

THE ALBERT BAKER FUND

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
SEPTEMBER 30, 2019 AND 2018**

INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
The Albert Baker Fund
Sacramento, California**

We have audited the accompanying financial statements of The Albert Baker Fund (ABF), which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Board of Trustees
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Albert Baker Fund as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Gilbert CPAs". The signature is written in a cursive, flowing style.

GILBERT CPAs
Sacramento, California

March 2, 2020

THE ALBERT BAKER FUND
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS:		
Cash	\$ 211,247	\$ 219,661
Contributions receivable	2,250	33,800
Accounts receivable	91,726	90,401
Prepaid expenses and other assets	20,025	14,858
Student loans receivable, net	1,970,793	2,062,827
Investments	31,690,626	33,483,277
Property and equipment, net	<u>-</u>	<u>19,043</u>
TOTAL ASSETS	<u>\$ 33,986,667</u>	<u>\$ 35,923,867</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	<u>\$ 58,268</u>	<u>\$ 51,477</u>
 NET ASSETS:		
Net assets without donor restrictions	31,903,921	33,976,134
Net assets with donor restrictions	<u>2,024,478</u>	<u>1,896,256</u>
Total net assets	<u>33,928,399</u>	<u>35,872,390</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,986,667</u>	<u>\$ 35,923,867</u>

THE ALBERT BAKER FUND

STATEMENTS OF ACTIVITIES YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUE AND SUPPORT:		
Contributions	\$ 92,583	\$ 112,251
Bequests	121,444	82,809
Student loan interest	34,692	33,165
Other	2,160	5,512
Net assets released from restrictions	<u>741,418</u>	<u>284,261</u>
Total revenues	<u>992,297</u>	<u>517,998</u>
EXPENSES:		
Program services:		
Post-secondary - grants	1,094,945	473,771
International post-secondary	513,069	419,036
Christian Science nurse training	201,403	204,576
Career alliance	251,426	293,818
Youth leadership	160,013	142,793
Post-secondary - student loans	<u>117,521</u>	<u>116,372</u>
Total program services	<u>2,338,377</u>	<u>1,650,366</u>
Supporting services:		
Management and general	546,225	484,822
Fundraising	<u>301,777</u>	<u>287,124</u>
Total supporting services	<u>848,002</u>	<u>771,946</u>
Total expenses	<u>3,186,379</u>	<u>2,422,312</u>
LOSS FROM OPERATIONS	(2,194,082)	(1,904,314)
Interest and investment income	<u>121,869</u>	<u>2,592,316</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(2,072,213)</u>	<u>688,002</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions and grants	776,473	209,450
Bequests	10,000	22,000
Investment income	83,167	297,764
Net assets released from restrictions	<u>(741,418)</u>	<u>(284,261)</u>
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>128,222</u>	<u>244,953</u>
INCREASE (DECREASE) IN NET ASSETS	(1,943,991)	932,955
NET ASSETS, Beginning of year	<u>35,872,390</u>	<u>34,939,435</u>
NET ASSETS, End of year	<u>\$ 33,928,399</u>	<u>\$ 35,872,390</u>

The accompanying notes are an integral part of these financial statements.

THE ALBERT BAKER FUND

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2019

	<u>Program services</u>					<u>Supporting services</u>		<u>Total</u>	
	<u>Post- secondary grants</u>	<u>International post- secondary</u>	<u>Career alliance</u>	<u>Christian Science nurse training</u>	<u>Youth leadership</u>	<u>Post- secondary student loans</u>	<u>Management and general</u>		<u>Fundraising</u>
Grants expense	\$ 998,293	\$ 319,148	\$ -	\$ 159,650	\$ 149,000	\$ -	\$ -	\$ -	\$ 1,626,091
Personnel costs	74,527	69,099	169,938	37,626	10,413	80,046	331,840	177,731	951,220
Professional fees	14,019	73,078	31,163	-	-	14,019	55,178	65,222	252,679
Travel and entertainment	2,450	28,678	23,939	2,233	193	1,545	48,212	18,024	125,274
Occupancy expenses	1,987	1,880	4,272	1,037	267	1,643	37,761	6,407	55,254
Marketing	-	-	5,731	-	-	-	8,434	14,958	29,123
Software and equipment	-	82	5,830	-	-	-	11,427	6,635	23,974
Depreciation and amortization	724	685	974	378	97	599	13,768	1,817	19,042
Information technology costs	2,083	-	2,600	-	-	-	12,539	1,233	18,455
Telephone and communications	319	3,849	3,644	167	43	880	6,070	2,932	17,904
Loan management and collection	-	-	-	-	-	16,933	-	-	16,933
Office expenses	-	310	894	-	-	-	8,004	1,261	10,469
Miscellaneous expenses	543	16,260	2,441	312	-	1,856	12,992	5,557	39,961
Total	<u>\$ 1,094,945</u>	<u>\$ 513,069</u>	<u>\$ 251,426</u>	<u>\$ 201,403</u>	<u>\$ 160,013</u>	<u>\$ 117,521</u>	<u>\$ 546,225</u>	<u>\$ 301,777</u>	<u>\$ 3,186,379</u>

The accompanying notes are an integral part of these financial statements.

THE ALBERT BAKER FUND

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2018

	<u>Program services</u>					<u>Supporting services</u>			<u>Total</u>
	<u>Post- secondary grants</u>	<u>International post- secondary</u>	<u>Career alliance</u>	<u>Christian Science nurse training</u>	<u>Youth leadership</u>	<u>Post- secondary student loans</u>	<u>Management and general</u>	<u>Fundraising</u>	
Grants expense	\$ 399,456	\$ 193,582	\$ -	\$ 147,955	\$ 129,976	\$ -	\$ -	\$ -	\$ 870,969
Personnel costs	64,275	78,386	194,262	47,466	10,810	74,870	290,823	208,920	969,812
Professional fees	-	63,120	-	-	-	-	24,345	5,100	92,565
Travel and entertainment	7,298	63,540	31,189	7,400	1,019	8,341	39,567	16,413	174,767
Occupancy expenses	1,546	1,934	5,015	1,076	282	1,766	39,159	3,584	54,362
Marketing	-	1,813	-	-	-	-	10,842	29,539	42,194
Event expense	-	-	41,421	-	-	-	-	-	41,421
Depreciation and amortization	578	699	1,390	403	106	661	14,656	904	19,397
Information technology costs	-	1,306	16,366	-	553	-	39,376	7,671	65,272
Telephone and communications	258	1,172	3,129	180	47	626	6,547	2,482	14,441
Loan management and collection	-	-	-	-	-	23,146	-	-	23,146
Office expenses	-	904	948	-	-	-	8,587	893	11,332
Miscellaneous expenses	360	12,580	98	96	-	6,962	10,920	11,618	42,634
Total	<u>\$ 473,771</u>	<u>\$ 419,036</u>	<u>\$ 293,818</u>	<u>\$ 204,576</u>	<u>\$ 142,793</u>	<u>\$ 116,372</u>	<u>\$ 484,822</u>	<u>\$ 287,124</u>	<u>\$ 2,422,312</u>

The accompanying notes are an integral part of these financial statements.

THE ALBERT BAKER FUND

STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (1,943,991)	\$ 932,955
Reconciliation to net cash used by operating activities:		
Advances to loan recipients	(282,100)	(256,151)
Repayments from loan recipients	372,382	421,610
Depreciation and amortization	19,043	19,397
Net (gain) loss on investments	445,423	(2,290,001)
Loan losses and forgiveness	1,752	6,962
Investment income restricted to endowment	(83,167)	(297,764)
Changes in:		
Contributions receivable	31,550	(33,800)
Accounts receivable	(1,325)	(36,758)
Prepaid expenses and other assets	(5,167)	36,065
Accounts payables and accrued expenses	6,791	(16,536)
Net cash used by operating activities	<u>(1,438,809)</u>	<u>(1,514,021)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(21,184,912)	(11,023,798)
Proceeds from sales and maturities of investments	<u>22,532,140</u>	<u>12,281,658</u>
Net cash provided by investing activities	<u>1,347,228</u>	<u>1,257,860</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Investment income restricted to endowment	<u>83,167</u>	<u>297,764</u>
NET INCREASE (DECREASE) IN CASH	(8,414)	41,603
CASH, Beginning of year	<u>219,661</u>	<u>178,058</u>
CASH, End of year	<u>\$ 211,247</u>	<u>\$ 219,661</u>

THE ALBERT BAKER FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

1. ORGANIZATION AND PROGRAMS

The Albert Baker Fund (ABF) is a California nonprofit public benefit corporation organized in 1964. ABF's mission is to serve the cause of Christian Science and humanity by providing resources for the education and development of Christian Scientists. ABF offers assistance to students who are members of The Mother Church, The First Church of Christ Scientist, Boston, Massachusetts, one of its branch churches or societies, or are otherwise active Christian Scientists, to finance college and university education, graduate school, Christian Science nurse training, or vocational school, by way of loans, grants or through the establishment of scholarships.

The Albert Baker Fund's programs include the following:

Post-Secondary Program – Student Loans and Grants

This program is ABF's original program and provides financial aid for the education of active Christian Scientists accepted to accredited colleges, universities or vocational educational institutions in the United States and Canada. Students pursuing traditional academic degree programs as well as job-related training who qualify for aid are typically awarded a combination of loan funding and a grant. Other post-secondary programs include Christian Science military chaplain program and seminary education grants.

Two new programs in 2019 include grants for graduates of the National Leadership Counsel program, as described in Youth Leadership, below, and the Christian Science Monitor Pipeline program, the purpose of which is to attract qualified Christian Scientists to the Monitor's editorial and publishing staff.

International Post-Secondary

In addition to the United States and Canada, ABF provides financial resources for the education of active Christian Scientists in: (thirteen African countries) Benin, Burundi, Cameroon, Democratic Republic of the Congo, Ghana, Kenya, Nigeria, Republic of the Congo, Rwanda, Tanzania, Togo, Uganda, and Zambia; France, Germany, the United Kingdom, and the Philippines.

Christian Science Nurse Training

This program provides need-based grants for tuition to Christian Scientists who enroll in Christian Science nurse training with the goal of seeking listing in The Christian Science Journal or working full time as Christian Science nurses.

Youth Leadership

This program provides grants to college interns working for The Mother Church and to participants in the National Leadership Council, an intensive four year student leadership program created by Discovery Bound for 9th–12th grade Christian Science teens in the United States. Each class participates in monthly teleconference calls, public service, work with a mentor, leadership education, and 10-14 day summer group experience designed to make practical what they have learned throughout the year.

THE ALBERT BAKER FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

Career Alliance

Launched in 2015, this program links job seekers to career allies by opening doors to internships and job opportunities, and by providing outstanding career education and networking resources for the Christian Science community.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. ABF reports information regarding its financial position and activities according to two classes of net assets: *net assets without donor restrictions* and *net assets with donor restrictions*.

Revenue recognition – Contributions and grants are recognized in full when received or unconditionally promised, in accordance with professional standards. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted when the time restrictions expire, or the contributions are used for the restricted purpose and are reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions held in perpetuity are those net assets whose use by ABF is restricted by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by the actions of ABF. Conditional promises to give, which depend on the occurrence of specified future and uncertain events are not recorded until the conditions are met.

Cash and cash equivalents – For financial statement purposes, ABF considers all investments with an initial maturity of three months or less to be cash equivalents, unless held for long-term investing purposes.

ABF maintains its cash in bank deposit accounts that at times may exceed federally insured limits. ABF deposits held with financial institutions in excess of federal deposit insurance limits were \$115,075 and \$27,614 as of September 30, 2019 and 2018, respectively. ABF has not experienced any losses in such accounts. Management believes ABF is not exposed to any significant credit risk related to cash.

Student loans receivable are stated at the unpaid balance, less an allowance for loan losses. Management provides for probable uncollectible amounts through a provision for loan losses and an adjustment to an allowance for loan losses based on its assessment of the current status of individual accounts including consideration given to historical loan loss experience, delinquency status, contractual obligations, specific impaired loans, economic conditions and other circumstances which may affect the ability of borrowers to meet their obligations. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for loan losses. Loan charge-offs are approved by the Board of Trustees and only occur when there has been no contact with the borrower or co-signer for several years. All loan balances of deceased borrowers are forgiven. ABF bears the full risk of borrower default in the portfolio. The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. However, because of uncertainties associated with these judgements and assumptions, it is reasonably possible that management's estimate of credit losses inherent in the loan portfolio and the related allowance may change materially in the near term.

THE ALBERT BAKER FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

Investments and fair value measurements – Purchases and sales of securities are recorded on a trade date basis. Realized gains and losses on investments in securities are calculated based on the first-in, first-out method, and are reflected in the statement of activities. Dividend income is recorded on the ex-dividend date and interest income is recorded on the accrual basis.

Investments are recorded at estimated fair value and held for long-term purposes.

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same—to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the asset or liability.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

Fair value is measured using valuation techniques appropriate to each class of asset or liability, as follows:

Marketable securities (readily determinable fair value)	Share price data from the active markets in which the securities and funds are traded.
Limited Partnerships and other marketable securities	Net Asset Value (NAV) is used as a practical expedient unless ABF believes such NAV calculation is not measured in accordance with fair value. These values may differ significantly from values that would have been used had a readily available market existed for such investments, and that difference could be material to the change in net assets of ABF.

THE ALBERT BAKER FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

ABF follows guidance relating to investments in certain entities that calculate NAV. The guidance permits, as a practical expedient, a reporting entity to measure the fair value of the investment, within its scope, on the basis of NAV if the NAV of the investment is calculated in a manner consistent with the measuring principles of accounting for investment companies as of the reporting entity's measurement date. These investments are not categorized within the fair value hierarchy. Additional disclosures about the attributes of such investments by major category are shown in Note 4.

Property and equipment are stated at cost, or if donated, at the estimated fair market value at the date of donation. ABF capitalizes all expenditures for property and equipment in excess of \$1,000. Depreciation is computed using the straight-line method over estimated useful lives of individual assets ranging from 5 to 10 years.

Grants awarded – ABF recognizes grant expense at the time the award has been approved by ABF's Director of Grant and Loan Programs.

Functional allocation of expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. 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. Personnel costs and professional fees are allocated based on management's estimate of time and effort. Occupancy, telephone, communication, depreciation and amortization expenses are allocated based on square footage. All other expenses are specifically identified with a particular department and are presented as such on the statements of functional expenses.

Income taxes – ABF is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. ABF has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the financial statements. With some exceptions, ABF is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2015.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. ABF's significant estimates include the valuation of investments, the collectability/valuation of student loans receivable, selection of useful lives of property and equipment, and the allocation of functional expenses.

THE ALBERT BAKER FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

New accounting pronouncement – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and consistency in the type of information provided about expenses and investment return. ABF has adjusted the presentation of these statements accordingly, with the exception of the liquidity disclosures, which has not been applied for the year ended September 30, 2018, as allowed by the transition guidance of this ASU.

Recently issued accounting pronouncements – In June 2018, the FASB issued ASU 2018-08, Topic 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new accounting standard clarifies and improves the guidance for (1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958 or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. Application of this statement is effective for transactions in which the entity serves as the resource recipient for the year ending September 30, 2020. For transactions in which the entity serves as the resource provider, the statement is effective for the year ending September 30, 2021. ABF is currently evaluating the impact this pronouncement will have on the financial statements.

Subsequent events have been evaluated through March 2, 2020, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since September 30, 2019 that require recognition or disclosure in the financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

ABF's financial assets available within one year of the statement of financial position date for general expenditure are as follows, as of September 30, 2019:

Cash	\$ 211,247
Contributions receivable	2,250
Accounts receivable, current	64,671
Student loan receivable, net of allowance, current	353,288
Investments	<u>31,690,626</u>
Total financial assets	32,322,082
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Restriction by donors for time, purpose, or to be held in perpetuity	<u>(2,024,478)</u>
Total financial assets available for general expenditure within one year	<u>\$ 30,297,604</u>

ABF maintains cash on hand to meet 30 days of normal operating expenses, which total, on average, approximately \$130,000, plus the amount needed to pay approved awards.

ABF has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, ABF invests excess operating cash in short-term investments.

THE ALBERT BAKER FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

4. INVESTMENTS

Marketable securities consist of the following at September 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>NAV</u>
Cash and cash equivalents	\$ 1,409,549	\$ -	\$ -
Common stock:			
Technology	3,077,773	-	-
Industrials	2,025,749	-	-
Consumer discretionary	1,984,357	-	-
Financials	1,890,749	-	-
Consumer staples	1,089,977	-	-
Communication services	897,190	-	-
Consumer cyclical	561,374	-	-
Utilities	451,717	-	-
Materials	448,464	-	-
Other	446,396	-	-
Energy	435,503	-	-
Healthcare	224,149	-	-
Real estate	129,085	-	-
Specialty chemicals	83,530	-	-
Consumer defensive	24,652	-	-
Mutual funds:			
Unconstrained fixed income	1,338,278	-	-
Long/short	1,362,467	-	-
Large core	1,177,057	-	-
Infrastructure	1,172,158	-	-
MLPs	600,196	-	-
Large growth	542,640	-	-
Medium growth	432,814	-	-
Core fixed income	345,055	-	-
International core	344,313	-	-
Managed futures	100,130	-	-
Small growth	80,684	-	-
Emerging markets	9,402	-	-
Fixed income:			
U.S. Treasuries	1,371,504	-	-
Government obligations	1,096,086	-	-
Corporate bonds	-	1,846,393	-
Investments valued using NAV	<u>-</u>	<u>-</u>	<u>4,691,235</u>
Total investments	<u>\$ 25,152,998</u>	<u>\$ 1,846,393</u>	<u>\$ 4,691,235</u>

THE ALBERT BAKER FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

Marketable securities consist of the following at September 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>NAV</u>
Cash and cash equivalents	\$ 981,202	\$ -	\$ -
Common stock:			
Technology	3,442,145	-	-
Financials	3,085,616	-	-
Consumer discretionary	2,129,904	-	-
Energy	1,621,997	-	-
Industrials	1,534,259	-	-
Communication services	1,460,604	-	-
Consumer cyclical	602,994	-	-
Materials	458,769	-	-
Other	432,617	-	-
Consumer staples	401,364	-	-
Healthcare	334,732	-	-
Utilities	224,028	-	-
Consumer defensive	66,695	-	-
Mutual funds:			
Unconstrained fixed income	1,335,678	-	-
Large core	1,265,496	-	-
Long/short	1,066,638	-	-
Infrastructure	1,037,161	-	-
Managed futures	973,000	-	-
MLPs	843,731	-	-
Large growth	584,528	-	-
Medium growth	417,404	-	-
International core	354,164	-	-
Small growth	339,854	-	-
Core fixed income	312,044	-	-
Emerging markets	8,877	-	-
Fixed income:			
U.S. Treasuries	1,486,538	-	-
Government obligations	1,060,321	-	-
Corporate bonds	-	1,994,401	-
Investments valued using NAV	-	-	3,626,516
Total investments	\$ 27,862,360	\$ 1,994,401	\$ 3,626,516

THE ALBERT BAKER FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

ABF uses the NAV to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments in other investment companies (in partnership format) by major category as of September 30, 2019:

	Number of Funds	NAV in Funds	Unfunded Commitments	Remaining Life	Redemption Restrictions	Redemption Notice Period
Natural resources/ commodities funds	2	\$ 289,998	\$ -	N/A	quarterly and no exit	90 days
Real estate funds	5	2,431,905	161,333	1-5 years	quarterly and no exit	90 days
Private equity funds	3	1,237,422	154,749	N/A	quarterly and no exit	90 days
Equity hedge funds	1	731,910	-	N/A	quarterly	60 days
Total		<u>\$ 4,691,235</u>	<u>\$ 316,082</u>			

The following table lists investments in other investment companies (in partnership format) by major category as of September 30, 2018:

	Number of Funds	NAV in Funds	Unfunded Commitments	Remaining Life	Redemption Restrictions	Redemption Notice Period
Natural resources/ commodities funds	2	\$ 363,556	\$ -	N/A	quarterly and no exit	90 days
Real estate funds	5	2,539,761	161,333	1-5 years	quarterly and no exit	90 days
Private equity funds	2	722,189	409,749	N/A	no exit	-
Hybrid strategy funds	1	1,010	-	N/A	annually	180 days
Total		<u>\$ 3,626,516</u>	<u>\$ 571,082</u>			

5. STUDENT LOAN RECEIVABLES

Student loans, which are unsecured, bear no interest while the student is in school full time, or during the twelve-month grace period after graduation. Twelve months after graduation or withdrawal from full-time school attendance, repayment of the loan commences, and interest charges begin at below market rates. The interest rate on new loans is currently 3% and the interest rates on outstanding loans range between 1.75% and 3%. In August 2009, all loans with higher interest rates were lowered to 3% for the remainder of the repayment period. ABF does not accrue interest on outstanding loan balances and only recognizes interest income when a payment has been received.

The maximum repayment period is 120 months from the date of graduation or withdrawal from college following a twelve-month grace period. Loan recipients accepted into *The Christian Science Journal* as listed Christian Science practitioners or Christian Science nurses will have one monthly payment forgiven for each month they are listed, if they were current with their payments when they became listed.

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Borrowers may request deferment of the repayment period if they are attending school full-time or part-time, or in cases of financial hardship. Loans do not bear interest during the deferral period on student and hardship deferments. Borrowers serving in the military, Peace Corps, AmeriCorps, VISTA and similar government organizations may also request deferment without interest charged.

Loans at September 30, 2019 are as follows:

Loans in Repayment

Loans current	\$	909,232
Loans past due 30 – 60 days		-
Loans past due 60 – 90 days		31,641
Loans past due over 90 days		158,896
Loans in special arrangement		<u>209,782</u>
		1,309,551
In school or grace		<u>929,682</u>
Total		2,239,233
Allowance for loan losses		<u>(268,440)</u>
Student loans receivable, net	\$	<u>1,970,793</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2019</u>	<u>2018</u>
Furniture, fixtures and equipment	\$ 37,181	\$ 37,181
Internally developed software	<u>95,215</u>	<u>95,215</u>
Total	132,396	132,396
Less accumulated depreciation and amortization	<u>(132,396)</u>	<u>(113,353)</u>
Total	<u>\$ -</u>	<u>\$ 19,043</u>

7. OPERATING LEASE COMMITMENTS

ABF leases office space and mailing equipment under non-cancelable operating leases expiring at various times through March 2021. Lease expense under all operating leases totaled \$55,234 and \$54,362 for the years ended September 30, 2019 and 2018, respectively.

Future minimum lease payments are as follows:

Year Ending September 30:

2020	\$	43,554
2021		<u>18,773</u>
	\$	<u>62,327</u>

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8. NET ASSETS

Net assets with donor restrictions are available for the following:

	<u>2019</u>	<u>2018</u>
Purpose restricted:		
Post-secondary – student loans and grants	\$ 1,818,055	\$ 1,749,688
Career Alliance regional workshops	30,184	-
CS Monitor Pipeline	27,421	-
Other	2,250	-
Restricted in perpetuity	<u>146,568</u>	<u>146,568</u>
Total net assets with donor restrictions	<u>\$ 2,024,478</u>	<u>\$ 1,896,256</u>

Endowment Funds

ABF has two donor-restricted endowment funds, one perpetually restricted and one purpose restricted, and no board-designated endowments. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The endowment fund that is temporary in nature consists of a donation to ABF to create a term endowment for student loans and scholarships. The funds may be used to provide U.S. citizens with loans or scholarships relating to the Christian Science Nurse Training Program or to obtain an undergraduate degree. Only the income from this endowment may be used during the first ten years after the donor's death. Beginning ten years after the donor's death, ABF may invade the principal of such endowment every year by no more than 10% of the fair value as of the beginning of the year. If the balance falls below a certain threshold, the Board of Trustees may terminate the endowment and use the funds for general purposes. Certain pro-rata amounts of ABF's administrative expenses may also be charged against this endowment every year.

The Board of ABF, on the advice of legal counsel, has interpreted California's enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary.

As a result of this interpretation, ABF classifies as net assets with donor restrictions that are to be held in perpetuity (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to the permanent endowment, and (3) additions to the permanent endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment fund that is not perpetual in nature is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by ABF in a manner consistent with the standard of prudence prescribed by the enacted version of UPMIFA.

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Spending Policy

In accordance with the state of California's enacted version of UPMIFA, ABF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1.) The duration and preservation of ABF
- 2.) The purposes of ABF and the endowment funds
- 3.) General economic conditions
- 4.) The possible effect of inflation and deflation
- 5.) The expected total return from income and the appreciation of investments
- 6.) Other resources of ABF
- 7.) The investment policies of ABF

ABF has a policy of appropriating for distribution each year no more than 7% of its endowment fund's current average fair value of the endowment fund. The current average fair value is calculated using the fair value for the fund at the end of the third quarter of the previous fiscal year. In establishing this policy, ABF considered the factors listed above.

Investment Policy, Strategies, and Objectives

ABF has adopted investment and spending policies for endowment assets that attempts to maximize total return consistent with an acceptable level of risk, and to provide a predictable stream of funding to programs. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce returns in excess of the anticipated endowment spending, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, ABF relies on the recommendations of its investment managers, supervised by the voting members of the Finance Committee. ABF has a long-term asset allocation strategy of 40% to 80% in global equities, 20% to 40% in global bonds and cash, and 0% to 20% in alternative investments. Assets are broadly diversified to protect against the risk of large losses. Furthermore, as an organization operated for and by Christian Scientists, investment managers are directed to avoid investments in all companies that disclose or are thought to have a significant part of their business (defined as in excess of 20% of total reported revenues), involvement with alcohol, tobacco, gaming or healthcare. Total exposure to these types of investments is limited so that at no time investment in the avoided business would ever constitute over 10% of total portfolio assets.

THE ALBERT BAKER FUND

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Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires ABF to retain as a fund of perpetual duration. As of September 30, 2019, there were no deficiencies in the endowment funds.

ABF had the following endowment activities during the years ended September 30, 2019 and 2018:

	<u>Time or purpose restricted</u>	<u>Perpetually restricted</u>
Year ended September 30, 2019:		
Endowment net assets, beginning of year	\$ 1,706,315	\$ 146,568
Investment income	83,167	-
Amounts appropriated for expenditure	<u>(17,800)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 1,771,682</u>	<u>\$ 146,568</u>
	<u>Time or purpose restricted</u>	<u>Perpetually restricted</u>
Year ended September 30, 2018:		
Endowment net assets, beginning of year	\$ 1,422,791	\$ 146,568
Investment income	297,764	-
Amounts appropriated for expenditure	<u>(14,240)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 1,706,315</u>	<u>\$ 146,568</u>

9. RETIREMENT PLAN

ABF has a 403(b) plan covering substantially all employees. ABF matches employee contributions for employees with a minimum of one year of service up to 6% of their annual salary. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Contributions to the plan were \$34,814 and \$40,285 for the years ended September 30, 2019 and 2018, respectively.

10. ASSET NOT RECORDED

ABF has a 50% deeded interest in all oil, gas and other minerals in 320 acres in Petroleum County, Montana. The deed is not currently being leased, and the fair value, if any, has not been determined, and is therefore not recorded.