

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

**FINANCIAL STATEMENTS,  
SUPPLEMENTAL INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

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

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT .....	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	2
Statements of Activities and Changes in Net Assets .....	3
Statements of Cash Flows.....	4
Notes to Financial Statements.....	5 - 16
SUPPLEMENTAL INFORMATION	
Independent Auditors' Report on Supplemental Information.....	17
Schedule of Net Assets – Unrestricted Funds.....	18 - 19
Schedule of Net Assets – Temporarily Restricted Funds.....	20 - 21
Schedule of Net Assets – Permanently Restricted Funds .....	22 - 23



## Independent Auditors' Report

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

We have audited the accompanying statements of financial position of the Corporation of the Episcopal Diocese of Missouri d/b/a Diocese of Missouri (the "Diocese") as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Diocese's management. 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 from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

June 9, 2012

**FINANCIAL STATEMENTS**

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

ASSETS

	December 31,	
	2011	2010
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 349,168	\$ 498,034
Receivables	246,946	191,067
Total Current Assets	596,114	689,101
<b>LAND AND BUILDINGS, at cost</b>		
Land	705,169	705,169
Buildings and furnishings	4,339,623	4,356,323
Office equipment	110,163	114,413
Leasehold improvements	268,834	268,834
	5,423,789	5,444,739
Accumulated depreciation	3,395,191	3,300,523
Total Land and Buildings, net	2,028,598	2,144,216
NOTES RECEIVABLE	2,935,668	4,292,972
BENEFICIAL INTEREST IN THIRD PARTY TRUSTS	23,783,776	25,808,508
MARKETABLE SECURITIES	15,278,024	12,858,076
Total Assets	\$ 44,622,180	\$ 45,792,873

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 259,220	\$ 239,520
Custodial funds	262,826	247,357
Total Current Liabilities	522,046	486,877
<b>NET ASSETS</b>		
Unrestricted	7,483,542	7,302,859
Temporarily restricted	1,844,036	1,957,922
Permanently restricted	34,772,556	36,045,215
Total Net Assets	44,100,134	45,305,996
Total Liabilities and Net Assets	\$ 44,622,180	\$ 45,792,873

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, 2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUE</b>				
Contributions				
Parishes and missions	\$ 1,076,698	\$ -	\$ -	\$ 1,076,698
Program and property income	202,411	-	-	202,411
Investment income, net of fees	351,054	98,115	-	449,169
Net gain (loss) on investments	783,143	68,304	( 1,272,659)	( 421,212)
Gain on sale of property	7,807	-	-	7,807
<b>Total Revenue</b>	<u>2,421,113</u>	<u>166,419</u>	<u>( 1,272,659)</u>	<u>1,314,873</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
	<u>280,305</u>	<u>( 280,305)</u>	<u>-</u>	<u>-</u>
<b>EXPENSES</b>				
Program Services				
Making disciples	189,076	-	-	189,076
Supporting congregations	681,652	-	-	681,652
The Episcopate	798,621	-	-	798,621
Communications	198,929	-	-	198,929
<b>Total Program Expenses</b>	<u>1,868,278</u>	<u>-</u>	<u>-</u>	<u>1,868,278</u>
<b>Administrative Expenses</b>	<u>652,457</u>	<u>-</u>	<u>-</u>	<u>652,457</u>
<b>Total Expenses</b>	<u>2,520,735</u>	<u>-</u>	<u>-</u>	<u>2,520,735</u>
<b>Change in Net Assets</b>	<u>180,683</u>	<u>( 113,886)</u>	<u>( 1,272,659)</u>	<u>( 1,205,862)</u>
<b>NET ASSETS, Beginning of year</b>	<u>7,302,859</u>	<u>1,957,922</u>	<u>36,045,215</u>	<u>45,305,996</u>
<b>NET ASSETS, End of year</b>	<u>\$ 7,483,542</u>	<u>\$ 1,844,036</u>	<u>\$ 34,772,556</u>	<u>\$ 44,100,134</u>

See accompanying notes to financial statements

For the Year Ended December 31, 2010

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,079,056	\$ -	\$ -	\$ 1,079,056
192,871	-	-	192,871
784,039	53,852	292,436	1,130,327
1,085,287	229,077	1,485,957	2,800,321
182,679	-	-	182,679
<u>3,323,932</u>	<u>282,929</u>	<u>1,778,393</u>	<u>5,385,254</u>
<u>302,525</u>	<u>( 302,525)</u>	<u>-</u>	<u>-</u>
197,559	-	-	197,559
773,312	-	-	773,312
805,594	-	-	805,594
194,553	-	-	194,553
<u>1,971,018</u>	<u>-</u>	<u>-</u>	<u>1,971,018</u>
<u>703,944</u>	<u>-</u>	<u>-</u>	<u>703,944</u>
<u>2,674,962</u>	<u>-</u>	<u>-</u>	<u>2,674,962</u>
951,495	( 19,596)	1,778,393	2,710,292
<u>6,351,364</u>	<u>1,977,518</u>	<u>34,266,822</u>	<u>42,595,704</u>
<u>\$ 7,302,859</u>	<u>\$ 1,957,922</u>	<u>\$ 36,045,215</u>	<u>\$ 45,305,996</u>

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

	Years Ended December 31,	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	(\$ 1,205,862)	\$ 2,710,292
Adjustments to reconcile change in net assets to net change in cash and cash equivalents from operating activities:		
Depreciation	104,892	106,041
Realized (gains) on investments, net	( 301,999)	( 639,513)
Unrealized (gains) on investments, net	( 369,700)	( 2,160,808)
Gain on sale of property	( 7,807)	( 182,679)
(Increase) in assets:		
Accounts receivable	( 55,879)	( 20,906)
Increase in liabilities:		
Accounts payable	19,700	62,541
Custodial funds	15,469	11,421
Net Change in Cash and Cash Equivalents from Operating Activities	( 1,801,186)	( 113,611)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Issuance of notes receivable	-	( 85,000)
Payments received on notes receivable	1,357,304	1,289,834
Purchase of investments	( 2,011,500)	( 3,441,381)
Proceeds on sale of investments	2,287,983	2,390,017
Purchase of fixed assets	( 7,712)	( 6,024)
Proceeds on sale of assets	26,245	182,679
Net Change in Cash and Cash Equivalents from Investing Activities	1,652,320	330,125
<b>NET CHANGE IN CASH     AND CASH EQUIVALENTS</b>	( 148,866)	216,514
CASH AND CASH EQUIVALENTS, Beginning of year	498,034	281,520
CASH AND CASH EQUIVALENTS, End of year	\$ 349,168	\$ 498,034
<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, 2011 and 2010

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

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010  
(Continued)

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. 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.

**Land and Buildings**

Management has recorded the investment in land and buildings at estimated original cost and states equipment at cost. 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 large majority of the members of a congregation choose to leave the Diocese, ownership of the property would revert back to the Diocese.

**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.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to current year presentation.

**Subsequent Events**

In preparing these financial statements, the Diocese has evaluated events and transactions for potential recognition or disclosure through June 9, 2012, the date the financial statements were available to be issued.

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010  
(Continued)

**B. MARKETABLE SECURITIES**

Marketable securities are summarized as follows as of December 31:

	2011	2010
Corporate Stocks	\$ 1,864	\$ 1,864
Diocesan Investment Trust of the Diocese of Missouri:		
Fixed income fund	6,239,648	4,640,677
Equity fund	9,036,512	8,215,535
Total Investments	\$15,278,024	\$12,858,076

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

The amounts reported as investment gains (losses) 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 were \$28,973 and \$23,947 for the years ended December 31, 2011 and 2010, respectively.

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010  
(Continued)

**C. 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;

	<u>2011</u>	<u>2010</u>
Money Market Accounts	\$ 393,893	\$ 583,690
Corporate stocks - domestic	6,441,860	10,170,902
Corporate stocks - foreign	1,899,945	1,672,475
Corporate bonds - domestic	2,184,680	2,840,187
Corporate bonds - foreign	-	712,482
Managed equity funds	7,325,020	4,216,722
Managed bond funds	3,680,073	387,172
Government obligations	1,175,667	4,949,702
Real estate	196,356	128,877
Other	52,179	-
Commodities	<u>434,103</u>	<u>146,299</u>
 Total Beneficial Interest in Third Party Trusts	 <u><u>\$23,783,776</u></u>	 <u><u>\$25,808,508</u></u>
 Allocation of Interests Based on Nature of Restrictions:		
Unrestricted	\$ 1,050,603	\$ 1,188,863
Permanently restricted	<u>22,733,173</u>	<u>24,619,645</u>
 Total	 <u><u>\$23,783,776</u></u>	 <u><u>\$25,808,508</u></u>

Investment management and other fees were \$146,283 and \$115,087 for the years ended December 31, 2011 and 2010, respectively.

**D. ENDOWMENT**

The endowments consist of twenty individual donor-restricted funds 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, 2011 and 2010  
(Continued)

D. **ENDOWMENT** (Continued)

For the years ended December 31, 2011 and 2010, respectively, the Diocese had the following endowment-related activities:

	2011 Endowment Funds		
	Donor-Restricted		
	Temporarily Restricted	Permanently Restricted	Total
Investment Return			
Investment Income	\$ 98,115	\$ -	\$ 98,115
Net Appreciation (realized and unrealized)	68,304	( 1,272,659)	( 1,204,355)
Total Investment Income	166,419	( 1,272,659)	( 1,106,240)
Amounts Appropriated for Expenditure	( 280,305)		( 280,305)
Total Change in Endowment Funds	<u>(\$113,886)</u>	<u>(\$1,272,659)</u>	<u>(\$1,386,545)</u>

	2010 Endowment Funds		
	Donor-Restricted		
	Temporarily Restricted	Permanently Restricted	Total
Investment Return			
Investment Income	\$ 53,852	\$ 822,659	\$ 876,511
Net Appreciation (realized and unrealized)	229,077	955,734	1,184,811
Total Investment Income	282,929	1,778,393	2,061,322
Amounts Appropriated for Expenditure	( 302,525)	-	( 302,535)
Total Change in Endowment Funds	<u>(\$ 19,596)</u>	<u>\$1,778,393</u>	<u>\$1,758,787</u>

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010  
(Continued)

**E. FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at December 31, 2011 and 2010 are as follows:

	<u>Fair Value Measurements at December 31, 2011 Using</u>			
	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	6,239,648	-	6,239,648	-
DIT - Equity funds	9,036,512	9,036,512	-	-
Total	<u>\$15,278,024</u>	<u>\$ 9,038,376</u>	<u>\$6,239,648</u>	<u>\$ -</u>
<u>Beneficial Interest in Third-Party Trusts</u>				
Corporate stocks – domestic	\$ 6,441,860	\$ 6,441,860	\$ -	\$ -
Corporate stocks – foreign	1,899,945	1,899,945	-	-
Government obligations	1,175,667	-	1,175,667	-
Corporate bonds – domestic	2,184,680	-	2,184,680	-
Corporate bonds – foreign	-	-	-	-
Managed equity funds	7,325,020	7,325,020	-	-
Managed bond funds	3,680,073	-	3,680,073	-
Real estate	196,356	-	196,356	-
Commodities	434,103	-	434,103	-
Other	52,179	-	52,179	-
Money market funds	393,893	393,893	-	-
Total	<u>\$23,783,776</u>	<u>\$16,060,718</u>	<u>\$7,723,058</u>	<u>\$ -</u>

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010  
(Continued)

E. **FAIR VALUE MEASUREMENTS** (Continued)

	<u>Fair Value Measurements at December 31, 2010 Using</u>			
	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	4,640,677	-	4,640,677	-
DIT - Equity funds	8,215,535	8,215,535	-	-
Total	<u>\$12,858,076</u>	<u>\$ 8,217,399</u>	<u>\$4,640,677</u>	<u>\$ -</u>
<u>Beneficial Interest in Third-Party Trusts</u>				
Corporate stocks – domestic	\$10,170,902	\$10,170,902	\$ -	\$ -
Corporate stocks – foreign	1,672,475	1,672,475	-	-
Government obligations	4,949,702	-	4,949,702	-
Corporate bonds – domestic	2,840,187	-	2,840,187	-
Corporate bonds – foreign	712,482	-	712,482	-
Managed equity funds	4,216,722	4,216,722	-	-
Managed bond funds	387,172	-	387,172	-
Real estate	128,877	-	128,877	-
Commodities	146,299	-	146,299	-
Other	-	-	-	-
Money market funds	583,690	583,690	-	-
Total	<u>\$25,808,508</u>	<u>\$16,643,789</u>	<u>\$9,164,719</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, 2011 and 2010  
(Continued)

**F. 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 4% to 5%, due at various dates through 2031 and secured by the church properties, consist of the following at December 31,:

	2011	2010
Christ Church Cathedral, St. Louis	\$ -	\$ 889,381
Christ Episcopal Church, Rolla	857,773	879,406
Emmanuel Episcopal Church	159,856	445,555
Mission Church of the Transfiguration, Lake St. Louis	563,896	571,968
Church of the Holy Communion	476,289	514,892
Trinity, St. Charles	341,651	429,116
Grace Episcopal Church, Kirkwood	282,916	291,661
St. Peter's, Ladue	166,414	177,608
Trinity, Jefferson County	9,594	11,544
St. John's, St. Louis	34,130	34,861
Total	2,892,519	4,245,992

Standing Committee has granted moratoriums on loan payments and interest on two loans, which may ultimately impact their collection. However, the trust allows them 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 February 25, 2015, and is secured by the property, improvements thereon, and personal guarantees. The value of the note at December 31 was as follows:

Park Property Note	43,149	46,980
Total Notes Receivable	\$2,935,668	\$4,292,972



Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010  
(Continued)

F. **NOTES RECEIVABLE** (Continued)

The notes receivable amounts are expected to be collected as follows:

<u>Year</u> <u>Ending</u>	<u>Amount</u>
2012	\$ 124,447
2013	125,249
2014	617,021
2015	150,404
2016	92,250
Thereafter	<u>1,826,297</u>
	<u>\$2,935,668</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.

G. **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>2011</u>	<u>2010</u>
Agnes & Grace Muller	\$148,927	\$141,775
Farmington Ora Mosier Trust Fund	49,199	46,781
Episcopal Church Women Education Fund	36,947	36,384
St. Paul's (Ironton)	-	14,768
St. Francis (Wildwood)	<u>27,753</u>	<u>7,649</u>
Total	<u>\$262,826</u>	<u>\$247,357</u>

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010  
(Continued)

H. **NET ASSETS**

Net assets are comprised of the following at December 31:

	2011	2010
Unrestricted	<u>\$ 7,483,542</u>	<u>\$ 7,302,859</u>
Temporarily Restricted - Purpose		
Aged & Infirm Clergy	1,043,838	1,031,314
New Witness Fund	305,824	408,408
Donaldson Fund	134,247	169,460
Theological Education	166,479	163,497
Bishop Trust Funds	86,176	78,107
Cadigan Fellowship	36,327	33,151
W.A. Jones Endowment	33,772	32,664
New Ventures in Community Ministry	20,279	24,134
New Ministries on Campus	<u>17,094</u>	<u>17,187</u>
Total Temporarily Restricted	<u>1,844,036</u>	<u>1,957,922</u>
Permanently Restricted		
Thompson Memorial Trust	13,218,523	14,329,235
White Memorial Trust	9,422,886	10,192,602
Kelton White Fund	7,509,852	7,025,837
Donaldson Fund	1,252,187	1,215,177
New Ministries on Campus	972,396	945,886
New Ventures in Community Ministry	972,396	945,886
Church Assistance	632,017	628,484
Bishop's Funds	567,788	535,489
Cadigan Fellowship	132,748	128,827
Shank Memorial Trust	<u>91,763</u>	<u>97,792</u>
Total Permanently Restricted	<u>34,772,556</u>	<u>36,045,215</u>
Total Net Assets	<u><u>\$44,100,134</u></u>	<u><u>\$45,305,996</u></u>

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010  
(Continued)

H. **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:

	2011	2010
Purpose Restrictions Met:		
New Witness Fund	\$117,250	\$160,244
Donaldson Fund	74,600	60,428
Church Assistance	13,472	7,614
Aged & Infirm	25,270	24,970
New Ministries on Campus	20,000	24,000
New Ventures in Community Ministry	23,772	18,139
Bishop Trust Funds	3,691	4,130
Theological Education	2,250	3,000
Total	\$280,305	\$302,525

I. **DISTRIBUTION POLICY**

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%.

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 not experienced any losses in such accounts.

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.

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011 and 2010  
*(Continued)*

**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 if the participant has at least one year of service and is 21 years of age or older. For the clergy employees, the Diocese contributes 18% of the participant's salary to the pension fund if the participant is 21 years of age or older. During 2011 and 2010, the total amount of retirement expense was \$88,739 and \$86,690, respectively.

**SUPPLEMENTAL  
INFORMATION**



**Independent Auditors' Report  
on Supplemental Information**

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

Our report on our audits of the basic financial statements of the Corporation of the Episcopal Diocese of Missouri d/b/a Diocese of Missouri for the year ended December 31, 2011, appears on page one. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Net Assets on pages 18 through 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Schmersahl Treloar & Co., PC*  
June 9, 2012

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
**SCHEDULE OF NET ASSETS – UNRESTRICTED FUNDS**  
December 31, 2011

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
<b>NET ASSETS</b>		
Diocesan Operating Fund	\$2,160,990	Unrestricted funds used to account for the day-to-day operations of the Diocese
Allocation for Bishop Transition	108,184	An unrestricted fund established to provide for future bishop transitions within the Diocese.
General Unrestricted Funds	1,968,693	Represents the accumulation of several small unrestricted funds, some of which the Diocese has temporarily designated for specific Diocesan initiatives.
Kelton White Unrestricted Fund	1,112,303	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	1,132,352	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.
Thompson Fund	302,356	The Thompson Memorial Trust generates unrestricted income which is to be used for the religious and charitable purposes of the Diocese. This unspent, unrestricted income is accumulated here.
Campus Ministry Fund	420,373	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.

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
SCHEDULE OF NET ASSETS – UNRESTRICTED FUNDS  
December 31, 2011  
*(Continued)*

Fund Name	Amount	Description
NET ASSETS		
New Witness Fund Accumulated Income	101,030	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.
Aged & Infirm Clergy Fund Accumulated Income	133,665	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.
W.A. Jones Endowment Fund Accumulated Income	9,893	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.
Theological Education Fund Accumulated Income	<u>33,703</u>	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.
Total Net Assets	<u><u>\$7,483,542</u></u>	



Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
SCHEDULE OF NET ASSETS – TEMPORARILY RESTRICTED FUNDS  
December 31, 2011

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	\$1,043,838	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	305,824	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.
Donaldson Fund Accumulated Income - TR	134,247	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.
Theological Education Fund - TR	166,479	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.
Bishop's Trust Funds - TR	86,176	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.
New Ministries on Campus Accumulated Income - TR	17,094	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.

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
**SCHEDULE OF NET ASSETS – TEMPORARILY RESTRICTED FUNDS**  
December 31, 2011  
*(Continued)*

NET ASSETS	<b>Fund Name</b>	<b>Amount</b>	<b>Description</b>
	New Ventures in Community Ministry Accumulated Income – TR	20,279	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.
	W.A. Jones Endowment Fund - TR	33,772	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.
	Cadigan Fellowship Fund Accumulated Income - TR	36,327	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.
	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 Net Assets	<u><u>\$1,844,036</u></u>	

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
**SCHEDULE OF NET ASSETS – PERMANENTLY RESTRICTED FUNDS**  
December 31, 2011

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	\$13,218,523	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	9,422,886	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	7,509,852	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	1,252,187	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 Ministries on Campus – PR	972,396	They are 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.

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
SCHEDULE OF NET ASSETS – PERMANENTLY RESTRICTED FUNDS  
December 31, 2011  
*(Continued)*

Fund Name	Amount	Description
NET ASSETS		
New Ventures in Community Ministry – PR	972,396	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.
Church Assistance Endowment Fund – PR	632,017	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	567,788	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	132,748	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>91,763</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 Net Assets	<u><u>\$34,772,556</u></u>	