

**MISSIONARY SOCIETY OF CONNECTICUT  
CONSOLIDATED TRUST FUNDS**

Independent Accountants' Compilation Report

Financial Statements

December 31, 2018 and 2017



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**MISSIONARY SOCIETY OF CONNECTICUT CONSOLIDATED TRUST FUNDS**

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors of  
Missionary Society of Connecticut Consolidated Trust Funds

Management is responsible for the accompanying financial statements of Missionary Society of Connecticut Consolidated Trust Funds (a nonprofit organization), which comprise the statements of assets and liabilities as of December 31, 2018 and 2017, and the related statements of operations, and changes in net assets for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

*Whittlesey PC*

Hartford, Connecticut  
September 17, 2019

# MISSIONARY SOCIETY OF CONNECTICUT CONSOLIDATED TRUST FUNDS

## Statements of Assets and Liabilities

December 31, 2018 and 2017

(See Accompanying Notes and Independent Accountants' Compilation Report)

	2018			2017		
	Total Return	Eden	Total	Total Return	Eden	Total
<b>Assets</b>						
Investments in marketable securities						
Equities - common stocks	\$ 32,285,394	\$ 8,056,595	\$ 40,341,989	\$ 16,750,771	\$ -	\$ 16,750,771
Equities - mutual funds and ETFs	30,885,602	2,787,584	33,673,186	52,074,779	11,939,196	64,013,975
Unit investment trust	-	-	-	3,264,001	-	3,264,001
Municipal bonds	4,768,969	1,131,511	5,900,480	304,737	22,412	327,149
U.S. and foreign bonds	18,060,679	2,049,866	20,110,545	25,658,649	4,209,433	29,868,082
U.S. government and agency obligations	8,203,050	1,888,935	10,091,985	5,516,771	1,009,594	6,526,365
	<u>94,203,694</u>	<u>15,914,491</u>	<u>110,118,185</u>	<u>103,569,708</u>	<u>17,180,635</u>	<u>120,750,343</u>
Cash - pending purchases	82,120	2,285	84,405	-	-	-
Investment in cash management	440,701	114,375	555,076	2,621,711	569,190	3,190,901
Dividends and interest receivable	207,004	39,570	246,574	134,456	36,611	171,067
	<u>207,004</u>	<u>39,570</u>	<u>246,574</u>	<u>134,456</u>	<u>36,611</u>	<u>171,067</u>
<b>Total assets</b>	<u><u>\$ 94,933,519</u></u>	<u><u>\$ 16,070,721</u></u>	<u><u>\$ 111,004,240</u></u>	<u><u>\$ 106,325,875</u></u>	<u><u>\$ 17,786,436</u></u>	<u><u>\$ 124,112,311</u></u>
<b>Liabilities and Net Assets</b>						
Liabilities						
Accounts payable	\$ 25,192	\$ 5,788	\$ 30,980	\$ 19,556	\$ 2,410	\$ 21,966
Payable to participants	469,755	120,259	590,014	204,820	78,844	283,664
<b>Total liabilities</b>	<u>494,947</u>	<u>126,047</u>	<u>620,994</u>	<u>224,376</u>	<u>81,254</u>	<u>305,630</u>
<b>Net assets</b>	<u>94,438,572</u>	<u>15,944,674</u>	<u>110,383,246</u>	<u>106,101,499</u>	<u>17,705,182</u>	<u>123,806,681</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 94,933,519</u></u>	<u><u>\$ 16,070,721</u></u>	<u><u>\$ 111,004,240</u></u>	<u><u>\$ 106,325,875</u></u>	<u><u>\$ 17,786,436</u></u>	<u><u>\$ 124,112,311</u></u>
Units shares outstanding	<u>803,053</u>	<u>1,472,960</u>		<u>820,516</u>	<u>1,485,453</u>	
<b>Net asset value per unit</b>	<u><u>\$ 117.6000</u></u>	<u><u>\$ 10.8300</u></u>		<u><u>\$ 129.3107</u></u>	<u><u>\$ 11.9190</u></u>	

# MISSIONARY SOCIETY OF CONNECTICUT CONSOLIDATED TRUST FUNDS

## Statements of Operations

For the years ended December 31, 2018 and 2017

(See Accompanying Notes and Independent Accountants' Compilation Report)

	2018			2017		
	Total Return	Eden	Total	Total Return	Eden	Total
Investment income						
Interest income	\$ 2,449,289	\$ 407,119	\$ 2,856,408	\$ 817,623	\$ 135,106	\$ 952,729
Dividend income	1,952,658	283,150	2,235,808	1,219,468	231,271	1,450,739
Other income	56,257	4,208	60,465	50,404	4,878	55,282
Adjustment to principal	-	-	-	(18,222)	(3,339)	(21,561)
Total investment income	<u>4,458,204</u>	<u>694,477</u>	<u>5,152,681</u>	<u>2,069,273</u>	<u>367,916</u>	<u>2,437,189</u>
Expenses						
Investment advisory fee	161,068	22,477	183,545	389,926	57,732	447,658
Custody services	29,165	16,554	45,719	-	-	-
Transfer agent fees	53,354	9,119	62,473	-	-	-
Subaccounting fee	45,879	7,819	53,698	50,000	-	50,000
MSC administrative fee	55,161	27,405	82,566	53,254	31,130	84,384
Misc expense	13,580	2,191	15,771	6,427	1,520	7,947
Accounting fee	3,406	594	4,000	3,750	-	3,750
Proxy voting service	11,056	1,927	12,983	12,983	-	12,983
Total expenses	<u>372,669</u>	<u>88,086</u>	<u>460,755</u>	<u>516,340</u>	<u>90,382</u>	<u>606,722</u>
Net investment income	4,085,535	606,391	4,691,926	1,552,933	277,534	1,830,467
Net realized and unrealized gains/(losses) on investments	<u>(9,401,102)</u>	<u>(1,630,549)</u>	<u>(11,031,651)</u>	<u>13,561,659</u>	<u>2,271,744</u>	<u>15,833,403</u>
Change in net assets resulting from operations	<u>\$ (5,315,567)</u>	<u>\$ (1,024,158)</u>	<u>\$ (6,339,725)</u>	<u>\$ 15,114,592</u>	<u>\$ 2,549,278</u>	<u>\$ 17,663,870</u>

## MISSIONARY SOCIETY OF CONNECTICUT CONSOLIDATED TRUST FUNDS

### Statements of Changes in Net Assets

For the years ended December 31, 2018 and 2017

(See Accompanying Notes and Independent Accountants' Compilation Report)

	2018			2017		
	Total Return	Eden	Total	Total Return	Eden	Total
From operations						
Net investment income	\$ 4,085,535	\$ 606,391	\$ 4,691,926	\$ 1,552,933	\$ 277,534	\$ 1,830,467
Net realized and unrealized gains/(losses) on investments	(9,401,102)	(1,630,549)	(11,031,651)	13,561,659	2,271,744	15,833,403
Change in net assets resulting from operations	(5,315,567)	(1,024,158)	(6,339,725)	15,114,592	2,549,278	17,663,870
Distributions to participants	(2,132,876)	(323,241)	(2,456,117)	(136,047)	(41,046)	(177,093)
Fund unit (principal) transactions						
Proceeds from sale of units	3,002,394	939,130	3,941,524	1,559,628	144,716	1,704,344
Units redeemed	(7,216,878)	(1,352,239)	(8,569,117)	(6,019,620)	(1,153,153)	(7,172,773)
Change in net assets from fund unit transactions	(4,214,484)	(413,109)	(4,627,593)	(4,459,992)	(1,008,437)	(5,468,429)
Change in net assets	(11,662,927)	(1,760,508)	(13,423,435)	10,518,553	1,499,795	12,018,348
Net assets, beginning of year	106,101,499	17,705,182	123,806,681	95,582,946	16,205,387	111,788,333
Net assets, end of year	<u>\$ 94,438,572</u>	<u>\$ 15,944,674</u>	<u>\$ 110,383,246</u>	<u>\$ 106,101,499</u>	<u>\$ 17,705,182</u>	<u>\$ 123,806,681</u>

# MISSIONARY SOCIETY OF CONNECTICUT CONSOLIDATED TRUST FUNDS

## Notes to Financial Statements

December 31, 2018 and 2017

(See Independent Accountants' Compilation Report)

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

The Missionary Society of Connecticut Consolidated Trust Fund (“CTF” or “the Fund”) was established in 1955. The Missionary Society of Connecticut (“MSC”) established the Fund for the purpose of merging several of its own funds, which had previously been managed separately. A further provision was included which would allow any church or institution connected with the “Congregational Christian Denomination”, predecessor to the Connecticut Conference of the United Church of Christ, to participate in the Fund.

In November 2015, the Eden Fund was created to offer an alternative investment for institutions and churches. The original fund is now identified as the Total Return Fund. According to the Amended Agreement and Declaration of Trust, each fund is a Consolidated Trust Fund and they are collectively identified as the Consolidated Trust Funds (“CTF” or “the Funds”).

#### Basis of Accounting

The Funds maintain their records and prepare their financial statements on the accrual basis of accounting. Income is recorded when earned. Investment revenue is recorded on the trade date. Expenses are recorded when incurred.

#### Basis of Presentation

Each account receives a percentage of the overall units invested in each fund. The primary investment objective for the CTF is to maintain the inflation-adjusted market value of assets while providing a relatively predictable, growing stream of income. In addition, portfolio securities are selected from among those investments meeting standards of socially responsible investments as established by annual meetings and the Board of Directors of the Connecticut Conference of the United Church of Christ.

The financial statements do not report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. It is the responsibility of the entities who placed their investments into the Fund to determine the character of the restriction of the funds. CTF only operates as the trustee for the funds.

#### Expenses

Until December 31, 2017, the Funds were administered by U.S. Trust (“UST”), a subsidiary of Bank of America, which in its capacity as an agent acted with the approval of the Investment Committee of the Missionary Society of Connecticut. The investment advisory fee was computed on an asset-based sliding scale and recordkeeping was provided for a flat fee. The investment advisory fee also included transfer agency services and custodial services, which were not separately identified. Effective, January 1, 2018, UST was replaced by three vendors. Investment advisory services are provided by Fiduciary Investment Advisors. Transfer agency and recordkeeping services are provided by Apex Fund Services. MUFG Union Bank is the custodian of the assets. Fees are a combination of asset-based and flat fees. Other expenses include separately managed account investment management fees, auditing fees, proxy voting service fees, and annual report printing fees. MSC is reimbursed for expenses, primarily staff related, incurred for the management of the Funds.

## **NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### Basis of Participation

Additions to and withdrawals from participation in the Fund may be made only on the valuation dates at the end of each month. The value of units for purposes of admission or withdrawal is computed by dividing total market value of the Fund on the valuation date by the number of units then outstanding.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of assets and liabilities. Unrealized gains and losses are included in the change in net assets. Investments (other than short-term cash equivalents) are carried at fair value and primarily consist of investment in the CTF. U.S. Trust, a subsidiary of Bank of America is responsible for investment management and recordkeeping for the CTF, under direction of the Missionary Society. In December of 2017, Fiduciary Investment Advisors assumed the responsibilities of the Fiduciary Partner, as described in the Investment Policy. On January 1, 2018, Atlantic Fund Services took over responsibility for fund accounting and administration. During the early part of 2018, custody of assets were transferred to MUFG Union Bank. The Society has instructed Fiduciary Investment Advisors to have a target mix of 60% invested in equities, 30% invested in fixed income and 10% invested in real assets (REIT and commodity mutual funds and exchange trade funds).

Purchases and sales of investments are reported and accounted for on the trade date. Securities traded on a national securities exchange are valued at the closing prices on such exchanges on the appropriate dates. Securities traded on over-the-counter markets are valued at the closing bid price on the appropriate dates. Short-term investments are valued at acquisition costs. Securities received are valued on the date of transfer of the securities, in accordance with valuation methods described above.

Investments include securities held directly as well as positions in mutual funds and exchange traded funds (“ETF”s). Positions in mutual funds and ETFs were initially established in 2010 in order to accomplish additional diversification efficiently. Mutual fund and ETF income and expense are reflected in the market value of the positions held and are not included in reported income and expense.

Dividend income is recognized as of the ex-dividend date. Interest income is accrued daily. Net investment income earned is distributed to participants on a monthly basis.

The Adjustment to Principal presented on the statements of operations reflected a UST reporting convention that reclassifies certain non-interest, non-dividend income items, for example, class action lawsuit settlements, as additions to principal. MSC has determined that the work needed to conform to standard accounting formats is cost prohibitive relative to the benefit of doing so, and as such includes this adjustment in the financial statements.



## **NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### Concentration of Credit Risk

The Funds maintain their cash as temporary investments. MSC has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash and cash equivalents.

The CTF invests in various debt and equity securities. These investment securities are recorded at market value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit and other risks depending on the nature of the specific investment. Therefore, it is at least reasonably possible that these factors will result in changes in the value of the CTF's investments which could materially affect amounts reported in the financial statements.

### Taxes

As part of the Missionary Society of Connecticut, the CTF is exempt from Federal and State income taxes, and is not required to file a Federal informational return.

### Subsequent Event Measurement Date

The CTF monitored and evaluated any subsequent events for footnote disclosure or adjustments required in its financial statements from the year ended December 31, 2018 through September 17, 2019, the date on which the financial statements were available to be issued.

## **NOTE 2 – FAIR VALUE MEASUREMENT**

The Funds follow accounting principles recommended by the FASB Accounting Standards Codification regarding *Fair Value Measurements*. The codification defines fair value and establishes a framework for measuring fair value in generally accepted accounting principles. The codification defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The codification also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair values:

- Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

**NOTE 2 – FAIR VALUE MEASUREMENT (CONTINUED)**

*Common stocks, mutual funds and ETFs:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Unit investment trust, bonds, and government obligations:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Fund believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents assets measured at fair value at December 31, 2018:

Investments	Level 1	Level 2	Level 3	Total
Equities - common stocks	\$ 32,285,394	\$ -	\$ -	\$ 32,285,394
Equities - mutual funds and ETFs	30,885,602	-	-	30,885,602
U.S. and foreign bonds	-	18,060,679	-	18,060,679
U.S. government and agency obligations	-	8,203,050	-	8,203,050
Municipal bonds	-	4,768,969	-	4,768,969
Investment in cash management	440,701	-	-	440,701
Dividends and interest receivable	-	207,004	-	207,004
Cash - pending purchases	82,120	-	-	82,120
<b>Total Return</b>	<b>63,693,817</b>	<b>31,239,702</b>	<b>-</b>	<b>94,933,519</b>
Equities - common stocks	8,056,595	-	-	8,056,595
Equities - mutual funds and ETFs	2,787,584	-	-	2,787,584
U.S. and foreign bonds	-	2,049,866	-	2,049,866
U.S. government and agency obligations	-	1,888,935	-	1,888,935
Municipal bonds	-	1,131,511	-	1,131,511
Investment in cash management	114,375	-	-	114,375
Dividends and interest receivable	-	39,570	-	39,570
Cash - pending purchases	2,285	-	-	2,285
<b>Eden Fund</b>	<b>10,960,839</b>	<b>5,109,882</b>	<b>-</b>	<b>16,070,721</b>
<b>Total</b>	<b>\$ 74,654,656</b>	<b>\$ 36,349,584</b>	<b>\$ -</b>	<b>\$ 111,004,240</b>

**NOTE 2 – FAIR VALUE MEASUREMENT (CONTINUED)**

The following table presents assets measured at fair value at December 31, 2017:

Investments	Level 1	Level 2	Level 3	Total
Equities - common stocks	\$ 16,750,771	\$ -	\$ -	\$ 16,750,771
Equities - mutual funds and ETFs	52,074,779	-	-	52,074,779
U.S. and foreign bonds	-	25,658,649	-	25,658,649
U.S. government and agency obligations	-	5,516,771	-	5,516,771
Municipal bonds	-	304,737	-	304,737
Investment in cash management	2,621,711	-	-	2,621,711
Unit investment trust	-	3,264,001	-	3,264,001
Dividends and interest receivable	-	134,456	-	134,456
<b>Total Return</b>	71,447,261	34,878,614	-	106,325,875
Equities - mutual funds and ETFs	11,939,196	-	-	11,939,196
U.S. and foreign bonds	-	4,209,433	-	4,209,433
U.S. government and agency obligations	-	1,009,594	-	1,009,594
Municipal bonds	-	22,412	-	22,412
Investment in cash management	569,190	-	-	569,190
Dividends and interest receivable	-	36,611	-	36,611
<b>Eden Fund</b>	12,508,386	5,278,050	-	17,786,436
<b>Total</b>	\$ 83,955,647	\$ 40,156,664	\$ -	\$ 124,112,311

**NOTE 3 – NET VALUATION PER UNIT**

The asset values per unit for purposes of admission and withdrawal on valuation dates were as follows during the years ended December 31,:

	2018		2017	
	Total Return	Eden	Total Return	Eden
January 31	\$ 132.9700	\$ 12.2700	\$ 114.9605	\$ 10.5782
February 28	128.1700	11.8000	117.0887	10.8302
March 31	127.2200	11.7000	117.6530	10.8368
April 30	127.4600	11.6900	119.0643	10.9413
May 31	128.0200	11.7300	120.0429	11.0487
June 30	127.2800	11.6500	120.6472	11.1238
July 31	129.7000	11.8600	122.9042	11.2663
August 31	129.9800	11.9300	123.3788	11.3042
September 30	129.7700	11.8800	124.6990	11.4374
October 31	122.6500	11.2400	126.2820	11.6246
November 30	123.9200	11.3800	128.3395	11.8191
December 31	117.6000	10.8300	129.3107	11.9190

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