

**CORPORATION OF THE
EPISCOPAL DIOCESE OF MISSOURI
D/B/A DIOCESE OF MISSOURI**

**FINANCIAL STATEMENTS,
INDEPENDENT AUDITORS' REPORT
AND
SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri

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Independent Auditors' Report

To the Board of Directors of
Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
St. Louis, Missouri

We have audited the accompanying financial statements of the Corporation of the Episcopal Diocese of Missouri d/b/a Diocese of Missouri (the "Diocese") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation of the Episcopal Diocese of Missouri d/b/a Diocese of Missouri as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "KPMG LLP", is written over the printed name of the firm.

St. Louis, Missouri

June 6, 2015

FINANCIAL STATEMENTS

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
STATEMENTS OF FINANCIAL POSITION

ASSETS		December 31,	
		2014	2013
CURRENT ASSETS			
Cash and cash equivalents		\$ 293,541	\$ 202,388
Accounts receivable		305,870	320,038
Notes receivable		231,394	241,443
Total Current Assets		830,805	763,869
PROPERTY, PLANT AND EQUIPMENT			
Land		652,234	716,234
Buildings and furnishings		4,494,221	4,494,221
Office equipment		133,926	130,966
Leasehold improvements		268,834	268,834
		5,549,215	5,610,255
Less accumulated depreciation		3,681,322	3,594,362
Total Property, Plant and Equipment, Net		1,867,893	2,015,893
NOTES RECEIVABLE - NONCURRENT		2,430,082	2,636,616
INVESTMENTS			
Beneficial interest in third-party trusts		28,567,699	28,215,817
Marketable securities		23,392,967	20,554,026
Total Assets		\$ 57,089,446	\$ 54,186,221
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses		\$ 138,299	\$ 136,222
Custodial funds		353,864	327,019
Grants payable		10,000	20,000
Total Current Liabilities		502,163	483,241
GRANTS PAYABLE - NONCURRENT		20,000	30,000
Total Liabilities		522,163	513,241
NET ASSETS			
Unrestricted		11,296,136	9,902,250
Temporarily restricted		2,635,039	2,442,462
Permanently restricted		42,636,108	41,328,268
Total Net Assets		56,567,283	53,672,980
Total Liabilities and Net Assets		\$ 57,089,446	\$ 54,186,221

See accompanying notes to financial statements

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
STATEMENTS OF ACTIVITIES

	For the Year Ended December 31, 2014			For the Year Ended December 31, 2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT								
Parishes and missions contributions	\$ 1,156,635	\$ -	\$ -	\$ 1,156,635	\$ 1,066,246	\$ -	\$ -	\$ 1,066,246
Program and property income	262,325	59,956	-	322,281	271,260	139,666	-	410,926
Gain on sale of property, plant, and equipment	842,914	-	-	842,914	-	-	-	-
Investment income, net of fees	290,430	100,171	-	390,601	329,172	121,756	-	450,928
Net realized and unrealized gains on investments	811,133	206,285	861,580	1,878,998	1,704,166	398,808	3,471,176	5,574,150
Distributions from beneficial interest in third-party trusts	584,636	-	517,719	1,102,355	770,083	-	509,913	1,279,996
Total Revenue and support	3,948,073	366,412	1,379,299	5,693,784	4,140,927	660,230	3,981,089	8,782,246
NET ASSETS RELEASED FROM RESTRICTIONS	245,294	(173,835)	(71,459)	-	198,130	(174,565)	(23,565)	-
EXPENSES								
Program Services								
Making disciples	208,614	-	-	208,614	144,308	-	-	144,308
Supporting congregations	775,188	-	-	775,188	727,895	-	-	727,895
The Episcopate	869,335	-	-	869,335	942,183	-	-	942,183
Communications	219,474	-	-	219,474	206,701	-	-	206,701
Total Program Services	2,072,611	-	-	2,072,611	2,021,087	-	-	2,021,087
Administrative	726,870	-	-	726,870	698,078	-	-	698,078
Total Expenses	2,799,481	-	-	2,799,481	2,719,165	-	-	2,719,165
CHANGE IN NET ASSETS	1,393,886	192,577	1,307,840	2,894,303	1,619,892	485,665	3,957,524	6,063,081
NET ASSETS, Beginning of year	9,902,250	2,442,462	41,328,268	53,672,980	8,282,358	1,956,797	37,370,744	47,609,899
NET ASSETS, End of year	\$ 11,296,136	\$ 2,635,039	\$ 42,636,108	\$ 56,567,283	\$ 9,902,250	\$ 2,442,462	\$ 41,328,268	\$ 53,672,980

See accompanying notes to financial statements
(4)

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,894,303	\$ 6,063,081
Adjustments to reconcile change in net assets to net change in cash and cash equivalents from operating activities:		
Depreciation	115,145	104,566
Net realized and unrealized gains on investments	(1,878,998)	(5,574,150)
Gain on sale of property, plant and equipment	(842,914)	-
(Increase) decrease in assets:		
Accounts receivable	14,168	(24,620)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,077	(90,706)
Custodial funds	26,845	44,020
Grants payable	(20,000)	50,000
 Net Change in Cash and Cash Equivalents from Operating Activities	 310,626	 572,191
 CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of notes receivable	(157,576)	(499,907)
Payments received on notes receivable	374,159	392,482
Purchase of investments	(1,813,392)	(999,084)
Proceeds from sale of investments	501,567	500,000
Purchase of property, plant and equipment	(31,145)	-
Proceeds from sale of property, plant and equipment	906,914	(17,691)
 Net Change in Cash and Cash Equivalents from Investing Activities	 (219,473)	 (624,200)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 91,153	 (52,009)
 CASH AND CASH EQUIVALENTS, Beginning of year	 202,388	 254,397
 CASH AND CASH EQUIVALENTS, End of year	 \$ 293,541	 \$ 202,388
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	\$ -	\$ -

See accompanying notes to financial statements

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Organized in 1841, the Diocese of Missouri (“The Diocese”) is a not-for-profit organization, comprised of forty-five Episcopal congregations in the eastern half of Missouri. The Bishop is the president, Chief Executive Officer and ecclesiastical authority of the Diocese. The Episcopal Church in this Diocese acknowledges its allegiance to the Protestant Episcopal Church in the United States of America and submits to the authority of the General Convention. Part of the worldwide Anglican Communion, the Episcopal Church seeks to fulfill Christ’s Mission of redemption through active participation in the world through Christ in the Church.

Financial Statement Presentation

The Diocese reports its information regarding financial position and activities according to three classes of net assets depending upon the existence or nature of any donor-imposed restrictions. The following is a description of these classes of net assets:

Unrestricted – Those resources over which the Diocese has discretionary control. Designated amounts represent those resources that the Diocese has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor-imposed restrictions that will be satisfied by actions of the Diocese or the passage of time.

Permanently Restricted – Those resources subject to donor-imposed restrictions that will be maintained permanently by the Diocese. The donors of these resources permit the Diocese to use all or part of the income earned, including capital appreciation, on related investments for unrestricted or temporarily restricted purposes.

Beneficial Interest in Third-Party Trusts

The Diocese is a beneficiary of trusts in which the donors have established trusts and/or fund perpetual trusts administered by trustees. The Diocese has the irrevocable right to receive the income earned on the trust assets in perpetuity. The amount recorded in the Statements of Financial Position represents the estimated fair value of the contributions measured as the present value of the estimated future cash receipts from the trusts’ assets.

Investments

Investments, which include those belonging to the Diocese, as well as those held on behalf of others, are stated at year-end market values. The net realized and unrealized gains or losses on investments have been reflected in the Statements of Activities, except for those realized on custodial assets held on behalf of others (see Note H).

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Diocese considers all highly liquid investments purchased with a maturity date of three months or less to be cash equivalents.

Property, Plant and Equipment

Management has recorded the investment in land and buildings and furnishings at estimated historical cost and records office equipment at cost. Major renewals and improvements that exceed the Diocese capitalization policy of \$1,000 are capitalized, while replacements, maintenance, and repairs, which do not materially extend the useful lives of the assets, are expensed. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets.

The Diocese has ultimate ownership of all property in the Diocese; therefore if a majority of the members of a congregation choose to leave the Diocese, ownership of the property held by the congregation would revert back to the Diocese and be recorded as property of the Dioceses at its then fair market value.

Reclassifications

Certain amounts in prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Income Taxes

The Diocese qualifies as a not-for-profit religious organization under Internal Revenue Code Section 501(c)(3) and as a non-private foundation under Section 509(a)(3) of the Code and, therefore, is exempt from federal, state, and local income taxes for the years ended December 31, 2014 and 2013.

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Subsequent Events

In preparing these financial statements, the Diocese has evaluated events and transactions for potential recognition or disclosure through June 6, 2015, the date the financial statements were available to be issued.

B. **INVESTMENTS**

Investments consist of the following at December 31:

	2014	2013
Beneficial Interest in		
Third-Party Trusts (Note D)	\$28,567,699	\$28,215,817
Marketable Securities (Note C)	23,392,967	20,554,026
Total Investments	\$51,960,666	\$48,769,843

The Beneficial Interest in Third-Party Trusts and Marketable Securities of the Diocese are held at financial institutions and consist of various marketable equity and debt securities. The Diocese follows the distribution policy for each endowment fund as set and governed by the respective trust document and specific purpose of the fund. When the distribution rate is silent in the governing document, the Diocese follows a general policy to calculate the annual distribution by multiplying the average market value over the preceding three-year period by a percentage which is calculated to both preserve the value of the endowment fund and to meet the community outreach purpose of the endowment fund. The percentage is currently 4%. The following schedule summarizes the investment return and its classification in the statements of activities for the years ended:

	December 31, 2014			
	Temporarily		Permanently	
	Unrestricted	Restricted	Restricted	Total
Investment income, net of fees	\$ 290,430	\$100,171	\$ -	\$ 390,601
Net realized and unrealized gains	811,133	206,285	861,580	1,878,998
Distributions from beneficial interest	584,636	-	517,719	1,102,355
Investment Return, Net of Fees	\$1,686,199	\$306,456	\$1,379,299	\$3,371,954
	December 31, 2013			
	Temporarily		Permanently	
	Unrestricted	Restricted	Restricted	Total
Investment income, net of fees	\$ 329,172	\$121,756	\$ -	\$ 450,928
Net realized and unrealized gains	1,704,166	398,809	3,471,176	5,574,150
Distributions from beneficial interest	770,083	-	509,913	1,279,996
Investment Return, Net of Fees	\$2,803,421	\$520,564	\$3,981,089	\$7,305,074

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

C. MARKETABLE SECURITIES

Marketable securities are summarized as follows as of December 31:

	2014	2013
Corporate Stocks	\$ 1,864	\$ 1,864
SEI Private Trust Company:		
Managed bond funds	1,125,039	-
Managed equity funds	1,209,417	-
Managed foreign funds	478,141	-
Diocesan Investment Trust of the Diocese of Missouri:		
Fixed income fund	7,065,179	6,645,485
Equity fund	<u>13,513,327</u>	<u>13,906,677</u>
Total Marketable Securities	<u>\$23,392,967</u>	<u>\$20,554,026</u>

Investment return, net of fees is considered unrestricted unless specifically restricted by donor.

The amounts reported as net realized and unrealized investment gains in the accompanying financial statements are a result of the following:

- a) The difference in the market values of investments on hand at the beginning of the year as compared to the end of the year.
- b) The difference between the proceeds from the sale of investments and the related market values of those investments at December 31 of the previous year.
- c) The difference between the costs of investments purchased during the year and related market value of those investments at December 31, or between the proceeds from the sale of those investments if sold during the respective year.

Investment management and other fees for the Diocesan Investment Trust were \$30,087 and \$30,756 for the years ended December 31, 2014 and 2013, respectively.

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

D. BENEFICIAL INTEREST IN THIRD-PARTY TRUSTS

Beneficial interests in third-party trusts (which are managed and invested by bank trustees) consist of trust investments as follows at December 31:

	2014	2013
Money market accounts	\$ 591,976	\$ 1,704,399
Corporate stocks - domestic	7,815,018	9,248,071
Corporate stocks - foreign	-	3,045,017
Corporate bonds - domestic	-	1,590,739
Managed equity funds	4,048,258	6,759,383
Managed bond funds	11,024,663	3,086,849
Managed foreign funds	4,616,589	-
Hedge funds	13,964	929,102
Private equity	-	181,088
Government obligations	-	625,623
Real estate	6,460	658,302
Commodities	6,328	327,608
Alternative investments	444,443	-
Other	-	59,636
Total Beneficial Interest in Third-Party Trusts	\$28,567,699	\$28,215,817
Allocation of Interests Based on Nature of Restrictions:		
Unrestricted	\$ 1,052,575	\$ 1,110,397
Permanently restricted	27,515,124	27,105,420
Total	\$28,567,699	\$28,215,817

Investment management and other fees for the third-party trusts were \$170,817 and \$185,224 for the years ended December 31, 2014 and 2013, respectively.

E. ENDOWMENT

The endowments consist of twenty-two individual donor-restricted funds and one board designated fund established for a variety of purposes. In accordance with U.S Generally Accepted Accounting Principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment balances are included in investments in the Statements of Financial Position. Permanently restricted endowment balances include the original value at the date of gift.

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

E. **ENDOWMENT** (Continued)

For the years ended December 31, 2014 and 2013 respectively, the Diocese had the following endowment-related activities:

	2014 Endowment Funds		
	Donor-Restricted		Total
	Temporarily Restricted	Permanently Restricted	
Investment Return			
Investment income, net of fees	\$100,171	\$ -	\$ 100,171
Net realized and unrealized gains	206,285	861,580	1,067,865
Distributions from beneficial interest	-	517,719	517,719
Total Investment Return, Net of Fees	306,456	1,379,299	1,685,755
Amounts appropriated for expenditure	(173,835)	(71,459)	(245,294)
Total Change in Endowment Funds	<u>\$132,621</u>	<u>\$1,307,840</u>	<u>\$1,440,461</u>

	2013 Endowment Funds		
	Donor-Restricted		Total
	Temporarily Restricted	Permanently Restricted	
Investment Return			
Investment income, net of fees	\$121,756	\$ -	\$ 121,756
Net realized and unrealized gains	398,808	3,471,176	3,869,984
Distributions from beneficial interest	-	509,913	509,913
Total Investment Return, Net of Fees	520,564	3,981,089	4,501,653
Amounts appropriated for expenditure	(174,565)	(23,565)	(198,130)
Total Change in Endowment Funds	<u>\$345,999</u>	<u>\$3,957,524</u>	<u>\$4,303,523</u>

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

F. INVESTMENTS

Fair values of investments measured on a recurring basis are as follows:

	Fair Value Measurements at December 31, 2014			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Marketable Securities</u>				
Corporate stocks	\$ 1,864	\$ 1,864	\$ -	\$ -
SEI – Managed bond funds	1,125,039	-	1,125,039	-
SEI – Managed equity funds	1,209,417	1,209,417	-	-
SEI – Managed foreign funds	478,141	478,141	-	-
DIT - fixed income fund	7,065,179	-	7,065,179	-
DIT - equity fund	13,513,327	13,513,327	-	-
Total	<u>\$23,392,967</u>	<u>\$15,202,749</u>	<u>\$8,190,218</u>	<u>\$ -</u>
<u>Beneficial Interest in Third-Party Trusts</u>				
Corporate stocks – domestic	\$ 7,815,018	\$ 7,815,018	\$ -	\$ -
Corporate stocks – foreign	-	-	-	-
Government obligations	-	-	-	-
Corporate bonds – domestic	-	-	-	-
Managed equity funds	4,048,258	4,048,258	-	-
Managed bond funds	11,024,663	-	11,024,663	-
Managed foreign funds	4,616,589	4,616,589	-	-
Real estate	6,460	-	6,460	-
Hedge funds	13,964	13,964	-	-
Private equity	-	-	-	-
Commodities	6,328	-	6,328	-
Alternative investments	444,443	-	444,443	-
Money market accounts	591,976	591,976	-	-
Total	<u>\$28,567,699</u>	<u>\$17,085,805</u>	<u>\$11,481,894</u>	<u>\$ -</u>

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

F. **INVESTMENTS** (Continued)

	Fair Value Measurements at December 31, 2013			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Marketable Securities</u>				
Corporate stocks	\$ 1,864	\$ 1,864	\$ -	\$ -
DIT - fixed income fund	6,645,485	-	6,645,485	-
DIT - equity fund	13,906,677	13,906,677	-	-
Total	<u>\$20,554,026</u>	<u>\$13,908,541</u>	<u>\$6,645,485</u>	<u>\$ -</u>
<u>Beneficial Interest in Third-Party Trusts</u>				
Corporate stocks – domestic	\$ 9,248,071	\$ 9,248,071	\$ -	\$ -
Corporate stocks – foreign	3,045,017	3,045,017	-	-
Government obligations	625,623	-	625,623	-
Corporate bonds – domestic	1,590,739	-	1,590,739	-
Managed equity funds	6,759,383	6,759,383	-	-
Managed bond funds	3,086,849	-	3,086,849	-
Real estate	658,302	-	658,302	-
Hedge funds	929,102	929,102	-	-
Private equity	181,088	181,088	-	-
Commodities	327,608	-	327,608	-
Other	59,636	-	59,636	-
Money market accounts	1,704,399	1,704,399	-	-
Total	<u>\$28,215,817</u>	<u>\$21,867,060</u>	<u>\$6,348,757</u>	<u>\$ -</u>

Financial assets valued using Level 1 inputs are based on quoted market prices within active markets, such as exchange-traded securities. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Examples of Level 2 inputs include U.S. Treasury securities, corporate and municipal bonds, and mortgage backed securities. Financial assets valued using Level 3 inputs are based primarily on assumptions about the marketability of the assets and can include corporate loans, mortgage loans, distressed debt, and investments in real estate funds. The Diocese has no Level 3 assets.

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

G. NOTES RECEIVABLE

Notes receivable from parishes and missions for loans from the Kelton E. White and Alma Mayland White Loan Fund (“Kelton White Loan Fund”), with interest ranging from 0% to 5%, due at various dates through 2031 and secured by the church properties, consist of the following at December 31:

	2014	2013
Christ Episcopal Church, Rolla	\$ 787,092	\$ 812,791
Emmanuel Episcopal Church	12,688	91,745
Mission Church of the Transfiguration, Lake St. Louis	532,737	543,908
St. Timothy’s, Creve Coeur	359,358	499,907
Church of the Holy Communion	356,192	396,525
Trinity, St. Charles	282,651	341,651
St. Peter’s, Ladue	288,103	142,149
Trinity, Jefferson County	4,194	5,994
St. John’s, St. Louis	8,379	8,614
Total Kelton White Loan Fund	2,631,394	2,843,284
Park Property Note	30,082	34,775
Total Notes Receivable	\$2,661,476	\$2,878,059

Standing Committee has granted moratoriums on loan payments and interest on one loan, which may ultimately impact their collection. However, the trust allows the Committee flexibility to change the terms.

Notes receivable also includes a note from Perpetual Life, in connection with the sale of the Park Property, which bears a 7.1% interest rate, is due December 1, 2020, and is secured by the property, improvements thereon, and personal guarantees.

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

G. **NOTES RECEIVABLE** (Continued)

As of December 31, 2014, the notes receivable amounts are expected to be collected as follows:

<u>Years Ending</u>	<u>Amount</u>
2015	\$ 231,394
2016	140,492
2017	143,888
2018	147,403
2019	151,044
Thereafter	<u>1,847,255</u>
	<u><u>\$2,661,476</u></u>

An allowance for loan losses is not deemed necessary because of the close affiliation and relationship in faith between borrowers (parishes) and the Diocese. The Diocese chooses to recognize interest income earned from certain parish loans on the cash basis.

H. **CUSTODIAL FUNDS**

The Diocese acts as custodian of cash and investments for several of its mission congregations and various organizations within the Diocese. As such, the Diocese records the cash and investments and a corresponding liability. The investment balances are adjusted each year to reflect the current market value associated with those investments. The custodial cash and investment balances listed by beneficiary are as follows for the year ended December 31:

	<u>2014</u>	<u>2013</u>
Agnes & Grace Muller	\$206,739	\$190,403
Episcopal Church Women Education Fund	54,213	50,591
Farmington Ora Mosier Trust Fund	54,170	50,352
St. Francis (Wildwood)	<u>38,742</u>	<u>35,673</u>
Total	<u><u>\$353,864</u></u>	<u><u>\$327,019</u></u>

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

I. **NET ASSETS**

Net assets are comprised of the following at December 31:

	<u>2014</u>	<u>2013</u>
Unrestricted	<u>\$11,296,136</u>	<u>\$ 9,902,250</u>
Temporarily Restricted:		
Aged & Infirm Clergy	1,392,363	1,299,854
New Witness Fund	452,760	412,617
Theological Education	233,139	215,289
Lui Funds	168,546	137,534
Bishop Trust Funds	114,333	103,999
Donaldson Fund	83,855	137,876
W.A. Jones Endowment	49,502	45,319
Cadigan Fellowship	46,684	43,021
New Ventures in Community Ministry	42,271	26,069
Ferguson Response Grant	30,000	-
New Ministries on Campus	<u>21,586</u>	<u>20,884</u>
Total Temporarily Restricted	<u>2,635,039</u>	<u>2,442,462</u>
Permanently Restricted:		
Thompson Memorial Trust	16,422,630	16,250,063
White Memorial Trust	10,984,788	10,746,899
Kelton White Fund	8,981,158	8,463,439
Donaldson Fund	1,647,891	1,569,484
New Ministries on Campus	1,339,567	1,241,692
New Ventures in Community Ministry	1,339,567	1,241,692
Church Assistance	820,197	789,543
Bishop's Funds	795,893	737,409
Cadigan Fellowship	196,712	179,589
Shank Memorial Trust	<u>107,705</u>	<u>108,458</u>
Total Permanently Restricted	<u>42,636,108</u>	<u>41,328,268</u>
Total Net Assets	<u><u>\$56,567,283</u></u>	<u><u>\$53,672,980</u></u>

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

I. **NET ASSETS** (Continued)

Temporarily restricted net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

Released from restriction at December 31:

	2014	2013
Purpose Restrictions Met:		
Donaldson Fund	\$104,814	\$ 60,755
Aged & Infirm Clergy	21,199	21,497
New Ministries on Campus	20,000	19,000
Church Assistance	12,700	12,671
Lui Funds	5,637	37,588
New Ventures in Community Ministry	4,500	19,896
Bishop Trust Funds	3,452	3,158
Theological Education	1,500	-
New Witness Fund	33	-
Total Purpose Restrictions Met	<u>\$173,835</u>	<u>\$174,565</u>

J. **CONCENTRATIONS OF CREDIT AND MARKET RISK**

Financial instruments that potentially subject the Diocese to concentrations of credit and market risk consist principally of cash and investments. The Diocese places substantially all of its cash with major financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. The Diocese maintains cash deposits in bank accounts which at times may exceed the federally insured limits.

The Diocese has a significant amount of investments subject to market risk. Market risk is the possibility future changes in market price may make a financial instrument less valuable.

K. **RETIREMENT PLANS**

The Diocese has adopted a 403(b) defined contribution plan for its non-clergy employees and a defined benefit church pension fund for its clergy employees. For the non-clergy employees, the Diocese contributes 10% of the participant’s salary to the plan. For the clergy employees, the Diocese contributes 18% of the participant’s salary to the pension fund. During 2014 and 2013, the total amount of retirement expense was \$103,440 and \$104,038, respectively.

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
(Continued)

K. RETIREMENT PLANS (Continued)

The Diocese participates in the Church Pension Fund (the “Fund”), informally known as the Church Pension Group, which is authorized by the Canons of the Episcopal Church to establish and administer the clergy pension system of the Episcopal Church, including pension, life and health benefits, as well as the lay employee pension system. The Fund has elected to be examined by the New York State Department of Financial Services. The defined benefit plan was fully funded at March 31, 2014 and 2013 and the employer contributions represent less than 5% of the total plan contributions.

L. OPERATING LEASES

The Diocese leases space to hold classes for the Episcopal School for Ministry and leases office equipment under non-cancelable operating leases that expire June 2015 and April 2017. The future minimum lease payments required under these leases are as follows:

<u>Years Ending December 31,</u>	
2015	\$13,803
2016	12,228
2017	<u>4,076</u>
	<u>\$30,107</u>

Total lease expense was \$16,746 and \$13,833 during the years ended December 31, 2014 and 2013, respectively.

M. IN-KIND DONATIONS

The Diocese leases office space at a bargain rate of \$1 per year to a not-for-profit organization under the terms of an operating lease. The term of the lease is March 1, 2007 through December 31, 2015. The fair value of the in-kind donation is \$120,000 per year. The fair value of the donation is included in the financial statements for the years ended December 31, 2014 and 2013.

**Independent Auditors' Report
on Additional Information**

To the Board of Directors of
Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
St. Louis, Missouri

We have audited the financial statements of the Corporation of the Episcopal Diocese of Missouri d/b/a Diocese of Missouri as of and for the year ended December 31, 2014, and have issued our report thereon dated June 6, 2015, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Net Assets on pages 20 through 25 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of 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 audit 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.


June 6, 2015

**SUPPLEMENTARY
INFORMATION**

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
SCHEDULE OF NET ASSETS – UNRESTRICTED FUNDS
December 31, 2014

The assets listed below are the unrestricted net assets of the Corporation of the Episcopal Diocese of Missouri. There are no donor-imposed conditions or restrictions associated with these net assets. The Diocese has complete discretionary control over the nature and timing of any payments made from these funds. The Diocese has chosen to internally account for these net assets in a number of named funds. These fund names represent only a reminder of the original source of the funds and/or a reminder of the current discretionary choice which the Diocese has made as to where these monies may be spent in the future and do not represent any limitation on the way the funds may be expended.

NET ASSETS	Fund Name	Amount	Description
	Diocesan Operating Fund	\$ 2,008,694	Unrestricted funds used to account for the day-to-day operations of the Diocese.
	Allocation for Bishop Transition	165,342	An unrestricted fund established to provide for future bishop transitions within the Diocese.
	General Unrestricted Funds	5,574,454	Represents the accumulation of several small unrestricted funds, some of which the Diocese has temporarily designated for specific Diocesan initiatives.
	Future Building and Property Fund	2,373,711	Established in 1980 from the proceeds of the sale of St. Francis Church in St. Louis County, this unrestricted fund is designated for assistance in purchasing land and/or buildings for new missions.
	Campus Ministry Fund	583,626	The Campus Ministry Fund was established in 1981 and is unrestricted. The Diocese has chosen to designate these funds for the continuance of college work throughout the Diocese.
	Thompson Fund	184,709	The Thompson Memorial Trust generates unrestricted income which is used for the religious and charitable purposes of the Diocese. This unspent, unrestricted income is accumulated here.
	Aged & Infirm Clergy Fund Accumulated Income	206,427	This fund, which was established in 1870 from offerings and gifts, is used to supplement the pensions of retired clergy and their widows and children and to assist clergy and family with unusual medical expenses. The fund principal is temporarily restricted and is recorded in the Aged & Infirm Clergy Fund – TR. The income generated from the Aged & Infirm Clergy Fund - TR is unrestricted. This unspent, unrestricted income is accumulated here.

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
SCHEDULE OF NET ASSETS – UNRESTRICTED FUNDS
December 31, 2014
(Continued)

Fund Name	Amount	Description
NET ASSETS		
New Witness Fund Accumulated Income	140,407	Established through the Making All Things New campaign, this fund provides grants for building or revitalization of congregations within the Diocese. The fund principal is temporarily restricted, and is recorded in the New Witness Fund – TR. The interest generated from the New Witness Fund – TR is unrestricted. This unspent, unrestricted income is accumulated here.
Theological Education Fund Accumulated Income	46,309	Established in 1876 from offerings and gifts, this fund was created to support theological students. The fund principal is temporarily restricted with funds to be used to support seminary students and pay the costs of their examinations. The fund principal is recorded in the Theological Education Fund – TR. The interest generated from the Theological Education Fund – TR is unrestricted. This unspent, unrestricted income is accumulated here.
W.A. Jones Endowment Fund Accumulated Income	<u>12,457</u>	This fund was established in 1992 in honor of Rt. Rev. William A. Jones to provide support to theological institutions in Nigeria. The fund principal is temporarily restricted and is recorded in the W.A. Jones Endowment Fund – TR. The interest generated from the W.A. Jones Endowment Fund – TR is unrestricted. This unspent, unrestricted income is accumulated here.
Total Unrestricted Net Assets	<u><u>\$11,296,136</u></u>	

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
SCHEDULE OF NET ASSETS – TEMPORARILY RESTRICTED FUNDS
December 31, 2014

The assets listed below are the temporarily restricted net assets of the Corporation of the Episcopal Diocese of Missouri. These assets are the result of donations which were made subject to specific donor-imposed conditions or restrictions. The Diocese may spend these monies at any time. However, the Diocese may only spend these monies for the specific, individual purpose which the donor has imposed. As the Diocese expends funds which meet the restrictions placed on these net assets, the Diocese is required to utilize these funds first.

NET ASSETS	Fund Name	Amount	Description
Aged & Infirm Clergy Fund - TR		\$1,392,363	This fund, which was established in 1870 from offerings and gifts, is used to supplement the pensions of retired clergy and their widows and children and to assist clergy and family with unusual medical expenses. The fund principal is temporarily restricted and is maintained here. The income generated from the Aged & Infirm Clergy Fund - TR is unrestricted and is maintained in the Accumulated Income Fund.
New Witness Fund – TR		452,760	Established through the Making All Things New campaign, this fund provides grants for the building or revitalization of congregations within the Diocese. The fund principal is temporarily restricted and is maintained here. The interest generated from the New Witness Fund – TR is unrestricted and is maintained in the Accumulated Income Fund.
Theological Education Fund - TR		233,139	Established in 1876 from offerings and gifts, this fund was created to support theological students. This fund is temporarily restricted and is maintained here. It is to be used to support seminary students and pay the costs of their examinations. The interest generated from the Theological Education Fund - TR is unrestricted/designated and is maintained in the Accumulated Income Fund.
Donaldson Fund Accumulated Income - TR		83,855	The William R. and Elizabeth L. Donaldson Fund Endowment is a permanently restricted fund and is recorded in the Donaldson Fund - PR. The income generated from the fund is restricted to use to benefit the clergy and in furtherance of the Diocese's work in the State of Missouri. This unspent, temporarily restricted income is maintained here.
Lui Funds - TR		168,546	This fund represents unexpended donations from individuals and churches to be used for various purposes as designated by the donor related to the Diocese of Lui.
Bishop's Trust Funds - TR		114,333	These are funds available for use by the Bishop. Funds with a purpose restriction, such as healthcare or specific missions, are temporarily restricted and are maintained here. Those funds whose principal must remain intact with only the income being spent are maintained in the Bishop's Trust Funds – PR. All other funds are maintained in unrestricted funds.

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
SCHEDULE OF NET ASSETS – TEMPORARILY RESTRICTED FUNDS
December 31, 2014
(Continued)

Fund Name	Amount	Description
NET ASSETS		
Cadigan Fellowship Fund Accumulated Income - TR	46,684	This fund was established through the Venture in Mission Campaign in honor of the Rt. Rev. George L. Cadigan, Eighth Bishop of Missouri. The fund principal is permanently restricted and is maintained in the Cadigan Fellowship Fund – PR. The income generated from the Cadigan Fellowship Fund - PR is used for annual Fellowships to promote community service projects in the Diocese. This unspent, temporarily restricted income is maintained here.
W.A. Jones Endowment Fund - TR	49,502	This fund was established in 1992 in honor of Rt. Rev. William A. Jones to provide support to theological institutions in Nigeria. The fund principal is temporarily restricted and is maintained here. The interest generated from the W.A. Jones Endowment Fund – TR is unrestricted and is maintained in the Accumulated Income Fund.
New Ventures in Community Ministry Accumulated Income – TR	42,271	This is an endowment fund established through the Making All Things New campaign to support congregational initiatives to neighbors living in poverty. The fund principal is permanently restricted and is maintained in the New Ventures in Community Ministry – PR. The income generated from the New Ventures in Community Ministry - PR is temporarily restricted and is maintained here.
New Ministries on Campus Accumulated Income - TR	21,586	This is an endowment fund established through the Making All Things New campaign to enhance college work in the Diocese. The fund principal is permanently restricted and is maintained in the New Ministries on Campus – PR. The income generated from the New Ministries on Campus - PR is temporarily restricted and is maintained here.
Ferguson Response Grant – TR	<u>30,000</u>	This grant was awarded to the Diocese to help in the response of the Ferguson conflicts.
Total Temporarily Restricted Net Assets	<u><u>\$2,635,039</u></u>	

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
SCHEDULE OF NET ASSETS – PERMANENTLY RESTRICTED FUNDS
December 31, 2014

The assets listed below are the permanently restricted net assets of the Corporation of the Episcopal Diocese of Missouri. The principal (or corpus) balance of these funds must be maintained in perpetuity and may not be spent at any time under any condition for any purpose. This restriction has been placed upon the Diocese by the donors at the time of the donation of these net assets. Income earned on these investments, including in some instances capital appreciation, may be used or spent by the Diocese in accordance with the specific stated wishes of the donor at the time of the donation. Such earnings are then recorded in either the unrestricted or temporarily restricted funds and expended in accordance with the donor wishes expressed at the time of the original donation.

NET ASSETS	Fund Name	Amount	Description
Thompson Memorial Trust - PR		\$16,422,630	The Frank C. and Mattie H. Thompson Memorial Trust - PR is a charitable remainder trust, income from which is to be used for the religious and charitable purposes of the Diocese. The principal (corpus) is maintained here and the unrestricted income generated from the Trust is maintained in the Thompson Fund. In 2007, property was sold and the proceeds added to the fund.
White Memorial Trust - PR		10,984,788	The Kelton White Memorial Trust - PR is a permanently restricted fund of the Diocese and is maintained here. The income generated by the trust is used to make loans to congregations for use in capital improvements. This income is permanently restricted and is maintained in the Kelton White Loan Fund – PR.
Kelton White Loan Fund - PR		8,981,158	Income generated by the White Memorial Trust - PR is used to make loans to congregations for use in capital improvements. This income is permanently restricted and is maintained here. Interest earned on the Kelton White Loan Fund - PR is unrestricted and accumulates in the Kelton White Unrestricted Fund.
Donaldson Fund – PR		1,647,891	The William R. and Elizabeth L. Donaldson Fund Endowment - PR is a permanently restricted fund and is maintained here. The income generated from the fund is restricted to use to benefit the clergy and in furtherance of the Diocese's work in the State of Missouri. The temporarily restricted income generated is maintained in the Donaldson Fund Accumulated Income - TR.
New Ventures in Community Ministry – PR		1,339,567	This is an endowment fund established through the Making All Things New campaign to support congregational initiatives to neighbors living in poverty. The fund principal is permanently restricted and is maintained here. The income generated from the New Ventures in Community Ministry – PR is temporarily restricted and is maintained in the New Ventures in Community Ministry Accumulated Income - TR.

Corporation of the Episcopal Diocese of Missouri
d/b/a Diocese of Missouri
SCHEDULE OF NET ASSETS – PERMANENTLY RESTRICTED FUNDS
December 31, 2014
(Continued)

Fund Name	Amount	Description
NET ASSETS		
New Ministries on Campus – PR	1,339,567	This is an endowment fund established through the Making All Things New campaign to enhance college work in the Diocese. The fund principal is permanently restricted and is maintained here. The income generated from the New Ministries on Campus – PR is temporarily restricted and is maintained in the New Ministries on Campus Accumulated Income - TR.
Church Assistance Endowment Fund – PR	820,197	This fund was established through the Venture in Mission campaign to assist congregations with maintenance of their buildings. Grants are awarded annually to parishes and institutions for capital improvement, repairs and major equipment needs. The fund principal is permanently restricted and is maintained here. The income generated from the Church Assistance Endowment Fund - PR is temporarily restricted and is maintained in the Church Assistance Endowment Fund Accumulated Income - TR.
Bishop's Trust Funds - PR	795,893	These are funds available for use by the Bishop. Funds with a purpose restriction, such as healthcare or specific missions, are temporarily restricted and are maintained in the Bishop's Trust Funds - TR. Those funds whose principal must remain intact with only the income being spent are maintained here. All other funds are maintained in unrestricted funds.
Cadigan Fellowship Fund - PR	196,712	This fund was established through the Venture in Mission Campaign in honor of the Rt. Rev. George L. Cadigan, Eighth Bishop of Missouri. The fund principal is permanently restricted and is maintained here. The income generated from the Cadigan Fellowship Fund - PR is used for annual Fellowships to promote community service projects in the Diocese. The temporarily restricted income generated is maintained in the Cadigan Fellowship Fund Accumulated Income - TR.
Shank Memorial Trust - PR	<u>107,705</u>	The William Capen Shank and Marilee Stephens Shank Charitable Trust - PR is a permanently restricted fund that was established to support the operations of the Diocese. The principal (corpus) is maintained here. The Diocese receives five percent of the annual income earned, which is unrestricted, to use for any purpose.
Total Permanently Restricted Net Assets	<u><u>\$42,636,108</u></u>	