



## Spring Board Meeting

Board of Directors  
Church of God Benefits Board, Inc./  
Ministers' Retirement Plan

By Zoom Video Conference

### Agenda

Thursday, May 14, 2020 ..... 10:00 a.m. – 12:15 p.m.

- A. Official Call to Order/Welcome/Prayer..... **Chairman Mark Walker**
- B. Minutes – Meeting on Nov. 20, 2019.....**Gayla Iles**
- C. Special Order of the Day – 10:05 am  
Auditor's Report – 2019  
Daniel Sheets  
Henderson, Hutcherson, and McCullough, Chattanooga, TN
- D. Payout Deviation Requests (if any)..... **Donna Hendren**
- E. Church Loan Fund, Inc. Report..... **Angie Conine**
- F. "App" Development Update .....**Vanessa Vowell**
- G. President's Update ..... **Art Rhodes**
- H. 2020 Financial Update ..... **Art Rhodes**
- I. Special Order of the Day – 11:10 am  
Investment Consultants' Review of all Managers Performance  
**Chappy Hollis and Stewart Anderson**  
UBS, Nashville, Tennessee
- J. Update on the Economy – Special Order of the Day – 11:30 am  
**Mike Ryan, Chief Investment Officer**  
**UBS Global Wealth Management**  
**New York, New York**
- K. Fall Meeting ..... Tuesday, November 17, 2020
- L. Closing Remarks and Benediction ..... **Chairman Mark Walker**

**Minutes**  
**CHURCH OF GOD BENEFITS BOARD, INC.**  
**Cleveland, Tennessee**

**Wednesday, November 20, 2019**  
**9:30 a.m. – 2:00 p.m.**

The meeting was called to order by Chairman Mark Walker at 9:30 a.m. with the following directors, officers and staff in attendance:

**Directors:**

Mark L. Walker  
Kirk Walters  
J. Dudley Pyeatt  
Kevin McGlamery  
Dennis Watkins  
Yvette Santana  
John D. Childers (joined meeting at 9:40 a.m.)

Chris Coomer was unable to attend the meeting due to his judicial duties.

**Officers:**

Art Rhodes, President and CEO, Church of God Benefits Board, Inc.  
Gayla Iles, Vice President/Corporate Secretary, Church of God Benefits Board, Inc.

Prayer for the meeting was offered by Yvette Santana.

Following the presentation of the May 23, 2019 *Minutes* by Gayla Iles, a motion was made

**“to accept the May 23, 2019 *Minutes* as presented.”**

The motion was seconded and carried.

Nominations were made by secret written ballot and elections were held by a secret written vote for the two candidates nominated. Mark L. Walker was elected for the office of Chairman.

Then nominations were made by secret written ballots and by a secret written vote, Kirk Walters was elected as Vice-Chairman.

Finally, nominations and elections were done by a secret written ballot for the offices of President and CEO and Vice President/Corporate Secretary. Arthur D. Rhodes and Gayla Iles were both re-elected to their previous positions by a unanimous vote.

**OPENING**

**PRAYER**

**MINUTES:  
MAY 23, 2019**

**ELECTION  
OF  
OFFICERS**

Chairman Mark Walker then made appointments to the committees of the Board. Those appointed are as follows:

**Executive Committee**

Chairman	Mark Walker (Board Chairman)
Member	Kirk Walters (Board Vice Chairman)
Member	Dennis Watkins

**Investment Committee**

Chairman	Kirk Walters
Member	Chris Coomer
Member	Kevin McGlamery

**Audit Committee**

Chairman	Dudley Pyeatt
Member	John D. Childers (Secretary General)
Member	Yvette Santana

Art Rhodes presented the State of the Benefits Board Report. He began by presenting the following charts:

- The Historical Market History over the past 41 years
- The United States Budget Deficit from 2007-2019
- The demographic shifts and how they could affect participants as well as our assets

Following discussion concerning the charts presented, as well as an economic review, Art Rhodes presented statistical information concerning the Retirement Plan for 2019.

Next, Art Rhodes explained several regulatory, legislative and legal challenges which included:

- QCCOs and Non-QCCOs
- Ministerial Housing Allowance
- Form 990 Exemption
- New Overtime Rules

Art Rhodes then explained the success of the New Member Joining Incentive Bonus, mentioning that the Joining Bonus amount has now been added to the annual budget.

Art Rhodes presented the Housing Allowance Resolution. A motion was made

**“to approve the Housing Allowance Resolution as presented.”**

**COMMITTEE  
APPOINTMENTS**

**PRESIDENT'S  
REPORT**

**HOUSING  
ALLOWANCE**

The motion was seconded and carried.

A break was taken from 11:00 a.m. to 11:10 a.m.

Chappy Hollis, our UBS consultant, joined the meeting at 11:10 a.m. and gave a review of all managers' year-to-date performance. He then spoke about the economy and how it affects our investment holdings. Chappy Hollis also made some recommendations concerning the rebalancing of some of our bond accounts as well as cash available in the UBS money market account caused by the maturing or calling of structured notes due to the current interest rate climate. Following some discussion, a motion was made

**“to move \$5 million from Wells Capital Management to Delaware Investors and to move \$5 million from Structured Notes to Delaware Investors in order to rebalance, due to low interest rates and the potential of greater loss in the longer duration portfolios.”**

The motion was seconded and carried.

In addition, there was discussion that the 'up to \$10 million' that was approved for Timberland/Farmland opportunities at the May 23, 2019 meeting could begin funding as early as the middle of 2020.

At 12:05-12:10 p.m., a short break was taken and Chappy Hollis was excused from the meeting.

Following the break, Vanessa Vowell and Angie Conine joined the meeting.

Vanessa Vowell gave a report on the successes of the Member Loan Fund. She presented charts and graphs to show the impact of the program. She also outlined improvements that have been made to our website, as well as our internal systems.

Angie Conine, Chief Operating Officer of the Church Loan Fund, presented a year-to-date performance report for the Church Loan Fund. She also mentioned a couple of promising future opportunities for Church Loan Fund investments.

Following their reports, Vanessa Vowell and Angie Conine were excused from the meeting.

At 12:30 p.m. lunch was served in the corporate offices.

The meeting reconvened at 1:00 p.m.

## RESOLUTION

## SPECIAL ORDER OF THE DAY UBS CONSULTANT

## FUND REBALANCING

## MEMBER LOAN/ COMPLIANCE REPORT

## CHURCH LOAN FUND REPORT

## LUNCH

Next, Art Rhodes led discussion regarding those providing outside professional services, as well as fees paid to them. This included the following attorneys retained as needed:

- Pension: Connor and Winters, Washington, DC
- Securities: Tim Horner, Grand Rapids, MI
- Real Estate: Gibson, Dunn & Crutcher

## LEGAL COUNSEL

A discussion was held regarding the fees paid to managers and the contract with our UBS consultants. Art Rhodes made the recommendation to continue the current relationship with Chappy Hollis and Stewart Anderson of UBS. The motion was made

**“to retain the services of Chappy Hollis and Stewart Anderson of UBS as consultants to the Board.”**

## CONSULTANTS

The motion was seconded and carried.

Art Rhodes discussed the services of Henderson, Hutcherson and McCullough as our auditors for the year ending 12/31/2019. A motion was made

**“to retain Henderson, Hutcherson and McCullough.”**

## AUDITORS

The motion was seconded and carried.

Gayla Iles presented the Endowment Report. The receipts and disbursements were outlined. She also mentioned funds that were contributed for a chairlift for our former janitor of 20 years, Janice Gregg. She also showed pictures of the walk-in refrigerator that Endowment funds helped to purchase following the Paradise, California fire last year.

## ENDOWMENT REPORT

She further explained that the final distribution was made to the nieces of Rosemary Parker which made the Hominy Ridge gift and related transactions complete.

## HOMINY RIDGE GIFT FINALIZED

Next, Art Rhodes outlined the 2020 Budget, giving justification for the revenue and expenditure amounts in the 2020 Proposed Budget.

## 2020 PROPOSED BUDGET

After discussion by the board members concerning the interest rate currently paid to participants, a motion was made

**“to approve the 2020 Budget as presented and to maintain the interest paid to participants in the Trustees Fund at 4%.”**

## INTEREST RATE

The motion was seconded and carried.

Art Rhodes presented the October 31, 2019 year-to-date Financial Trends and Cash Flow Reports. He led discussion concerning the current excess equity amount, explaining that it is well above the 4% reserve set by the Board. Following Art's suggestion of an additional interest payment to participants in the Trustees' Fund, a motion was made

**“that the excess equity be observed on December 17, 2019 and one-half of the excess equity on that day be allocated to participants invested in the Trustees’ Fund and noted as “additional interest” for 2019. Should the excess equity drop below \$3 million, no additional interest payment will be made.”**

The motion was seconded and carried unanimously.

The next scheduled meeting is Thursday, May 14, 2020. The fall meeting was scheduled for Tuesday, November 17, 2020.

The staff was excused from the meeting during the Executive Session.

Following the Executive Session, the staff rejoined the meeting. A motion was made

**“to ratify all that occurred in the Executive Session.”**

The motion was seconded and carried.

The meeting was adjourned at 1:55 p.m.

Gayla Iles  
Secretary

## **MONTHLY TRENDS REPORT**

## **ADDITIONAL INTEREST PAYMENT**

## **NEXT MEETINGS**

## **EXECUTIVE SESSION**

## **ADJOURNMENT**

**Minutes**  
**CHURCH OF GOD RETIREMENT PLAN TRUST**  
**Cleveland, Tennessee**

**Wednesday, November 20, 2019**  
**1:55 p.m.**

The meeting was called to order at 1:55 p.m. by Chairman Mark Walker with the following trustees present:

Trustees:

Mark L. Walker  
Dennis Watkins  
Kirk Walters

Others present, but not participating:

J. Dudley Pyeatt  
John D. Childers  
Kevin McGlamery  
Yvette Santana  
Art Rhodes  
Gayla Iles

The motion was made

**“to adopt and ratify the investment and business decisions made today by the Board of Directors of the Church of God Benefits Board, Inc., as well as to ratifying the 4% interest rate paid to participants in the Trustees’ Fund.”**

The motion was seconded and carried.

The meeting of the Trustees was adjourned by Chairman Walker at 2:00 p.m.

Gayla Iles  
Secretary

**OPENING**

**ADOPTION OF  
BENEFITS BOARD  
DECISIONS**

**ADJOURNMENT**

**CHURCH OF GOD  
BENEFITS BOARD, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



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**CERTIFIED PUBLIC ACCOUNTANTS**



# **CHURCH OF GOD BENEFITS BOARD, INC.**

## **INDEX TO REPORT**

**DECEMBER 31, 2019 AND 2018**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Church of God Benefits Board, Inc.  
Cleveland, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the Church of God Benefits Board, Inc., which comprise the statements of net assets available for benefits – modified cash basis as of December 31, 2019 and 2018, the related statement of changes in net assets available for benefits – modified cash basis for the years ended December 31, 2019 and 2018, 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 the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### *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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to plan'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 plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits – modified cash basis of the Church of God Benefits Board, Inc. as of December 31, 2019 and 2018, and the changes in net assets available for benefits – modified cash basis for the years ended December 31, 2019 and 2018, in accordance with the modified cash basis of accounting described in Note 2.

### ***Basis of Accounting***

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Report on Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of administrative expenses – modified cash basis and other income – modified cash basis for the years ending December 31, 2019 and 2018, on pages 14 – 15, are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Chattanooga, Tennessee  
April 30, 2020

*Henderson Hutcherson  
& McCullough, PLLC*

# CHURCH OF GOD BENEFITS BOARD, INC.

## STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS – MODIFIED CASH BASIS

DECEMBER 31, 2019 AND 2018

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	2019	2018
<b>ASSETS</b>		
Investments:		
Money market accounts	\$ 8,655,186	\$ 6,316,092
Certificates of deposit	6,078,885	4,309,036
Mutual funds	1,153,625	1,153,625
U.S. Government securities	51,148,000	43,738,911
Asset-backed securities	38,708,193	34,964,983
Corporate bonds	12,207,426	13,544,849
Equity securities	146,058,818	115,294,661
Structured notes	59,150,000	84,150,000
Non-marketable equities	6,679,960	6,590,385
Church Loan Fund, Inc. investment	42,028,615	40,340,200
Interest receivable	<u>559,977</u>	<u>599,391</u>
Total investments	372,428,685	351,002,133
Property and equipment (net)	467,079	500,083
Loans to participants	5,073,163	5,177,809
Prepaid expenses	-	288,925
Cash	<u>21,759,305</u>	<u>4,373,490</u>
Total assets	<u>399,728,232</u>	<u>361,342,440</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	20,990	1,726
Money market accounts held for the benefit of churches	<u>2,310,275</u>	<u>1,297,558</u>
Total liabilities	<u>2,331,265</u>	<u>1,299,284</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<u><u>\$ 397,396,967</u></u>	<u><u>\$ 360,043,156</u></u>

# CHURCH OF GOD BENEFITS BOARD, INC.

## STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS – MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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	2019	2018
<b>INVESTMENT INCOME</b>		
Net appreciation (depreciation) in fair value of assets	\$ 29,859,878	\$ (18,513,682)
Earned income - interest and dividends	11,513,920	11,811,954
Realized gains	1,375,831	6,012,591
Other income	<u>467,918</u>	<u>501,086</u>
Total investment income (loss)	43,217,547	(188,051)
<b>PARTICIPANT CONTRIBUTIONS</b>	<u>18,651,935</u>	<u>18,355,644</u>
Total additions	<u>61,869,482</u>	<u>18,167,593</u>
Benefits paid to participants	22,855,542	22,576,218
Administrative expenses	<u>1,660,129</u>	<u>1,134,004</u>
Total deductions	<u>24,515,671</u>	<u>23,710,222</u>
<b>CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS</b>	37,353,811	(5,542,629)
Net assets available for benefits - beginning of year	<u>360,043,156</u>	<u>365,585,785</u>
Net assets available for benefits - end of year	<u>\$ 397,396,967</u>	<u>\$ 360,043,156</u>

# **CHURCH OF GOD BENEFITS BOARD, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

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### **NOTE 1 – ORGANIZATION AND PLAN DESCRIPTION**

In a January 1994 meeting of the Executive Council of the Church of God (the “Church”), a plan was approved to establish the Church of God Benefits Board, Inc. (the “Benefits Board”) to act as trustee of retirement plans of the Church. By January 21, 1994, the Executive Committee had appointed the initial Board of Trustees, and on February 18, 1994, the Benefits Board received its Certificate of Incorporation. Subsequently, the assets of the Ministers’ Retirement Plan totaling \$60,735,004 (net of unrealized market losses of \$342,368) as of August 31, 1994, were transferred to the newly created corporation.

The Ministers’ Retirement Plan (the “Plan”) was originally established on January 1, 1983, for eligible ministers and missionaries of the Church and other persons serving the Church. The Plan is a contributory plan. All contributions are 100% vested at the time of contribution and are maintained in separate accounts for each participant. Contributions made to the Plan are invested at the direction of the participant into one or more of the four available investment options (Trustees’ Fund, Large Capitalization Stock Fund, Small Capitalization Stock Fund, and/or the International ADR Stock Fund). Earnings from the Trustees’ Fund are added to each participant’s account annually based on the earnings rate established by the Board of Trustees of the Church of God Benefits Board, Inc. Earnings in the investment accounts are subject to the fluctuation of the market and a participant may lose money in the accounts. Past performance is not a guarantee of future results. Distributions may be taken when the participant reaches age 59½, upon disability, termination of service, or death in the form of a lump sum payment or a variety of other distribution options. Distributions from the Plan must begin no later than April 1 following the calendar year that the participant reaches age 70½ or retires. Refer to the Plan document for more complete information.

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Modified Cash Basis of Accounting**

The accounting records of the Plan are maintained on the modified cash basis of accounting, which includes depreciation of capitalized assets. Under this basis, contributions are recognized when received and benefits are recognized when paid. Other revenues are recognized when earned, and other expenses are recognized when incurred.

#### **Use of Estimates**

The preparation of financial statements in conformity with the modified cash basis of accounting requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

#### **Investment Valuation**

The Plan’s investments are stated at fair value as described in Note 5. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

(Continued)

# CHURCH OF GOD BENEFITS BOARD, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Property and Equipment

Expenditures for property and equipment are stated at their historical cost at the date of acquisition, and donated assets are recorded at their estimated fair market values at the date of donation. Depreciation of equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

### NOTE 3 – INCOME TAX STATUS

The Plan qualifies under Internal Revenue Service Code Section 403(b) Annuities for Employees of Tax-Exempt Organizations or Public School and is, therefore, not subject to tax under present income tax laws. The Plan qualifies as a church plan, which means the Plan is exempt from the Employee Retirement Income Security Act of 1974 (ERISA).

### NOTE 4 – CHURCH LOAN FUND, INC. INVESTMENT

In 2010, the Church Loan Fund, Inc. was incorporated to serve as a manager and administrator of church loans and to serve as an originator of first mortgage church loans to qualified congregations within the Church of God, an international religious denomination with headquarters in Cleveland, Tennessee. As of July 20, 2010, the Benefits Board relinquished all responsibilities and obligations regarding the church loan portfolio and such were assumed by the Church Loan Fund, Inc. The Church Loan Fund, Inc. investment represents the net book value of the loan portfolio that was originally transferred to the Church Loan Fund, Inc. as of July 20, 2010, plus additional reinvested income earned by the Church of God Benefits Board, Inc.

### NOTE 5 – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs are based on observable inputs corroborated by market data but not quoted on active markets; Level 3 inputs are based on unobservable information and include situations where there is little, if any, market activity for the assets or liabilities and have the lowest priority. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Plan measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used when Level 1 or Level 2 inputs are not available.

(Continued)

# CHURCH OF GOD BENEFITS BOARD, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

### NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

The Plan's investments are reported at fair value in the accompanying statement of net assets available for benefit.

	<b>Fair Value Measurements Using:</b>			
	<b>Fair Value</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
<b>December 31, 2019</b>				
Money market accounts	\$ 8,655,186	\$ 8,655,186	\$ -	\$ -
Certificates of deposit	6,078,885	-	6,078,885	-
Mutual Fund	1,153,625	1,153,625	-	-
U.S. Government securities	51,148,000	51,148,000	-	-
Asset-backed securities	38,708,193	38,708,193	-	-
Corporate bonds	12,207,426	-	12,207,426	-
Equity securities	146,058,818	146,058,818	-	-
Structured notes	59,150,000	-	-	59,150,000
Non-marketable equities	6,679,960	-	-	6,679,960
Church Loan Fund, Inc.	42,028,615	-	-	42,028,615
Interest receivable	559,977	559,977	-	-
Total	<u>\$ 372,428,685</u>	<u>\$ 246,283,799</u>	<u>\$ 18,286,311</u>	<u>\$ 107,858,575</u>
<b>December 31, 2018</b>				
Money market accounts	\$ 6,316,092	\$ 6,316,092	\$ -	\$ -
Certificates of deposit	4,309,036	-	4,309,036	-
Mutual Fund	1,153,625	1,153,625	-	-
U.S. Government securities	43,738,911	43,738,911	-	-
Asset-backed securities	34,964,983	34,964,983	-	-
Corporate bonds	13,544,849	-	13,544,849	-
Equity securities	115,294,661	115,294,661	-	-
Structured notes	84,150,000	-	-	84,150,000
Non-marketable equities	6,590,385	-	-	6,590,385
Church Loan Fund, Inc.	40,340,200	-	-	40,340,200
Interest receivable	599,391	599,391	-	-
Total	<u>\$ 351,002,133</u>	<u>\$ 202,067,663</u>	<u>\$ 17,853,885</u>	<u>\$ 131,080,585</u>

(Continued)



# CHURCH OF GOD BENEFITS BOARD, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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### NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

#### *Level 1 Fair Value Measurements*

Money market accounts consist of cash deposits on hand in money market deposit accounts. The fair value of the money market accounts is based on the value of the cash deposited into these accounts. The fair value of asset-backed securities and U.S. Government securities are based on quoted market prices. The fair value of mutual funds is based on the net asset value of the fund based on the underlying securities in the fund. Interest receivable has been classified in accordance with the classification of the related investment from which it has been earned.

#### *Level 2 Fair Value Measurements*

Certificates of deposit (CDs) and corporate bonds are valued based on inputs other than quoted prices that are observable for the investments. CDs are based on the account balance plus accrued interest. Corporate bonds are valued at the most recent transaction or the most recent transaction for a bond with similar terms and ratings.

#### *Level 3 Fair Value Measurements*

The structured notes are hybrid securities that contain embedded options and are not designated as hedging instruments. FASB ASC 815 – *Accounting for Certain Hybrid Financial Instruments*, permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative and to recognize the change in fair value in current earnings. The notes that are in the investment portfolio of the Benefits Board are considered “plain vanilla” and are not considered by management to have derivative exposure. 100% of the principal will be returned upon maturity of the note. The notes earn 4% to 8% each year. They mature in approximately 1 to 10 years from the date of purchase.

Since the principal and any accrued interest will be paid upon maturity and management fully intends to hold these securities to maturity, management believes that to recognize the market value of these notes would not be a true representation of these investments. Management believes that to carry these instruments at cost plus accrued interest would more accurately reflect the value of these instruments. At December 31, 2019 and 2018, there was no interest from structured notes included in interest receivable as all interest earned was paid and received on a monthly basis.

The non-marketable equities consist of equity investments in entities which invest in timberland. Since these investments are not publicly traded and there are no observable inputs available to measure fair value, these investments have been valued at the original cost of the investment. The underlying timber investments of these entities have been classified as Level 3 in the financial statements as of December 31, 2019 and 2018.

Church Loan Fund, Inc. investment is valued at the net cost of the transfer of the church loan portfolio at July 20, 2010, to the Church Loan Fund, Inc. plus reinvested earnings.

(Continued)

# CHURCH OF GOD BENEFITS BOARD, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

### NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

The inputs used in the determination of fair value require significant management judgment or estimation. The following table provides further details of the Level 3 fair value measurements.

#### Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Structured Notes	Non- Marketable Securities	Church Loan Fund, Inc.
<b>December 31, 2019</b>			
Beginning balance	\$ 84,150,000	\$ 6,590,385	\$ 40,340,200
Total gains included in net assets available for benefits	-	-	-
Purchases, issues, sales, and settlements:			
Purchases	26,250,000	1,949,800	1,688,415
Issues	-	-	-
Sales	(51,250,000)	-	-
Settlements	-	(1,860,225)	-
Ending balance	<u>\$ 59,150,000</u>	<u>\$ 6,679,960</u>	<u>\$ 42,028,615</u>
	Structured Notes	Non- Marketable Securities	Church Loan Fund, Inc.
<b>December 31, 2018</b>			
Beginning balance	\$ 65,400,000	\$ 5,870,185	\$ 38,218,524
Total gains included in net assets available for benefits	-	-	-
Purchases, issues, sales, and settlements:			
Purchases	66,000,000	1,725,200	2,121,676
Issues	-	-	-
Sales	(47,250,000)	-	-
Settlements	-	(1,005,000)	-
Ending balance	<u>\$ 84,150,000</u>	<u>\$ 6,590,385</u>	<u>\$ 40,340,200</u>

# CHURCH OF GOD BENEFITS BOARD, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

### NOTE 6 – INVESTMENTS

During 2019 and 2018, the Plan's investments appreciated (depreciated) in value by \$29,859,878 and \$(18,513,682) respectively, as follows:

	2019		2018	
	Net increase (decrease) in value during year	Fair value at end of year	Net increase (decrease) in value during year	Fair value at end of year
Fair value as determined by quoted market price:				
Money market accounts	\$ -	\$ 8,655,186	\$ -	\$ 6,316,092
Certificates of deposit	-	6,078,885	-	4,309,036
Mutual fund	-	1,153,625	-	1,153,625
U.S. government securities and corporate bonds	1,624,621	63,355,426	(380,616)	57,283,760
Asset-backed securities	1,106,158	38,708,193	(261,131)	34,964,983
Equity securities	27,129,099	146,058,818	(17,871,935)	115,294,661
Structured notes	-	59,150,000	-	84,150,000
Non-marketable equities	-	6,679,960	-	6,590,385
Church Loan Fund, Inc.	-	42,028,615	-	40,340,200
Interest receivable	-	559,977	-	599,391
Total	<u>\$ 29,859,878</u>	<u>\$ 372,428,685</u>	<u>\$ (18,513,682)</u>	<u>\$ 351,002,133</u>

No single investment exceeds 5% of the net plan assets of this Plan other than the investment in the Church Loan Fund.

### NOTE 7 – PROPERTY AND EQUIPMENT

For 2019 and 2018, \$33,004 and \$35,174 were charges to depreciation expense, respectively. Property and equipment values as of December 31, 2019 and 2018, were as follows:

	2019	2018
Land	\$ 154,400	\$ 154,400
Building	565,215	565,215
Equipment	<u>309,663</u>	<u>309,663</u>
Total cost	1,029,278	1,029,278
Accumulated depreciation	<u>(562,199)</u>	<u>(529,195)</u>
Property and equipment (net)	<u>\$ 467,079</u>	<u>\$ 500,083</u>

# CHURCH OF GOD BENEFITS BOARD, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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### NOTE 8 – MONEY MARKET ACCOUNTS HELD FOR THE BENEFIT OF CHURCHES

The Board initiated a program whereby churches may place cash reserves with the Benefits Board to invest in money market accounts. All church deposits are co-mingled into one account that is in the name of the Church of God Benefits Board. These accounts are considered an agency account and thus reported as a liability to the churches who have deposited reserves with the Benefits Board. The actual money market account is included in investments as money market accounts.

### NOTE 9 – NET ASSETS AVAILABLE FOR PLAN BENEFITS

Net assets available for Plan benefits include both allocated and unallocated funds from which benefits can be paid. Allocated funds include a Trustees' fund that adds interest annually based on management's estimate of earnings in the Plan. Allocated funds also include self-directed accounts that allow participants to direct their contributions into a selection of investments. Unallocated funds include a designated fund established to provide earnings to be used in operation of the Plan, and unreserved funds that represent the excess of earnings over operating expenses and annual additions to the Trustees' fund.

	2019	2018
Allocated		
Trustees' fund	\$ 320,799,818	\$ 308,617,486
Self-directed funds	49,763,594	37,531,842
Loans to participants	5,073,163	5,177,809
Unallocated		
Designated funds	173,014	173,014
Unreserved	<u>21,587,378</u>	<u>8,543,005</u>
Total net assets available	<u>\$ 397,396,967</u>	<u>\$ 360,043,156</u>

### NOTE 10 – PLAN TERMINATION

While it is expected that the Plan will continue indefinitely, the Benefits Board may terminate the Plan. Termination of the Plan is subject to approval by the Church acting through the General Assembly or through the Executive Council of the Church.

In the event of a complete termination of the Plan, all contributions shall cease, no additional members shall enter the Plan, and the assets under the Plan shall thereupon vest in the participants. Upon termination of the Plan, the Church or the employer, as appropriate, as to its employees may (1) arrange for a successor administrator of the Plan to manage and administer the assets of the funds for the benefit of the participants in accordance with the terms and provisions of the Plan; or (2) arrange for the Board to continue to manage and administer the assets of the funds for the benefit of the participants in accordance with the terms and provisions of the Plan; or (3) arrange for the Board to pay over to each participant the value of such participant's interest in accordance with the allocation provisions in Article IV of the plan document.

# **CHURCH OF GOD BENEFITS BOARD, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

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### **NOTE 11 – EMPLOYEES RETIREMENT EXPENSE**

Retirement expense for employees covered by the Plan totaled \$40,484 and \$39,663 for December 31, 2019 and 2018, respectively.

### **NOTE 12 – CONCENTRATION OF CREDIT RISK**

From time to time the Plan has on deposit in institutions whose accounts are insured by agencies of the United States Government, funds which total in excess of the insured maximum. The balance on deposit is subject to significant fluctuations throughout the year.

### **NOTE 13 – RISK AND UNCERTAINTIES**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

### **NOTE 14 – RELATED PARTY TRANSACTIONS**

The Benefits Board and the Church Loan Fund, Inc. (CLF) are currently run by the same staff with separate boards of directors. Since the CLF does not have any employees, the CLF pays a service fee for the services provided by the staff of the Benefits Board. During 2019 and 2018, \$131,422 and \$138,471 was paid, respectively, for services provided by the staff at the Benefits Board.

During 2010, the Benefits Board contributed their loan portfolio of \$33,551,640 to the CLF. The Benefits Board considers this contribution as their initial investment deposit into the CLF. Each year the board designates a portion of interest income to be reinvested in the CLF. Total interest income reinvested in the CLF was \$6,476,975 and \$4,788,560 as of December 31, 2019 and 2018, respectively. The total investment by the Benefits Board with the CLF is \$42,028,615 and \$40,340,200 as of December 31, 2019 and 2018, respectively.

During 2019 and 2018, the Benefits Board earned \$2,114,502 and \$2,227,806, respectively in interest on the investment deposit with the CLF.

### **NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated events and transactions subsequent to December 31, 2019 through the date of the independent auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Except for the matter discussed in the following paragraph, management has not identified any other items requiring recognition or disclosure.

(Continued)

# CHURCH OF GOD BENEFITS BOARD, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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### **NOTE 15 – SUBSEQUENT EVENTS** (Continued)

Subsequent to December 31, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. While management cannot quantify the financial impacts to the Benefits Board as of the date of the independent accountant's audit report, management believes that a material impact on the Benefits Board's financial position and results of future operations is reasonably possible.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and instability in financial markets. As a result, the Benefits Board's investment portfolio has incurred a significant decline in fair value since December 31, 2019. Because the values of the Benefits Board's individual investments have and will fluctuate in response to changing market conditions, the amount of losses that will be recognized in subsequent periods, if any, and related impact on the Benefits Board's liquidity cannot be determined at this time.

## **SUPPLEMENTARY INFORMATION**

# CHURCH OF GOD BENEFITS BOARD, INC.

## SCHEDULES OF ADMINISTRATIVE EXPENSES – MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>ADMINISTRATIVE EXPENSES</b>		
Asset retirement	\$ -	\$ 2,477
Audit fees	28,075	27,207
Automobile	3,902	4,077
Board expense	9,061	4,131
Building repairs	3,298	1,207
Child - MRP benefit	2,040	1,679
Church pension conference	2,267	3,909
Computer services	128,186	127,765
Contract labor	1,000	1,184
Death benefits	3,000	4,000
Depreciation	33,004	35,174
Document scanning	9,595	7,090
Endowment	558,898	14,184
Equipment/furnishings	398	344
Fees - church alliance	5,299	5,583
Fees - electronic giving	13,230	13,784
General assembly	-	9,011
Health insurance	99,619	96,174
Insurance	33,938	34,373
Insurance - fiduciary	16,544	12,196
Legal fees	2,466	12,792
Loan program	5,317	10,568
Maintenance	11,377	11,298
Mileage reimbursement	1,047	1,276
New member matching	66,517	82,679
Office machines service contracts	3,443	1,584
Office supplies	5,128	5,327
Payroll taxes	34,102	33,727
Postage and freight	13,437	16,380
Printing	1,580	2,341
Promotions	1,703	1,884
Property taxes	41	41
Publications - tax booklets	150	227
Retirement	40,484	39,663
Salaries	461,978	450,451
Security	445	423
Staff benefits and training	2,633	1,871
Subscriptions	2,449	2,033
Telephone	16,445	15,145
Travel	30,666	31,478
Utilities	7,367	7,267
Total administrative expenses	<u>\$ 1,660,129</u>	<u>\$ 1,134,004</u>



# CHURCH OF GOD BENEFITS BOARD, INC.

## SCHEDULES OF OTHER INCOME – MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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	2019	2018
<b>OTHER INCOME</b>		
Member loan application fees	\$ 136,090	\$ 126,667
Church Loan Fund, Inc. - administration fee	131,422	138,471
Early withdrawal penalties	14,160	13,780
Miscellaneous	186,246	222,168
Total other income	<u>\$ 467,918</u>	<u>\$ 501,086</u>



April 30, 2020

To the Board of Directors  
Church of God Benefits Board, Inc.  
4205 North Ocoee Street  
Cleveland, TN 37320

In planning and performing our audit of the financial statements of the Church of God Benefits Board, Inc. as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Plan's internal control over financial reporting (internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the plan's financial statements will not be prevented or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Plan's internal control to be significant deficiencies:

### **Financial Reporting Process**

Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles.

At times, management may choose to outsource certain accounting functions due to cost or training considerations. Such accounting functions and service providers must be governed by the control policies and procedures of the company. Management is as responsible for outsourced functions performed by a service provider as it is for their own personnel.

Management is also responsible for management decisions and functions; for designating an individual with suitable skill, knowledge, or experience to oversee any outsourced services and for evaluating the adequacy and results of those services and accepting responsibility for them.

As part of the audit, management requests us to prepare a draft of the financial statements, including the related notes to the financial statements and prepare depreciation schedules. Management reviewed, approved, and accepted responsibility for the financial statements prior to their issuance and reviewed, approved and accepted responsibility for the depreciation services.

The existence of significant deficiencies or material weaknesses may already be known to management and may represent a conscious decision by management or those charged with governance to accept that degree of risk because of cost or other considerations. Management is responsible for making decisions concerning costs to be incurred and related benefits. We are responsible to communicate significant deficiencies and material weaknesses in accordance with professional standards regardless of management decisions.

This letter does not affect our report dated April 30, 2020, on the financial statements of the Church of God Benefits Board, Inc.

The accompanying comments and recommendations are intended solely for the information and use of the Board of Directors, management, and others within the organization and should not be used by anyone other than these specified parties.

We have already discussed these comments and suggestions with various plan personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the plan administrator, and others within the Plan, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Henderson Hutcherson  
& McCullough, PLLC*



April 30, 2020

To the Board of Directors  
P.O. Box 4608  
4205 North Ocoee Street  
Cleveland, Tennessee 37320-4608

We have audited the financial statements of the Church of God Benefits Board, Inc. as of and for the year ended December 31, 2019, and have issued our report thereon dated April 30, 2020. Professional standards also require that we advise you the following matters relating to our audit.

### **Our Responsibility under Generally Accepted Auditing Standards**

As communicated in our engagement letter dated December 11, 2019, our responsibility, as described by professional standards, is to plan and perform our audit to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the plan's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Church of God Benefits Board, Inc. solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control deficiencies and other matters noted during our audit in a separate letter to you dated April 30, 2020.

### **Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing Church of God Benefits Board, Inc.'s audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Our responsibility also includes communicating to you any information that we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

### **Qualitative Aspects of the Plan's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Church of God Benefits Board, Inc. is described in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the current year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimate affecting the financial statements is:

Management's estimate of the fair value of investments for which there are significant unobservable inputs is based on information provided by the plan. We evaluated the key factors and assumptions used to develop the fair value of these investments in determining that it is reasonable in relation to the financial statements taken as a whole.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. We noted no sensitive disclosures.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. All proposed adjusting journal entries for all of the misstatements identified during the audit were posted.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Church of God Benefits Board, Inc.'s financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated April 30, 2020.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Findings or Issues**

In the normal course of our professional association with Church of God Benefits Board, Inc., we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the plan, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Church of God Benefits Board, Inc.'s auditors.

This information is intended solely for the information and use of management, the plan administrator, and others within the plan, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Henderson Hutcherson  
& McCullough, PLLC*

**Daniel Sheets, CPA**  
*Member*



CERTIFIED PUBLIC ACCOUNTANTS

**Henderson Hutcherson & McCullough, PLLC**  
**1200 Market Street**  
**Chattanooga, TN 37402**

**D 423.702.7273**  
**O 423.756.7771**

EMAIL: [dsheets@hhmcpas.com](mailto:dsheets@hhmcpas.com)

Arthur D. Rhodes  
President and CEO

artrhodes@benefitsboard.com

## Memorandum

**To:** Policy Interpretation File  
**From:** Art Rhodes  
**Date:** Thursday, December 13, 2001  
**Updated:** Wednesday, November 18, 2009  
**Re:** Deviation from Installment Agreements

The Ministers' Retirement Plan, as amended and modified, provides for installment payments as one of the five distribution options. Section 5.3.C.2.(c) provides for "an *irrevocable* amortized distribution for a specified period of a minimum of 10 years or to a maximum number of years based upon single or joint life expectancy." This option is by far the most popular distribution choice of the MRP participants, simply because all distributions under the installment arrangement are designated as ministerial housing allowance subject to the use of such for housing costs.

Because the duration of such installment arrangements is generally so great, ranging from a minimum of 10 years to a maximum of 30 years, circumstances often change in such a manner that necessitate the need for a participant to modify his or her amortized distribution period. In light of that need, it is the intention of the Benefits Board, as the administrator of the Ministers' Retirement Plan, to allow the necessary adjustments of the installment agreement as requested by the participant as long as such changes meet the criteria set out below.

Before deviation is allowed from an installment agreement, the following criteria must be met:

- a.) **The modification must comply with applicable law.** For example, generally Section 72(t) of the Internal Revenue Code allows only for modification after a participant has been in distribution for at least five years.
- b.) **The modification must not be a selection against the Ministers' Retirement Plan,** i.e. the modification may extend installment payments but can not substantially reduce the duration of the payments.
- c.) **The request for modification must be made in writing,** either on a form made available by the Benefits Board or as so directed by the Board.

All requests for modification will be submitted to a committee consisting of the Executive Vice President, the Corporate Secretary, and the Director of Member Services of the Benefits Board. Their decision, which will be final, binding, and non-appealable, shall be submitted to the President of the Benefits Board for implementation.

Adopted by the Board of Trustees, Church of God Benefits Board, Inc., on this the 20th day of November, 2003; modified on the 18<sup>th</sup> day of November, 2009.



# CHURCH LOAN FUND, INC.

STATISTICAL UPDATE

May 14, 2020

As of April 30, 2020, the Church Loan Fund had an outstanding loan balance of **\$34,333,809**, represented by 125 loans. Total assets of the Church Loan Fund as of that same date were **\$42,861,494**.

**Interest Rates** - The CLF has loans with rates ranging from 5% to 10.25%, with the majority, 23% by number of loans, but only 7% by dollar amount, at the 8.75% rate.

**Current Interest Rate Structure** - allows for loans between 5% and 8.75%. All our borrowers have the option to apply for a lower rate at any time. If approved, the refinance fee is 50 basis points of the outstanding principal balance.

**Maturity** - 5% of our loans will mature within the next 12 months. There are no loans with a maturity greater than 10 years.

**Delinquencies** - NO severely delinquent non-performing loans. As of May 7, 2020, there were zero loans more than 60 days delinquent. The 30-day delinquency rate by dollar amount is 2%.

**Loan Funding** - So far this year, we have funded two loans totaling \$452,000. There are new applications at various stages of the application process. However, we are proceeding slowly and with great caution given the state of the economy due to the COVID-19 pandemic.

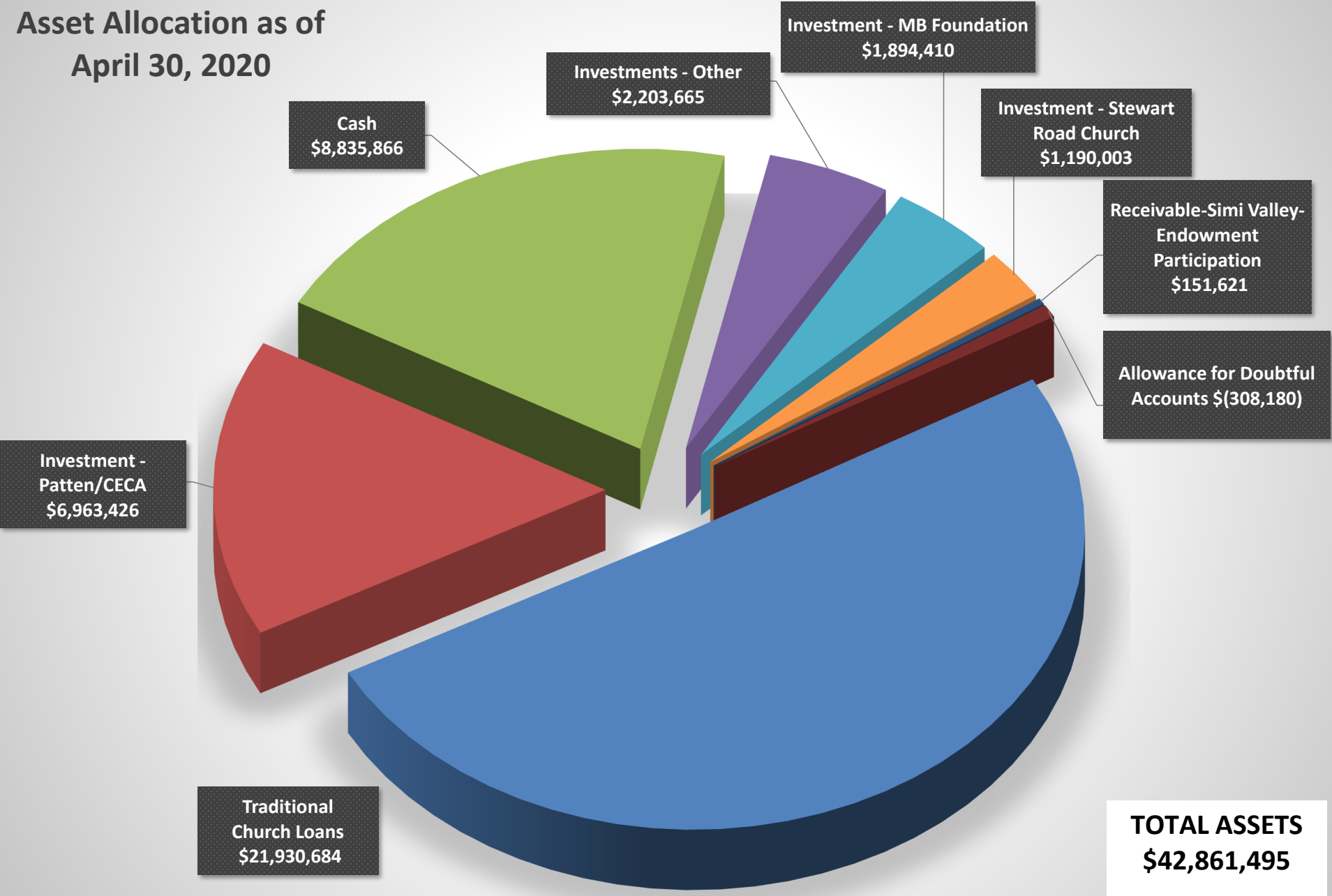
**Internal Rate of Return** - The YTD internal rate of return, gross of fees, is 5.19%.

**Service Fees** - The CLF pays a percentage of revenue to the Benefits Board every month as a service fee to cover administrative costs. The total paid this year as of April 30, is \$42,512, for a monthly average of \$10,628.

**Yield** - The CLF pays over 91% of total revenue in yield back to the Ministers' Retirement Plan. The YTD total as of April 30, is \$680,719, for a monthly average of \$170,180.

**Consulting** - The Church Loan Fund continues to act as a consultant to several churches, State Offices, World Missions and the Denomination, as requested, to offer advice and to negotiate on their behalf with outside lenders and attorneys in legal, property and financial situations around the globe.

**CHURCH LOAN FUND, INC.**  
**Asset Allocation as of**  
**April 30, 2020**



# Spring Board Meeting

May 14, 2020

## President's Report to the Board

*"It was the best of times, it was the worst of times ..... it was the spring of hope, it was the winter of despair."* Charles Dickens, ***A Tale of Two Cities***

Although Charles Dickens was writing 161 years ago (March 1859), in those few phrases he aptly summed up what has happened in the global financial markets over the last few months. We ended 2019 at absolutely one of the highest points of the Benefits Board's history. Everything was moving in a perfect pattern and we were seeing unprecedented growth in the plan. The first couple of months of 2020 continued that trend, with the Dow reaching an all-time high of 29,551.42 on February 12, 2020, a result of the longest bull market in history.

Even as the Dow was reaching into the stratosphere, there were already rumblings about a disease – a virus – that was rapidly spreading within the industrial regions of China. On March 11, 2020, just a month after markets reached their highest point ever recorded, the World Health Organization confirmed and declared that the coronavirus (COVID-19) had reached pandemic levels. It was at that time that the "normal" that we had experienced for years began to go away, maybe never to return again.

Telecommuting took the place of going into the office. Video conferences replaced in-person meetings. Travel came to a halt, with airlines, ocean-going passenger ships, trains, and buses stopped because of the possible spread of the virus. Businesses and offices were shuttered. Unemployment soared to multiples never seen or even imagined. "Shelter-in-place" and "stay-at-home" orders spread across the nation and around the globe. Life as we knew it came to a halt. And the global economy did not just experience a slow-down, it suffered a complete stoppage.

Market volatility increased to an all-time high. By mid-March 2020, a global sell-off in stocks was underway. The data was so startling that concerns arose about an immediate depression:

- During the third week of March, stocks closed their worst week since the Great Financial Recession of 2008, closing down more than 15%.
- During 9 out of 10 trading days in mid-March (and 8 days in a row), the S&P 500 closed more than 4%, either up or down, from the day before. Previously, the index had only moved six days in a row more than 4% and that occurred in 1929.
- It took 790 trading days for the Dow to go from 20,000 to over 29,000. It took only 43 trading days to lose that much and go below 20,000 in mid-March, ultimately dropping to 18,591 on March 23, 2020.

- Prior to this pandemic, the Dow had not been below 20,000 since February 2017.
- On January 19, 2017, the day before President Trump took office, the Dow closed at 19,804.
- The 10-year Treasury note, while recovering some since, traded as low as .40% in early March. The 30-year Treasury note traded below 1% in the same time period, both reaching all-time lows. Recovery still has not returned to the yield on Treasury's. As of Friday, May 8, the 10-year Treasury was at .67% and the 30-year Treasury was at 1.37%. Simply stated, that means that if you bought a Treasury note from the government for 10 years, they would pay you .67% per year for the next 10 years, or 1.37% per year for the next 30 years.

### **A Look Back to 2019**

Although it is important for you to see some of the recovery that was experienced in April 2020, a look back at 2019 is also important. The phenomenal growth in MRP Plan assets in 2019 is without comparison. From year-end 2018 to year-end 2019, total assets under management increased by a remarkable \$37.3 million.

Although the specific numbers are addressed in the audited financial statements, knowing some of the details of the growth in 2019 is critical to understanding the impact of the pandemic on our assets:

- Assets appreciated in value by almost \$30 million (\$29.86 million) in 2019.
- Participant contributions increased by \$300,000 in 2019 to \$18.65 million – an extremely positive sign.
- Benefits paid out to participant also increased in 2019, but only by about \$280,000, again a remarkable number due to our aging population base.
- Our large capitalization fund had an annualized return of 33.32% in 2019.
- Our small capitalization fund had an annualized return of 28.54% in 2019, and
- Our international fund had an annualized return of 20.67% in 2019.
- Including the special “bonus” interest allocation that we made on Dec. 20, 2019, the Trustees’ Fund return for 2019 was 5.65%.
- An equal weighting across all our four funds in 2019 would have given you a combined return of 22.05, while our “bogey” return is 8.00%.

Without question, 2019 was a stellar year for the Ministers’ Retirement Plan. As mentioned earlier, the beginning of 2020 started off in a similar fashion. However, once circumstances changed, they changed with a vengeance and with great velocity.

### **April 2020 – and Forward**

April 2020 can best be described as the month we experienced hyper-unemployment and a drastically shrinking economy. While the global stock markets experienced a rather drastic

rebound in April, everything else in the economy was contracting. Again, the statistics are startling:

- **Unemployment Skyrocketed**

- As of May 7, over 33 million claims for unemployment have been filed in the past seven weeks (averaging 4.7 million per week).
- Prior to this current crisis, the most unemployment claims in one week had been 695,000. During one week in late March, over 6.6 million claims were filed – a ten-fold increase. During that same week, over 880,000 claims were filed just in the State of California.
- These job losses basically wiped out the number of jobs created in the last 15 years.
- A recent report from the Becker Friedman Institute at the University of Chicago predicts that 42% of the persons currently unemployed will completely lose their jobs, because of bankruptcies and hesitancy of people to resume “normal” activities. That means that roughly 14 million jobs are projected to be lost completely.
- Although the official unemployment rate announced on Friday, May 8, was 14.7%, most economists predict the unemployment rate is already over 20%.
- The unemployment rate is expected to remain high for the coming months and by the end-of-the-year is still expected to be over 10%, assuming that all states start opening back up in the next few days.

- **Oil Prices are Totally Collapsing**

- Due to the battle early in the year between Saudi Arabia and Russia over price containments, there is a glut of oil in the international markets.
- In addition to the glut of oil, demand for oil is at a 25-year low.
- During late April, something occurred in the oil markets that just a few weeks ago seemed impossible and even absurd – oil prices actually went below zero dollars a barrel. Producers were paying refiners to take the oil because the producers had no place to store the oil.
- While there has been some recovery in oil prices, West Texas Intermediate Crude is still trading in the \$20-\$22 a barrel range – about \$30 a barrel less than it costs to produce oil in the United States.

- **Shrinking of the Economy**

- Based upon numbers released in late April, the U.S. economy declined 4.8% in the January to March time frame. This number is even more remarkable because it only includes a few weeks of the “stay at home” and business closure orders.
- This was the deepest decline in more than 12 years. But it is not over.
- The April through June quarter that we are currently in is likely to show a decline of more than 30% (some predict as much as 40%) -- levels not seen since the Great Depression.

Although it seems impossible, these numbers would be even worse had the U.S. government not allocated over \$3 trillion dollars in four separate “stimulus” bills. That legislation provided support and direct relief to major businesses impacted by the pandemic, as well as more than \$659 billion to small businesses (including churches) to keep employees on the payroll. In addition to the business relief, individual taxpayers received direct checks from the government for \$1,200 each and an additional \$500 for each dependent child under the age of 17.

The annual budget for the U.S. Government was expected to be \$4.4 trillion during this fiscal year. With the “stimulus” bills that are currently on the “runway,” it is expected that at least that much or more will be added to the expenditures of the government this year alone. Because of such, just a few days ago, the U.S. Treasury Department announced they would offer as much as \$4 trillion in new debt obligations before the end of the calendar year. With a national debt of \$24 trillion already, it is expected that the additional debt will just add to that massive long-term obligation.

### **Internal Operations Continued**

During the midst of this current crisis, our staff made the decision that it was important for us to maintain operations as usual to try to alleviate, as much as possible, the fear and anxiety that our participants were experiencing. So, while other businesses and church entities closed, we maintained normal operations. In retrospect, our sense of normalcy seemed to provide much solace to those that we serve. In their greatest time of need, we were here to help them.

Once the pandemic was declared, we did implement our “business continuity” plan. This process included

- Limitation of the number of visitors in the office
- Strict social distancing with visitors and delivery personnel
- Mandatory “stay at home” rules for anyone exhibiting any signs of sickness
- Limitation of all non-essential travel, and
- Daily valuation of all accounts, allowing participants to move in and out of the market accounts on a daily basis.

These policies will continue and remain in place until further notice.

In addition, this pandemic has given us the opportunity to revisit other parts of our “business continuity” plan that have not been implemented yet. Our ability to work remotely, forward telephone calls, and a host of other issues have been addressed as we made sure that, if necessary, we could continue all operations from a remote site or from our homes. So, out of this crisis we have gained a better understanding of our abilities, as well as our shortcomings. Although we would have experienced a momentary delay of maybe six to

eight hours, we are confident that we could have operated, at least on a limited basis, totally remotely if such had been necessary.

## **Conclusion**

As always, the goal of the Benefits Board is to be a “value added” component for the local church, the state or regional office, and the denomination. During this crisis, we have served as a financial and legislative resource to the denomination and our churches, both nationally and globally. It is our sincere hope and desire that we have added value during these most difficult times.

Respectfully submitted to the Board of Directors of the Church of God Benefits Board, Inc., on this the 14<sup>th</sup> day of May 2020.

*Arthur D. Rhodes*

Arthur D. Rhodes  
President and Chief Executive Officer  
Church of God Benefits Board, Inc.

MEMO

TO: Art Rhodes, President & CEO  
Dr. Mark Walker, Benefits Board Chairman  
Benefits Board & Staff

FROM: Dr. Bill & Luann Leonard

RE: Thank You!

DATE: December 23, 2019

When Luann and I started our journey of contributions many years ago; we hoped, invested, prayed and trusted the Benefits Board for a safe and good return on our retirement investment.

We started small, but it truly grew beyond our expectations! God has truly blessed us with the greatest team in the Benefits Board and staff for our investment. Thank you!

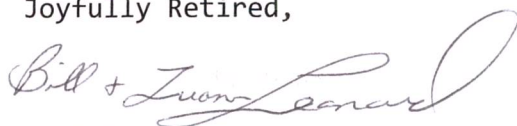
Thank God for all you wonderful people, that have the highest integrity. Thanks again for this wonderful end of the year bonus.

You truly are the best of the best!

Art, thank you for your consultation and advice along with your staff all these years.

God bless you for all that you do! Have a Merry Christmas!

Joyfully Retired,

A handwritten signature in cursive script that reads "Bill & Luann Leonard". The signature is written in dark ink and is positioned above the printed name.

Bill & Luann Leonard



# Church of God Benefits Board, Inc.

## REVENUE SUMMARY

	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Approved Budget	4 Months 4/30/2020	% YTD
<b>Church Loan Fund, Inc.</b>	2,243,018.83	2,148,240.48	2,355,697.48	2,235,781.11	2,335,000.00	723,230.96	31%
<b>Bank Accounts</b>	3,847.41	28,841.18	99,946.53	148,183.50	101,100.00	56,486.11	56%
<b>Bond Accounts</b>							
<i>Seix</i>	157,696.17	35,583.18	277,315.12	696,620.61	438,000.00	557,661.17	127%
<i>Delaware Macquarie</i>	248,694.72	462,997.46	161,471.85	1,734,578.05	706,500.00	1,883,867.69	267%
<i>Wells</i>	1,096,344.12	1,359,420.32	(75,424.68)	3,722,919.99	1,511,250.00	1,842,337.74	122%
<i>Wellesley</i>	1,971,529.31	1,943,637.74	(2,318,700.67)	3,796,948.23	1,584,000.00	(2,140,611.88)	-135%
<b>REITs</b>							
<i>Principal Domestic</i>	109,915.14	1,389,773.26	(760,635.13)	5,395,588.85	1,410,000.00	(3,277,326.56)	-232%
<i>Principal Global</i>	(71,726.67)	3,020,096.65	(341,680.91)	3,613,290.30	1,221,000.00	(4,214,363.20)	-345%
<b>Alternative Investments</b>							
<i>Structured Notes</i>	4,478,375.60	4,787,285.97	4,153,897.55	4,389,729.12	4,290,000.00	897,385.47	21%
<i>Farmland - Hancock</i>	-	-	12,500.00	25,000.00	20,000.00	12,500.00	63%
<i>Timberland - Hancock</i>	31,577.00	170,507.00	1,433,227.00	(1,048,515.00)	200,000.00	-	0%
<i>Timberland - AmSouth</i>	50,000.00	85,000.00	220,398.40	37.42	125,000.00	-	0%
<b>Equity (Stock) Accounts</b>							
<i>Trustee - Large Cap</i>	904,608.32	1,377,928.87	53,476.10	2,224,084.57	871,743.04	(640,524.85)	-73%
<i>Trustee - Small Cap</i>	1,573,816.76	(208,764.95)	(1,627,771.66)	2,160,344.23	48,065.90	(2,449,687.83)	-5097%
<i>Trustee - International</i>	(164,398.82)	230,477.38	(623,446.23)	414,602.50	100,000.00	(645,988.31)	-646%
<b>Fees</b>							
<i>Fees - Large Cap</i>	29,337.49	36,503.11	52,252.58	59,919.68	53,902.00	22,133.33	41%
<i>Fees - Small Cap</i>	20,569.26	23,934.08	28,188.06	29,402.94	25,238.00	9,918.47	39%
<i>Fees - International</i>	11,245.02	12,863.64	15,787.98	14,377.06	12,572.00	4,874.27	39%
<b>Certificates of Deposits</b>	51,172.00	47,673.55	41,912.55	140,300.11	129,000.00	25,428.25	20%
<b>Miscellaneous Income</b>	148,354.55	145,967.25	143,148.85	154,058.83	143,191.43	21,022.83	15%
<b>Total Revenue</b>	<b>12,893,976.21</b>	<b>17,097,966.17</b>	<b>3,301,560.77</b>	<b>29,907,252.10</b>	<b>15,325,562.37</b>	<b>(7,311,656.34)</b>	<b>-48%</b>

# Church of God Benefits Board, Inc.

## EXPENSE SUMMARY

	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Approved Budget	4 Months 4/30/2020	% YTD
<b>Administrative</b>							
Board Expenses	3,178.84	5,050.24	3,659.66	8,748.40	7,000.00	-	0.00%
Church Loan Costs	8,560.70	6,246.66	10,568.20	5,316.94	15,000.00	-	0.00%
Building	22,741.80	14,445.64	13,313.34	15,559.40	18,692.00	8,868.80	47.45%
Depreciation	24,112.32	36,140.75	35,174.03	33,004.28	24,000.00	9,436.67	39.32%
Insurance	43,852.75	46,556.75	46,568.83	50,481.80	51,500.00	3,240.99	6.29%
Marketing	23,123.37	23,700.84	20,605.83	83,236.69	105,000.00	9,247.83	8.81%
Computers (IT)	99,325.20	137,041.24	134,855.31	137,781.06	85,000.00	46,116.94	54.26%
General Office Expenses	8,429.68	9,376.48	6,910.69	8,570.89	8,500.00	2,365.76	27.83%
Books, Subscriptions, Fees	12,923.20	13,421.41	13,372.35	13,629.65	14,100.00	6,264.01	44.43%
Professional Fees	38,738.87	35,997.66	39,999.08	30,540.50	58,950.00	3,796.08	6.44%
Staff	502,434.46	500,736.06	541,070.18	546,315.80	546,475.00	181,754.47	33.26%
Travel	40,160.53	28,112.33	49,751.17	37,882.93	40,000.00	(894.65)	-2.24%
Utilities	23,937.56	24,520.79	22,411.60	23,812.13	24,000.00	7,013.00	29.22%
Miscellaneous	7,257.34	8,361.11	8,725.85	7,810.66	8,650.00	2,527.00	29.21%
Sub-Total (Administrative)	858,776.62	889,707.96	946,986.12	1,002,691.13	1,006,867.00	279,736.90	27.78%
<b>Ministers' Retirement Plan</b>							
Child Benefits	1,080.00	1,560.00	1,680.00	2,040.00	1,680.00	-	0.00%
Death Benefits	2,000.00	4,000.00	4,000.00	3,000.00	5,000.00	3,000.00	60.00%
Sub-Total (MRP Benefits)	3,080.00	5,560.00	5,680.00	5,040.00	6,680.00	3,000.00	44.91%
Sub - Total Administrative	861,856.62	895,267.96	952,666.12	1,007,731.13	1,013,547.00	282,736.90	27.90%
MRP Interest	11,429,319.13	14,719,271.22	11,974,789.48	17,118,433.94	16,170,158.43	4,192,502.07	25.93%
<b>GRAND TOTAL</b>	<b>12,291,175.75</b>	<b>15,614,539.18</b>	<b>12,927,455.60</b>	<b>18,126,165.07</b>	<b>17,183,705.43</b>	<b>4,475,238.97</b>	<b>26.04%</b>

**Church of God Benefits Board, Inc.**  
**Monthly Report Regarding**  
**4% of Total Assets**

**2019**  
**Actual**

Month Ending	Assets	4% Reserve	Current Equity	Difference
January	\$ 373,721,965	\$ 14,948,879	\$ 16,086,173	\$ 1,137,294
February	\$ 376,708,180	\$ 15,068,327	\$ 17,406,791	\$ 2,338,464
March	\$ 380,491,784	\$ 15,219,671	\$ 19,302,295	\$ 4,082,624
April	\$ 384,789,825	\$ 15,391,593	\$ 20,601,021	\$ 5,209,428
May	\$ 380,781,302	\$ 15,231,252	\$ 19,244,970	\$ 4,013,718
June	\$ 388,155,999	\$ 15,526,240	\$ 23,227,282	\$ 7,701,042
July	\$ 389,964,975	\$ 15,598,599	\$ 23,430,824	\$ 7,832,225
August	\$ 389,336,311	\$ 15,573,452	\$ 24,494,774	\$ 8,921,322
September	\$ 390,287,119	\$ 15,611,485	\$ 24,842,587	\$ 9,231,102
October	\$ 393,837,865	\$ 15,753,515	\$ 26,370,215	\$ 10,616,700
November	\$ 397,615,593	\$ 15,904,624	\$ 27,720,581	\$ 11,815,957
December	\$ 399,728,232	\$ 15,989,129	\$ 21,820,858	\$ 5,831,729

**2019 Projected in November**

November	\$ 395,116,173	\$ 15,804,647	\$ 19,784,080	\$ 3,979,433
December	\$ 396,344,069	\$ 15,853,763	\$ 20,290,791	\$ 4,437,028

**2020**  
**Projections**

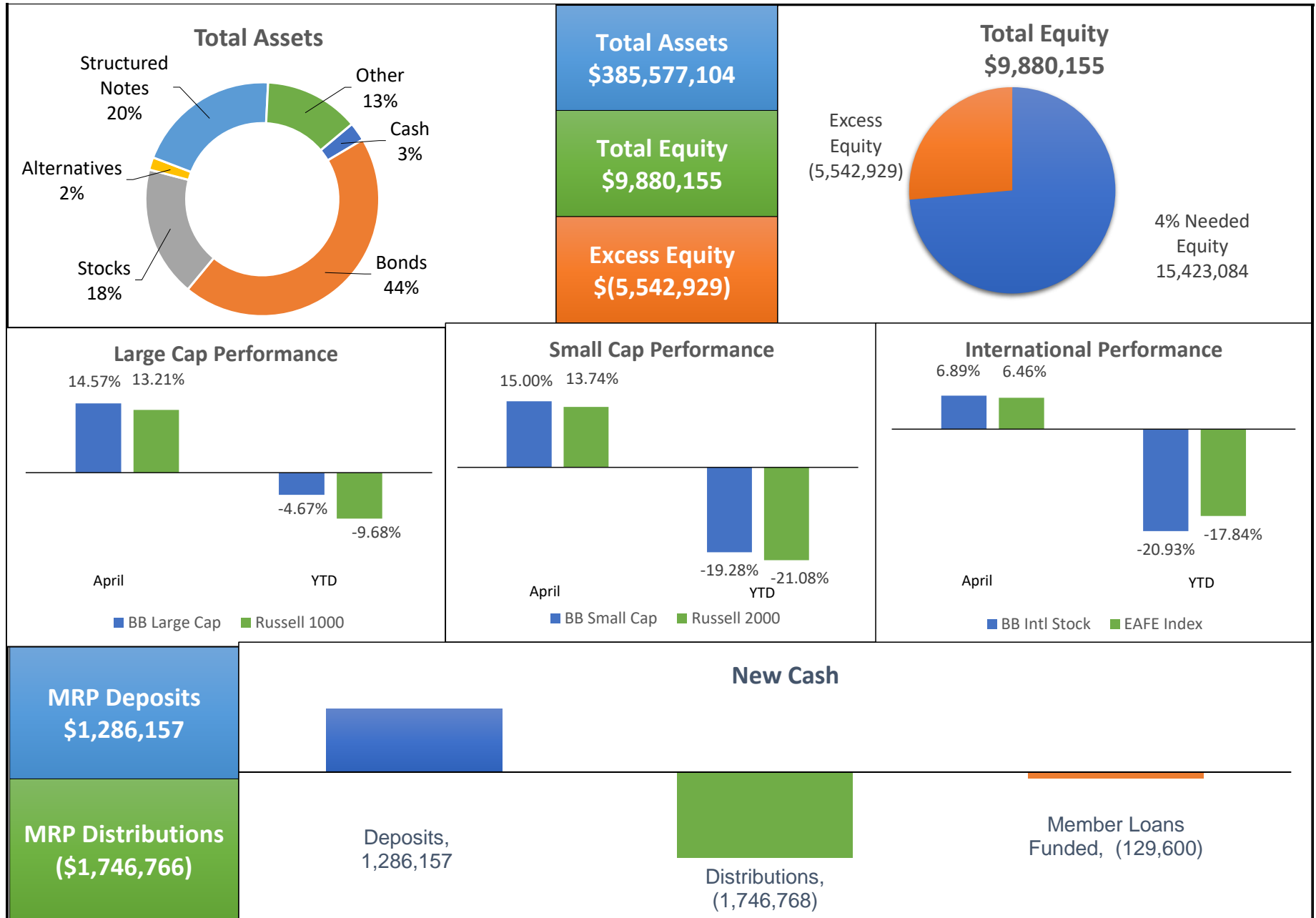
Month Ending	Assets	4% Reserve	Current Equity	Difference
January	\$ 401,482,737	\$ 16,059,309	\$ 22,726,526	\$ 6,667,217
February	\$ 394,422,405	\$ 15,776,896	\$ 18,507,048	\$ 2,730,152
March	\$ 372,318,043	\$ 14,892,722	\$ 2,785,983	\$ (12,106,739)
April	\$ 385,577,104	\$ 15,423,084	\$ 9,880,155	\$ (5,542,929)
May	\$ 386,356,917	\$ 15,454,277	\$ 20,420,984	\$ 4,966,707
June	\$ 386,961,635	\$ 15,478,465	\$ 20,518,985	\$ 5,040,519
July	\$ 387,579,019	\$ 15,503,161	\$ 20,293,293	\$ 4,790,133
August	\$ 388,073,884	\$ 15,522,955	\$ 20,031,832	\$ 4,508,877
September	\$ 388,483,719	\$ 15,539,349	\$ 19,659,921	\$ 4,120,572
October	\$ 389,022,693	\$ 15,560,908	\$ 19,228,032	\$ 3,667,124
November	\$ 389,990,591	\$ 15,599,624	\$ 18,632,850	\$ 3,033,226
December	\$ 390,860,261	\$ 15,634,410	\$ 17,875,539	\$ 2,241,128

Shaded amounts are estimates.

Current year equity estimates are based on a 12 month rolling average using prior year equity amounts.

# Church of God Benefits Board

## April 30, 2020 Financial Overview



**Church of God Benefits Board, Inc.**  
**2020 Balance Sheet / Monthly Trends**

	November 2019	December 2019	January 2020	February 2020	March 2020	April 2020
<b>Current Assets</b>						
Cash	11,243,415	21,759,305	26,048,187	22,777,002	9,978,463	6,126,952
Certificates of Deposit	6,078,050	6,078,885	6,078,885	6,093,706	3,852,288	3,859,368
Bonds - Short Term	1,153,625	1,153,625	1,153,625	1,153,625	1,153,625	1,153,625
Bonds- Seix Investment	21,957,940	21,997,678	22,117,632	22,305,103	22,528,517	22,555,339
Bonds - Delaware (Allegiance)	41,398,423	41,415,010	41,919,504	42,573,363	43,054,516	43,298,878
Bonds - Wells Capital	41,531,776	41,569,792	42,312,509	43,039,353	42,584,610	43,412,129
REITS-Principal Investors	23,402,058	23,042,525	23,627,188	21,910,614	18,348,627	19,765,198
Bonds -Convertible- Wellesley	26,907,308	27,294,175	27,346,230	26,875,443	23,592,628	25,153,563
REITS - Principal Global	20,212,547	20,504,653	20,759,965	19,309,566	15,282,577	16,290,290
Structured Notes	69,450,000	59,150,000	54,850,000	58,550,000	73,550,000	77,050,000
Timberland - AmSouth	1,005,000	1,005,000	1,005,000	1,005,000	1,005,000	1,005,000
Timberland - Hancock	3,860,185	1,999,960	1,999,960	1,999,960	1,999,960	1,999,960
Farmland - Hancock	2,715,200	3,675,000	3,675,000	3,675,000	3,675,000	3,675,000
Prepaid Expense - Endowment	288,925	-	-	-	-	-
Investment - Endowment	154,301	153,770	153,237	317,701	317,162	317,861
Investment in Church Loan Fund	35,551,640	35,551,640	35,551,640	35,551,640	35,551,640	35,551,640
Investment - CLF Yield	6,152,533	6,323,204	6,490,206	6,650,229	6,814,107	7,003,923
Member Loans	5,126,876	5,073,163	4,926,569	4,883,464	4,908,552	4,829,666
Equity - Trustee - Large Cap Growth	7,194,691	7,277,468	7,312,676	6,903,159	5,873,502	6,639,886
Equity - Self - Dir - Large Cap Growth	15,568,692	16,096,944	16,617,370	15,826,183	14,805,959	17,312,210
Equity - Trustee - Large Cap Value	5,835,417	5,914,321	5,815,815	5,307,711	4,120,020	4,530,388
Equity - Self - Dir - Large Cap Value	12,620,140	13,080,044	13,210,973	12,174,849	10,391,384	11,803,515
Equity - Trustee - Small Cap Growth	6,698,631	6,672,685	6,418,284	5,969,101	4,965,348	5,491,698
Equity - Self - Dir - Small Cap Growth	6,994,339	7,172,947	7,179,106	6,750,208	5,697,254	6,935,558
Equity - Trustee - Small Cap Value	6,121,018	6,220,294	5,882,069	5,234,664	3,785,538	4,027,546
Equity - Self - Dir - Small Cap Value	6,391,956	6,687,820	6,576,606	5,921,479	4,297,929	5,084,474
Equity - Trustee - Intl Stock	3,302,989	3,341,860	3,007,755	2,706,447	2,305,928	2,438,315
Equity - Self Dir - Intl Stock	6,384,179	6,725,839	6,650,972	6,204,343	5,128,697	5,506,975
Fixed Assets	479,337	467,079	464,965	462,850	460,188	457,642
CRAM Accounts	1,834,401	2,323,546	2,330,809	2,290,644	2,289,023	2,300,504
<b>Total Assets</b>	<b>397,615,593</b>	<b>399,728,232</b>	<b>401,482,737</b>	<b>394,422,405</b>	<b>372,318,043</b>	<b>385,577,104</b>
Accounts Payable	-	20,990	-	(100)	-	-
Accounts Payable						
CRAM Accounts Payable	1,821,239	2,310,275	2,317,312	2,276,955	2,274,755	2,286,131
<b>MRP Participant Accounts</b>						
Allocated Benefits	308,617,486	308,617,486	320,799,818	320,799,818	320,799,818	320,799,818
Self-Directed - Large Cap	21,218,734	21,218,734	29,176,988	29,176,988	29,176,988	29,176,988
Self-Directed - Large Cap- Gain/Loss	6,554,122	7,346,014	408,346	(1,502,950)	(5,098,012)	(1,442,253)
Self-Directed - Small Cap	10,616,863	10,616,863	13,858,474	13,858,474	13,858,474	13,858,474
Self-Directed - Small Cap- Gain/Loss	2,690,821	2,974,636	(368,306)	(1,525,557)	(4,260,544)	(2,764,781)
Self- Directed - Intl Stock	5,696,246	5,696,246	6,725,839	6,725,839	6,725,839	6,725,839
Self-Directed - Intl - Gain/Loss	831,578	1,085,810	(281,618)	(802,407)	(1,830,260)	(1,476,420)
Deposits - Trustee - YTD	15,955,347	17,558,012	1,266,886	2,646,229	3,697,200	4,909,769
Deposits - Self Dir - Lg Cap - YTD	714,566	913,817	367,821	458,780	1,152,261	1,294,721
Deposits - Self Dir - Sm Cap - YTD	30,799	222,948	262,640	332,698	391,354	487,084
Deposits - Self Dir - Intl - YTD	(268,501)	(179,260)	205,039	279,929	226,070	255,503
Interest Paid - YTD	80,097	90,743	3,631	4,821	10,180	26,456
Interest Accrued - YTD	11,045,962	17,027,691	1,041,541	2,051,201	3,059,109	4,166,047
Withdrawals - YTD	(21,005,969)	(22,855,542)	(2,123,489)	(3,917,518)	(5,728,417)	(7,604,783)
Member Loans	5,126,904	5,073,191	4,926,569	4,883,436	4,908,524	4,829,638
Endowment Fund	168,720	168,720	168,720	168,720	168,720	168,720
<b>Total Liabilities</b>	<b>369,895,012</b>	<b>377,907,374</b>	<b>378,756,211</b>	<b>375,915,357</b>	<b>369,532,060</b>	<b>375,696,949</b>
<b>Equity</b>						
Fund Balance Reserve	8,547,298	8,547,298	21,593,965	21,593,965	21,593,965	21,593,965
Retained Earnings - Current Year	19,173,283	13,273,560	1,132,561	(3,086,917)	(18,807,982)	(11,713,810)
<b>Total Equity</b>	<b>27,720,581</b>	<b>21,820,858</b>	<b>22,726,526</b>	<b>18,507,048</b>	<b>2,785,983</b>	<b>9,880,155</b>
<b>Total Liabilities &amp; Equity</b>	<b>397,615,593</b>	<b>399,728,232</b>	<b>401,482,737</b>	<b>394,422,405</b>	<b>372,318,043</b>	<b>385,577,104</b>

*While the monthly trends are an accurate reflection of the records of the Benefits Board,  
they are not certified to meet generally accepted accounting principles.*

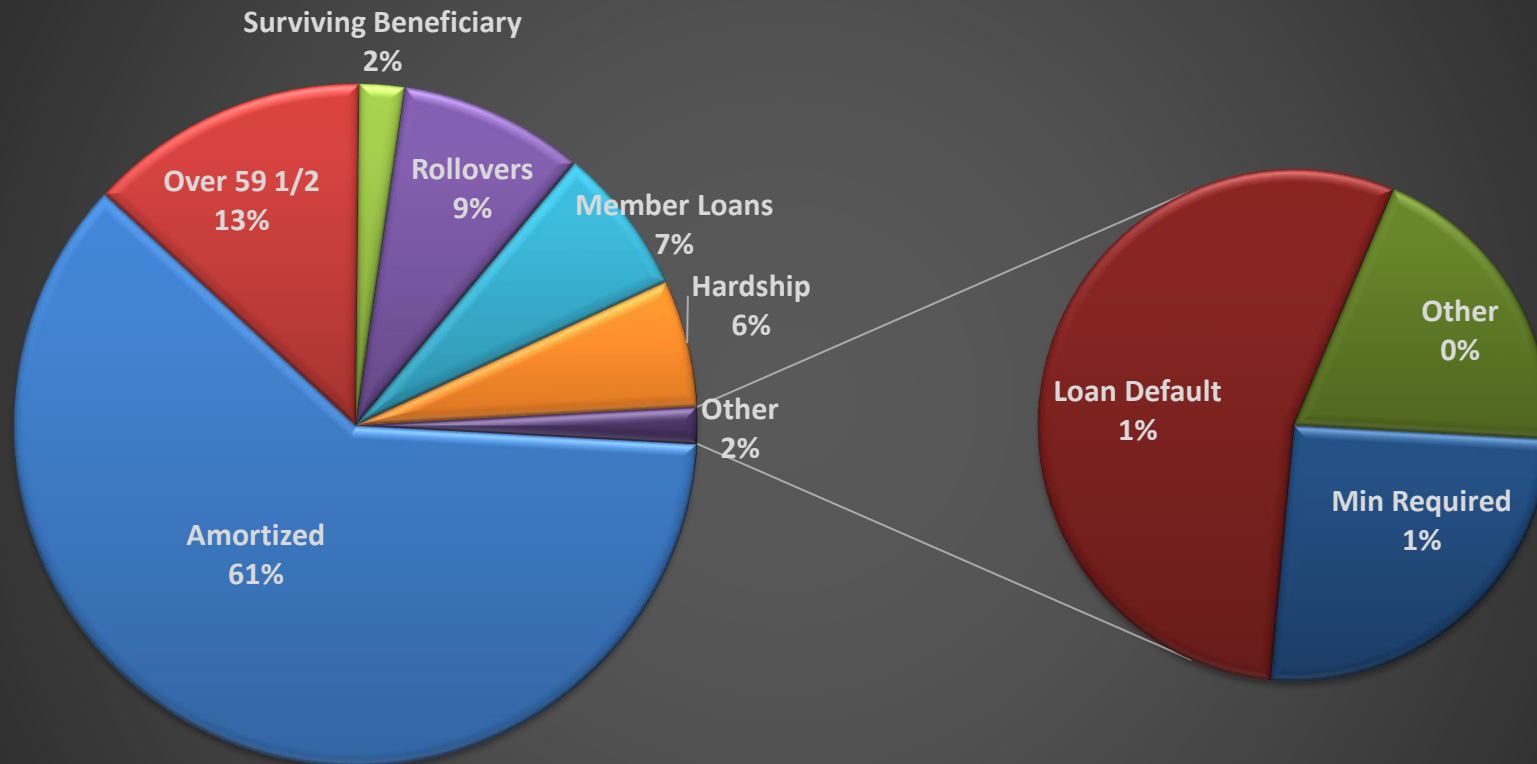
**Note: Fund Balance Reserve is for Trustee portion only.**

# Church of God Benefits Board, Inc.

## Cash Flow Analysis

	November 2019	December 2019	January 2020	February 2020	March 2020	April 2020
<b>Cash from Church Loan Fund</b>						
Administrative Fees	10,567	10,659	10,430	9,994	10,235	11,854
Monthly Yield	-	-	-	-	-	-
<b>Net Cash from Church Loan Fund</b>	<u>10,567</u>	<u>10,659</u>	<u>10,430</u>	<u>9,994</u>	<u>10,235</u>	<u>11,854</u>
<b>Cash from MRP Members</b>						
Contributions received from participants	1,021,227	1,944,968	1,907,787	1,272,659	1,612,603	1,286,157
Distributions made to participants	(1,579,274)	(1,713,223)	(2,064,489)	(1,644,429)	(1,619,399)	(1,746,766)
Member Loans Funded	(300,600)	(136,350)	(59,000)	(149,600)	(191,500)	(129,600)
Member Loan Payments	259,765	189,763	205,594	192,706	166,412	183,098
<b>Net cash from participant activity</b>	<u>(598,881)</u>	<u>285,158</u>	<u>(10,108)</u>	<u>(328,664)</u>	<u>(31,884)</u>	<u>(407,112)</u>
<b>Miscellaneous Operating Revenue and Expense</b>						
Operating revenues	15,476	13,129	14,232	14,345	11,281	5,014
Operating expenses	(52,636)	(108,242)	(70,501)	(66,035)	(73,457)	(69,150)
Interest received on cash accounts	34,146	10,207	18,979	32,068	19,451	20,918
Interest from Structured Notes	759,142	258,238	172,719	667,033	16,963	86,964
Certificate of Deposit - Matured	-	-	-	-	2,241,418	-
Hancock - Dividends/Principal	-	740,559	-	-	-	-
Hancock - Farmland -Capital Call	(340,000)	(959,800)	-	-	-	-
Hancock - Farmland -Dividends	-	25,000	-	-	12,500	-
AmSouth Timber - Dividends/Principal	-	-	-	-	-	-
Structured Note Redemption/Maturity	9,000,000	15,300,000	4,300,000	7,300,000	-	-
Structured Note Purchase	(3,500,000)	(5,000,000)	-	(11,000,000)	(15,000,000)	(3,500,000)
Structured Note Redemption Gain/ (Loss)	-	-	(146,368)	100,075	-	-
Transfer Funds to Delaware	(5,000,000)	-	-	-	-	-
New Member Matching	-	(65,517)	(500)	-	(820)	-
Endowment - Funds to / from CLF	-	100,000	-	-	(4,225)	-
Endowment - MRP/CLF Assitance	-	-	-	-	-	-
Endowment - Staff Bonuses	-	(93,500)	-	-	-	-
<b>Net cash from operating activity</b>	<u>916,128</u>	<u>10,220,074</u>	<u>4,288,560</u>	<u>(2,952,515)</u>	<u>(12,776,889)</u>	<u>(3,456,253)</u>
<b>Net increase (decrease) in cash</b>	327,814	10,515,890	4,288,882	(3,271,185)	(12,798,539)	(3,851,510)
<b>Cash at beginning of period</b>	<u>10,915,602</u>	<u>11,243,415</u>	<u>21,759,305</u>	<u>26,048,187</u>	<u>22,777,002</u>	<u>9,978,463</u>
<b>Total cash at end of period</b>	<u><u>11,243,415</u></u>	<u><u>21,759,305</u></u>	<u><u>26,048,187</u></u>	<u><u>22,777,002</u></u>	<u><u>9,978,463</u></u>	<u><u>6,126,952</u></u>

## MRP WITHDRAWALS April 30, 2020 YTD



Of the \$7.5 million in withdrawals so far this year, \$210,000 are COVID -19 related.

# **Church of God Benefits Board, Inc.**

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## **Spring 2020 Board Meeting**

**Charles "Chappy" M. Hollis Jr., CIMA<sup>®</sup>**

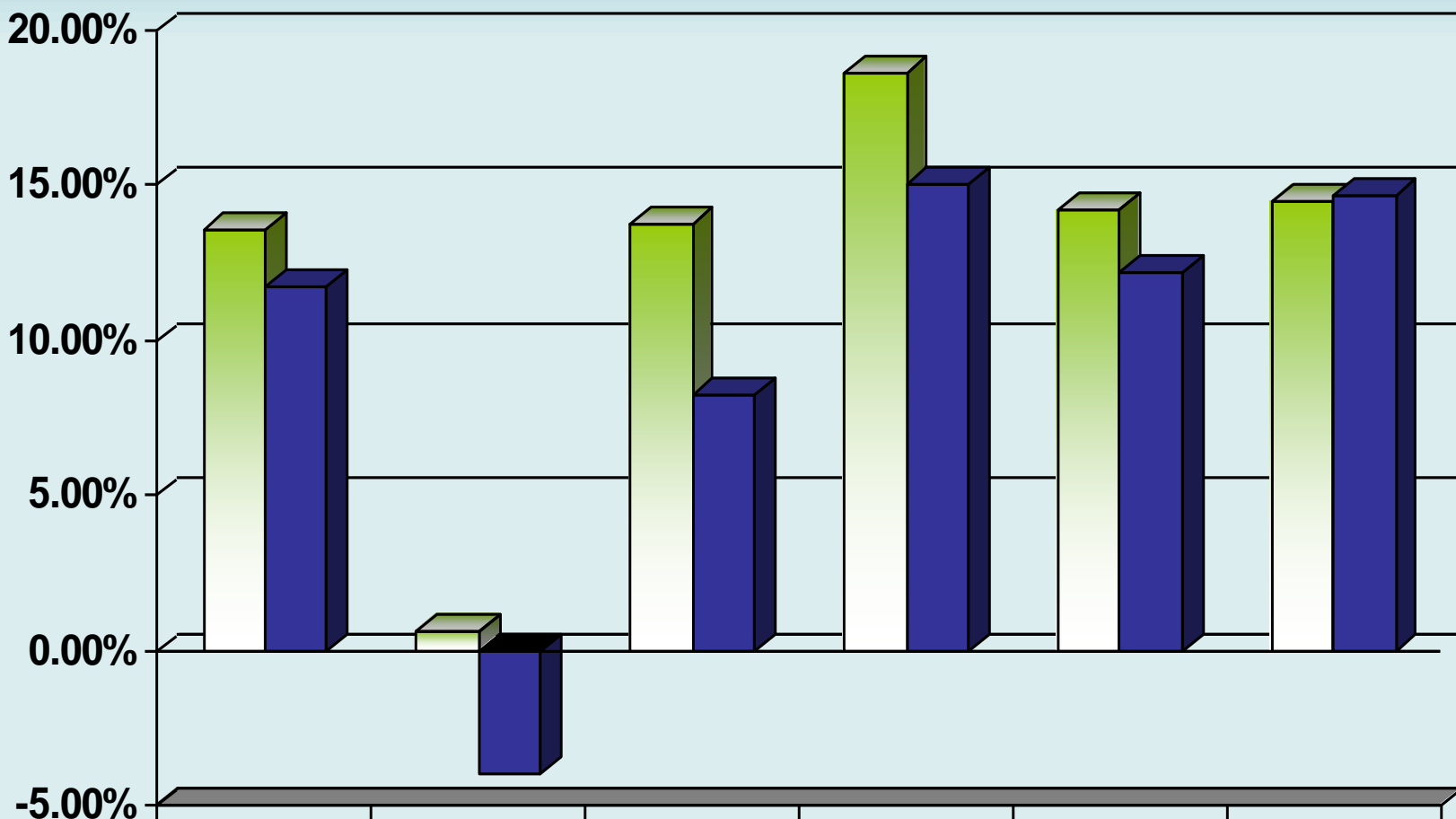
**Senior Vice President, UBS Institutional Consulting Group**

**Stewart G. Anderson III, CFP<sup>®</sup>, CIMA<sup>®</sup>**

**First Vice President, UBS Institutional Consulting Group**

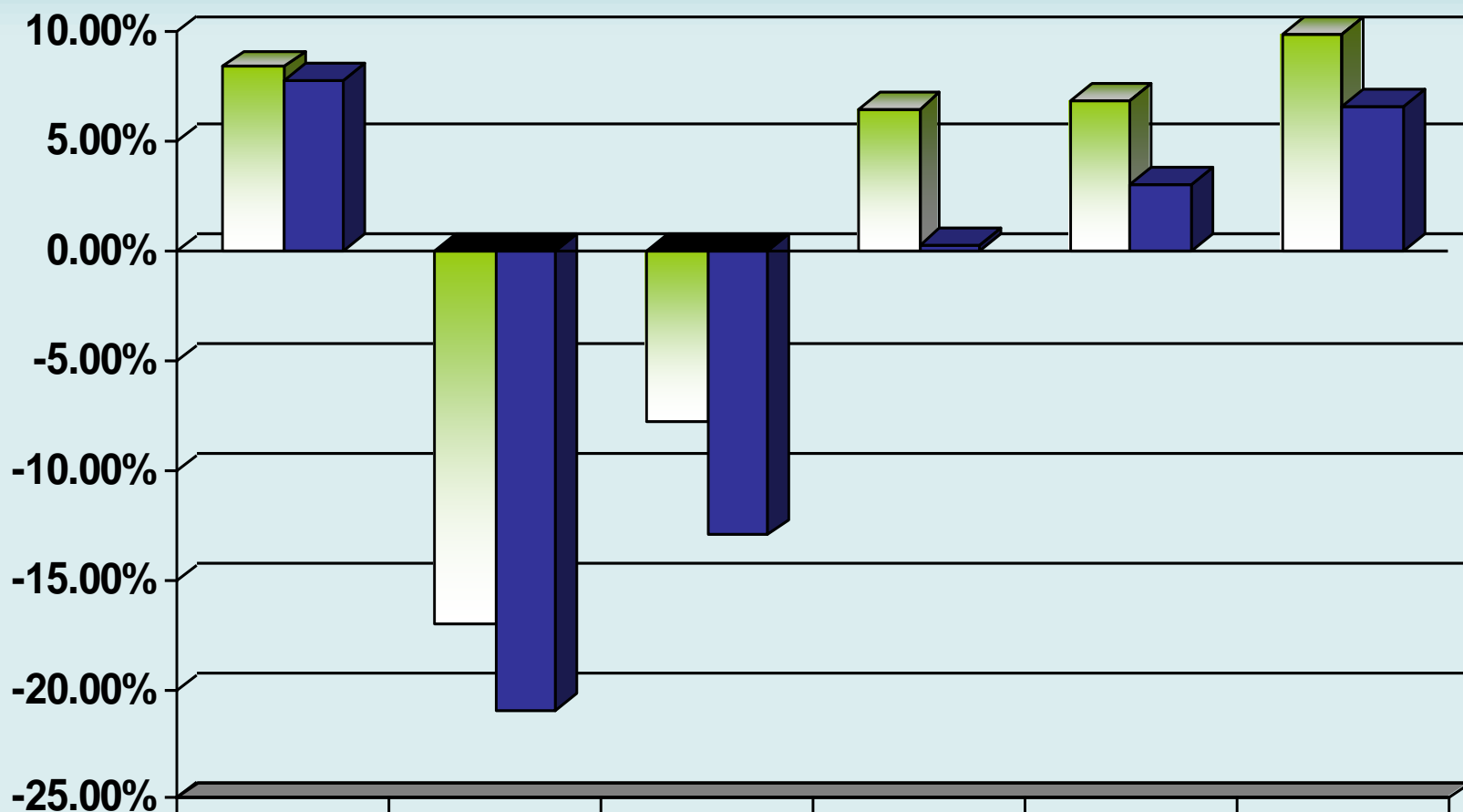


# Neuberger Berman vs Russell 1000 Growth



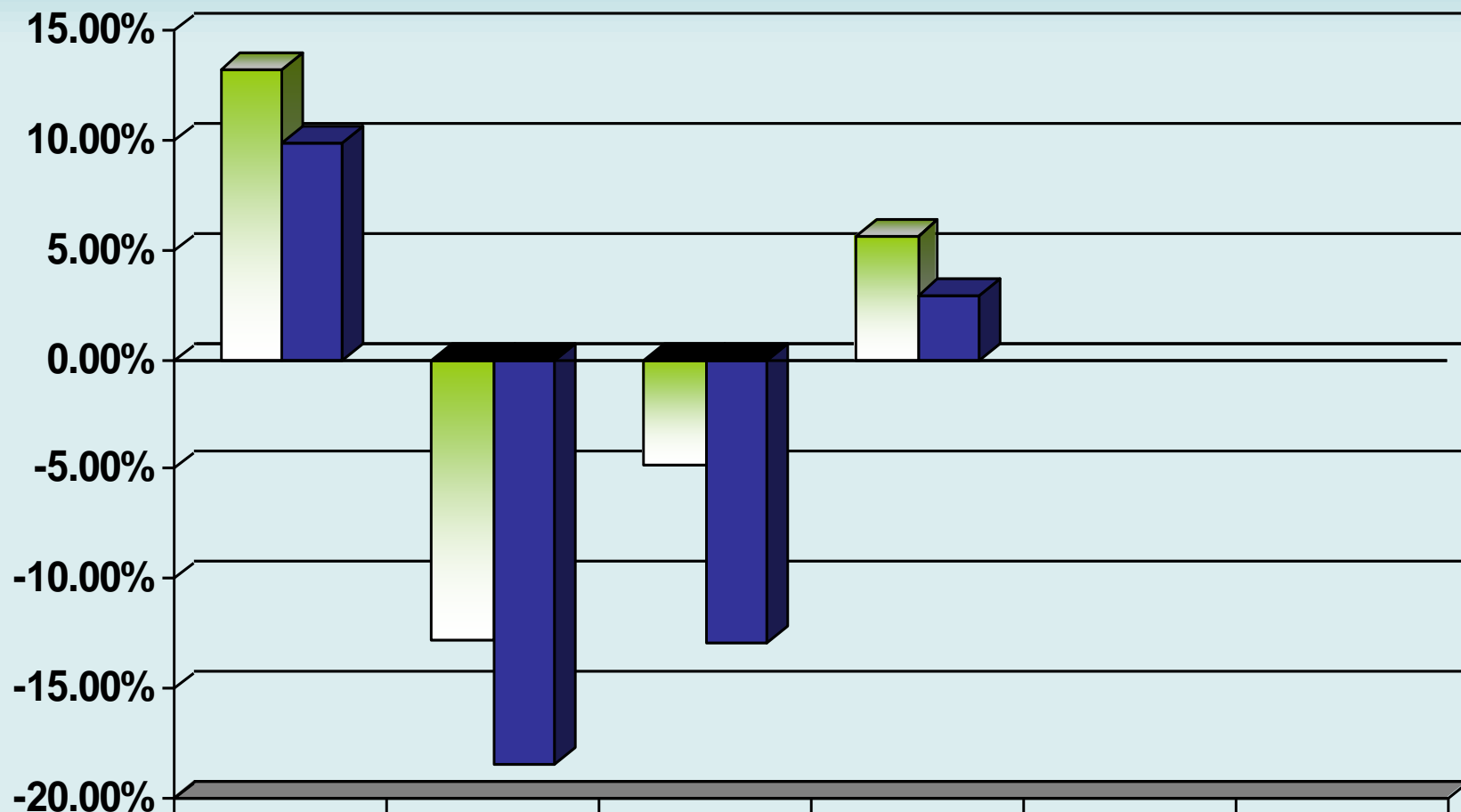
	April	Year to Date	1 Year	3 Year	5 Year	7 Year
Neuberger Berman	13.59%	0.65%	13.75%	18.61%	14.17%	14.50%
Russell 1000 Growth	11.76%	-4.00%	8.28%	15.01%	12.21%	14.64%

# Eagle Capital Management vs Russell 1000 Value



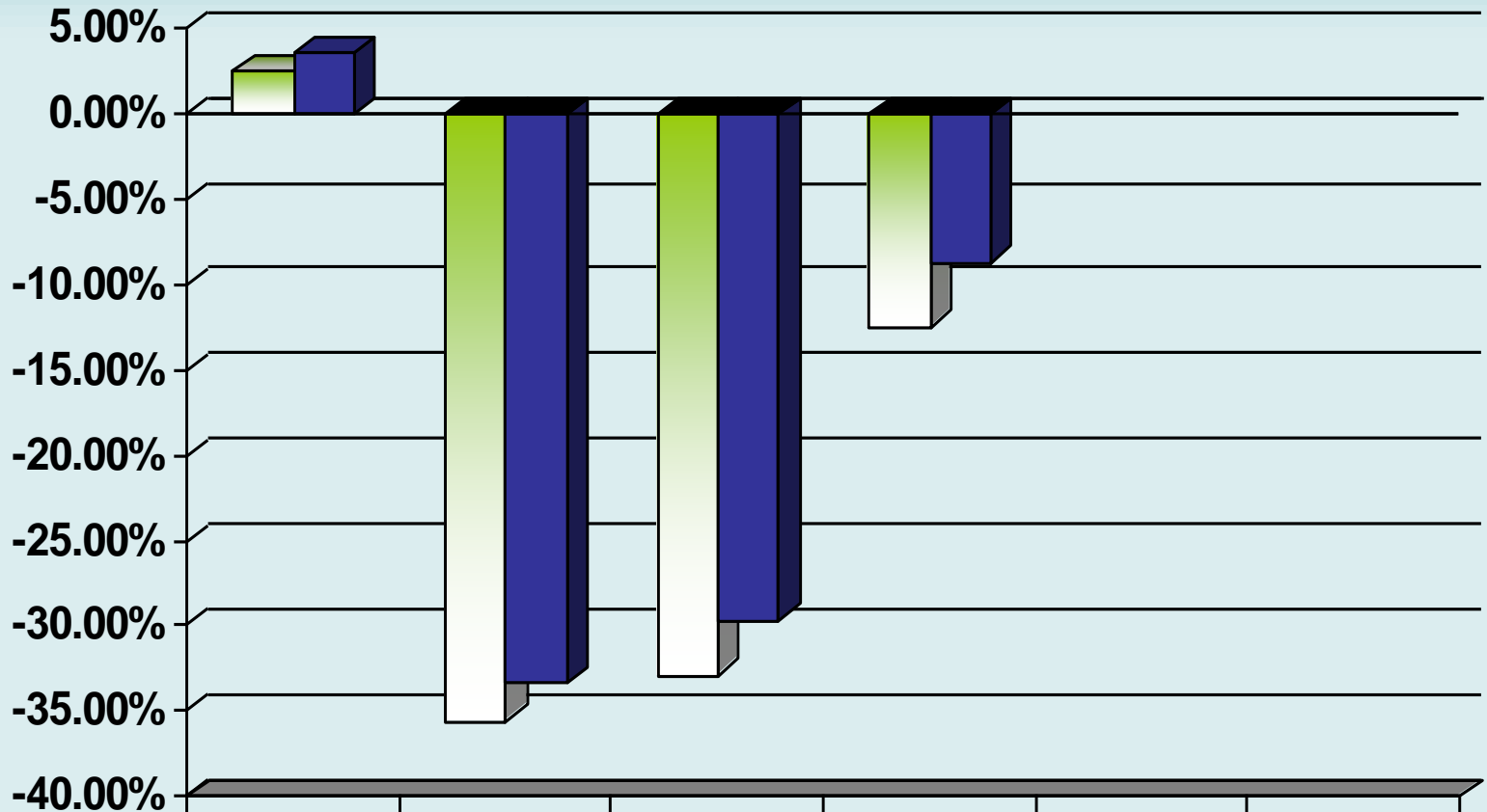
	April	Year to Date	1 Year	3 Year	5 Year	7 Year
Eagle Cap Management	8.42%	-16.99%	-7.84%	6.52%	6.86%	9.91%
Russell 1000 Value	7.79%	-21.02%	-12.99%	0.31%	3.05%	6.60%



# Fiera Capital (Apex) vs Russell 2000 Growth



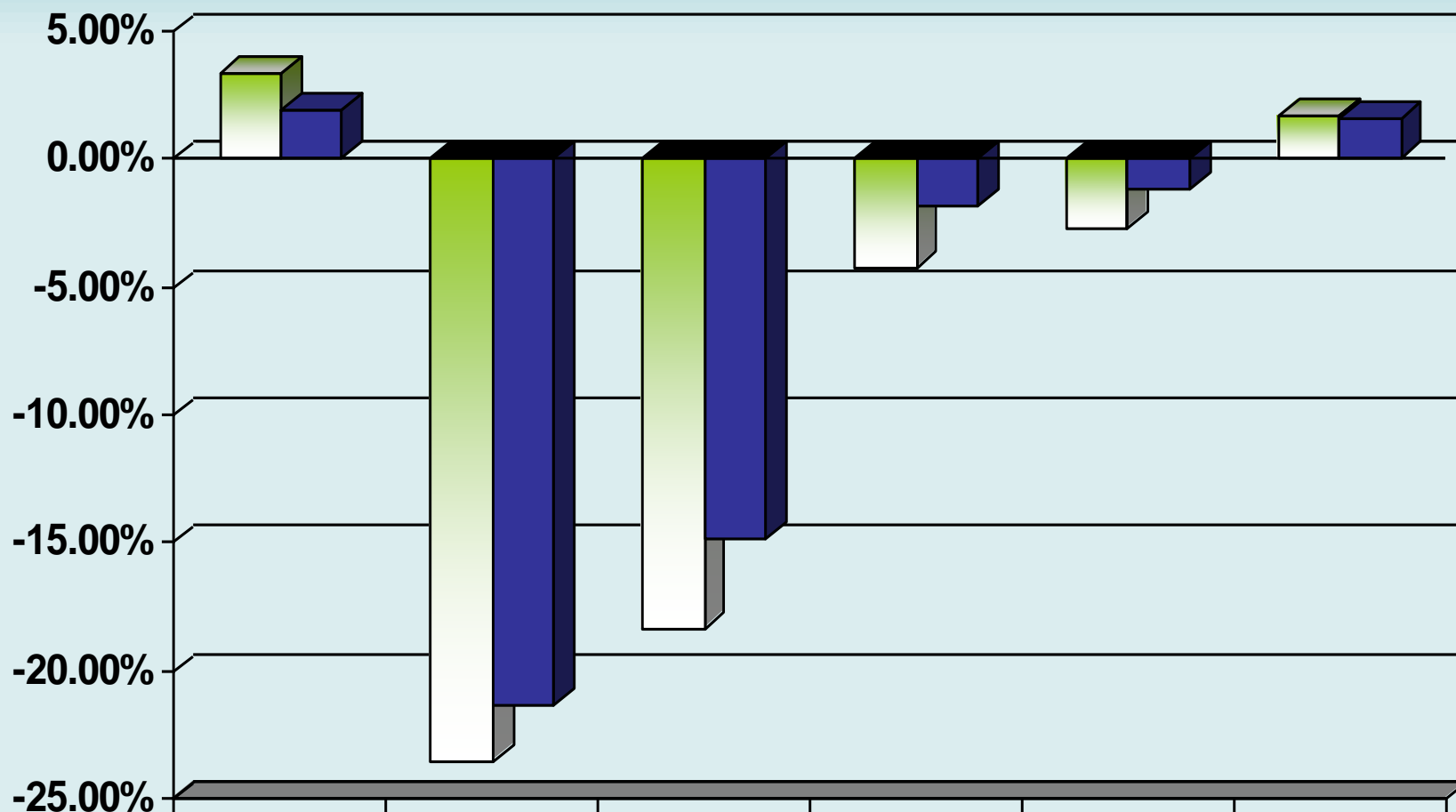
	April	Year to Date	1 Year	3 Year	5 Year	7 Year
Fiera Capital (Apex)	13.15%	-12.74%	-4.85%	5.56%	N/A	N/A
Russell 2000 Growth	9.83%	-18.47%	-12.93%	2.91%	N/A	N/A

# Hillcrest Asset Management vs Russell 2000 Value



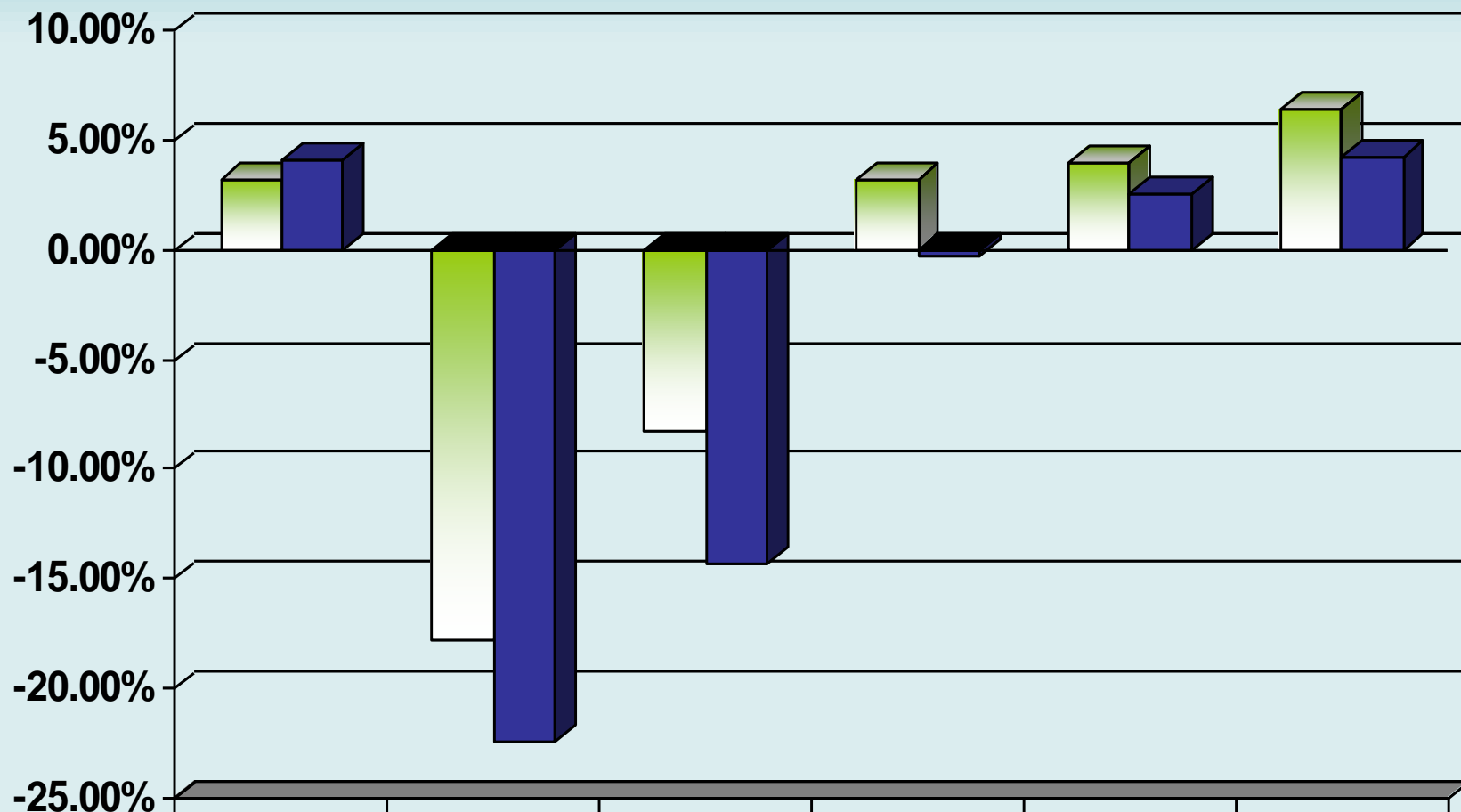
	April	Year to Date	1 Year	3 Year	5 Year	7 Year
 Hillcrest Asset Management	2.50%	-35.65%	-32.95%	-12.47%	N/A	N/A
 Russell 2000 Value	3.56%	-33.37%	-29.74%	-8.67%	N/A	N/A

# Cambiar Investors vs MSCI EAFE



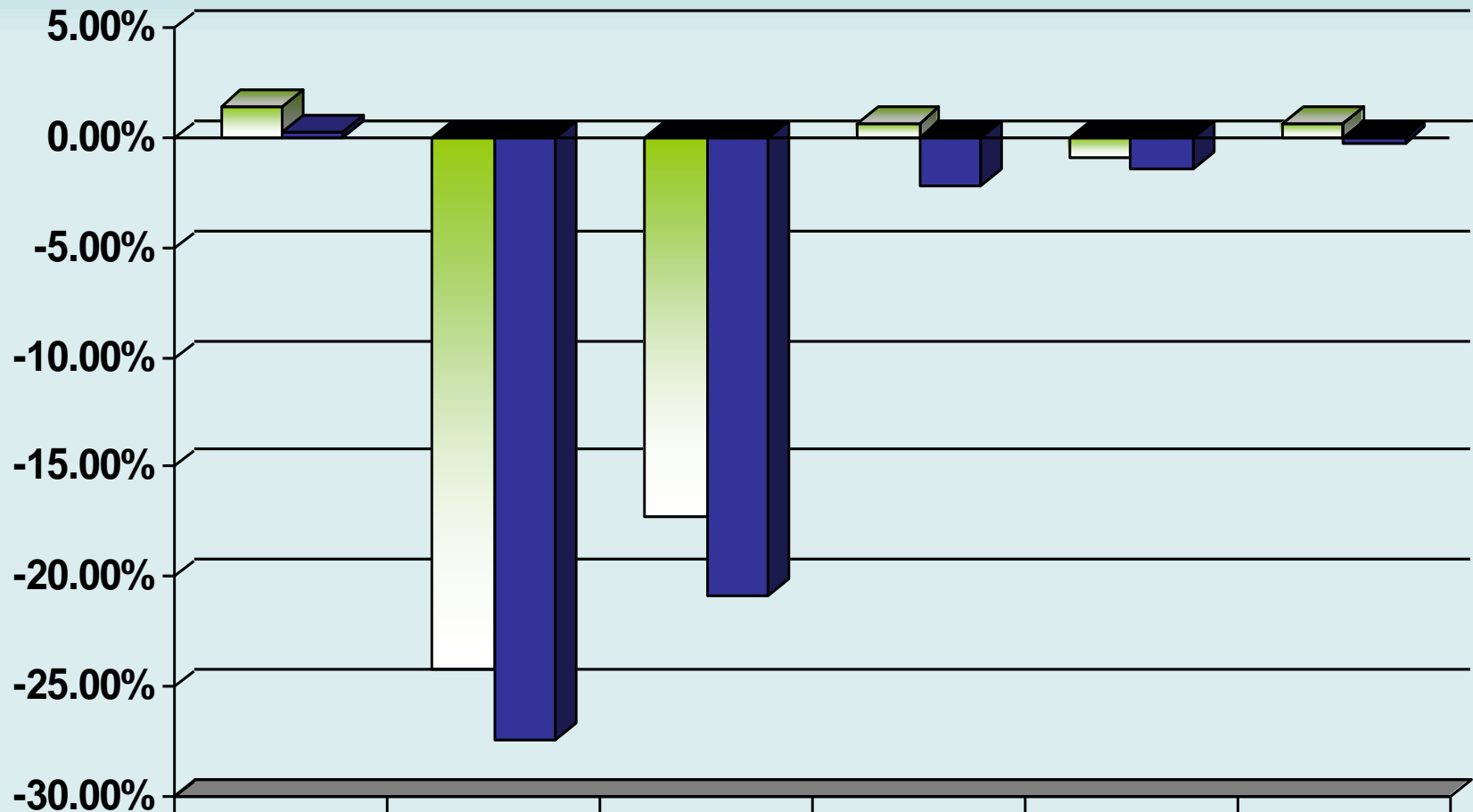
	April	Year to Date	1 Year	3 Year	5 Year	7 Year
Cambiar Investors	3.30%	-23.59%	-18.40%	-4.23%	-2.70%	1.65%
MSCI EAFE	1.93%	-21.34%	-14.83%	-1.84%	-1.15%	1.63%

# Principal Global Investors vs FTSE NAREIT



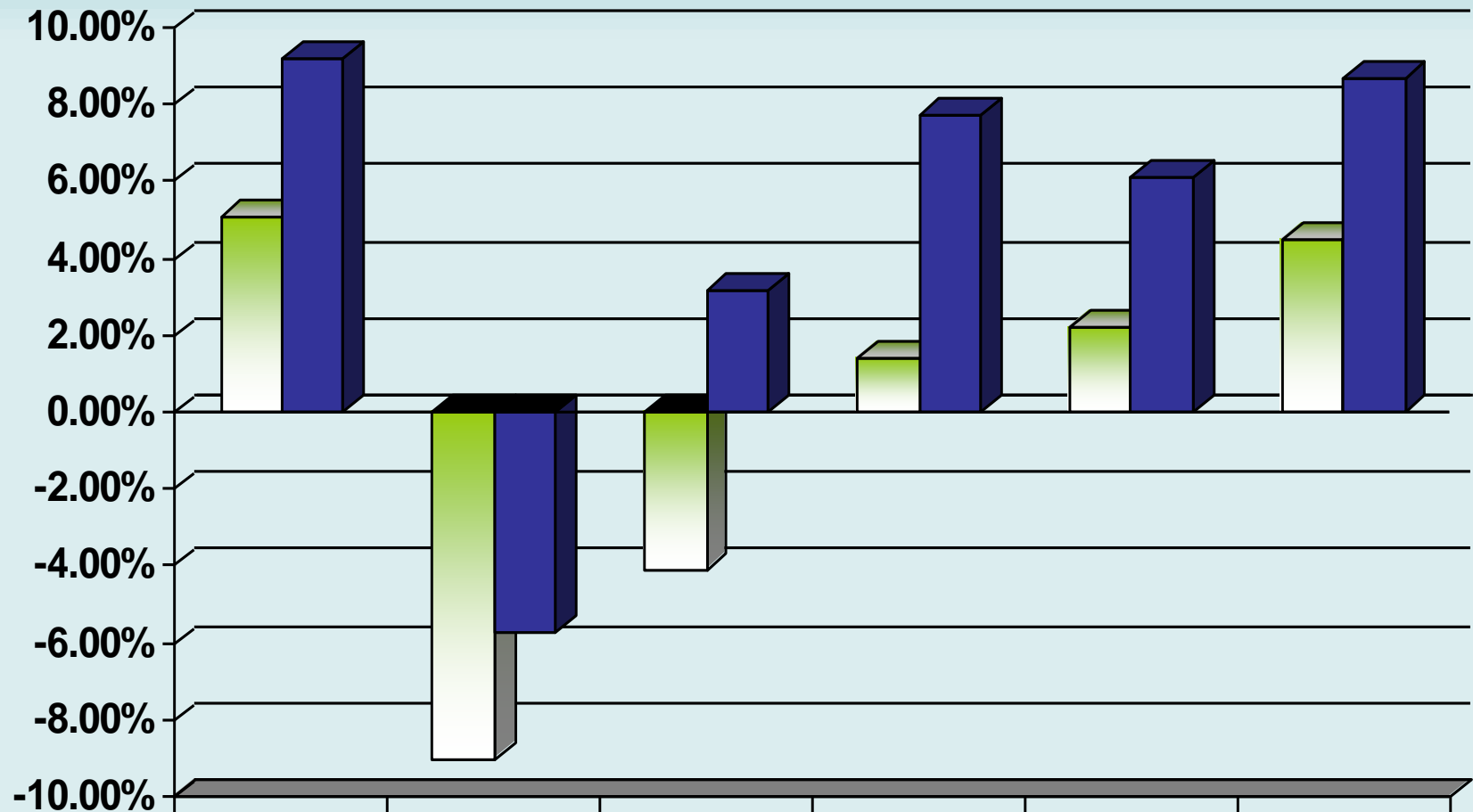
	April	Year to Date	1 Year	3 Year	5 Year	7 Year
Principal Global Inv	3.15%	-17.80%	-8.31%	3.12%	3.95%	6.43%
FTSE NAREIT	4.03%	-22.42%	-14.36%	-0.24%	2.54%	4.27%

# Principal Global Investors vs FTSE NAREIT Dev xUS



	April	Year to Date	1 Year	3 Year	5 Year	7 Year
Principal Global Inv	1.38%	-24.27%	-17.22%	0.62%	-0.90%	0.61%
FTSE NAREIT Dev xUS	0.21%	-27.41%	-20.81%	-2.22%	-1.49%	-0.32%

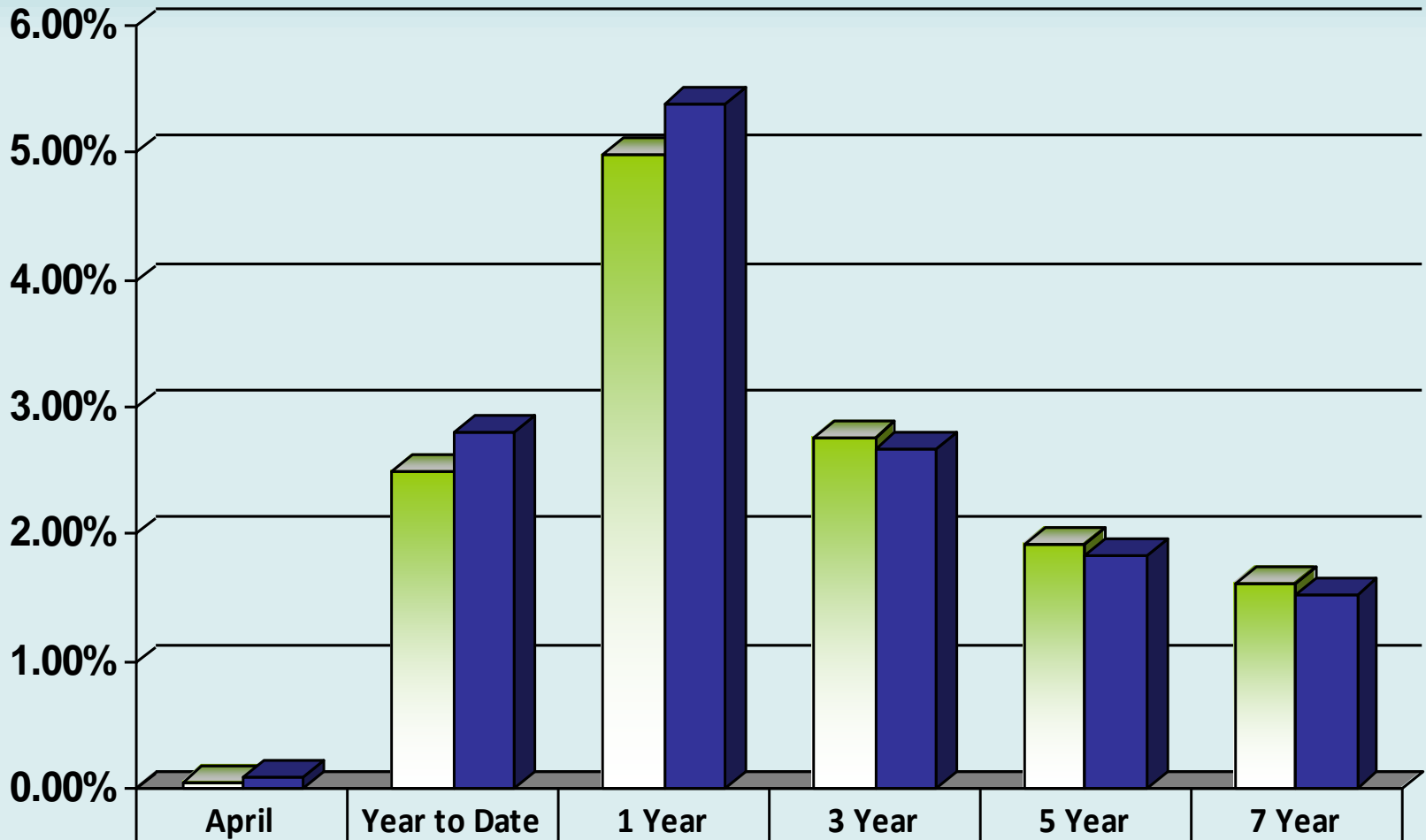
# Wellesley Asset Management vs BofA ML Converts



	April	Year to Date	1 Year	3 Year	5 Year	7 Year
Wellesley Asset Mgt	5.06%	-9.04%	-4.12%	1.38%	2.20%	4.50%
BofA ML Convertible	9.17%	-5.70%	3.16%	7.71%	6.07%	8.67%

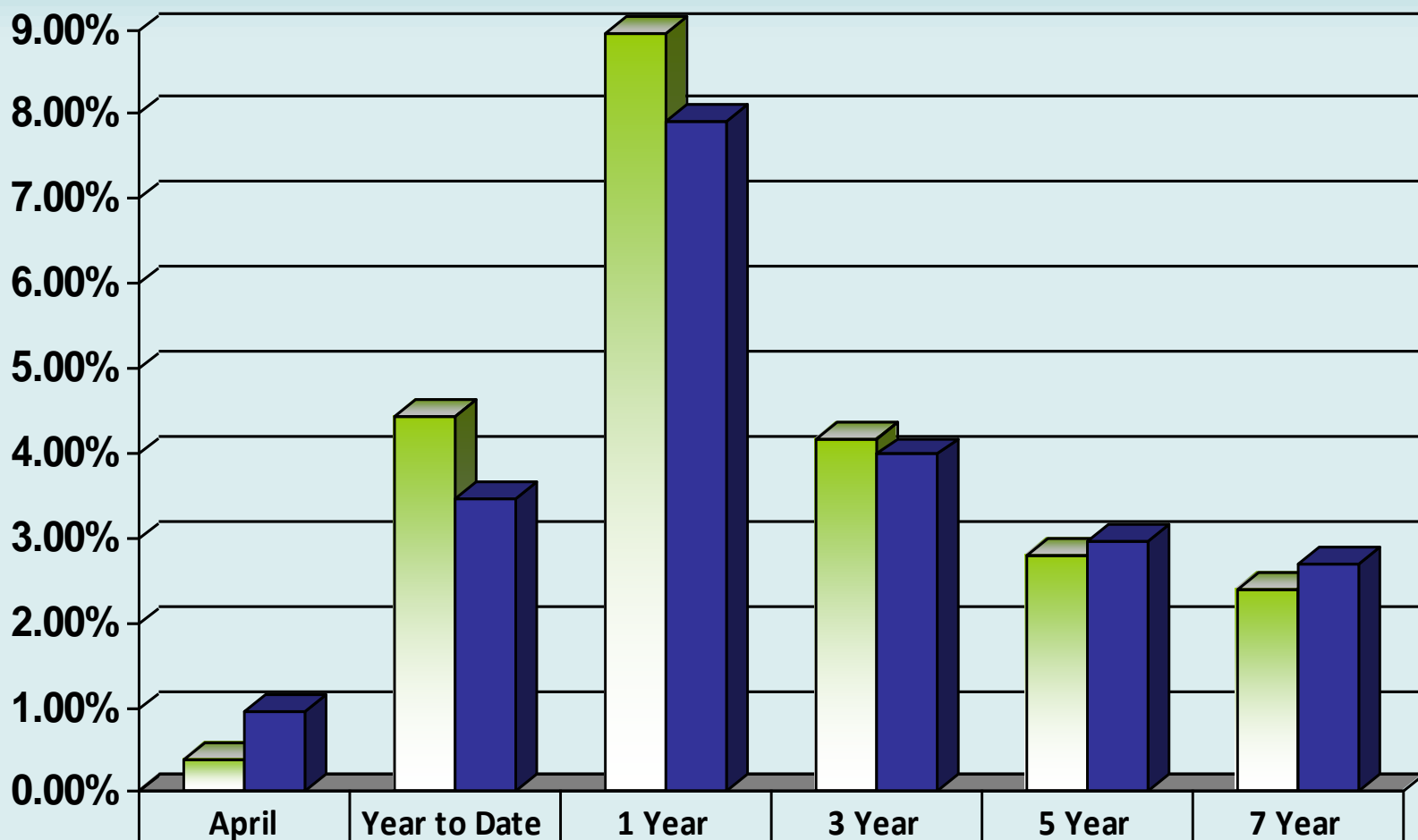


# SEIX Investment Advisors vs Barclays Gov 1-3yr



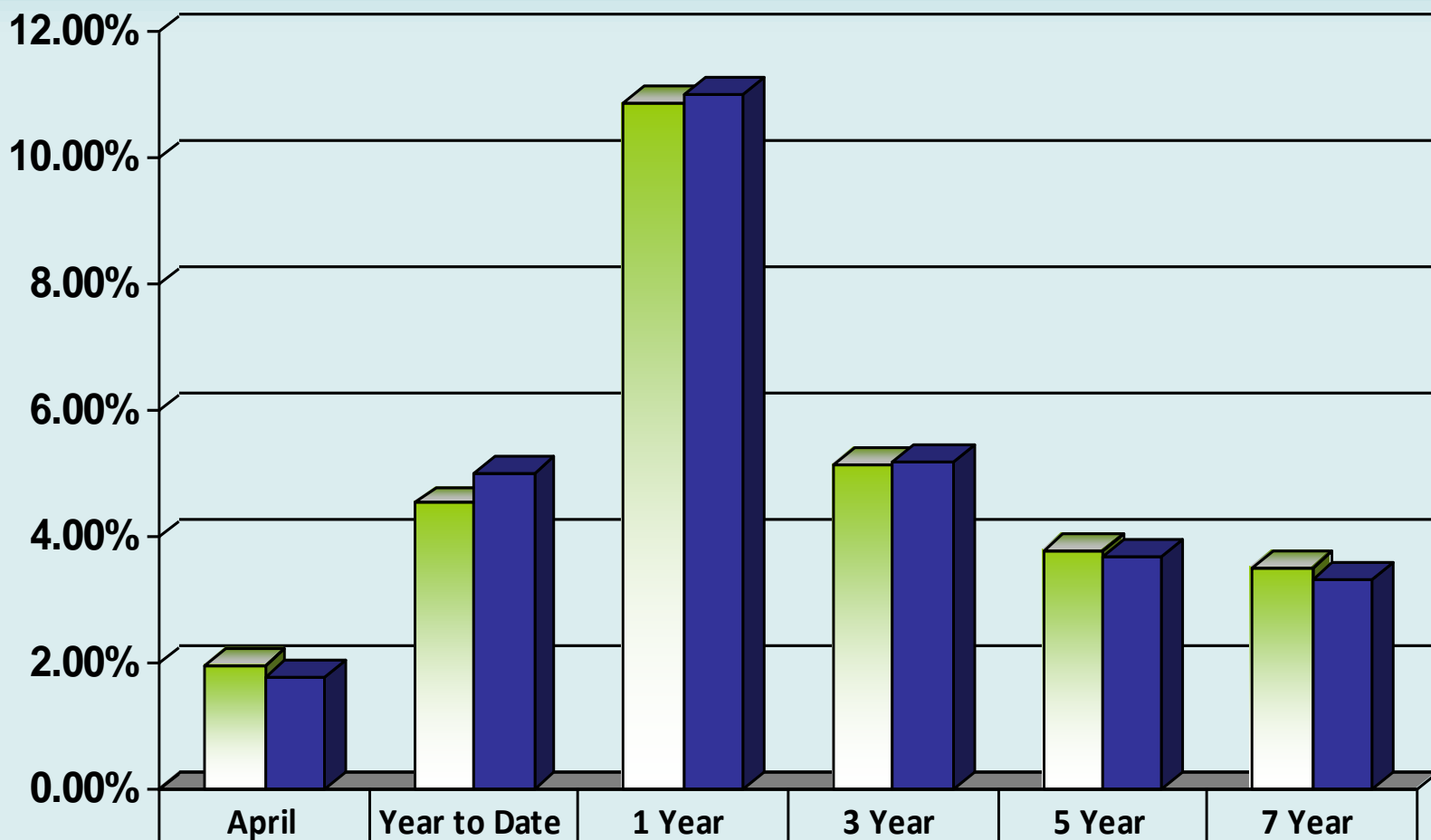
	April	Year to Date	1 Year	3 Year	5 Year	7 Year
SEIX Inv Advisors	0.04%	2.50%	4.98%	2.76%	1.91%	1.60%
Barclays Gov 1-3yr	0.08%	2.81%	5.38%	2.66%	1.83%	1.52%

# Delaware Investors vs Barclays Intermediate Aggregate



<span style="color: #92D050;">■</span> DelawareMcquarie	0.39%	4.43%	8.95%	4.16%	2.79%	2.38%
<span style="color: #000080;">■</span> Barclays Int Aggregate	0.94%	3.45%	7.92%	3.98%	2.95%	2.68%

# Wells Capital Management vs Barclays Aggregate



Wells Cap Management	1.97%	4.52%	10.85%	5.13%	3.76%	3.50%
Barclays Aggregate	1.78%	4.99%	11.01%	5.17%	3.67%	3.32%

# Structured Notes

# Recommendations

Consider manager searches for the following strategies:

1. International—recent underperformance and lead PM departure
2. Small Cap Value—underperformance since inception



# Disclosures applicable to accounts at UBS Financial Services Inc.

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*As a firm providing wealth management services to clients, UBS Financial Services Inc. offers both investment advisory services and brokerage services. Investment advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate arrangements. It is important that clients understand the ways in which we conduct business and that they carefully read the agreements and disclosures that we provide to them about the products or services we offer. For more information visit our website at [ubs.com/workingwithus](https://ubs.com/workingwithus).*

*The information is based upon the market value of your account(s) as of the close of business on **04/24/2020**, is subject to daily market fluctuation and in some cases may be rounded for convenience.*

*Your UBS account statements and trade confirmation are the official records of your accounts at UBS. We assign index benchmarks to our asset allocations, strategies in our separately managed accounts and discretionary programs based on our understanding of the allocation, strategy, the investment style and our research. The benchmarks included in this report can differ from those assigned through our research process. As a result, you may find that the performance comparisons may differ, sometimes significantly, from that presented in performance reports and other materials that are prepared and delivered centrally by the Firm. Depending upon the composition of your portfolio and your investment objectives, the indexes used in this report may not be an appropriate measure for comparison purposes, and as such, are represented for illustration only. Your portfolio holdings and performance may vary significantly from the index. Your financial advisor can provide additional information about how benchmarks within this report were selected.*

***You have discussed the receipt of this individually customized report with your Financial Advisor and understand that it is being provided for informational purposes only. If you would like to revoke such consent, and no longer receive this report, please notify your Financial Advisor and/or Branch Manager.***

***Time-weighted Returns (after 10/31/2010):*** *For reports generated on or after 1/26/2018, the report displays a time weighted rate of return (TWR) that is calculated by dividing the portfolio's daily gain/loss by the previous day's closing market value plus the net value of cash flows that occurred during the day, if it was positive. The TWR gives equal weighting to every return regardless of the amount of money invested, so it is an effective measure for returns on a fee based account. Periods greater than one day are calculated by linking the daily returns. All periods shown which are greater than 12 months are annualized. For reports generated prior to 01/26/2018, the performance calculations use the account's value end of day on the day of performance inception and all cash flows were posted at end of day for the performance calculation. As a result of the change (applying net positive cash flows that occurred during the day), the overall rate of return (TWR) and beginning market value displayed can vary from prior generated reports.*

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## **Michael P. Ryan, CFA®**

**Chief Investment Strategist, Wealth Management Americas  
Regional Chief Investment Officer (CIO), WM US**

### **Professional history**

Mike is Chief Investment Strategist (CIS) for Wealth Management Americas and Regional Chief Investment Officer for Wealth Management U.S. Mike is responsible for bringing together market and investment insights from multiple sources and positioning them so as to optimize impact for UBS clients. As Head of CIO WMRA, Mike manages over 40 US based research professionals dedicated exclusively to serving the needs of individual investors.

Mike is also member of the CIO Global Investment Committee (GIC), which is responsible for formulating the UBS Wealth Management Investment House View.

With more than 30 years of experience in the financial industry, he is widely recognized as a leading market expert.

**Professional affiliations** Mike is a Chartered Financial Analyst® and a member of the CFA Institute (formerly the Association for Investment Management Research), the Fixed Income Analysts Society Inc. (FIASI) and the New York Society of Security Analysts (NYSSA).

### **Media exposure**

Mike appears regularly on CNN, CNBC, PBS, TV Tokyo and Bloomberg Television. He is frequently quoted in The Wall Street Journal, Dow Jones News Services, Reuters, Financial Times, Nikkei news and Bloomberg.

### **Education**

Mike holds an M.B.A. in finance from the University of Rochester's William E. Simon Graduate School of Business Administration, and a B.A. in political science/economics from the University of Rochester.