutual funds	40,118,562	35,145,492
CTF's	405,154,297	361,385,503
Pooled investments	59,420,959	55,030,751
Mortgage-backed securities	3,456	80,901
Total	<u>\$524,182,161</u>	<u>\$482,842,746</u>

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December 31, 2020 and 2019

5. INVESTMENTS MANAGED ON BEHALF OF OTHERS, continued:

Investments managed on behalf of others by valuation hierarchy as of December 31, 2020, is as follows:

	Level 1	Level 2	Level 3	Total
U.S. government and corporate obligations	\$ -	\$ 13,774,380	\$ -	\$ 13,774,380
Mutual funds	40,118,562	-	-	40,118,562
Mortgage-backed securities	-	3,456	-	3,456
	<u>\$ 40,118,562</u>	<u>\$ 13,777,836</u>	<u>\$ -</u>	<u>53,896,398</u>
Investments held at other than fair value:				
Pooled investments, held at NAV				59,420,959
CTF's, held at NAV				405,154,297
Cash and cash equivalents, valued at cost				5,710,507
				<u>470,285,763</u>
				<u>\$524,182,161</u>

Investments valued at NAV as of December 31, 2020, consisted of the following:

	Net Asset Value	Commitments	Redemption Frequency/ Restrictions	Redemption Notice Period
Pooled investments	\$ 59,420,959	\$ -	Daily/ None Daily to	None
CTF's	<u>405,154,297</u>	-	Monthly/ None	None
	<u>\$464,575,256</u>			

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December 31, 2020 and 2019

5. INVESTMENTS MANAGED ON BEHALF OF OTHERS, continued:

Investments managed on behalf of others by valuation hierarchy as of December 31, 2019, is as follows:

	Level 1	Level 2	Level 3	Total
U.S. government and corporate obligations	\$ -	\$ 806,404	\$ -	\$ 806,404
Mutual funds	35,145,492	-	-	35,145,492
Mortgage-backed securities	-	80,901	-	80,901
	\$ 35,145,492	\$ 887,305	\$ -	36,032,797
Investments held at other than fair value:				
Pooled investments, held at NAV				55,030,751
CTF's, held at NAV				361,385,503
Cash and cash equivalents, valued at cost				30,393,695
				446,809,949
				\$482,842,746

Investments valued at NAV as of December 31, 2019, consisted of the following:

	Net Asset Value	Commitments	Redemption Frequency/ Restrictions	Redemption Notice Period
Pooled investments	\$ 55,030,751	\$ -	Daily/ None Daily to	None
CTF's	361,385,503	-	Monthly/ None	None
	\$416,416,254			

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Notes to Financial Statements

December 31, 2020 and 2019

6. INVESTMENTS:

Investments are comprised of the following:

	December 31,	
	2020	2,019
Equity unit investment trusts	\$ 15,001,052	\$ 14,488,630
Mutual funds:		
Equity	16,402,059	15,250,295
Fixed income	7,124,296	7,305,940
Hedge funds	11,263,170	9,030,855
Beneficial interest in perpetual trusts	1,696,900	1,611,274
Money market funds	1,028,986	1,173,385
	<u>\$ 52,516,463</u>	<u>\$ 48,860,379</u>

Investment gain (loss) consists of:

	December 31,	
	2020	2019
Dividend and interest	\$ 1,129,727	\$ 1,142,793
Realized and unrealized gains	3,746,266	6,423,709
Change in value of split-interest agreements	413,638	569,679
Change in value of beneficial interest in perpetual trusts	85,626	175,097
Investment management fees	(178,851)	(182,053)
	<u>\$ 5,196,406</u>	<u>\$ 8,129,225</u>

Reconciliation to the statements of activities:

	December 31,	
	2020	2019
Investment income authorized for use in operations	\$ 1,789,500	\$ 1,805,670
Investment gain in excess of amounts authorized for use in operations	2,907,642	5,578,779
Change in value of split-interest agreements	413,638	569,679
Change in value of beneficial interest in perpetual trusts	85,626	175,097
	<u>\$ 5,196,406</u>	<u>\$ 8,129,225</u>

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Notes to Financial Statements

December 31, 2020 and 2019

6. INVESTMENTS, continued:

Investment portfolio by valuation hierarchy as of December 31, 2020, is as follows:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Equity	\$ 16,402,059	\$ -	\$ -	\$ 16,402,059
Fixed income	7,124,296	-	-	7,124,296
Beneficial interest in perpetual trusts	-	-	1,696,900	1,696,900
	<u>\$ 23,526,355</u>	<u>\$ -</u>	<u>\$ 1,696,900</u>	25,223,255
Investments held at other than fair value:				
Hedge funds, held at NAV				11,263,170
Equity unit investment trusts, held at NAV				15,001,052
Money market funds, held at cost				1,028,986
				27,293,208
				<u>\$ 52,516,463</u>

Investments valued at NAV as of December 31, 2020, consisted of the following:

	Net Asset Value	Commitments	Redemption Frequency/ Restrictions	Redemption Notice Period
Hedge funds	\$ 11,263,170	\$ -	Quarterly/ None	100 days
Equity unit investment trusts	<u>15,001,052</u>	\$ -	Monthly/ None	None
	<u>\$ 26,264,222</u>			

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Notes to Financial Statements

December 31, 2020 and 2019

6. INVESTMENTS, continued:

Investment portfolio by valuation hierarchy as of December 31, 2019, is as follows:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Mutual funds:				
Equity	\$ 15,250,295	\$ -	\$ -	\$ 15,250,295
Fixed income	7,305,940	-	-	7,305,940
Beneficial interest in perpetual trusts	-	-	1,611,274	1,611,274
	<u>\$ 22,556,235</u>	<u>\$ -</u>	<u>\$ 1,611,274</u>	24,167,509
Investments held at other than fair value:				
Hedge funds, held at NAV				9,030,855
Equity unit investment trusts, held at NAV				14,488,630
Money market funds, held at cost				1,173,385
				24,692,870
				<u>\$ 48,860,379</u>

Investments valued at NAV as of December 31, 2019, consisted of the following:

	Net Asset Value	Commitments	Redemption Frequency/ Restrictions	Redemption Notice Period
Hedge funds	\$ 9,030,855	\$ -	Quarterly/ None	100 days
Equity unit investment trusts	<u>14,488,630</u>	\$ -	Monthly/ None	None
	<u>\$ 23,519,485</u>			

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Notes to Financial Statements

December 31, 2020 and 2019

7. PROPERTY AND EQUIPMENT, NET:

Property and equipment, net, consisted of the following:

	December 31,	
	2020	2019
Computer and equipment	\$ 762,725	\$ 625,606
Furniture and fixtures	522,197	522,197
	<u>1,284,922</u>	<u>1,147,803</u>
Less: accumulated depreciation	<u>(1,028,851)</u>	<u>(910,762)</u>
Total property and equipment, net	<u>\$ 256,071</u>	<u>\$ 237,041</u>

8. NET ASSETS:

Net assets without donor restrictions were available as follows:

	December 31,	
	2020	2019
Undesignated	\$ 34,551,135	\$ 29,544,526
Board designated donor advised funds	921,204	917,974
State-mandated insurance reserves	<u>12,000,000</u>	<u>13,000,000</u>
	<u>\$ 47,472,339</u>	<u>\$ 43,462,500</u>

THE EPISCOPAL CHURCH FOUNDATION

Notes to Financial Statements

December 31, 2020 and 2019

8. NET ASSETS, continued:

Net assets with donor restrictions, time and purpose were available for the following purposes:

	December 31,	
	2020	2019
Leadership resources	\$ 950,166	\$ 965,166
Charitable gift annuities	1,051,080	973,131
Accumulated earnings subject to appropriation	875,592	750,946
Pooled income funds	416,483	480,827
Charitable annuity trusts	500,884	431,172
	\$ 3,794,205	\$ 3,601,242

Net assets were released from donor restrictions by incurring expenses, satisfying the purpose of the restriction, the passage of time or by the occurrence of other specific events are as follows:

	December 31,	
	2020	2019
Leadership resources	\$ 442,836	\$ 519,729
Paycheck Protection Program loan	465,800	-
Pooled income funds matured	342,670	1,392
Charitable gift annuities matured	105,979	77,008
Charitable annuity trusts matured	5,438	-
	\$ 1,362,723	\$ 598,129

Statements of activities reconciliation:

	December 31,	
	2020	2019
Operating releases from restrictions	\$ 1,362,723	\$ 598,129
Nonoperating releases from restrictions	-	-
	\$ 1,362,723	\$ 598,129

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8. NET ASSETS, continued:

Net assets with donor restrictions, in perpetuity represent contributions made for the following purposes and are restricted to investment in perpetuity. Income from these funds is available for without donor restrictions use until those amounts are appropriated for expenditure by the ECF in a manner consistent with the standard of prudence prescribed by NYPMIFA, except with respect to the Graduate Fellowship Fund, the Bromwell-Ault-Burchenal Fellowship Fund and the George Allen Fowlkes Intern Program. Net assets with donor restrictions, in perpetuity consist of the following:

	December 31,	
	2020	2019
Donor restricted endowment:		
General endowment	\$ 2,129,680	\$ 2,129,680
Revolving loan	315,443	315,443
Graduate Fellowship Fund	315,669	315,669
Bromwell-Ault-Burchenal Fellowship Fund	39,074	39,074
George Allen Fowlkes Intern Program	23,768	23,768
R.G. Curtis Memorial	5,575	5,575
L.B. Moorman	5,000	5,000
	2,834,209	2,834,209
Beneficial interest in perpetual trusts	1,696,900	1,611,274
Total net assets with donor restrictions, in perpetuity	\$ 4,531,109	\$ 4,445,483

While the above beneficial interest in perpetual trust is a net asset with donor restrictions, in perpetuity, it is not part of ECF's endowment portfolio. Therefore, it is not included as part of the NYPMIFA disclosure in Note 9.

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Notes to Financial Statements

December 31, 2020 and 2019

9. ENDOWMENT FUNDS:

ECF follows the *Reporting Endowment Funds* topic of the FASB ASC. This topic provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization and enhanced disclosure information to enable users of financial statements to understand the net asset classification, net asset composition, changes in net asset composition, and spending policy of its endowment funds.

The state of New York enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective September 17, 2010, and ECF's Board of Trustees has interpreted the full provisions of New York states own version of UPMIFA (NYPMIFA), requiring the 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 which was applied to ECF's 2019 financial statements. As a result of this interpretation, ECF classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) the 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.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions, in perpetuity is classified as net assets with donor restrictions, time and purpose until those amounts are appropriated for expenditure by ECF in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, ECF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of ECF 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 ECF
7. The investment policies of ECF
8. In appropriate situations (i.e. underwater) to curtail or eliminate spending

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9. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of December 31, 2020, was:

	With Donor Restrictions		Total
	Accumulated Earnings	Original Gift Amount	
Donor-restricted endowment funds	\$ 875,592	\$ 2,834,209	\$ 3,709,801

Changes in endowment net assets for the year ended December 31, 2020, were:

	With Donor Restrictions		Total
	Accumulated Earnings	Original Gift Amount	
Endowment net assets, January 1, 2020	\$ 750,946	\$ 2,834,209	\$ 3,585,155
Investment return:			
Interest and dividend income	45,253	-	45,253
Realized and unrealized gains	201,393	-	201,393
Total investment return	246,646	-	246,646
Appropriation of endowment assets for expenditure	(122,000)	-	(122,000)
Endowment net assets, December 31, 2020	\$ 875,592	\$ 2,834,209	\$ 3,709,801

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Notes to Financial Statements

December 31, 2020 and 2019

9. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of December 31, 2019, was:

	With Donor Restrictions		Total
	Accumulated Earnings	Original Gift Amount	
Donor-restricted endowment funds	\$ 750,946	\$ 2,834,209	\$ 3,585,155

Changes in endowment net assets for the year ended December 31, 2019, were:

	With Donor Restrictions		Total
	Accumulated Earnings	Original Gift Amount	
Endowment net assets, January 1, 2019	\$ 448,456	\$ 2,834,209	\$ 3,282,665
Investment return:			
Interest and dividend income	49,322	-	49,322
Realized and unrealized gains	375,168	-	375,168
Total investment return	424,490	-	424,490
Appropriation of endowment assets for expenditure	(122,000)	-	(122,000)
Endowment net assets, December 31, 2019	\$ 750,946	\$ 2,834,209	\$ 3,585,155

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 or UPMIFA requires ECF to retain as a fund of perpetual duration. In accordance with GAAP, no deficiencies of this nature are reported in net assets with donor restrictions as of December 31, 2020 and 2019.

RETURN OBJECTIVE AND RISK PARAMETERS

ECF has adopted investment and spending policies for endowment assets that attempt to (a) maintain the historical value of the endowment fund assets and (b) provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that ECF must hold in perpetuity, or for donor-specified periods. The investment policy also attempts to maximize the stream of funding within accepted prudent standards. The current long term return objective is to attain a 5% inflation adjusted total return (net of direct investment management fees). Actual returns in any given year may vary from this amount.

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December 31, 2020 and 2019

9. ENDOWMENT FUNDS, continued:

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, ECF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). There is an allocation of assets in diversified, equity-based and fixed income investments to help maximize the long-term rate of return and maintain the purchasing power of the endowment assets.

SPENDING POLICY

ECF appropriates for distribution a percentage of the five-year, un-weighted rolling average of the endowment fund's fair value. The rates established for distribution were between 4.0 and 4.5 for both years ended December 31, 2020 and 2019, respectively. In establishing this policy, ECF considered the long-term expected return on its endowment.

10. EMPLOYEE BENEFIT PLANS:

The lay employees of ECF are covered under a multi-employer 403(b) plan (Plan) sponsored by DFMS. The Plan permits eligible employees to make contributions through salary deductions. ECF contributes a discretionary percentage of each covered employee's salary to be determined by ECF each year. Contributions to the Plan are based on 7% of each covered employee's salary, with additional contributions up to 2% to match employee voluntary contributions. Ordained clergy of ECF are covered under a multi-employer pension plan (Pension Plan) sponsored by the Church. Contributions to the Pension Plan are based on 18% of each covered clergy's compensation in 2019 and 2020. For the years ended December 31, 2020 and 2019, ECF contributed approximately \$140,000 and \$142,000 to these plans, respectively.

11. CONTINGENT AND FUTURE PAYMENTS UNDER ACQUISITION AGREEMENT:

In 2005, ECF acquired a consulting business, Holliman Associates, for its expertise in assisting Episcopal churches in conducting capital campaigns and related services. The acquisition agreement with Holliman Associates provides guaranteed annual payments of \$9,000 to the two principals of that business for the remainder of their respective lives.

12. COMMITMENT AND FUTURE LEASE PAYMENTS UNDER OPERATING LEASE:

ECF entered into an operating lease effective September 30, 2015, expiring December 31, 2021. The total rent expense for both years ended December 31, 2020 and 2019, approximated \$126,000, respectively. Estimated minimum lease payments for the office space under the multi-year lease is determined on an annual basis as an estimated amount of the Landlord's total cost of ownership multiplied by ECF's proportionate share of the costs. At the close of each year there will be either a payment due or refund owed to adjust to the actual proportionate share of the costs. Based on this calculation no future minimum lease payments can be accurately reflected in the footnotes of the financial statements.

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13. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and has caused disruption through mandated and voluntary closings and/or transitions to remote work for numerous businesses and nonprofits, including ECF. While the disruptions are currently expected to be temporary, there is considerable uncertainty around the duration of these disruptions. ECF anticipates this could negatively impact contributions, fees for services, and investment income. However, the extent to which the COVID-19 outbreak will financially impact ECF's operations or financial results cannot be reasonably estimated at this time. In April 2020, ECF received a Paycheck Protection Program loan from the United States Small Business Administration to help offset the financial impact from the COVID-19 pandemic.

14. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through June 9, 2021, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated. No additional subsequent events were discovered that require disclosure.

In January 2021, ECF received notice of loan forgiveness from the SBA on their PPP loan (See Note 2).