

THE ALBERT BAKER FUND

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

**YEARS ENDED
SEPTEMBER 30, 2021 AND 2020**

INDEPENDENT AUDITOR'S REPORT

**Board of Trustees
The Albert Baker Fund
Folsom, 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, 2021 and 2020, 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.

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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, 2021 and 2020, 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 7, 2022

THE ALBERT BAKER FUND

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS:		
Cash	\$ 301,491	\$ 148,055
Accounts receivable	138,711	149,951
Prepaid expenses and other assets	16,713	24,893
Student loans receivable, net	1,669,262	1,950,091
Investments	34,577,383	31,420,076
Property and equipment, net	<u>152,627</u>	<u>116,110</u>
TOTAL ASSETS	<u>\$ 36,856,187</u>	<u>\$ 33,809,176</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	<u>\$ 95,021</u>	<u>\$ 79,218</u>
 NET ASSETS:		
Net assets without donor restrictions	34,214,485	31,577,972
Net assets with donor restrictions	<u>2,546,681</u>	<u>2,151,986</u>
Total net assets	<u>36,761,166</u>	<u>33,729,958</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 36,856,187</u>	<u>\$ 33,809,176</u>

THE ALBERT BAKER FUND

STATEMENTS OF ACTIVITIES YEARS ENDED SEPTEMBER 30, 2021 AND 2020

NET ASSETS WITHOUT DONOR RESTRICTIONS:	<u>2021</u>	<u>2020</u>
REVENUE AND SUPPORT:		
Contributions	\$ 131,939	\$ 82,981
Bequests	78,601	188,278
Student loan interest	31,332	31,804
Other	16,885	9,197
Net assets released from restrictions	<u>847,491</u>	<u>909,264</u>
Total revenues	<u>1,106,248</u>	<u>1,221,524</u>
EXPENSES:		
Program services:		
Post-secondary - grants	1,410,792	1,232,257
International post-secondary	343,008	365,120
Christian Science nurse training	251,073	274,727
Career alliance	237,026	215,630
Post-secondary - student loans	114,265	125,236
Youth leadership	<u>112,843</u>	<u>124,247</u>
Total program services	<u>2,469,007</u>	<u>2,337,217</u>
Supporting services:		
Management and general	621,849	621,268
Fundraising	<u>411,335</u>	<u>388,770</u>
Total supporting services	<u>1,033,184</u>	<u>1,010,038</u>
Total expenses	<u>3,502,191</u>	<u>3,347,255</u>
LOSS FROM OPERATIONS	(2,395,943)	(2,125,731)
Interest and investment income	<u>5,032,456</u>	<u>1,799,782</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>2,636,513</u>	<u>(325,949)</u>
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions and grants	932,257	888,093
Bequests	10,000	10,000
Investment income	299,929	138,679
Net assets released from restrictions	<u>(847,491)</u>	<u>(909,264)</u>
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>394,695</u>	<u>127,508</u>
INCREASE (DECREASE) IN NET ASSETS	3,031,208	(198,441)
NET ASSETS, Beginning of year	<u>33,729,958</u>	<u>33,928,399</u>
NET ASSETS, End of year	<u>\$ 36,761,166</u>	<u>\$ 33,729,958</u>

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

THE ALBERT BAKER FUND

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2021

	<u>Program services</u>						<u>Supporting services</u>		<u>Total</u>
	<u>Post- secondary grants</u>	<u>International post- secondary</u>	<u>Christian Science nurse training</u>	<u>Career alliance</u>	<u>Post- secondary student loans</u>	<u>Youth leadership</u>	<u>Management and general</u>	<u>Fundraising</u>	
Grants expense	\$ 1,300,687	\$ 170,011	\$ 183,185	\$ -	\$ -	\$ 102,000	\$ -	\$ -	\$ 1,755,883
Personnel costs	97,194	76,825	61,059	182,394	90,118	10,591	399,131	331,514	1,248,826
Professional fees	-	65,140	-	6,800	-	-	25,670	4,930	102,540
Marketing	-	-	-	12,738	-	-	19,611	38,153	70,502
Occupancy expenses	2,006	1,747	1,282	3,595	1,433	212	37,610	6,632	54,517
Software and equipment	-	1,458	-	2,200	64	-	30,088	13,098	46,908
Information technology costs	-	-	-	1,328	-	-	35,065	2,660	39,053
Depreciation and amortization	9,982	9,982	5,152	1,933	5,152	-	-	-	32,201
Office relocation	-	-	-	-	-	-	27,782	-	27,782
Travel and entertainment	-	9,110	-	4,795	-	-	8,883	-	22,788
Loan management and collection	-	-	-	-	16,115	-	-	-	16,115
Telephone and communications	336	2,692	215	2,303	565	35	6,247	2,789	15,182
Office expenses	-	-	-	1,106	-	-	6,100	952	8,158
Miscellaneous expenses	587	6,043	180	17,834	818	5	25,662	10,607	61,736
Total	<u>\$ 1,410,792</u>	<u>\$ 343,008</u>	<u>\$ 251,073</u>	<u>\$ 237,026</u>	<u>\$ 114,265</u>	<u>\$ 112,843</u>	<u>\$ 621,849</u>	<u>\$ 411,335</u>	<u>\$ 3,502,191</u>

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

THE ALBERT BAKER FUND

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2020

	<u>Program services</u>					<u>Supporting services</u>		<u>Total</u>	
	<u>Post- secondary grants</u>	<u>International post- secondary</u>	<u>Christian Science nurse training</u>	<u>Career alliance</u>	<u>Post- secondary student loans</u>	<u>Youth leadership</u>	<u>Management and general</u>		<u>Fundraising</u>
Grants expense	\$ 1,125,936	\$ 174,682	\$ 213,583	\$ -	\$ -	\$ 114,000	\$ -	\$ -	\$ 1,628,201
Personnel costs	88,540	72,271	55,993	173,252	82,354	9,632	369,505	314,183	1,165,730
Professional fees	9,480	82,125	-	-	9,480	-	55,032	4,930	161,047
Marketing	-	-	-	13,513	-	-	28,113	35,809	77,435
Occupancy expenses	2,170	1,890	1,387	4,176	1,550	229	40,693	7,079	59,174
Software and equipment	360	350	-	8,869	225	-	24,793	5,964	40,561
Information technology costs	-	-	-	-	-	-	10,703	-	10,703
Depreciation and amortization	3,233	3,233	1,668	626	1,668	-	-	-	10,428
Travel and entertainment	1,372	17,456	1,201	9,024	885	336	41,157	7,321	78,752
Loan management and collection	-	-	-	-	14,312	-	-	-	14,312
Telephone and communications	340	2,082	217	2,096	853	36	6,372	1,900	13,896
Office expenses	39	168	-	1,040	-	-	5,843	2,710	9,800
Miscellaneous expenses	787	10,863	678	3,034	13,909	14	39,057	8,874	77,216
Total	<u>\$ 1,232,257</u>	<u>\$ 365,120</u>	<u>\$ 274,727</u>	<u>\$ 215,630</u>	<u>\$ 125,236</u>	<u>\$ 124,247</u>	<u>\$ 621,268</u>	<u>\$ 388,770</u>	<u>\$ 3,347,255</u>

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

THE ALBERT BAKER FUND

STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 3,031,208	\$ (198,441)
Reconciliation to net cash used by operating activities:		
Advances to loan recipients	(56,700)	(316,900)
Repayments from loan recipients	336,751	323,839
Depreciation and amortization	32,201	10,428
Net gain on investments	(5,078,740)	(1,482,896)
Loan losses and forgiveness	778	13,763
Investment income restricted to endowment	(299,929)	(138,679)
Changes in:		
Contributions receivable	-	2,250
Accounts receivable	11,240	(58,225)
Prepaid expenses and other assets	8,180	(4,868)
Accounts payables and accrued expenses	15,803	20,950
Net cash used by operating activities	<u>(1,999,208)</u>	<u>(1,828,779)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(19,446,036)	(17,915,114)
Proceeds from sales and maturities of investments	21,367,469	19,668,560
Purchases of property and equipment	<u>(68,718)</u>	<u>(126,538)</u>
Net cash provided by investing activities	<u>1,852,715</u>	<u>1,626,908</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Investment income restricted to endowment	<u>299,929</u>	<u>138,679</u>
NET INCREASE (DECREASE) IN CASH	153,436	(63,192)
CASH, Beginning of year	<u>148,055</u>	<u>211,247</u>
CASH, End of year	<u>\$ 301,491</u>	<u>\$ 148,055</u>

THE ALBERT BAKER FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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.

Additionally, ABF offers 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, Switzerland, 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.

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NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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. 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 substantially met or the donor has explicitly released the condition. 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 statements 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.

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 \$214,418 and \$62,274 as of September 30, 2021 and 2020, respectively. ABF has not experienced any losses in such accounts. Management believes ABF is not exposed to any significant credit risk related to cash.

Accounts receivable consists of accrued interest and dividends and employee advances owed to ABF. At September 30, 2021 and 2020, accounts receivable in the amounts of \$80,563 and \$77,067, respectively, are stated at the amount management expects to collect from outstanding balances and are expected to be collected within one year. Management believes that all accounts are collectible and no allowance is necessary.

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

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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.

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 statements 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.

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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.

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 and amortization 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 and communication, and 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 2017.

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

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NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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.

Recent accounting pronouncements – In June 2018 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new accounting standard clarified and improved 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. The Institute has implemented this accounting standard in the accompanying financial statements effective October 1, 2020 under the modified prospective basis for all transactions for which they serve as the resource provider. Accordingly, there is no effect on beginning net assets in connection with the implementation of ASU 2018-08.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases with terms longer than 12 months. Application of this statement is effective for the year ending September 30, 2023. ABF is currently evaluating the impact this pronouncement will have on the financial statements.

Subsequent events have been evaluated through March 8, 2022, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since September 30, 2021 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:

	<u>2021</u>	<u>2020</u>
Cash	\$ 301,491	\$ 148,055
Accounts receivable, current	80,563	77,067
Student loans receivable, current	291,735	322,209
Investments	<u>34,577,383</u>	<u>31,420,076</u>
Total financial assets	35,251,172	31,967,407
Less amounts unavailable for general expenditures within one year, due to:		
Restriction by donors for time, purpose, or to be held in perpetuity	<u>(2,546,681)</u>	<u>(2,151,986)</u>
Total financial assets available for general expenditure within one year	<u>\$ 32,704,491</u>	<u>\$ 29,815,421</u>

ABF maintains cash on hand to meet 30 days of normal operating expenses, which total, on average, approximately \$110,000, plus the amount needed to pay approved awards.

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NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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.

4. INVESTMENTS

Marketable securities consist of the following at September 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>NAV</u>	<u>Total</u>
Cash <u>and</u> cash equivalents	\$ 1,668,562	\$ -	\$ -	\$ 1,668,562
Common stock:				
Technology	4,816,381	-	-	4,816,381
Financial	2,645,470	-	-	2,645,470
Consumer discretionary	2,561,894	-	-	2,561,894
Industrials	2,473,407	-	-	2,473,407
Communication Services	915,915	-	-	915,915
Energy	769,112	-	-	769,112
Consumer staples	690,677	-	-	690,677
Consumer cyclical	626,807	-	-	626,807
Materials	548,726	-	-	548,726
Utilities	366,528	-	-	366,528
Real estate	241,740	-	-	241,740
Health care	190,192	-	-	190,192
Consumer defensive	37,283	-	-	37,283
Basic materials	18,050	-	-	18,050
Other	313,835	-	-	313,835
Mutual funds:				
Long/short	1,483,349	-	-	1,483,349
Unconstrained fixed income	1,272,404	-	-	1,272,404
Large core	1,267,762	-	-	1,267,762
Infrastructure	1,267,644	-	-	1,267,644
Emerging markets	760,595	-	-	760,595
Large growth	746,296	-	-	746,296
International core	425,898	-	-	425,898
Medium growth	419,432	-	-	419,432
Core fixed income	370,311	-	-	370,311
Managed futures	111,713	-	-	111,713
Fixed income:				
Corporate bonds	-	1,770,578	-	1,770,578
U.S. Treasuries	1,472,342	-	-	1,472,342
Government obligations	1,298,164	-	-	1,298,164
Investments valued using NAV	<u>-</u>	<u>-</u>	<u>3,026,316</u>	<u>3,026,316</u>
Total investments	<u>\$ 29,780,489</u>	<u>\$ 1,770,578</u>	<u>\$ 3,026,316</u>	<u>\$ 34,577,383</u>

THE ALBERT BAKER FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

Marketable securities consist of the following at September 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>NAV</u>	<u>Total</u>
Cash and cash equivalents	\$ 517,524	\$ -	\$ -	\$ 517,524
Common stock:				
Technology	4,047,054	-	-	4,047,054
Financials	1,480,615	-	-	1,480,615
Consumer discretionary	2,345,069	-	-	2,345,069
Industrial	1,981,723	-	-	1,981,723
Communication services	1,152,669	-	-	1,152,669
Energy	274,985	-	-	274,985
Consumer staples	759,036	-	-	759,036
Consumer cyclical	372,330	-	-	372,330
Material	1,072,844	-	-	1,072,844
Utilities	392,156	-	-	392,156
Real Estate	107,594	-	-	107,594
Healthcare	329,149	-	-	329,149
Basic materials	101,023	-	-	101,023
Other	555,141	-	-	555,141
Mutual funds:				
Long/short	1,246,784	-	-	1,246,784
Unconstrained fixed income	1,349,573	-	-	1,349,573
Large core	1,165,031	-	-	1,165,031
Infrastructure	1,106,183	-	-	1,106,183
Emerging markets	9,926	-	-	9,926
Large growth	823,489	-	-	823,489
International core	345,465	-	-	345,465
Medium growth	442,811	-	-	442,811
Core fixed income	370,760	-	-	370,760
Managed futures	100,615	-	-	100,615
Small growth	410,118	-	-	410,118
Fixed income:				
Corporate bonds	-	2,023,021	-	2,023,021
U.S. Treasuries	1,194,475	-	-	1,194,475
Government obligations	1,070,231	-	-	1,070,231
Investments valued using NAV	-	-	4,272,682	4,272,682
Total investments	<u>\$ 25,124,373</u>	<u>\$ 2,023,021</u>	<u>\$ 4,272,682</u>	<u>\$ 31,420,076</u>

THE ALBERT BAKER FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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, 2021:

	Number of Funds	NAV in Funds	Unfunded Commitments	Remaining Life	Redemption Restrictions	Redemption Notice Period
Natural resources/ commodities funds	1	\$ 446,094	\$ -	N/A	quarterly and no exit	90 days
Real estate funds	5	277,143	161,333	1-5 years	quarterly and no exit	90 days
Private equity funds	3	1,409,154	409,749	N/A	quarterly and no exit	90 days
Equity hedge funds	1	893,923	-	N/A	quarterly	60 days
Total		<u>\$ 3,026,316</u>	<u>\$ 571,082</u>			

The following table lists investments in other investment companies (in partnership format) by major category as of September 30, 2020:

	Number of Funds	NAV in Funds	Unfunded Commitments	Remaining Life	Redemption Restrictions	Redemption Notice Period
Natural resources/ commodities funds	2	\$ 760,199	\$ -	N/A	quarterly and no exit	90 days
Real estate funds	5	1,503,596	161,333	1-5 years	quarterly and no exit	90 days
Private equity funds	3	1,182,093	409,749	N/A	quarterly and no exit	90 days
Equity hedge funds	1	826,794	-	N/A	quarterly	60 days
Total		<u>\$ 4,272,682</u>	<u>\$ 571,082</u>			

5. STUDENT LOANS RECEIVABLE

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 rates on outstanding loans range between 1.75% and 3%. ABF does not accrue interest on outstanding loan balances and only recognizes interest income when a payment has been received. Effective July 2021, ABF no longer offers new student loans.

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.

THE ALBERT BAKER FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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.

Student loans receivables consist of at September 30:

	<u>2021</u>	<u>2020</u>
Current	\$ 291,735	\$ 322,209
Long-term	1,645,967	1,896,322
Total	<u>1,937,702</u>	<u>2,218,531</u>
Allowance for loan losses	<u>(268,440)</u>	<u>(268,440)</u>
Student loans receivable, net	<u>\$ 1,669,262</u>	<u>\$ 1,950,091</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2021</u>	<u>2020</u>
Furniture, fixtures and equipment	\$ 30,187	\$ 37,181
Internally developed software	191,756	113,760
Software in progress	<u>-</u>	<u>12,778</u>
Total	221,943	163,719
Less accumulated depreciation and amortization	<u>(69,316)</u>	<u>(47,609)</u>
Total	<u>\$ 152,627</u>	<u>\$ 116,110</u>

7. OPERATING LEASE COMMITMENTS

ABF leases office space and mailing equipment under non-cancelable operating leases expiring at various times through April 2026. Lease expense under all operating leases totaled \$54,480 and \$59,156 for the years ended September 30, 2021 and 2020, respectively.

Future minimum lease payments are as follows:

<u>Year Ending September 30:</u>	
2022	\$ 52,405
2023	53,930
2024	55,573
2025	57,113
2026	<u>33,272</u>
	<u>\$ 252,293</u>

THE ALBERT BAKER FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

8. NET ASSETS

Net assets with donor restrictions are available for the following:

	<u>2021</u>	<u>2020</u>
Purpose restricted:		
Post-secondary – student loans and grants	\$ 2,286,613	\$ 1,944,834
Career Alliance regional workshops	-	30,184
CS Monitor Pipeline	-	25,400
Other	5,000	5,000
Restricted in perpetuity	<u>255,068</u>	<u>146,568</u>
Total net assets with donor restrictions	<u>\$ 2,546,681</u>	<u>\$ 2,151,986</u>

Endowment Funds

ABF has five donor-restricted endowment funds, four 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 one endowment fund that is temporary in nature and 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.

Investment proceeds from endowments that are held in perpetuity are used by ABF based on the donor restrictions.

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.

THE ALBERT BAKER FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

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 attempt 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.

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, 2021 and 2020, there were no deficiencies in the endowment funds.

THE ALBERT BAKER FUND

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

ABF had the following endowment activities during the years ended September 30, 2021 and 2020:

	<u>Time or purpose restricted</u>	<u>Perpetually restricted</u>
Year ended September 30, 2021:		
Endowment net assets, beginning of year	\$ 1,888,061	\$ 146,568
Investment income	299,929	-
Contributions	-	108,500
Amounts appropriated for expenditure	-	-
	<u> </u>	<u> </u>
Endowment net assets, end of year	<u>\$ 2,187,990</u>	<u>\$ 255,068</u>
	<u>Time or purpose restricted</u>	<u>Perpetually restricted</u>
Year ended September 30, 2020:		
Endowment net assets, beginning of year	\$ 1,771,682	\$ 146,568
Investment income	138,679	-
Amounts appropriated for expenditure	(22,300)	-
	<u> </u>	<u> </u>
Endowment net assets, end of year	<u>\$ 1,888,061</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 \$48,135 and \$39,594 for the years ended September 30, 2021 and 2020, 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.