Consolidated Financial Statements
March 31, 2018

WATERSTONE®

The Christian Community Foundation, Inc.
(dba WaterStone and Affiliates)

(With Comparative Totals for 2017)

EideBailly®

Independent Auditor's Report

The Board of Directors
The Christian Community Foundation, Inc. (dba WaterStone and Affiliates)
Colorado Springs, Colorado

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of The Christian Community Foundation, Inc. dba WaterStone and Affiliates (WaterStone), which comprise the consolidated statement of financial position as of March 31, 2018 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WaterStone as of March 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1 to the financial statements, WaterStone adopted the provisions of FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entitie*s. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information
We have previously audited WaterStone's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 22, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Eide Bailly LLP

Denver, Colorado
September 12, 2018

	2018	2017
Assets		
Cash and cash equivalents	$ 7,496,393	$ 8,054,540
Prepaid expenses and other assets	295,016	569,178
Bequest transfers in progress	641,352	1,688,353
Donor account-related notes receivable, net	31,132,675	31,793,467
Beneficial interests in charitable trusts held by others	2,259,318	2,461,390
Investments, including $48,150,210 in charitable trusts held by WaterStone	308,966,658	266,790,307
Donated real estate held for sale	1,517,442	1,190,007
Property and equipment, net	20,085,437	17,904,336
Total assets	$ 372,394,291	$ 330,451,578
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 1,063,440	$ 649,235
Obligations under split-interest agreements	51,073,288	51,958,328
Total liabilities	52,136,728	52,607,563
Net Assets		
Without donor restrictions	303,974,546	259,199,521
With donor restrictions	16,283,017	18,644,494
Total net assets	320,257,563	277,844,015
Total liabilities and net assets	$ 372,394,291	$ 330,451,578

	2018			
	Without Donor Restrictions	With Donor Restrictions	Total	2017
Revenue, Support, and Gains				
Contributions	$ 85,784,310	$ 1,625,500	$ 87,409,810	$ 44,695,098
Change in value of split-interest agreements	(1,217,304)	356,633	(860,671)	(2,243,742)
Net investment return	11,607,874	908,959	12,516,833	22,285,773
Interest and other income	2,461,133	-	2,461,133	1,747,550
Gain on sale of real estate held for sale	-	-	-	546,438
Net assets released from restrictions	5,252,569	(5,252,569)	-	-
Total revenue, support, and gains	103,888,582	(2,361,477)	101,527,105	67,031,117
Expenses and Losses				
Grants and ministry program expenditures	54,644,800	-	54,644,800	46,860,148
Supporting services				
Administrative	3,229,428	-	3,229,428	3,053,540
Donor development	917,517	-	917,517	743,496
Total supporting services	4,146,945	-	4,146,945	3,797,036
Total expenses	58,791,745	-	58,791,745	50,657,184
Loss on uncollectable donor account-related note receivable	321,812	-	321,812	78,188
Revocation of contribution by donor	-	-	-	796,882
Total expenses and losses	59,113,557	-	59,113,557	51,532,254
Change in Net Assets	44,775,025	(2,361,477)	42,413,548	15,498,863
Net Assets, Beginning of Year	259,199,521	18,644,494	277,844,015	262,345,152
Net Assets, End of Year	$303,974,546	$ 16,283,017	$320,257,563	$277,844,015

	2018				
	Grants and Ministry Program	Administrative	Donor Development	Total	2017
Grants and other assistance	$ 53,364,917	$ -	$ -	$ 53,364,917	$ 45,837,160
Salaries, wages, taxes, and benefits	176,870	1,790,951	393,904	2,361,725	2,293,009
Professional services	226,470	221,702	-	448,172	322,087
Depreciation	502,700	34,470	-	537,170	515,125
Occupancy	286,441	188,610	-	475,051	431,074
Advertising and promotion	1,990	61,255	277,074	340,319	341,804
Insurance	-	263,930	-	263,930	150,392
Information technology	1,208	245,830	120	247,158	263,920
Meetings and travel	29,125	74,401	119,747	223,273	181,770
Licenses and taxes	-	220,078	-	220,078	97,899
Other	31,204	-	126,050	157,254	84,862
Office expenses	23,875	79,631	622	104,128	90,317
Bank charges	-	31,374	-	31,374	29,016
Memberships	-	17,196	-	17,196	18,749
Total expenses by function	$ 54,644,800	$ 3,229,428	$ 917,517	$ 58,791,745	$ 50,657,184

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 42,413,548	$ 15,498,863
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	537,170	515,125
Change in value of split-interest agreements	(231,293)	(8,611,352)
Change in beneficial interests in charitable trusts held by others	202,072	(1,375,522)
Gain on sale of real estate held for sale	-	(546,438)
Net realized/unrealized gain on investments	(3,433,967)	(12,558,637)
Loss on uncollectable donor account-related note receivable	321,812	78,188
Revocation of contribution by donor	-	796,882
Donation of investments	(20,300,859)	(14,004,525)
Donation of real estate held for sale	(3,178,609)	-
Donation of property and equipment	(922,310)	-
Change in value of donated real estate held for sale	-	588,477
Change in operating assets	(404,078)	(1,492,116)
Change in operating liabilities	414,205	(37,447)
Net Cash from (used for) Operating Activities	15,417,691	(21,148,502)
Cash Flows from Investing Activities		
Purchases of investments	(58,094,998)	(136,010,864)
Proceeds from sale of investments	41,341,826	140,155,101
Proceeds from sale of real estate held for sale	1,681,174	3,783,583
Purchases of property and equipment	(625,961)	(270,166)
Issuance of notes receivable	(1,590,907)	(430,000)
Principal collections on notes receivable	1,966,775	1,661,713
Net Cash from (used for) Investing Activities	(15,322,091)	8,889,367
Cash Flows from Financing Activities		
Payments on split-interest agreements	(3,482,043)	(2,896,542)
Payments on notes payable	-	(150,000)
Proceeds from establishment of new split-interest agreements	2,828,296	13,424,668
Net Cash from (used for) Financing Activities	(653,747)	10,378,126
Net Change in Cash and Cash Equivalents	(558,147)	(1,881,009)
Cash and Cash Equivalents, Beginning of Year	8,054,540	9,935,549
Cash and Cash Equivalents, End of Year	$ 7,496,393	$ 8,054,540

Note 1 - Principal Activity and Significant Accounting Policies

Organization

The Christian Community Foundation, Inc., dba WaterStone and Affiliates (WaterStone), is a national foundation; Waterstone's vision is to see "Every Christian a faith-filled intentional giver." Our mission is "Honoring God, Serving Givers, and Building the Kingdom." To fulfill this mission, we provide creative gifting solutions to donors, encouraging them in a broad range of charitable and educational endeavors as well as direct Christian ministries. We offer a variety of gift-planning solutions, including donor advised funds, field-of-interest funds, ministry charity projects, charitable trusts, charitable gift annuities, and supporting organizations, each structured to meet the specific donor's needs and charitable vision. Distributions recommended by donors and approved by the WaterStone Board of Directors go to thousands of domestic and foreign nonprofit organizations.

Principles of Consolidation

The accompanying consolidated financial statements (financial statements) of WaterStone include the accounts of The Christian Community Foundation, Inc., WaterStone Support Foundation, Inc., and the following affiliated supporting organizations: National Foundation, Inc., The Cary Brown Family Foundation, The Genesis Foundation, The Jonna & Jill Foundation, The Matthew 6:20 Foundation, The Moriah Foundation, OC International Support Foundation, The Rough Acres Foundation, Papua New Guinea Tribal Foundation, WaterStone Supporting Organization Trust #1, WaterStone Supporting Organization Trust #2, and Overflow, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "WaterStone," "we," "us," and "our."

Adoption of FASB Accounting Standards Update 2015-07

As of April 1, 2017, we adopted the provisions of FASB Accounting Standards Update (ASU) 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent),* which are effective for fiscal years beginning after December 15, 2016. ASU 2015-07 removes the requirement to include investments in the fair value hierarchy for which fair value is measured using the net assets value practical expedient in Accounting Standards Codification 820.

Adoption of FASB Accounting Standards Update 2016-14

As of April 1, 2017, we early adopted the provisions of FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, because we believe the standard improves the usefulness and understandability of our financial statement reporting. Accordingly, the accompanying financial statements and related notes follow the net asset classification, presentation, and disclosure requirements prescribed by the ASU.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with WaterStone's audited financial statements for the year ended March 31, 2017, from which the summarized information was derived.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

Donor Account-Related Notes Receivable

Donor account-related notes receivable arise in the normal course of receiving and disposing various assets contributed by donors, and are reported at the net amount we expect to collect, including accrued interest. We determine the allowance for uncollectable notes receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Notes receivable are written off when deemed uncollectable. At March 31, 2018, the allowance was $41,678.

Bequest Transfers in Progress

Bequest transfers in progress arise when we receive notice of an imminent transfer of assets from an estate, and information sufficient to determine the fair value of the assets to be transferred. There were four bequest transfers in progress totaling $641,352 at March 31, 2018.

Beneficial Interests in Charitable Trusts Held by Others

We have been named as an irrevocable beneficiary of several charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, we have neither possession nor control over the assets of the trusts. At the date we receive notice of a beneficial interest, a contribution with donor restrictions is recorded in the statement of activities, and a beneficial interest in charitable trusts held by others is recorded in the statement of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the statement of financial position, with changes in fair value recognized in the statement of activities. Upon receipt of trust distributions and/or expenditures in satisfaction of the restricted purpose stipulated by the donor, if any, net assets with donor restrictions are released to net assets without donor restrictions.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return (loss) is reported in the statement of activities and consists of interest and dividend income, partnership distributions and rental income on our investment properties, realized and unrealized capital gains and losses, less external and direct internal investment expenses. We are assisted by dozens of investment advisors in the management of our investment assets. Approved investment advisors operate within defined investment objectives and policies established by our Board of Directors.

Assets Held and Liabilities Under Split-Interest Agreements

Charitable Trusts
We act as trustee for various revocable and irrevocable trusts. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets to us, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. If a trust is revocable, or if the maker of the trust reserves the right to replace us as the beneficiary of the trust, we record the assets placed in trust at fair value, with an equal and offsetting liability until such time as we receive distributions from the trust in accordance with its terms. If the trust is irrevocable, the trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a contribution with donor restrictions until such amount is received via trust distribution and/or is expended in satisfaction of the restricted purpose stipulated by the trust agreement, if any, at which time net assets with donor restrictions are released to net assets without donor restrictions. In subsequent years, the liability for future trust payments to the specified beneficiaries is reduced by payments made to the specified beneficiaries and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the trust, the remaining liability is removed and recognized as income.

Charitable Gift Annuities
Under charitable gift annuity contracts, we receive immediate and unrestricted title to contributed assets and agree to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value at the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and a risk-adjusted discount rate designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income. Historically, we have maintained contributed assets until termination of the contract; however, we are not required to do so except in certain states which require the assets to be held in trust until termination of the contract.

In order to reduce actuarial and investment risk associated with annuity contracts, we insure a portion of our payment obligations with insurance companies rated “A” or better (excellent) by A.M. Best Company. We pay a premium to the insurer in exchange for which the insurer assumes the future payment obligations. While we remain contingently liable for the payments in the event the insurer becomes incapable of fulfilling its payment obligations, we consider the likelihood of this occurrence to be remote. Therefore, annuity liabilities assumed by the insurer are removed from the accounts.

Pooled Income Trusts
We act as a trustee for several pooled income trusts in which contributions of many donors are combined for investment purposes. Contributed assets are recorded at fair value at the date of receipt. The related discount in future interest is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the future interest is recorded as a contribution with donor restrictions. Under these agreements, we distribute interest and dividend income earned on the trust investments in proportion to each donor’s ownership interest in the trust. In subsequent years, the amortization of the discount is recognized as a change in value of split-interest agreements in the statement of activities. Upon termination of the pooled trust agreement, the value of the donor’s ownership interest is assigned to us and the remaining discount is removed and recognized as income.

Donated Real Estate Held for Sale

We record donated real estate held for sale at estimated fair market value, and report unrealized and realized gains and losses in the statement of activities.

Property and Equipment

We record property and equipment additions over $5,000 at cost, or if donated, at fair value on the date of donation. We compute depreciation using the straight-line method over the estimated useful lives of the assets, ranging from three to twenty-seven years. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We review asset carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended March 31, 2018.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations. Our governing documents and gift agreements give the Board of Directors variance power to modify donor instructions or restrictions that are incapable of fulfillment or inconsistent with our Statement of Faith, policies, or IRS guidance. As a result, most contributions are classified as without donor restrictions in the statement of activities.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At March 31, 2018, we had no net assets with donor-imposed restrictions of a perpetual nature.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. We initially record unconditional promises to give, and subsequently carry them at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A significant portion of our funding is provided by donors making legacy gifts. Consequently, a small number of donors may account for a large percentage of the total contributions we receive in any given year.

Other income, consisting primarily of administrative management fees, is recognized when services have been performed.

Grants and Grant Commitments

We recognize grants as expenses at the time recipients are entitled to receive them. Generally, this occurs when the Board of Directors approves a specific grant, or when management, pursuant to grant authorization policies established by the Board of Directors, determines that a grant payment should be made. Grants approved but not disbursed are recorded as grants payable in the statement of financial position. Grants payable at March 31, 2018 totaled $238,711, and have been included in accounts payable and accrued expenses in the statement of financial position. Grants approved but contingent upon fulfillment of certain specified conditions are not recorded until such time as the conditions are substantially met. No conditional grants were outstanding at March 31, 2018.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy, which are allocated on a square footage basis, as well as salaries, wages, benefits, taxes, professional services, office expenses, information technology, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Christian Community Foundation and its Affiliates (other than WaterStone Supporting Organization Trust #1) are organized as either nonprofit corporations or trusts and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Sections 170(b)(1)(A)(vi) or (viii), and have been determined not to be private foundations under Sections 509(a)(1) or (3). Each entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes.

The Christian Community Foundation and The Moriah Foundation file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report their unrelated business taxable income. The Christian Community Foundation and The Moriah Foundation did not incur significant income tax expense during the year ended March 31, 2018. All other affiliated entities have determined they are not subject to unrelated business income tax and have not filed Form 990-T with the IRS.

WaterStone Supporting Organization Trust #1 (Trust 1) is organized as a nonexempt charitable trust under Section 4947(a)(1) of the Internal Revenue Code (IRC). Trust 1 qualifies for the charitable contribution deduction under Section 170 and has requested nonprivate foundation status under Section 509(a)(3). Trust 1 is not treated as exempt from income tax under Section 501(a) of the Internal Revenue Code and, therefore must also file a U.S. Income Tax Return for Estates and Trusts (Form 1041) for any tax year in which it has taxable income. Trust 1 did not incur significant income tax expense during its fiscal year ended December 31, 2017.
We believe each entity has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The entities would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Christian Community Foundation's and The Moriah Foundation's Forms 990-T and other income tax filings by state, local, or non-U.S. tax authorities are no longer subject to tax examination for years before 2014.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions we believe to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with donor account-related notes receivable varies based on the creditworthiness of individual borrowers, available guarantees, and collateral securing the loans.

We utilize the services of a variety of investment managers whose performance is monitored by management and the Board of Directors. Investments are placed in managed funds administered by a diversified population of investment managers in order to reduce investment risk. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we believe that our investment policies and guidelines are prudent for the long-term welfare of the organization.

Subsequent Events

We have evaluated subsequent events through September 12, 2018, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets are considered to be available for general expenditure if there are no donor or other restrictions that would preclude expenditure outright, or in satisfaction of any purpose restrictions. At March 31, 2018, financial assets available for general expenditure within one year are comprised of the following:

Cash and cash equivalents	$ 6,568,570
Bequest transfers in progress	641,352
Donor account-related notes receivable	4,469,471
Distributions from beneficial interests in charitable trusts held by others	280,963
Investments	184,466,496
	$ 196,426,852

A great majority of our support comes without donor-imposed restrictions on either the gift amount or the earnings generated from the investment of the gift, and may be expended at any time. Certain charitable trust arrangements have inherent time restrictions due to the nature and terms of the agreements, and expenditures from those trusts may be made only when distributions become available for our use.

Throughout the year, donor-recommended grants that have been approved in accordance with our review and approval policies are paid out weekly from cash or other liquid sources such as operating investments. Non-grant expenditures include administrative, donor development, and fundraising expenses; these expenditures are funded by administrative fees assessed on invested account balances.

As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, CD's, and money market funds.

Note 3 - Fair Value

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect our own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset or liability within the hierarchy is based upon the pricing transparency of the asset or liability and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of our investment assets are classified within Level 1 because they are comprised of equity securities, open-end mutual funds, and publicly traded partnerships with readily determinable fair values based on daily closing market prices or redemption values.

Fixed income securities are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions; life insurance policies are valued at cash surrender value, which we believe approximates their market values; other investments are valued using market-price data for similar assets. These are classified within Level 2.

The fair values of beneficial interests in charitable trusts held by others and obligations under split-interest agreements are determined using present value techniques, actuarial tables, the fair values of trust investments as reported by the trustees or held by us, and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and liabilities. Investments in limited partnerships, privately held equity, real estate property, bequest transfers in progress, donated real estate held for sale, and certain other investments are not readily marketable and are reported at fair value utilizing the most current information provided by investment managers and third-party independent appraisers. In some cases, we also utilize industry standard valuation techniques, including discounted cash flow models. The significant unobservable inputs used in fair value measurements of our direct investments may include cost of capital, and equity and industry risk premiums. These are considered to be Level 3 measurements.

We use Net Asset Value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, to estimate the fair values of certain hedge fund interests which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, at March 31, 2018:

		Fair Value Measurements at Report Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV
Assets					
Bequest transfers in progress	$ 641,352	$ -	$ -	$ 641,352	$ -
Beneficial interests in charitable trusts held by others	$ 2,259,318	$ -	$ -	$ 2,259,318	$ -
Investments					
Money market funds (at cost)	$ 17,008,990	$ -	$ -	$ -	$ -
Mutual funds					
Equity	93,252,974	93,252,974	-	-	-
Fixed income	41,096,648	41,096,648	-	-	-
Balanced	8,481,914	8,481,914	-	-	-
Marketable equity securities	24,119,138	24,119,138	-	-	-
Fixed income					
Corporate bonds	3,214,213	-	3,214,213	-	-
Certificate of deposits	34,751,142	-	34,751,142	-	-
Government bonds	8,717,365	-	8,717,365	-	-
Multi-strategy hedge and recourse debt funds	3,929,862	-	3,585,664	-	344,198
Insurance investments - Annuities and life policies	2,865,574	-	2,865,574	-	-
Publicly traded partnerships	812,329	812,329	-	-	-
Limited partnership interests	30,915,050	-	-	30,915,050	-
Real estate property	346,026	-	-	346,026	-
Privately held equity and other investments	39,455,433	-	-	39,455,433	-
	$ 308,966,658	$ 167,763,003	$ 53,133,958	$ 70,716,509	$ 344,198
Donated real estate held for sale	$ 1,517,442	$ -	$ -	$ 1,517,442	$ -

Investments in the above table include $48,150,210 held in charitable trusts administered by WaterStone at March 31, 2018.

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended March 31, 2018:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)					
	Bequest Transfers in Progress	Beneficial Interests in Charitable Trusts	Limited Partnership Interests	Real Estate Property	Privately Held Equity and Other Investments	Donated Real Estate Held for Sale
Assets						
Beginning Balance	$ 1,688,353	$ 2,461,391	$ 30,644,452	$ 741,026	$ 20,765,179	$ 1,190,007
Purchases/contributions of investments	470,000	-	170,000	-	24,777,879	3,178,609
Net realized and unrealized gain (loss)	-	57,987	100,598	(13,294)	(1,602,674)	2,604
Distributions	-	(260,060)	-	(381,706)	(4,484,951)	(1,683,771)
Reclassifications	(1,517,001)	-	-	-	-	(1,170,007)
Ending Balance	$ 641,352	$ 2,259,318	$ 30,915,050	$ 346,026	$ 39,455,433	$ 1,517,442
Unrealized gain (loss) included in net investment return in the statement of activities relating to assets still held at year end	$ -	$ 57,987	$ 150,167	$ -	$ 632,326	$ 2,604

The following table presents liabilities measured at fair value on a recurring basis at March 31, 2018:

		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities				
Obligations under split-interest agreements				
Charitable trusts	$ 26,780,177	$ -	$ -	$ 26,780,177
Gift annuities	5,905,319	-	-	5,905,319
Pooled income trusts	18,387,792	-	-	18,387,792
	$ 51,073,288	$ -	$ -	$ 51,073,288

Below is a reconciliation of the beginning and ending balances of liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended March 31, 2018. The net change in value of obligations under split-interest agreements includes the impact of realized and unrealized gains and losses, changes in discount rates, and changes in value from actuarially derived fluctuations.

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)		
	Charitable Trusts	Gift Annuities	Pooled Income Trusts
Liabilities			
Beginning Balance	$ 28,776,083	$ 6,923,344	$ 16,258,901
Payments to trust beneficiaries and annuitants	(2,629,006)	(853,037)	-
Dissolution of trusts and gift annuities	(458,877)	(673,696)	-
Issuance of new trusts and gift annuities	544,126	-	2,284,170
Change in value of split-interest agreements	547,851	508,708	(155,279)
Ending Balance	$ 26,780,177	$ 5,905,319	$ 18,387,792

Investments in certain entities that are measured at fair value using NAV per share as a practical expedient were as follows at March 31, 2018:

	Number of Investments	Fair value	Redemption Frequency	Redemption Notice Period
Recourse Debt Fund	1	$ 109,492	Redemption suspended with orderly liquidation as the fund has been put into wind-down	60 days
Multi-strategy Hedge Funds	2	234,706	Redemption suspended pending orderly liquidation of the fund	N/A
		$ 344,198		

Recourse Debt Fund – Fund focused on fixed income investments through recourse-backed strategies in healthcare, education, and private credit.

Multi-strategy Hedge Funds – Funds that can invest long and short, primarily in common stocks. Fund managers may invest in value, growth, or event-driven equity opportunities and typically are not restricted by market capitalization, industry sector, or geography. Leverage may be utilized, which can magnify changes in the values of the underlying securities.

We have no unfunded commitments relating to these investments.

Note 4 - Net Investment Return

Net investment return consisted of the following for the year ended March 31, 2018:

Interest and dividends	$ 7,299,335
Partnership distributions and rental income	3,363,402
Net realized and unrealized gain	3,433,967
Less investment management and custodial fees	(1,579,871)
	$ 12,516,833

Note 5 - Donor Account-Related Notes Receivable

Donor account-related notes receivable consisted of the following at March 31, 2018:

Note receivable from a corporation pursuant to a stock-redemption agreement, payable in annual installments of $1,875,810, bearing interest at 4.61% compounded annually, secured by shares redeemed, including accrued interest of $989,178	$ 24,397,078
Other notes receivable from organizations and individuals, payable as stipulated in the notes, bearing interest at rates ranging from 0.95% to 12%, unsecured and secured by stock, other assets, and personal guarantees, including accrued interest of $13,361	6,777,275
	31,174,353
Less allowance for uncollectable amounts	(41,678)
	$ 31,132,675

Donor account-related notes receivable activity consisted of the following for the year ended March 31, 2018:

	Notes Receivable	Interest	Allowance	Total
Notes receivable, beginning of year	$ 30,869,494	$ 1,030,013	$ (106,040)	$ 31,793,467
Issuance of new notes	1,590,906	-	-	1,590,906
Repayments	(1,966,775)	-	-	(1,966,775)
Interest charges	-	1,346,204	-	1,346,204
Interest payments	-	(1,373,677)	-	(1,373,677)
Loss on uncollectable note receivable	(321,812)	-	-	(321,812)
Bad debt expense	-	-	64,362	64,362
Notes receivable, end of year	$ 30,171,813	$ 1,002,540	$ (41,678)	$ 31,132,675

Note 6 - Property and Equipment

Property and equipment consisted of the following at March 31, 2018:

	Ministry Purpose	General and Administrative	Total
Land and improvements	$ 13,466,708	$ -	$ 13,466,708
Buildings and improvements	10,149,121	36,090	10,185,211
Furniture and office equipment	94,495	290,928	385,423
Equipment and vehicles	88,340	-	88,340
Livestock	36,000	-	36,000
	23,834,664	327,018	24,161,682
Less accumulated depreciation	(3,807,406)	(268,839)	(4,076,245)
	$ 20,027,258	$ 58,179	$ 20,085,437

Note 7 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at March 31, 2018:

Subject to expenditure for specified purpose:	
Ministry charity projects	$ 1,132,654
Field-of-interest	1,120,830
Scholarships	8,143,772
Subject to the passage of time:	
Bequest transfers in progress	641,352
Beneficial interests in charitable trusts	2,259,318
Charitable trusts	2,985,091
	$ 16,283,017

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended March 31, 2018:

Satisfaction of purpose restrictions		
Ministry charity projects	$	1,091,282
Field-of-interest		161,904
Scholarships		144,133
Expiration of time restrictions		
Bequest transfers in progress		1,531,360
Beneficial interests in charitable trusts		303,559
Charitable trusts		2,020,331
	$	5,252,569

Note 8 - Employee Benefits

We sponsor a tax-deferred annuity plan (Plan) qualified under section 403(b) of the Internal Revenue Code covering substantially all employees with a minimum of one year of service. Pursuant to the terms of the Plan, we contribute $0.50 for every dollar contributed by the employee up to a maximum employer contribution of 3% of an employee's wages. Amounts contributed by employees are immediately vested; employer contributions vest over five years of service, at which time the maximum employer contribution increases to 5% of an employee’s wages. During the year ended March 31, 2018, we contributed $47,968 to the Plan.

Note 9 - Related Party Transactions

Our Conflict of Interest policy requires the Boards of Directors of WaterStone and its affiliates to review, at least annually, all related party transactions and potential conflicts of interest.

In the normal course of our operations, we may have ownership interests in various entities in which members of our Boards of Directors have operating or controlling interests. The President of WaterStone is a board member of an investment company which manages $1,218,755 of WaterStone investments as of March 31, 2018. Net gain from these investment holdings totaled $36,498 for the year ended March 31, 2018. The CEO of WaterStone is a board member of a University to which we loaned money to in 2018. As of March 31, 2018, the balance due on the note totaled $327,278.

In March 2011, a company owned by a board member of an Affiliate purchased the assets of an entity that owns and maintains the accounting software package used by us since January 1, 2008. We paid $152,612 in license and support fees for the year ended March 31, 2018.

Supplementary Information
March 31, 2018

The Christian Community Foundation, Inc.
(dba WaterStone and Affiliates)

Independent Auditor's Report on Supplementary Information

The Board of Directors
The Christian Community Foundation, Inc. (dba WaterStone and Affiliates)
Colorado Springs, Colorado

We have audited the consolidated financial statements (financial statements) of The Christian Community Foundation, Inc. dba WaterStone and Affiliates (WaterStone) as of and for the year ended March 31, 2018, and our report thereon dated September 12, 2018, expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The following supplementary information is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Eide Bailly LLP

Denver, Colorado
September 12, 2018

	The Christian Community Foundation	WaterStone Support Foundation	Affiliates	Eliminations	Total
Assets					
Cash and cash equivalents	$ 4,361,011	$ 1,271,785	$ 3,345,358	$ (1,481,761)	$ 7,496,393
Prepaid expenses and other assets	247,068	30,406	36,042	(18,500)	295,016
Bequest transfers in progress	641,352	-	-	-	641,352
Donor account-related notes receivable, net	26,707,683	3,237,062	1,187,930	-	31,132,675
Beneficial interests in charitable trusts held by others	2,259,318	-	-	-	2,259,318
Investments, including $48,150,210 in charitable trusts held by WaterStone	213,132,416	55,993,581	42,668,471	(2,827,810)	308,966,658
Donated real estate held for sale	-	1,357,440	160,002	-	1,517,442
Property and equipment, net	58,179	4,251,133	15,776,125	-	20,085,437
Total assets	$ 247,407,027	$ 66,141,407	$ 63,173,928	$ (4,328,071)	$ 372,394,291
Liabilities and Net Assets					
Accounts payable and accrued expenses	$ 2,224,384	$ 55,035	$ 284,282	$ (1,500,261)	$ 1,063,440
Obligations under split-interest agreements	24,293,111	29,607,987	-	(2,827,810)	51,073,288
Total liabilities	26,517,495	29,663,022	284,282	(4,328,071)	52,136,728
Net Assets					
Without donor restrictions	209,674,770	31,410,130	62,889,646	-	303,974,546
With donor restrictions	11,214,762	5,068,255	-	-	16,283,017
Total net assets	220,889,532	36,478,385	62,889,646	-	320,257,563
Total liabilities and net assets	$ 247,407,027	$ 66,141,407	$ 63,173,928	$ (4,328,071)	$ 372,394,291

	The Christian Community Foundation	WaterStone Support Foundation	Affiliates	Eliminations	Total
Revenue, Support, and Gains					
Contributions	$ 69,375,982	$ 3,420,314	$ 25,879,458	$ (11,265,944)	$ 87,409,810
Change in value of split-interest agreements	73,909	(934,580)	-	-	(860,671)
Net investment return	6,795,168	3,243,202	2,300,482	177,981	12,516,833
Interest and other income	4,780,156	690,969	687,645	(3,697,637)	2,461,133
Total revenue, support, and gains	81,025,215	6,419,905	28,867,585	(14,785,600)	101,527,105
Expenses and Losses					
Grants and ministry program expenditures	51,048,784	8,418,621	9,962,995	(14,785,600)	54,644,800
Supporting services					
Administrative	2,744,962	196,340	288,126	-	3,229,428
Donor development	803,072	-	114,445	-	917,517
Total supporting services	3,548,034	196,340	402,571	-	4,146,945
Total expenses	54,596,818	8,614,961	10,365,566	(14,785,600)	58,791,745
Loss on uncollectable donor account-related note receivable	321,812	-	-	-	321,812
Total expenses and losses	54,918,630	8,614,961	10,365,566	(14,785,600)	59,113,557
Change in Net Assets	26,106,585	(2,195,056)	18,502,019	-	42,413,548
Net Assets, Beginning of Year	194,782,947	38,673,441	44,387,627	-	277,844,015
Net Assets, End of Year	$ 220,889,532	$ 36,478,385	$ 62,889,646	$ -	$ 320,257,563