

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

**FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2013 AND 2012**

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 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, 2013 and 2012, and the related statements of activities and changes in net assets 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Corporation of the Episcopal Diocese of Missouri d/b/a Diocese of Missouri as of December 31, 2013 and 2012, 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.

*Shiversall Tselva + Co, PC*

St. Louis, Missouri

June 7, 2014

## **FINANCIAL STATEMENTS**

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

ASSETS

	December 31,	
	2013	2012
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 202,388	\$ 254,397
Accounts receivable	320,038	295,418
Notes receivable - current	241,443	165,823
Total Current Assets	763,869	715,638
<b>PROPERTY, PLANT AND EQUIPMENT, at cost</b>		
Land	716,234	705,169
Buildings and furnishings	4,494,221	4,339,623
Office equipment	130,966	113,275
Leasehold improvements	268,834	268,834
	5,610,255	5,426,901
Less accumulated depreciation	3,594,362	3,489,796
Construction in progress	-	165,663
Total Property, Plant and Equipment, net	2,015,893	2,102,768
NOTES RECEIVABLE - NONCURRENT	2,636,616	2,604,811
BENEFICIAL INTEREST IN THIRD PARTY TRUSTS	28,215,817	25,616,970
MARKETABLE SECURITIES	20,554,026	17,079,639
Total Assets	\$ 54,186,221	\$ 48,119,826

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 136,222	\$ 226,928
Custodial funds	327,019	282,999
Grants payable - current	20,000	-
Total Current Liabilities	483,241	509,927
<b>LONG-TERM LIABILITIES</b>		
Grants payable - noncurrent	30,000	-
Total Liabilities	513,241	509,927
<b>NET ASSETS</b>		
Unrestricted	9,902,250	8,282,358
Temporarily restricted	2,442,462	1,956,797
Permanently restricted	41,328,268	37,370,744
Total Net Assets	53,672,980	47,609,899
Total Liabilities and Net Assets	\$ 54,186,221	\$ 48,119,826

See accompanying notes to financial statements

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	For the Year Ended December 31, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE</b>				
Contributions				
Parishes and missions	\$ 1,066,246	\$ -	\$ -	\$ 1,066,246
Program and property income	271,260	139,666	-	410,926
Investment income, net of fees	329,172	121,755	-	450,927
Net gain on investments	2,474,249	398,809	3,981,089	6,854,147
Total Revenue	4,140,927	660,230	3,981,089	8,782,246
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
	198,130	( 174,565)	( 23,565)	-
<b>EXPENSES</b>				
Program Services				
Making disciples	144,308	-	-	144,308
Supporting congregations	727,895	-	-	727,895
The Episcopate	942,183	-	-	942,183
Communications	206,701	-	-	206,701
Total Program Expenses	2,021,087	-	-	2,021,087
Administrative Expenses	698,078	-	-	698,078
Total Expenses	2,719,165	-	-	2,719,165
Change in Net Assets	1,619,892	485,665	3,957,524	6,063,081
NET ASSETS, Beginning of year	8,282,358	1,956,797	37,370,744	47,609,899
NET ASSETS, End of year	\$ 9,902,250	\$ 2,442,462	\$ 41,328,268	\$ 53,672,980

See accompanying notes to financial statements

For the Year Ended December 31, 2012

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,091,128	\$ -	\$ -	\$ 1,091,128
239,533	136,917	-	376,450
289,214	101,860	-	391,074
<u>1,412,749</u>	<u>156,096</u>	<u>2,598,188</u>	<u>4,167,033</u>
<u>3,032,624</u>	<u>394,873</u>	<u>2,598,188</u>	<u>6,025,685</u>
<u>282,112</u>	<u>( 282,112)</u>	<u>-</u>	<u>-</u>
148,827	-	-	148,827
656,259	-	-	656,259
844,482	-	-	844,482
<u>204,016</u>	<u>-</u>	<u>-</u>	<u>204,016</u>
1,853,584	-	-	1,853,584
<u>662,336</u>	<u>-</u>	<u>-</u>	<u>662,336</u>
<u>2,515,920</u>	<u>-</u>	<u>-</u>	<u>2,515,920</u>
798,816	112,761	2,598,188	3,509,765
<u>7,483,542</u>	<u>1,844,036</u>	<u>34,772,556</u>	<u>44,100,134</u>
<u>\$ 8,282,358</u>	<u>\$ 1,956,797</u>	<u>\$ 37,370,744</u>	<u>\$ 47,609,899</u>



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

	Years Ended December 31,	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 6,063,081	\$ 3,509,765
Adjustments to reconcile change in net assets to net change in cash and cash equivalents from operating activities:		
Depreciation	104,566	94,605
Realized and unrealized gains on investments, net	( 5,578,816)	( 2,006,827)
(Increase) decrease in assets:		
Accounts receivable	( 24,620)	( 48,472)
Increase (decrease) in liabilities:		
Accounts payable	( 90,706)	( 32,292)
Custodial funds	44,020	20,173
Grants payable	50,000	-
	567,525	1,536,952
Net Change in Cash and Cash Equivalents from Operating Activities	567,525	1,536,952
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Issuance of notes receivable	( 499,907)	-
Payments received on notes receivable	392,482	165,034
Purchase of investments	( 994,418)	( 2,289,137)
Proceeds on sale of investments	500,000	661,155
Purchase of fixed assets	( 17,691)	( 168,775)
	( 619,534)	( 1,631,723)
Net Change in Cash and Cash Equivalents from Investing Activities	( 619,534)	( 1,631,723)
NET CHANGE IN CASH AND CASH EQUIVALENTS	( 52,009)	( 94,771)
CASH AND CASH EQUIVALENTS, Beginning of year	254,397	349,168
CASH AND CASH EQUIVALENTS, End of year	\$ 202,388	\$ 254,397
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
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, 2013 and 2012

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 Interests 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.

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012  
(Continued)

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

**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 realized and unrealized gains or losses on investments have been reflected in the Statements of Activities and Changes in Net Assets, except for those realized on custodial assets held on behalf of others (see Note H.).

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the USA requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could 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 at estimated original cost and states 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 would revert back to the Diocese.

**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, 2013 and 2012.

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012  
(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 7, 2014, the date the financial statements were available to be issued.

B. **INVESTMENTS**

Investments consist of the following at December 31:

	2013	2012
Beneficial Interest in		
Third Party Trusts (Note D)	\$28,215,817	\$25,616,970
Marketable Equity Securities (Note C)	20,554,026	17,079,639
Total Investments	\$48,769,843	\$42,696,609

The Beneficial Interest in Third Party Trusts and Marketable Equity Securities of the Dioceses 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, 2013			
		Temporarily	Permanently	
		Unrestricted	Restricted	
Dividends and interest, net of fees	\$ 329,172	\$ 121,755	\$ -	\$ 450,927
Net realized and unrealized gains	2,474,249	398,809	3,981,089	6,854,147
Total return on investments	\$2,803,421	\$520,564	\$3,981,089	\$7,305,074
	December 31, 2012			
	Unrestricted	Temporarily	Permanently	Total
		Restricted	Restricted	
Dividends and interest, net of fees	\$ 289,214	\$101,860	\$ -	\$ 391,074
Net realized and unrealized gains	1,412,749	156,096	2,598,188	4,167,033
Total return on investments	\$1,701,963	\$257,956	\$2,598,188	\$4,558,107

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012  
*(Continued)*

**C. MARKETABLE SECURITIES**

Marketable securities are summarized as follows as of December 31:

	2013	2012
Corporate Stocks	\$ 1,864	\$ 1,864
Diocesan Investment Trust of the Diocese of Missouri:		
Fixed income fund	6,645,485	6,704,714
Equity fund	13,906,677	10,373,061
Total Investments	\$20,554,026	\$17,079,639

Net investment income is considered unrestricted unless specifically restricted by donor.

The amounts reported as 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 of sale of investments and the related market values of those investments at December 31 of the previous year.
- c) The difference between the cost of investments purchased during the year and related market value of those investments at December 31, or between the proceeds of the sale of those investments if sold during the respective year.

Investment management and other fees for the Diocesan Investment Trust were \$30,756 and \$35,640 for the years ended December 31, 2013 and 2012, respectively.

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012  
(Continued)

**D. BENEFICIAL INTERESTS 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:

	2013	2012
Money market accounts	\$ 1,704,399	\$ 1,148,903
Corporate stocks - domestic	9,248,071	7,121,643
Corporate stocks - foreign	3,045,017	2,375,592
Corporate bonds - domestic	1,590,739	1,974,377
Managed equity funds	6,759,383	5,979,796
Managed bond funds	3,086,849	3,834,649
Hedge funds	929,102	1,206,035
Private equity	181,088	110,280
Government obligations	625,623	802,893
Real estate	658,302	411,870
Commodities	327,608	595,187
Other	59,636	55,745
Total Beneficial Interest in Third Party Trusts	\$28,215,817	\$25,616,970
Allocation of Interests Based on Nature of Restrictions:		
Unrestricted	\$ 1,110,397	\$ 1,093,396
Permanently restricted	27,105,420	24,523,574
Total	\$28,215,817	\$25,616,970

Investment management and other fees for the third-party trusts were \$185,224 and \$155,292 for the years ended December 31, 2013 and 2012, 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, 2013 and 2012  
(Continued)

E. **ENDOWMENT** (Continued)

For the years ended December 31, 2013 and 2012 respectively, the Diocese had the following endowment-related activities:

	2013 Endowment Funds		
	Donor-Restricted		Total
	Temporarily Restricted	Permanently Restricted	
Investment Return			
Investment income	\$ 121,755	\$ -	\$ 121,755
Net appreciation (realized and unrealized)	398,809	3,981,089	4,379,898
Total Investment Income	520,564	3,981,089	4,501,653
Amounts appropriated for expenditure	( 174,565)	( 23,565)	( 160,541)
Total Change in Endowment Funds	<u>\$345,999</u>	<u>\$3,957,524</u>	<u>\$4,341,112</u>
	2012 Endowment Funds		
	Donor-Restricted		Total
	Temporarily Restricted	Permanently Restricted	
Investment Return			
Investment income	\$101,860	\$ -	\$ 101,860
Net appreciation (realized and unrealized)	156,096	2,598,188	2,754,284
Total Investment Income	257,956	2,598,188	2,856,144
Amounts appropriated for expenditure	( 145,195)	-	( 145,195)
Total Change in Endowment Funds	<u>\$112,761</u>	<u>\$2,598,188</u>	<u>\$2,710,949</u>

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012  
(Continued)

**F. FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at December 31, 2013 and 2012 are as follows:

	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 funds	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 fund	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>



Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012  
(Continued)

F. FAIR VALUE MEASUREMENTS (Continued)

	Fair Value Measurements at December 31, 2012			
	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	6,704,714	-	6,704,714	-
DIT - equity funds	10,373,061	10,373,061	-	-
Total	<u>\$17,079,639</u>	<u>\$10,374,925</u>	<u>\$6,704,714</u>	<u>\$ -</u>
<u>Beneficial Interest in Third-Party Trusts</u>				
Corporate stocks – domestic	\$ 7,121,643	\$ 7,121,643	\$ -	\$ -
Corporate stocks – foreign	2,375,592	2,375,592	-	-
Government obligations	802,893	-	802,893	-
Corporate bonds – domestic	1,974,377	-	1,974,377	-
Managed equity funds	5,979,796	5,979,796	-	-
Managed bond funds	3,834,649	-	3,834,649	-
Real estate	411,870	-	411,870	-
Hedge fund	1,206,035	1,206,035	-	-
Private equity	110,280	110,280	-	-
Commodities	595,187	-	595,187	-
Other	55,745	-	55,745	-
Money market accounts	1,148,903	1,148,903	-	-
Total	<u>\$25,616,970</u>	<u>\$17,942,249</u>	<u>\$7,674,721</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, 2013 and 2012  
(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 2.8% to 5%, due at various dates through 2031 and secured by the church properties, consist of the following at December 31:

	2013	2012
Christ Episcopal Church, Rolla	\$ 812,791	\$ 836,738
Emmanuel Episcopal Church	91,745	112,745
Mission Church of the Transfiguration, Lake St. Louis	543,908	554,191
St. Timothy’s, Creve Coeur	499,907	-
Church of the Holy Communion	396,525	435,773
Trinity, St. Charles	341,651	341,651
Grace Episcopal Church, Kirkwood	-	273,911
St. Peter’s, Ladue	142,149	154,577
Trinity, Jefferson County	5,994	7,794
St. John’s, St. Louis	8,614	14,058
Total Kelton White Loans	2,843,284	2,731,438
Park Property Note	34,775	39,196
Total Notes Receivable	\$2,878,059	\$2,770,634

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 7.1% interest, is due December 1, 2018, 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, 2013 and 2012  
(Continued)

G. **NOTES RECEIVABLE** (Continued)

As of December 31, 2013, the notes receivable amounts are expected to be collected as follows:

<u>Years Ending</u>	<u>Amount</u>
2014	\$ 241,443
2015	145,277
2016	150,568
2017	155,902
2018	161,458
Thereafter	<u>2,023,411</u>
	<u>\$2,878,059</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 ASSETS**

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>2013</u>	<u>2012</u>
Agnes & Grace Muller	\$190,403	\$162,137
Farmington Ora Mosier Trust Fund	50,352	50,004
Episcopal Church Women Education Fund	50,591	40,613
St. Francis (Wildwood)	<u>35,673</u>	<u>30,245</u>
Total	<u>\$327,019</u>	<u>\$282,999</u>

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012  
(Continued)

I. **NET ASSETS**

Net assets are comprised of the following at December 31:

	2013	2012
Unrestricted	<u>\$ 9,902,250</u>	<u>\$ 8,282,358</u>
Temporarily Restricted - Purpose		
Aged & Infirm Clergy	1,299,854	1,100,434
New Witness Fund	412,617	335,271
Donaldson Fund	137,876	125,449
Lui Funds	137,534	-
Theological Education	215,289	177,598
Bishop Trust Funds	103,999	93,791
Cadigan Fellowship	43,021	39,682
W.A. Jones Endowment	45,319	37,003
New Ventures in Community Ministry	26,069	26,463
New Ministries on Campus	20,884	20,777
Church Assistance	-	329
Total Temporarily Restricted	<u>2,442,462</u>	<u>1,956,797</u>
Permanently Restricted		
Thompson Memorial Trust	16,250,063	14,136,902
White Memorial Trust	10,746,899	10,288,416
Kelton White Fund	8,463,439	7,953,526
Donaldson Fund	1,569,484	1,344,312
New Ministries on Campus	1,241,692	1,047,902
New Ventures in Community Ministry	1,241,692	1,057,902
Church Assistance	789,543	681,515
Bishop's Funds	737,409	616,227
Cadigan Fellowship	179,589	145,786
Shank Memorial Trust	108,458	98,256
Total Permanently Restricted	<u>41,328,268</u>	<u>37,370,744</u>
Total Net Assets	<u>\$53,672,980</u>	<u>\$47,609,899</u>

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012  
(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:

	2013	2012
Purpose Restrictions Met:		
Donaldson Fund	\$ 60,755	\$ 57,657
Lui Funds	37,588	136,917
Aged & Infirm Clergy	21,497	31,355
New Ventures in Community Ministry	19,896	14,500
New Ministries on Campus	19,000	17,000
Church Assistance	12,671	13,031
Bishop Trust Funds	3,158	6,029
Theological Education	-	3,750
New Witness Fund	-	1,873
Total	<u>\$174,565</u>	<u>\$282,112</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 2013 and 2012, the total amount of retirement expense was \$104,038 and \$96,093, respectively.

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013 and 2012  
(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, 2013 and 2012 and the employer contributions represent less than 5% of the total plan contributions. Other qualitative information about the Fund as of March, 31:

	2013	2012
Total plan assets	\$10,699,062,607	\$10,166,723,981
Actuarial present value of accumulated plan benefit obligations for Clergy Plan	6,019,440,000	6,144,918,000
Total contributions	368,672,000	546,527,000

**L. OPERATING LEASES**

The Diocese leases office equipment under a non-cancelable operating lease that expires April 2017. The future minimum lease payments required under these leases are as follows:

<u>Years Ending December 31,</u>	
2014	\$12,228
2015	12,228
2016	12,228
2017	<u>4,076</u>
	<u>\$40,760</u>

Total lease expense was \$13,833 and \$15,788 during the years ended December 31, 2013 and 2012, respectively.

**M. IN-KIND DONATIONS**

The Diocese leases office space at a bargain rate of \$1.00 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, 2013 and 2012.

**SUPPLEMENTARY  
INFORMATION**



**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, 2013, and have issued our report thereon dated June 7, 2014, 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.

A handwritten signature in cursive script that reads 'Schmersahl Treloar &amp; Co., PC'.

June 7, 2014



Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
SCHEDULE OF NET ASSETS – UNRESTRICTED FUNDS  
December 31, 2013

The assets listed below are the unrestricted net assets 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.

Fund Name	Amount	Description
NET ASSETS		
Diocesan Operating Fund	\$2,351,767	Unrestricted funds used to account for the day-to-day operations of the Diocese
Allocation for Bishop Transition	143,398	An unrestricted fund established to provide for future bishop transitions within the Diocese.
General Unrestricted Funds	2,347,321	Represents the accumulation of several small unrestricted funds, some of which the Diocese has temporarily designated for specific Diocesan initiatives.
Kelton White Unrestricted Fund	2,713,155	Income generated by the White Memorial 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. Interest earned on the Kelton White Loan Fund - PR is unrestricted and is maintained here.
Future Building and Property Fund	1,284,244	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	537,070	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	158,794	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	181,620	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, 2013  
*(Continued)*

<b>Fund Name</b>	<b>Amount</b>	<b>Description</b>
NET ASSETS		
New Witness Fund Accumulated Income	131,498	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	41,804	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>11,579</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>\$9,902,250</u>	

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
SCHEDULE OF NET ASSETS – TEMPORARILY RESTRICTED FUNDS  
December 31, 2013

The assets listed below are the temporarily restricted net assets 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.

Fund Name	Amount	Description
NET ASSETS		
Aged & Infirm Clergy Fund - TR	\$1,299,854	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	412,617	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	215,289	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	137,876	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	137,534	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	103,999	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, 2013  
*(Continued)*

<b>Fund Name</b>	<b>Amount</b>	<b>Description</b>
<b>NET ASSETS</b>		
Cadigan Fellowship Fund Accumulated Income - TR	43,021	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	45,319	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	26,069	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	20,884	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.
Church Assistance Endowment Fund Accumulated Income – TR	<u>-</u>	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 in the Church Assistance Endowment Fund – PR. The income generated from the Church Assistance Endowment Fund – PR is temporarily restricted and is maintained here.
 Total Temporarily Restricted Net Assets	 <u>\$2,442,462</u>	

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
SCHEDULE OF NET ASSETS – PERMANENTLY RESTRICTED FUNDS  
December 31, 2013

The assets listed below are the permanently restricted net assets 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.

Fund Name	Amount	Description
NET ASSETS		
Thompson Memorial Trust - PR	\$16,250,063	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	10,746,899	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	8,463,439	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	1,569,484	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	1,241,692	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, 2013  
*(Continued)*

Fund Name	Amount	Description
NET ASSETS		
New Ministries on Campus – PR	1,241,692	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	789,543	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	737,409	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	179,589	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>108,458</u>	The William Capen Shank and Mariee 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>\$41,328,268</u>	