

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

**FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2012 AND 2011**

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, 2012 and 2011, 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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, 2012 and 2011, 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.

*Shiversahl Talbot & Co., PC*

St. Louis, Missouri

June 8, 2013

**FINANCIAL STATEMENTS**

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

ASSETS

	December 31,	
	2012	2011
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 254,397	\$ 349,168
Receivables	<u>295,418</u>	<u>246,946</u>
 Total Current Assets	 <u>549,815</u>	 <u>596,114</u>
 <b>LAND AND BUILDINGS, at cost</b>		
Land	705,169	705,169
Buildings and furnishings	4,339,623	4,339,623
Office equipment	113,275	110,163
Leasehold improvements	<u>268,834</u>	<u>268,834</u>
	5,426,901	5,423,789
Accumulated depreciation	<u>3,489,796</u>	<u>3,395,191</u>
 Construction in Progress	 <u>165,663</u>	 <u>-</u>
 Total Land and Buildings, net	 2,102,768	 2,028,598
 NOTES RECEIVABLE	 2,770,634	 2,935,668
BENEFICIAL INTEREST IN THIRD PARTY TRUSTS	25,616,970	23,783,776
MARKETABLE SECURITIES	<u>17,079,639</u>	<u>15,278,024</u>
 Total Assets	 <u>\$ 48,119,826</u>	 <u>\$ 44,622,180</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 226,928	\$ 259,220
Custodial funds	<u>282,999</u>	<u>262,826</u>
 Total Current Liabilities	 <u>509,927</u>	 <u>522,046</u>
 <b>NET ASSETS</b>		
Unrestricted	8,282,358	7,483,542
Temporarily restricted	1,956,797	1,844,036
Permanently restricted	<u>37,370,744</u>	<u>34,772,556</u>
 Total Net Assets	 <u>47,609,899</u>	 <u>44,100,134</u>
 Total Liabilities and Net Assets	 <u>\$ 48,119,826</u>	 <u>\$ 44,622,180</u>

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, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE</b>				
Contributions				
Parishes and missions	\$ 1,091,128	\$ -	\$ -	\$ 1,091,128
Program and property income	239,533	-	-	239,533
Investment income, net of fees	426,131	101,860	-	527,991
Net gain (loss) on investments	1,412,749	156,096	2,598,188	4,167,033
Gain on sale of property	-	-	-	-
	<u>3,169,541</u>	<u>257,956</u>	<u>2,598,188</u>	<u>6,025,685</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>145,195</u>	<u>( 145,195)</u>	<u>-</u>	<u>-</u>
<b>EXPENSES</b>				
Program Services				
Making disciples	148,827	-	-	148,827
Supporting congregations	656,259	-	-	656,259
The Episcopate	844,482	-	-	844,482
Communications	204,016	-	-	204,016
	<u>1,853,584</u>	<u>-</u>	<u>-</u>	<u>1,853,584</u>
Administrative Expenses	<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>
Change in Net Assets	798,816	112,761	2,598,188	3,509,765
NET ASSETS, Beginning of year	<u>7,483,542</u>	<u>1,844,036</u>	<u>34,772,556</u>	<u>44,100,134</u>
NET ASSETS, End of year	<u>\$ 8,282,358</u>	<u>\$ 1,956,797</u>	<u>\$ 37,370,744</u>	<u>\$ 47,609,899</u>

See accompanying notes to financial statements

For the Year Ended December 31, 2011

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,076,698	\$ -	\$ -	\$ 1,076,698
210,506	-	-	210,506
351,054	98,115	-	449,169
783,143	68,304	( 1,272,659)	( 421,212)
7,807	-	-	7,807
<u>2,429,208</u>	<u>166,419</u>	<u>( 1,272,659)</u>	<u>1,322,968</u>
<u>280,305</u>	<u>( 280,305)</u>	<u>-</u>	<u>-</u>
189,076	-	-	189,076
681,652	-	-	681,652
798,621	-	-	798,621
198,929	-	-	198,929
1,868,278	-	-	1,868,278
<u>660,552</u>	<u>-</u>	<u>-</u>	<u>660,552</u>
<u>2,528,830</u>	<u>-</u>	<u>-</u>	<u>2,528,830</u>
180,683	( 113,886)	( 1,272,659)	( 1,205,862)
<u>7,302,859</u>	<u>1,957,922</u>	<u>36,045,215</u>	<u>45,305,996</u>
<u>\$ 7,483,542</u>	<u>\$ 1,844,036</u>	<u>\$ 34,772,556</u>	<u>\$ 44,100,134</u>



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

	Years Ended December 31,	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,509,765	(\$ 1,205,862)
Adjustments to reconcile change in net assets to net change in cash and cash equivalents from operating activities:		
Depreciation	94,605	104,892
Realized and unrealized (gains) on investments, net	( 2,006,827)	( 671,699)
Gain on sale of property	-	( 7,807)
(Increase) in assets:		
Accounts receivable	( 48,472)	( 55,879)
Increase in liabilities:		
Accounts payable	( 32,292)	19,700
Custodial funds	20,173	15,469
Net Change in Cash and Cash Equivalents from Operating Activities	1,536,952	( 1,801,186)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments received on notes receivable	165,034	1,357,304
Purchase of investments	( 2,289,137)	( 2,011,500)
Proceeds on sale of investments	661,155	2,287,983
Purchase of fixed assets	( 168,775)	( 7,712)
Proceeds on sale of assets	-	26,245
Net Change in Cash and Cash Equivalents from Investing Activities	( 1,631,723)	1,652,320
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
	( 94,771)	( 148,866)
CASH AND CASH EQUIVALENTS, Beginning of year	349,168	498,034
CASH AND CASH EQUIVALENTS, End of year	\$ 254,397	\$ 349,168
<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, 2012 and 2011

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.

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011  
(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 Statement of Activities and Changes in Net Assets, except for those realized on custodial assets held on behalf of others. (See Note G).

**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.

**Subsequent Events**

In preparing these financial statements, the Diocese has evaluated events and transactions for potential recognition or disclosure through June 8, 2013, 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, 2012 and 2011  
(Continued)

**B. INVESTMENTS**

Investments consist of the following at December 31:

	2012	2011
Beneficial Interest in		
Third Party Trusts (Note D)	\$25,616,970	\$23,783,776
Marketable Equity Securities (Note C)	17,079,639	15,278,024
	\$42,696,609	\$39,061,800

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, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest, net of fees	\$ 426,131	\$101,860	\$ -	\$ 527,991
Net realized and unrealized gains	1,412,749	156,096	2,598,188	4,167,033
Total return on investments	\$1,838,880	257,956	\$2,598,188	\$4,695,024

	December 31, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividends and interest, net of fees	\$ 351,054	\$ 98,115	\$ -	\$449,169
Net realized and unrealized gains	783,143	68,304	( 1,272,659)	( 421,212)
Total return on investments	\$1,134,197	\$166,419	(\$1,272,659)	\$ 27,957

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011  
*(Continued)*

**C. MARKETABLE SECURITIES**

Marketable securities are summarized as follows as of December 31:

	2012	2011
Corporate Stocks	\$ 1,864	\$ 1,864
Diocesan Investment Trust of the Diocese of Missouri:		
Fixed income fund	6,704,714	6,239,648
Equity fund	10,373,061	9,036,512
Total Investments	\$17,079,639	\$15,278,024

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 for the Diocesan Investment Trust were \$35,640 and \$28,973 for the years ended December 31, 2012 and 2011, respectively.

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011  
(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;

	2012	2011
Money Market Accounts	\$ 1,148,903	\$ 393,893
Corporate stocks - domestic	7,121,643	6,441,860
Corporate stocks - foreign	2,375,592	1,899,945
Corporate bonds - domestic	1,974,377	2,184,680
Managed equity funds	5,979,796	7,325,020
Managed bond funds	3,834,649	3,680,073
Hedge Funds	1,206,035	-
Private Equity	110,280	-
Government obligations	802,893	1,175,667
Real estate	411,870	196,356
Commodities	595,187	434,103
Other	55,745	52,179
Total Beneficial Interest in Third Party Trusts	\$25,616,970	\$23,783,776
Allocation of Interests Based on Nature of Restrictions:		
Unrestricted	\$ 1,093,396	\$ 1,050,603
Permanently restricted	24,523,574	22,733,173
Total	\$25,616,970	\$23,783,776

Investment management and other fees for the third-party trusts were \$155,292 and \$148,202 for the years ended December 31, 2012 and 2011, respectively.

**E. 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, 2012 and 2011  
(Continued)

E. **ENDOWMENT** (Continued)

For the years ended December 31, 2012 and 2011, respectively, the Diocese had the following endowment-related activities:

	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>

	2011 Endowment Funds		
	Donor-Restricted		Total
	Temporarily Restricted	Permanently Restricted	
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>

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011  
(Continued)

**F. FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at December 31, 2012 and 2011 are as follows:

	<u>Fair Value Measurements at December 31, 2012</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	6,704,714	-	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>



Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011  
(Continued)

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

	Fair Value Measurements at December 31, 2011			
	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	-
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 accounts	393,893	393,893	-	-
Total	<u>\$23,783,776</u>	<u>\$16,060,718</u>	<u>\$7,723,058</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, 2012 and 2011  
(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 3% to 5%, due at various dates through 2031 and secured by the church properties, consist of the following at December 31:

	2012	2011
Christ Episcopal Church, Rolla	\$ 836,738	\$ 857,773
Emmanuel Episcopal Church	112,745	159,856
Mission Church of the Transfiguration, Lake St. Louis	554,191	563,896
Church of the Holy Communion	435,773	476,289
Trinity, St. Charles	341,651	341,651
Grace Episcopal Church, Kirkwood	273,911	282,916
St. Peter’s, Ladue	154,577	166,414
Trinity, Jefferson County	7,794	9,594
St. John’s, St. Louis	14,058	34,130
Total Kelton White Loans	2,731,438	2,892,519
Park Property Note	39,196	43,149
Total Notes Receivable	\$2,770,634	\$2,935,668

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 February 25, 2015, 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, 2012 and 2011  
(Continued)

G. **NOTES RECEIVABLE** (Continued)

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

Year Ending	Amount
2013	\$ 165,823
2014	581,049
2015	109,414
2016	74,804
2017	76,159
Thereafter	1,763,385
	\$2,770,634

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:

	2012	2011
Agnes & Grace Muller	\$162,137	\$148,927
Farmington Ora Mosier Trust Fund	50,004	49,199
Episcopal Church Women Education Fund	40,613	36,947
St. Francis (Wildwood)	30,245	27,753
Total	\$282,999	\$262,826

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011  
(Continued)

I. **NET ASSETS**

Net assets are comprised of the following at December 31:

	2012	2011
Unrestricted	\$ 8,282,358	\$ 7,483,542
Temporarily Restricted - Purpose		
Aged & Infirm Clergy	1,100,434	1,043,838
New Witness Fund	335,271	305,824
Donaldson Fund	125,449	134,247
Theological Education	177,598	166,479
Bishop Trust Funds	93,791	86,176
Cadigan Fellowship	39,682	36,327
W.A. Jones Endowment	37,003	33,772
New Ventures in Community Ministry	26,463	20,279
New Ministries on Campus	20,777	17,094
Church Assistance	329	-
Total Temporarily Restricted	1,956,797	1,844,036
Permanently Restricted		
Thompson Memorial Trust	14,136,902	13,218,523
White Memorial Trust	10,288,416	9,422,886
Kelton White Fund	7,953,526	7,509,852
Donaldson Fund	1,344,312	1,252,187
New Ministries on Campus	1,047,902	972,396
New Ventures in Community Ministry	1,057,902	972,396
Church Assistance	681,515	632,017
Bishop's Funds	616,227	567,788
Cadigan Fellowship	145,786	132,748
Shank Memorial Trust	98,256	91,763
Total Permanently Restricted	37,370,744	34,772,556
Total Net Assets	\$47,609,899	\$44,100,134

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011  
(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:

	2012	2011
Purpose Restrictions Met:		
Aged & Infirm Clergy	\$ 31,355	\$ 25,270
New Witness Fund	1,873	117,250
Donaldson Fund	57,657	74,600
Theological Education	3,750	2,250
Bishop Trust Funds	6,029	3,691
New Ventures in Community Ministry	14,500	23,772
New Ministries on Campus	17,000	20,000
Church Assistance	13,031	13,472
Total	<u>\$145,195</u>	<u>\$280,305</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 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.

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 2012 and 2011, the total amount of retirement expense was \$96,093 and \$88,739, respectively.

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011  
(Continued)

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 2013 and April 2017, respectively. The future minimum lease payments required under these leases are as follows:

Years Ending <u>December 31,</u>	
2013	\$13,803
2014	12,228
2015	12,228
2016	12,228
2017	<u>12,228</u>
	<u>\$62,715</u>

Total lease expense was \$15,788 and \$15,158 during the years ended December 31, 2012 and 2011, respectively.

**ADDITIONAL  
INFORMATION**



**Independent Auditors' Report  
on Additional Information**

Board of Directors  
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, 2012, which contained an unmodified opinion on those financial statements, appears on page one. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Net Assets on pages 19 through 24 is presented for purposes of additional analysis and is not a required part of the basic 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 8, 2013



Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
**SCHEDULE OF NET ASSETS – UNRESTRICTED FUNDS**  
December 31, 2012

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	\$2,290,647	Unrestricted funds used to account for the day-to-day operations of the Diocese
Allocation for Bishop Transition	127,373	An unrestricted fund established to provide for future bishop transitions within the Diocese.
General Unrestricted Funds	2,143,632	Represents the accumulation of several small unrestricted funds, some of which the Diocese has temporarily designated for specific Diocesan initiatives.
Kelton White Unrestricted Fund	1,554,552	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	1,068,801	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	455,758	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	324,523	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.

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
SCHEDULE OF NET ASSETS – UNRESTRICTED FUNDS  
December 31, 2012  
(Continued)

Fund Name	Amount	Description
NET ASSETS		
Aged & Infirm Clergy Fund Accumulated Income	158,656	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.
New Witness Fund Accumulated Income	109,732	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	37,914	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>10,770</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>\$8,282,358</u></u>	

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
SCHEDULE OF NET ASSETS – TEMPORARILY RESTRICTED FUNDS  
December 31, 2012

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	\$1,100,434	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	335,271	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	177,598	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	125,449	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.
Bishop's Trust Funds - TR	93,791	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.
Cadigan Fellowship Fund Accumulated Income - TR	39,682	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.

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
SCHEDULE OF NET ASSETS – TEMPORARILY RESTRICTED FUNDS  
December 31, 2012  
*(Continued)*

Fund Name	Amount	Description
NET ASSETS		
W.A. Jones Endowment Fund - TR	37,003	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	26,463	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	20,777	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>329</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>\$1,956,797</u>	

Corporation of the Episcopal Diocese of Missouri  
d/b/a Diocese of Missouri  
SCHEDULE OF NET ASSETS – PERMANENTLY RESTRICTED FUNDS  
December 31, 2012

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	\$14,136,902	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	10,288,416	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	7,953,526	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	1,344,312	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	1,057,902	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, 2012  
*(Continued)*

<b>Fund Name</b>	<b>Amount</b>	<b>Description</b>
NET ASSETS		
New Ministries on Campus – PR	1,047,902	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	681,515	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	616,227	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	145,786	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>98,256</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><u>\$37,370,744</u></u>	