

Consolidated Financial Statements  
March 31, 2023



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

(With Comparative Totals for 2022)

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## Independent Auditor's Report

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

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

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, 2023, 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.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of WaterStone as of March 31, 2023, 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.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of WaterStone and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Consolidated Financial Statements*

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WaterStone's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WaterStone's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WaterStone's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Report on Summarized Comparative Information***

We have previously audited the 2022 consolidated financial statements of WaterStone, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Denver, Colorado  
September 12, 2023

**WaterStone and Affiliates**  
 Consolidated Statement of Financial Position  
 March 31, 2023  
 (with comparative totals for 2022)

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 9,376,994	\$ 3,540,467
Prepaid expenses and other assets	2,376,463	778,856
Notes receivable, net	29,058,551	24,884,103
Bequest transfer in progress	2,123,681	-
Investments	760,440,136	680,043,217
Donated real estate held for sale	10,904,735	10,199,901
Property and equipment, net	35,763,368	30,287,232
Total assets	\$ 850,043,928	\$ 749,733,776
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 4,756,338	\$ 996,426
Obligations under split-interest agreements	114,325,491	117,764,317
Total liabilities	119,081,829	118,760,743
<b>Net Assets</b>		
Without donor restrictions	707,970,318	604,468,160
With donor restrictions	22,991,781	26,504,873
Total net assets	730,962,099	630,973,033
Total liabilities and net assets	\$ 850,043,928	\$ 749,733,776

**WaterStone and Affiliates**  
Consolidated Statement of Activities  
Year Ended March 31, 2023  
(with comparative totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue, Support, and Gains				
Contributions	\$ 228,548,270	\$ 4,118,531	\$ 232,666,801	\$217,646,693
Change in value of split- interest agreements	(3,179,924)	(1,754,462)	(4,934,386)	1,737,442
Net investment return (loss)	5,067,095	(3,016,122)	2,050,973	12,914,199
Interest and other income	1,227,325	-	1,227,325	1,332,562
Net assets released from restrictions	2,861,039	(2,861,039)	-	-
<b>Total revenue, support, and gains</b>	<b>234,523,805</b>	<b>(3,513,092)</b>	<b>231,010,713</b>	<b>233,630,896</b>
Expenses and Losses				
Grants and ministry program expenditures	124,512,543	-	124,512,543	109,338,698
Supporting services				
Administrative	5,196,013	-	5,196,013	4,903,899
Donor development	1,307,591	-	1,307,591	1,285,044
<b>Total supporting services</b>	<b>6,503,604</b>	<b>-</b>	<b>6,503,604</b>	<b>6,188,943</b>
<b>Total expenses</b>	<b>131,016,147</b>	<b>-</b>	<b>131,016,147</b>	<b>115,527,641</b>
Loss on uncollectable notes receivable	5,500	-	5,500	147,794
<b>Total expenses and losses</b>	<b>131,021,647</b>	<b>-</b>	<b>131,021,647</b>	<b>115,675,435</b>
<b>Change in Net Assets</b>	<b>103,502,158</b>	<b>(3,513,092)</b>	<b>99,989,066</b>	<b>117,955,461</b>
<b>Net Assets, Beginning of Year</b>	<b>604,468,160</b>	<b>26,504,873</b>	<b>630,973,033</b>	<b>513,017,572</b>
<b>Net Assets, End of Year</b>	<b>\$ 707,970,318</b>	<b>\$ 22,991,781</b>	<b>\$ 730,962,099</b>	<b>\$ 630,973,033</b>

WaterStone and Affiliates  
Consolidated Statement of Functional Expenses  
Year Ended March 31, 2023  
(with comparative totals for 2022)

	2023				
	Grants and Ministry Program	Administrative	Donor Development	Total	2022
Grants and other assistance	\$ 121,537,076	\$ -	\$ -	\$ 121,537,076	\$ 107,449,006
Salaries, wages, taxes, and benefits	139,124	2,343,811	278,867	2,761,802	2,536,100
Professional services	747,078	681,934	255,000	1,684,012	2,045,159
Advertising and promotion	6,822	840,242	704,182	1,551,246	749,200
Occupancy	677,337	269,403	-	946,740	765,030
Licenses and taxes	708,873	135,119	-	843,992	189,430
Depreciation	609,255	33,810	-	643,065	907,146
Information technology	680	388,643	-	389,323	314,510
Insurance	-	308,527	-	308,527	218,818
Meetings and travel	21,941	83,842	69,542	175,325	172,493
Office expenses	44,269	68,853	-	113,122	106,609
Other	20,088	41,829	-	61,917	74,140
Total expenses by function	<u>\$ 124,512,543</u>	<u>\$ 5,196,013</u>	<u>\$ 1,307,591</u>	<u>\$ 131,016,147</u>	<u>\$ 115,527,641</u>

**WaterStone and Affiliates**  
Consolidated Statement of Cash Flows  
Year Ended March 31, 2023  
(with comparative totals for 2022)

	2023	2022
Operating Activities		
Change in net assets	\$ 99,989,066	\$ 117,955,461
Adjustments to reconcile change in net assets to net cash from operating activities		
Grant of property and equipment	-	1,716,591
Depreciation	643,065	907,146
Change in value of split-interest agreements	3,037,235	11,936,635
Net realized/unrealized loss on investments	17,944,702	5,899,422
Loss on uncollectable notes receivable	5,500	147,794
(Gain) loss on sale of donated real estate held for sale	(324,419)	245,116
Donation of investments	(48,278,893)	(136,411,163)
Donation of property and equipment	(995,489)	-
Donation of real estate held for sale	(3,753,000)	(18,337,026)
Change in operating assets	(3,607,234)	(252,112)
Change in operating liabilities	3,042,830	(67,541)
	<u>67,703,363</u>	<u>(16,259,677)</u>
Net Cash from (used for) Operating Activities		
Investing Activities		
Purchases of investments	(179,268,965)	(176,624,986)
Proceeds from sale of investments	129,206,237	157,919,803
Proceeds from sale of real estate held for sale	2,792,418	9,494,022
Purchases of property and equipment	(6,283,958)	(14,987,407)
Proceeds from sale of property and equipment	2,457,494	2,050,216
Issuance of notes receivable	(7,179,093)	(390,024)
Principal collections on notes receivable	2,885,092	2,442,413
	<u>(55,390,775)</u>	<u>(20,095,963)</u>
Net Cash used for Investing Activities		
Financing Activities		
Payments on split-interest agreements	(9,826,539)	(13,529,964)
Proceeds from establishment of new split-interest agreements	3,350,478	41,840,856
	<u>(6,476,061)</u>	<u>28,310,892</u>
Net Cash (used for) from Financing Activities		
Net Change in Cash and Cash Equivalents	5,836,527	(8,044,748)
Cash and Cash Equivalents, Beginning of Year	3,540,467	11,585,215
	<u>\$ 9,376,994</u>	<u>\$ 3,540,467</u>
Cash and Cash Equivalents, End of Year		
Supplemental Disclosure of Non-cash Investing and Financing Activity		
Accounts payable for property and equipment	\$ 717,081	\$ -



## **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 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, WaterStone Supporting Organization Trust #1, WaterStone Supporting Organization Trust #2, WaterStone Real Estate Foundation, Overflow, Inc, and Hexagon Foundation. 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."

### **Comparative Financial Information**

The accompanying consolidated 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 consolidated financial statements for the year ended March 31, 2022, 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.

### **Notes Receivable**

A majority of notes receivable arise in the normal course of receiving and disposing various assets contributed by donors and other parties. The remaining portion consists of programmatic loans. All notes 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, 2023, the allowance was \$29,535.

### **Bequest Transfer 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 was one bequest transfer in progress totaling \$2,123,681 at March 31, 2023.

### **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 consolidated statement of financial position. Net investment return/(loss) is reported in the consolidated 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 consolidated 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 consolidated 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 consolidated 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, 2023.

### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor 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 consolidated statement of activities.

*Net Assets With Donor Restrictions* – Net assets subject to donor restrictions. Some donor 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. At March 31, 2023, we had no net assets with donor restrictions of a perpetual nature. We report contributions restricted by donors as increases in net assets with donor restrictions 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 are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. We report conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

### **Revenue and Revenue Recognition**

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, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been 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. One of our donors accounted for approximately 21% of contribution revenue for the year ended March 31, 2023.

### **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 and included within accounts payable and accrued expenses in the consolidated statement of financial position. At March 31, 2023, grants payable totaled \$844,297. Grants approved but contingent upon fulfillment of certain specified conditions and containing right of release are not recorded until such time as the conditions are substantially met. No conditional grants were outstanding at March 31, 2023.

### **Functional Allocation of Expenses**

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

The consolidated financial statements report certain categories of expenses that are attributed to the program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, wages, taxes and benefits, 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, and have been determined not to be private foundations. 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, 2023. 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 the Internal Revenue Code (IRC). Trust 1 qualifies for the charitable contribution deduction under Section 170 and has requested nonprivate foundation status. Trust 1 is not treated as exempt from income tax under 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.

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 consolidated 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 2020.

### **Estimates**

The preparation of consolidated 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 consolidated 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. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At March 31, 2023, we had approximately \$11 million in excess of FDIC-insured limits. To date, we have not experienced losses in any of these accounts. Credit risk associated with 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.

### Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented.

We elected to reclassify \$10,125,975 from property and equipment to investments as of March 31, 2022. This change was made as we determined certain assets previously reflected as property and equipment were to be used for income-generation activity and it was preferable to classify them within our investment portfolio. This reclassification had no impact on previously reported total assets, net assets or change in net assets.

### Subsequent Events

We have evaluated subsequent events through September 12, 2023, the date the consolidated 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, 2023, financial assets available for general expenditure within one year are comprised of the following:

Cash and cash equivalents	\$ 7,636,730
Notes receivable due in one year	1,998,248
Bequest transfer in progress	2,123,681
Investments	<u>412,357,198</u>
	<u>\$ 424,115,857</u>

A 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 Measurements and Disclosures**

Certain assets and liabilities are reported at fair value in the consolidated 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 money market funds, open-end mutual funds, ETF funds, equity securities, 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.



Investments in limited partnerships, privately held equity, real estate property, 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, as a practical expedient to estimate the fair values of certain hedge funds, private equity funds, and funds of funds 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 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 below, at March 31, 2023:

	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
<b>Investments</b>					
Money market funds (at cost)	\$ 71,541,359	\$ 71,541,359	\$ -	\$ -	\$ -
Mutual funds					
Equity	85,336,046	85,336,046	-	-	-
Fixed income	66,991,920	66,991,920	-	-	-
Balanced	3,560,274	3,560,274	-	-	-
ETF funds					
Equity	61,127,900	61,127,900	-	-	-
Fixed income	23,649,084	23,649,084	-	-	-
Balanced	2,272,404	2,272,404	-	-	-
Marketable equity securities	116,803,785	116,803,785	-	-	-
Fixed income					
Corporate bonds	10,773,100	-	10,773,100	-	-
Certificate of deposits	63,615,367	-	63,615,367	-	-
Government bonds	25,889,892	-	25,889,892	-	-
Limited liability investments and recourse debt funds	1,132,169	-	1,132,169	-	-
Insurance investments -					
Annuities and life policies	2,409,528	-	2,409,528	-	-
Publicly traded partnerships	1,612,932	1,612,932	-	-	-
Limited partnership interests	74,498,516	-	-	74,498,516	-
Real estate held in trust	356,067	-	-	356,067	-
Real estate investments	12,321,794	-	-	12,321,794	-
Privately held equity and other investments	136,547,999	-	-	112,219,098	24,328,901
	<u>\$ 760,440,136</u>	<u>\$ 432,895,704</u>	<u>\$ 103,820,056</u>	<u>\$ 199,395,475</u>	<u>\$ 24,328,901</u>
Donated real estate held for sale	<u>\$ 10,904,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,904,735</u>	<u>\$ -</u>

Investments at March 31, 2023, in the above table include \$63,090,058 held in charitable trusts, \$1,454,457 in charitable gift annuities, and \$58,395,084 in pooled income trusts all administered by WaterStone.

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, 2023:

	Limited Partnership Interests	Real Estate Held in Trust	Real Estate Investments	Privately Held Equity and Other Investments	Donated Real Estate Held for Sale
Assets					
Beginning Balance	\$ 55,700,321	\$356,067	\$ 10,125,975	\$ 94,148,602	\$ 10,199,901
Purchases/contributions of investments	8,579,769	-	2,195,819	61,862,704	3,853,001
Net realized and unrealized gain (loss)	10,279,048	-	-	700,894	(355,749)
Distributions/sales	(60,622)	-	-	(44,493,102)	(2,792,418)
Ending Balance	<u>\$ 74,498,516</u>	<u>\$ 356,067</u>	<u>\$ 12,321,794</u>	<u>\$ 112,219,098</u>	<u>\$ 10,904,735</u>

The following table presents liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at March 31, 2023:

Liabilities	
Obligations under split-interest agreements	
Charitable trusts	\$ 59,568,459
Pooled income trusts	51,335,347
Gift annuities	<u>3,421,685</u>
	<u>\$ 114,325,491</u>

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, 2023. 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.

	Charitable Trusts	Pooled Income Trusts	Gift Annuities
Liabilities			
Beginning Balance	\$ 66,827,157	\$ 47,042,986	\$ 3,894,174
Payments to trust beneficiaries and annuitants	(3,617,112)	(2,530,088)	(427,339)
Dissolution of gift annuities	(2,018,883)	(1,183,093)	(50,024)
Addition of new trusts	1,172,497	2,177,981	-
Change in value of split-interest agreements	(2,795,200)	5,827,561	4,874
Ending Balance	<u>\$ 59,568,459</u>	<u>\$ 51,335,347</u>	<u>\$ 3,421,685</u>

Investments in certain entities that calculate NAV per share as follows at March 31, 2023:

	Number of Investments	Fair value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Insurance investments	7	\$ 11,575,419	\$ 75	Quarterly, Illiquid	Written Request
Limited partnerships	2	298,588	915,310	Illiquid	N/A
Private credit	9	3,638,822	430,000	Illiquid	N/A
Private equity	30	6,234,047	4,181,207	Illiquid	N/A
Real estate funds	9	2,582,025	644,315	Illiquid	N/A
		<u>\$ 24,328,901</u>	<u>\$ 6,170,907</u>		

Insurance investments – Funds focused on capital growth through the use of life settlements. Distributions are normally received through liquidation of the underlying assets of the fund.

Limited Partnerships – Funds focused on growth through partnerships invested in a variety of industries. These investments are not readily redeemable. Distributions are normally received through liquidation of the underlying assets of the fund.

Private credit – Funds focused on growth through direct lending. These investments are not readily redeemable. Distributions are normally received through liquidation of the underlying assets of the fund.

Private equity – Funds focused on growth in equity. These investments are not readily redeemable. Distributions are normally received through liquidation of the underlying assets of the fund.

Real estate funds – Funds focused on real estate assets primarily located in the United States. These investments are not redeemable. Distributions are normally received through liquidation of the underlying assets of the fund.

#### Note 4 - Net Investment Return

Net investment return consisted of the following for the year ended March 31, 2023:

Interest and dividends	\$ 15,507,080
Partnership distributions and rental income	7,774,979
Net realized and unrealized loss	(17,944,702)
Less investment management and custodial fees	<u>(3,286,384)</u>
	<u>\$ 2,050,973</u>

**Note 5 - Notes Receivable**

Notes receivable consisted of the following at March 31, 2023:

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 \$804,589	\$ 19,844,352
Other notes receivable from organizations and individuals, payable as stipulated in the notes, bearing interest at rates ranging from 0.00% to 9.00%, unsecured and secured by stock, other assets, and personal guarantees, including accrued interest of \$20,956	<u>9,243,734</u>
	29,088,086
Less allowance for uncollectable amounts	<u>(29,535)</u>
	<u><u>\$ 29,058,551</u></u>

Notes receivable activity consisted of the following for the year ended March 31, 2023:

	Notes Receivable	Interest	Allowance	Total
Notes receivable, beginning of year	\$ 23,974,040	\$ 939,598	\$ (29,535)	\$ 24,884,103
Issuance of new notes	7,179,093	-	-	7,179,093
Repayments	(2,885,092)	-	-	(2,885,092)
Interest charges	-	1,079,042	-	1,079,042
Interest payments	-	(1,193,095)	-	(1,193,095)
Loss on uncollectable notes receivable	(5,500)	-	-	(5,500)
	<u>\$ 28,262,541</u>	<u>\$ 825,545</u>	<u>\$ (29,535)</u>	<u>\$ 29,058,551</u>
Notes receivable, end of year	<u>\$ 28,262,541</u>	<u>\$ 825,545</u>	<u>\$ (29,535)</u>	<u>\$ 29,058,551</u>

**Note 6 - Property and Equipment**

Property and equipment consisted of the following at March 31, 2023:

	Ministry Purpose	General and Administrative	Total
Land and improvements	\$ 15,296,489	\$ -	\$ 15,296,489
Buildings and improvements	17,400,158	87,582	17,487,740
Furniture and office equipment	215,405	331,688	547,093
Equipment and vehicles	1,113,230	-	1,113,230
Livestock	43,200	-	43,200
Construction in progress	8,331,006	-	8,331,006
	42,399,488	419,270	42,818,758
Less accumulated depreciation	(6,729,033)	(326,357)	(7,055,390)
	\$ 35,670,455	\$ 92,913	\$ 35,763,368

**Note 7 - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods at March 31, 2023:

Subject to expenditure for specified purpose:	
Scholarships	\$ 8,213,493
Ministry charity projects	2,010,744
Field-of-interest	62,521
Subject to the passage of time:	
Charitable trusts	10,581,342
Bequest transfers in progress	2,123,681
	\$ 22,991,781

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, 2023:

Satisfaction of purpose restrictions:	
Ministry charity projects	\$ 1,101,217
Field-of-interest	2,203
Scholarships	237,917
Expiration of time restrictions:	
Charitable trusts	<u>1,519,702</u>
	<u><u>\$ 2,861,039</u></u>

#### **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, 2023, we contributed \$74,473 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. One of the board members of WaterStone is a board member of an investment company which manages \$551,745 of WaterStone investments as of March 31, 2023. Net loss from these investment holdings totaled \$31,775 for the year ended March 31, 2023. During the year ended March 31, 2023, members of our Boards of Directors made contributions of \$215,141.

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 \$278,332 in license and support fees for the year ended March 31, 2023. We hold stock in the entity, at March 31, 2023, the stock was valued at \$836,500. During the year ended March 31, 2023, we received no partnership distributions.

Supplementary Information  
March 31, 2023



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 of The Christian Community Foundation, Inc. dba WaterStone and Affiliates (WaterStone) as of and for the year ended March 31, 2023, and our report thereon dated September 12, 2023, expressed an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements taken as a whole.

*Eide Bailly LLP*

Denver, Colorado  
September 12, 2023



WaterStone and Affiliates  
Consolidating Statement of Financial Position Information  
March 31, 2023

	The Christian Community Foundation	WaterStone Support Foundation	Affiliates	Eliminations	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 6,742,607	\$ 10,143	\$ 2,624,244	\$ -	\$ 9,376,994
Due from affiliates	723,503	1,438,194	-	(2,161,697)	-
Prepaid expenses and other assets	2,085,532	96,758	211,673	(17,500)	2,376,463
Notes receivable, net	21,259,419	1,106,530	6,692,602	-	29,058,551
Bequest transfer in progress	2,123,681	-	-	-	2,123,681
Investments	512,917,269	115,621,313	135,423,154	(3,521,600)	760,440,136
Donated real estate held for sale	-	8,474,735	2,430,000	-	10,904,735
Property and equipment, net	92,912	7,161,630	28,508,826	-	35,763,368
	<u>\$ 545,944,923</u>	<u>\$ 133,909,303</u>	<u>\$ 175,890,499</u>	<u>\$ (5,700,797)</u>	<u>\$ 850,043,928</u>
<b>Liabilities and Net Assets</b>					
Accounts payable and accrued expenses	\$ 3,363,055	\$ 29,701	\$ 1,381,082	\$ (17,500)	\$ 4,756,338
Due to affiliates	-	-	2,161,697	(2,161,697)	-
Obligations under split-interest agreements	54,757,033	63,090,058	-	(3,521,600)	114,325,491
	<u>58,120,088</u>	<u>63,119,759</u>	<u>3,542,779</u>	<u>(5,700,797)</u>	<u>119,081,829</u>
<b>Net Assets</b>					
Without donor restrictions	470,414,830	65,207,768	172,347,720	-	707,970,318
With donor restrictions	17,410,005	5,581,776	-	-	22,991,781
	<u>487,824,835</u>	<u>70,789,544</u>	<u>172,347,720</u>	<u>-</u>	<u>730,962,099</u>
	<u>\$ 545,944,923</u>	<u>\$ 133,909,303</u>	<u>\$ 175,890,499</u>	<u>\$ (5,700,797)</u>	<u>\$ 850,043,928</u>

**WaterStone and Affiliates**  
Consolidating Statement of Activities Information  
Year Ended March 31, 2023

	The Christian Community Foundation	WaterStone Support Foundation	Affiliates	Eliminations	Total
Revenue, Support, and Gains					
Contributions	\$ 220,026,634	\$ 9,084,561	\$ 93,677,964	\$ (90,122,358)	\$ 232,666,801
Change in value of split-interest agreements	(7,571,914)	2,637,528	-	-	(4,934,386)
Net investment return (loss)	(16,956,767)	10,425,320	8,303,310	279,110	2,050,973
Interest and other income	7,291,766	745,325	29,345	(6,839,111)	1,227,325
Total revenue, support, and gains	<u>202,789,719</u>	<u>22,892,734</u>	<u>102,010,619</u>	<u>(96,682,359)</u>	<u>231,010,713</u>
Expenses and Losses					
Grants and ministry program expenditures	<u>155,019,142</u>	<u>8,923,067</u>	<u>57,252,693</u>	<u>(96,682,359)</u>	<u>124,512,543</u>
Supporting services					
Administrative	4,640,641	125,167	430,205	-	5,196,013
Donor development	1,307,517	-	74	-	1,307,591
Total supporting services	<u>5,948,158</u>	<u>125,167</u>	<u>430,279</u>	<u>-</u>	<u>6,503,604</u>
Total expenses	<u>160,967,300</u>	<u>9,048,234</u>	<u>57,682,972</u>	<u>(96,682,359)</u>	<u>131,016,147</u>
Loss on uncollectable notes receivable	<u>-</u>	<u>-</u>	<u>5,500</u>	<u>-</u>	<u>5,500</u>
Total expenses and losses	<u>160,967,300</u>	<u>9,048,234</u>	<u>57,688,472</u>	<u>(96,682,359)</u>	<u>131,021,647</u>
Change in Net Assets	41,822,419	13,844,500	44,322,147	-	99,989,066
Net Assets, Beginning of Year	<u>446,002,416</u>	<u>56,945,044</u>	<u>128,025,573</u>	<u>-</u>	<u>630,973,033</u>
Net Assets, End of Year	<u>\$ 487,824,835</u>	<u>\$ 70,789,544</u>	<u>\$ 172,347,720</u>	<u>\$ -</u>	<u>\$ 730,962,099</u>