

**THE ALBERT BAKER FUND**

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

**YEARS ENDED  
SEPTEMBER 30, 2023 AND 2022**

## **INDEPENDENT AUDITOR’S REPORT**

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

### ***Opinion***

We have audited the accompanying financial statements of The Albert Baker Fund (ABF), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABF as of September 30, 2023 and 2022, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ABF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements***

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

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

### ***Auditor’s Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 ABF'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ABF'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.



**GILBERT CPAs**  
**Sacramento, California**

**March 11, 2024**

# THE ALBERT BAKER FUND

## STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2023 AND 2022

---

	<u>2023</u>	<u>2022</u>
<b>ASSETS:</b>		
Cash	\$ 237,989	\$ 168,520
Contributions receivable	397,000	290,000
Accounts receivable	137,680	110,219
Prepaid expenses and other assets	17,352	17,221
Student loans receivable, net	1,026,484	1,301,730
Investments	29,464,642	27,892,254
Property and equipment, net	81,137	116,366
Operating lease, right-of-use asset	<u>130,522</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 31,492,806</u>	<u>\$ 29,896,310</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 47,297	\$ 27,683
Operating lease liability	<u>132,709</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>180,006</u>	<u>27,683</u>
 <b>NET ASSETS:</b>		
Net assets without donor restrictions	28,938,679	27,752,371
Net assets with donor restrictions	<u>2,374,121</u>	<u>2,116,256</u>
Total net assets	<u>31,312,800</u>	<u>29,868,627</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 31,492,806</u>	<u>\$ 29,896,310</u>

# THE ALBERT BAKER FUND

## STATEMENTS OF ACTIVITIES YEARS ENDED SEPTEMBER 30, 2023 AND 2022

<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>	<b><u>2023</u></b>	<b><u>2022</u></b>
<b>REVENUE AND SUPPORT:</b>		
Bequests	\$ 287,669	\$ 425,040
Contributions	138,435	169,638
Student loan interest	26,989	28,338
Other	28,840	12,974
Net assets released from restrictions	<u>884,609</u>	<u>873,242</u>
Total revenues	<u>1,366,542</u>	<u>1,509,232</u>
<b>EXPENSES:</b>		
Program services:		
Post-secondary - grants	1,626,120	1,642,179
International post-secondary	458,522	343,325
Christian Science nurse training	216,252	156,396
Post-secondary - student loans	48,846	56,461
Youth leadership	20,000	81,000
Career alliance	<u>-</u>	<u>78,298</u>
Total program services	<u>2,369,740</u>	<u>2,357,659</u>
Supporting services:		
Management and general	512,219	511,544
Fundraising	<u>374,794</u>	<u>417,863</u>
Total supporting services	<u>887,013</u>	<u>929,407</u>
Total expenses	<u>3,256,753</u>	<u>3,287,066</u>
<b>LOSS FROM OPERATIONS</b>	(1,890,211)	(1,777,834)
Interest and investment income (loss)	<u>3,076,519</u>	<u>(4,684,280)</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>1,186,308</u>	<u>(6,462,114)</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Contributions and grants	939,086	794,723
Bequests	10,000	10,000
Investment income (loss)	193,388	(361,906)
Net assets released from restrictions	<u>(884,609)</u>	<u>(873,242)</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>257,865</u>	<u>(430,425)</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	1,444,173	(6,892,539)
<b>NET ASSETS, Beginning of year</b>	<u>29,868,627</u>	<u>36,761,166</u>
<b>NET ASSETS, End of year</b>	<u><u>\$ 31,312,800</u></u>	<u><u>\$ 29,868,627</u></u>

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

# THE ALBERT BAKER FUND

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2023

	Program services					Supporting services		Total
	Post- secondary grants	International post- secondary	Christian Science nurse training	Post- secondary student loans	Youth leadership	Management and general	Fundraising	
Grants expense	\$ 1,299,808	\$ 137,944	\$ 158,614	\$ -	\$ 20,000	\$ -	\$ -	\$ 1,616,366
Personnel costs	246,556	136,434	51,978	30,703	-	310,831	282,784	1,059,286
Travel and entertainment	6,906	82,041	-	-	-	43,629	10,114	142,690
Professional fees	2,275	69,785	-	-	-	28,325	8,765	109,150
Occupancy expenses	9,700	3,268	1,439	521	-	41,840	1,759	58,527
Information technology costs	45,570	-	-	-	-	2,363	8,923	56,856
Software and equipment	-	7,512	-	-	-	28,127	15,275	50,914
Marketing	-	-	-	-	-	22,898	20,625	43,523
Depreciation and amortization	12,466	7,170	3,699	-	-	699	15,599	39,633
Telephone and communications	1,567	6,385	314	494	-	8,655	1,003	18,418
Loan management and collection	-	-	-	17,028	-	-	-	17,028
Bank and credit card fees	117	7,593	103	-	-	4,149	3,301	15,263
Office expenses	180	-	-	-	-	7,303	716	8,199
Miscellaneous expenses	975	390	105	100	-	13,400	5,930	20,900
<b>Total</b>	<b><u>\$ 1,626,120</u></b>	<b><u>\$ 458,522</u></b>	<b><u>\$ 216,252</u></b>	<b><u>\$ 48,846</u></b>	<b><u>\$ 20,000</u></b>	<b><u>\$ 512,219</u></b>	<b><u>\$ 374,794</u></b>	<b><u>\$ 3,256,753</u></b>

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

# THE ALBERT BAKER FUND

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2022

	<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>Post- secondary student loans</u>	<u>Youth leadership</u>	<u>Career alliance</u>	<u>Management and general</u>		<u>Fundraising</u>
Grants expense	\$ 1,340,364	\$ 197,100	\$ 103,745	\$ -	\$ 81,000	\$ -	\$ -	\$ -	\$ 1,722,209
Personnel costs	264,482	48,792	47,402	36,945	-	49,082	319,661	325,588	1,091,952
Travel and entertainment	7,061	9,701	-	-	-	8,992	35,694	1,349	62,797
Professional fees	-	67,194	-	-	-	-	26,360	5,365	98,919
Occupancy expenses	9,454	1,583	1,058	713	-	1,269	39,078	2,495	55,650
Information technology costs	4,369	-	-	-	-	-	10,458	3,343	18,170
Software and equipment	-	441	-	-	-	1,760	25,669	17,171	45,041
Marketing	-	-	-	-	-	10,277	21,693	31,831	63,801
Depreciation and amortization	12,494	7,308	3,772	-	-	-	-	15,600	39,174
Telephone and communications	1,888	3,539	232	543	-	1,681	8,564	1,994	18,441
Loan management and collection	-	-	-	17,471	-	-	-	-	17,471
Bank and credit card fees	334	7,273	187	-	-	-	4,475	3,825	16,094
Office expenses	27	-	-	-	-	332	8,605	410	9,374
Miscellaneous expenses	1,706	394	-	789	-	4,905	11,287	8,892	27,973
<b>Total</b>	<u>\$ 1,642,179</u>	<u>\$ 343,325</u>	<u>\$ 156,396</u>	<u>\$ 56,461</u>	<u>\$ 81,000</u>	<u>\$ 78,298</u>	<u>\$ 511,544</u>	<u>\$ 417,863</u>	<u>\$ 3,287,066</u>

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

# THE ALBERT BAKER FUND

## STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 1,444,173	\$ (6,892,539)
Reconciliation to net cash used by operating activities:		
Repayments from loan recipients	275,246	366,943
Depreciation and amortization	39,633	39,174
Net (gain) loss on investments	(2,636,802)	5,631,885
Loan losses and forgiveness	-	589
Reduction in operating lease, right-of-use asset	52,753	-
Changes in:		
Contributions receivable	(107,000)	(290,000)
Accounts receivable	(27,461)	28,492
Prepaid expenses and other assets	(131)	(508)
Accounts payables and accrued expenses	19,614	(67,338)
Operating lease liability	(50,566)	-
Net cash used by operating activities	<u>(990,541)</u>	<u>(1,183,302)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(28,409,219)	(31,791,865)
Proceeds from sales and maturities of investments	29,473,633	32,845,109
Purchases of property and equipment	<u>(4,404)</u>	<u>(2,913)</u>
Net cash provided by investing activities	<u>1,060,010</u>	<u>1,050,331</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	69,469	(132,971)
<b>CASH, Beginning of year</b>	<u>168,520</u>	<u>301,491</u>
<b>CASH, End of year</b>	<u>\$ 237,989</u>	<u>\$ 168,520</u>
<b>NON-CASH INVESTING ACTIVITIES</b>		
Right-of-use asset upon adoption of ASC 842	<u>\$ 183,275</u>	<u>\$ -</u>

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



# THE ALBERT BAKER FUND

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

---

### 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 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 or certificate programs as well as vocational training who qualify for aid were typically awarded a combination of loan funding and a grant. As of July 2021, ABF no longer offers loans. Awards now consist solely of grants. Other post-secondary programs include the Christian Science military chaplain program grants.

Additionally, ABF offers grants for graduates of the National Leadership Council program. These grants are externally funded and the program is contingent on external funding availability.

#### International Post-Secondary

In addition to the United States and Canada, ABF provides financial resources for the education of active Christian Scientists in: (eleven African countries) Benin, Cameroon, Democratic Republic of the Congo, Ghana, Kenya, Nigeria, Republic of the Congo, Rwanda, 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 accredited 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 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 a 10–14-day summer group experience designed to make practical what they have learned throughout the year. Funding for this program was discontinued as of September 30, 2023.

# THE ALBERT BAKER FUND

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

---

### 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. This program was phased out during the year ended September 30, 2023.

## 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's deposits held with financial institutions in excess of federal deposit insurance limits were \$424,815 and \$144,639 as of September 30, 2023 and 2022, respectively. ABF has not experienced any losses in such accounts. Management believes ABF is not exposed to any significant credit risk related to cash.

**Contributions receivable** are considered to be available for general operations unless specifically restricted by the donor. Contributions receivable are recognized when supported by a written contract to make a contribution and are reported net of the allowance for uncollectible accounts. However, management has determined that no allowance is deemed necessary at September 30, 2023 and 2022, based on their conclusion that all contributions were collectible. Management has determined that the present value discount related to long-term contributions receivable is not material, therefore a present value discount has not been recorded.

Contributions receivable at September 30, 2023 of \$367,000 are expected to be collected within one year and the remaining \$30,000 is expected to be collected within two years.

# THE ALBERT BAKER FUND

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

---

Contributions receivable at September 30, 2022 of \$290,000 are expected to be collected within one year.

**Accounts receivable** consists of accrued interest and dividends and employee advances owed to ABF. At September 30, 2023 and 2022, accounts receivable in the amounts of \$89,000 and \$66,810, 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 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.

# THE ALBERT BAKER FUND

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

---

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.
--	---

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.

**Leases** – ABF determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) asset and lease liability in the statements of financial position. The ROU asset and lease liability reflect the present value of the future minimum lease payments over the lease term, and the ROU asset is also adjusted for prepaid or accrued rent. ABF uses the rate implicit in the lease if it is determinable. If the rate is not determinable, management uses ABF's risk-free borrowing rate based on the information available at lease commencement. Operating lease expense is recognized on a straight-line basis over the lease term. Lease terms may include options to renew, extend or terminate to the extent they are reasonably certain to be exercised. ABF does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

**Grants awarded** – ABF recognizes grant expense at the time the award has been approved by ABF's Scholarships and Student Success Manager.

# THE ALBERT BAKER FUND

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

---

**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 2019.

**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.

**Recent accounting pronouncements** – Effective October 1, 2022, ABF adopted Accounting Standards Codification (ASC) 842, *Leases*, using the modified retrospective approach with October 1, 2022 as the date of initial adoption. ASC 842 is intended to improve financial reporting of lease transactions by requiring entities that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. For leases existing at the transition date, ABF applied the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. Additionally, ABF applied the practical expedient to use hindsight for the purpose of determining the lease term.

Under the modified retrospective approach, the adoption of ASC 842 resulted in the recognition of ROU assets and lease liabilities of \$183,275 as of October 1, 2022. There is no cumulative effect adjustment to net assets at the transition date.

**Future accounting pronouncements** – Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses* is effective for ABF’s September 30, 2024 fiscal year. ASU 2016-13 requires an entity to prospectively record an allowance for credit losses for the current expected credit losses inherent in the asset over its expected life, replacing the incurred loss model that recognized losses only when they became probable and estimable. ASU 2016-13 also requires enhanced disclosures regarding an entity’s financial instruments information about credit quality. ABF is currently evaluating the impact this pronouncement will have on the financial statements.

# THE ALBERT BAKER FUND

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

**Subsequent events** have been evaluated through March 11, 2024, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since September 30, 2023 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>2023</u>	<u>2022</u>
Cash	\$ 237,989	\$ 168,520
Contributions receivable	397,000	290,000
Accounts receivable, current portion	89,000	66,810
Student loans receivable, current portion	222,012	226,459
Investments	<u>25,389,337</u>	<u>24,558,041</u>
Total financial assets	26,335,338	25,309,830
Less amounts unavailable for general expenditures within one year, due to:		
Restriction by donors for time, purpose, or to be held in perpetuity	<u>(2,374,121)</u>	<u>(2,116,256)</u>
Total financial assets available for general expenditure within one year	<u>\$ 23,961,217</u>	<u>\$ 23,193,574</u>

ABF maintains cash on hand to meet 30 days of normal operating expenses, which total, on average, approximately \$137,000, 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, 2023 AND 2022

### 4. INVESTMENTS

Investments consist of the following at September 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>NAV</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,168,226	\$ -	\$ -	\$ 2,168,226
Common stock:				
Technology	3,794,073	-	-	3,794,073
Industrials	2,559,079	-	-	2,559,079
Financial	1,813,891	-	-	1,813,891
Consumer discretionary	1,315,751	-	-	1,315,751
Energy	1,138,899	-	-	1,138,899
Consumer staples	1,002,509	-	-	1,002,509
Materials	983,727	-	-	983,727
Communication services	839,476	-	-	839,476
Consumer cyclical	510,245	-	-	510,245
Utilities	232,541	-	-	232,541
Health care	199,049	-	-	199,049
Real estate	157,394	-	-	157,394
Consumer defensive	16,402	-	-	16,402
Other	163,745	-	-	163,745
Mutual funds:				
Long/short	1,257,551	-	-	1,257,551
Infrastructure	1,212,140	-	-	1,212,140
High yield	1,066,663	-	-	1,066,663
Large core	689,830	-	-	689,830
Core fixed income	310,219	-	-	310,219
Managed futures	130,245	-	-	130,245
Unconstrained fixed income	84,271	-	-	84,271
International core	31,017	-	-	31,017
Emerging markets	7,969	-	-	7,969
Fixed income:				
U.S. Treasuries	1,932,899	-	-	1,932,899
Corporate bonds	-	1,771,526	-	1,771,526
Investments valued using NAV	-	-	4,075,305	4,075,305
Total investments	<u>\$ 23,617,811</u>	<u>\$ 1,771,526</u>	<u>\$ 4,075,305</u>	<u>\$ 29,464,642</u>

# THE ALBERT BAKER FUND

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

Investments consist of the following at September 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>NAV</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,794,311	\$ -	\$ -	\$ 1,794,311
Common stock:				
Technology	2,913,519	-	-	2,913,519
Industrials	1,743,246	-	-	1,743,246
Financial	1,261,663	-	-	1,261,663
Consumer discretionary	1,519,710	-	-	1,519,710
Energy	1,498,846	-	-	1,498,846
Consumer staples	706,105	-	-	706,105
Materials	531,264	-	-	531,264
Communication services	532,897	-	-	532,897
Consumer cyclical	553,733	-	-	553,733
Utilities	296,904	-	-	296,904
Health care	201,299	-	-	201,299
Real estate	114,556	-	-	114,556
Consumer defensive	44,681	-	-	44,681
Other	126,176	-	-	126,176
Mutual funds:				
Long/short	1,127,166	-	-	1,127,166
Infrastructure	1,100,492	-	-	1,100,492
High yield	923,739	-	-	923,739
Large core	656,304	-	-	656,304
Core fixed income	309,074	-	-	309,074
Managed futures	136,053	-	-	136,053
Unconstrained fixed income	1,364,788	-	-	1,364,788
International core	310,648	-	-	310,648
Emerging markets	28,543	-	-	28,543
Fixed income:				
U.S. Treasuries	2,470,758	-	-	2,470,758
Corporate bonds	-	1,719,504	-	1,719,504
Government obligations	572,062	-	-	572,062
Investments valued using NAV	<u>-</u>	<u>-</u>	<u>3,334,213</u>	<u>3,334,213</u>
Total investments	<u>\$ 22,838,537</u>	<u>\$ 1,719,504</u>	<u>\$ 3,334,213</u>	<u>\$ 27,892,254</u>

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 ALBERT BAKER FUND

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

The following table lists investments in other investment companies (in partnership format) by major category as of September 30, 2023:

	<b>Number of Funds</b>	<b>NAV in Funds</b>	<b>Unfunded Commitments</b>	<b>Remaining Life</b>	<b>Redemption Restrictions</b>	<b>Redemption Notice Period</b>
Natural resources/ commodities funds	1	\$ 390,719	\$ -	N/A	quarterly and no exit	90 days
Real estate funds	2	26,739	117,055	1 year	quarterly and no exit	90 days
Private equity funds	3	1,878,092	154,749	N/A	quarterly and no exit	90 days
Equity hedge funds	1	779,755	-	N/A	quarterly	60 days
Private credit funds	1	<u>1,000,000</u>	<u>-</u>	N/A	quarterly	N/A
Total		<u>\$ 4,075,305</u>	<u>\$ 271,804</u>			

The following table lists investments in other investment companies (in partnership format) by major category as of September 30, 2022:

	<b>Number of Funds</b>	<b>NAV in Funds</b>	<b>Unfunded Commitments</b>	<b>Remaining Life</b>	<b>Redemption Restrictions</b>	<b>Redemption Notice Period</b>
Natural resources/ commodities funds	1	\$ 587,220	\$ -	N/A	quarterly and no exit	90 days
Real estate funds	3	249,155	161,333	1-5 years	quarterly and no exit	90 days
Private equity funds	3	1,798,014	154,749	N/A	quarterly and no exit	90 days
Equity hedge funds	1	<u>699,824</u>	<u>-</u>	N/A	quarterly	60 days
Total		<u>\$ 3,334,213</u>	<u>\$ 316,082</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. Effective July 2021, ABF no longer offers new student loans.

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.

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, 2023 AND 2022

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 receivable consist of at September 30:

	<u>2023</u>	<u>2022</u>
Current	\$ 222,012	\$ 226,459
Long-term	1,072,912	1,343,711
Total	<u>1,294,924</u>	<u>1,570,170</u>
Allowance for loan losses	<u>(268,440)</u>	<u>(268,440)</u>
Student loans receivable, net	<u>\$ 1,026,484</u>	<u>\$ 1,301,730</u>

### 6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2023</u>	<u>2022</u>
Furniture, fixtures and equipment	\$ 34,130	\$ 33,100
Internally developed software	<u>191,756</u>	<u>191,756</u>
Total	225,886	224,856
Less accumulated depreciation and amortization	<u>(144,749)</u>	<u>(108,490)</u>
Total	<u>\$ 81,137</u>	<u>\$ 116,366</u>

### 7. LEASES

ABF has a lease agreement for office space through April 30, 2026, which is included on the statement of financial position as of September 30, 2023 as an ROU asset and operating lease liability of \$130,522 and \$132,709, respectively.

The ROU asset and operating lease liability were calculated using ABF's risk-free rate of 3.9%. Rent expense for this lease totaled \$54,777 for 2023. Cash paid for amounts included in the measurement of the operating lease liability totaled \$57,154 for 2023.

Maturities of the lease liability for this lease are as follows:

2024	\$ 54,475
2025	56,118
2026	<u>28,538</u>
Total lease payments	139,131
Less: present value discount	<u>(6,422)</u>
Total operating lease liability	<u>\$ 132,709</u>

# THE ALBERT BAKER FUND

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

Prior to the implementation of ASC 842 in 2023, leases were accounted for in accordance with the previous lease standard, ASC 840. Total rent expense for all operating leases under ASC 840 was \$55,486 for 2022.

### 8. NET ASSETS

Net assets with donor restrictions are available for the following:

	<u>2023</u>	<u>2022</u>
Purpose restricted:		
Post-secondary – student loans and grants	\$ 2,026,471	\$ 1,856,688
Other	90,582	2,500
Restricted in perpetuity	<u>257,068</u>	<u>257,068</u>
Total net assets with donor restrictions	<u>\$ 2,374,121</u>	<u>\$ 2,116,256</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 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 (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 as the portion of donor restricted endowments to be held in perpetuity. The remaining portion of the donor-restricted endowment fund that is not perpetual in nature is temporarily 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, 2023 AND 2022

---

### *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, 2023 and 2022, there were no deficiencies in the endowment funds.

# THE ALBERT BAKER FUND

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

ABF had the following endowment activities during the years ended September 30, 2023 and 2022:

	<b><u>Time or purpose restricted</u></b>	<b><u>Perpetually restricted</u></b>
<b>Year ended September 30, 2023:</b>		
Endowment net assets, beginning of year	\$ 1,826,084	\$ 257,068
Investment income	193,388	-
Contributions	-	-
	<u>\$ 2,019,472</u>	<u>\$ 257,068</u>
<b>Year ended September 30, 2022:</b>		
Endowment net assets, beginning of year	\$ 2,187,990	\$ 255,068
Investment loss	(361,906)	-
Contributions	-	2,000
	<u>\$ 1,826,084</u>	<u>\$ 257,068</u>

### 9. RETIREMENT PLAN

ABF has a 403(b) plan covering substantially all employees. ABF matches employee contributions for employees 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 \$47,588 and \$50,628 for the years ended September 30, 2023 and 2022, 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.