
***ROMAN CATHOLIC FOUNDATION
OF EASTERN MISSOURI
FINANCIAL STATEMENTS
DECEMBER 31, 2015***

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Independent Auditors' Report

Board of Trustees
Roman Catholic Foundation of Eastern Missouri
St. Louis, Missouri

Report On The Financial Statements

We have audited the accompanying financial statements of the Roman Catholic Foundation of Eastern Missouri, which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Roman Catholic Foundation of Eastern Missouri as of December 31, 2015 and 2014, 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.

RubinBrown LLP

April 21, 2016

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

STATEMENT OF FINANCIAL POSITION

	December 31,	
	2015	2014
Assets		
Cash (Note 3)	\$ 2,746,380	\$ 384,906
Investments (Notes 4 and 5)	3,460,200	—
Promises to give (Notes 6 and 10)	19,464,788	985,563
Other receivables	606	775
Prepaid expenses	3,604	—
Property and equipment (Note 7)	144,539	31,505
Permanently restricted promise to give (Notes 6 and 10)	2,677,022	3,340,109
Assets restricted for permanent endowment (Notes 4, 5 and 9)	5,357,592	2,913,866
Total Assets	\$ 33,854,731	\$ 7,656,724

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued liabilities	\$ 83,706	\$ 16,998
Funds held for others (Note 1)	11,871,857	255,000
Due to the Archdiocese (Note 14)	3,937	14,989
Grants payable	201,400	—
Total Liabilities	12,160,900	286,987
Net Assets (Note 8)		
Unrestricted	(872,232)	533,076
Temporarily restricted	14,531,449	582,686
Permanently restricted (Note 9)	8,034,614	6,253,975
Total Net Assets	21,693,831	7,369,737
Total Liabilities And Net Assets	\$ 33,854,731	\$ 7,656,724

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support And Revenue				
Contributions, including amounts raised for others	\$ 124,161	\$ 27,506,045	\$ 1,780,639	\$ 29,410,845
Less: Amounts raised for others (Note 1)	—	10,889,110	—	10,889,110
Net contributions (Note 10)	124,161	16,616,935	1,780,639	18,521,735
Investment management fees	5,089	—	—	5,089
Miscellaneous income	5,606	—	—	5,606
Interest and dividends	7,391	34,841	—	42,232
Net assets released from restrictions (Note 8)	2,654,153	(2,654,153)	—	—
Total Public Support And Revenue	2,796,400	13,997,623	1,780,639	18,574,662
Expenses (Note 13)				
Salaries	663,448	—	—	663,448
Employee benefits (Note 11)	97,429	—	—	97,429
Payroll taxes	46,953	—	—	46,953
Occupancy expenses (Note 12)	68,773	—	—	68,773
Office expenses	309,734	—	—	309,734
Professional fees	2,443,638	—	—	2,443,638
Insurance premiums	2,032	—	—	2,032
Grants and assessments	478,193	—	—	478,193
Interest expense	134	—	—	134
Depreciation and amortization expense	14,217	—	—	14,217
Other	31,304	—	—	31,304
Total Expenses	4,155,855	—	—	4,155,855
Increase (Decrease) In Net Assets Before Net Realized And Unrealized Losses On Investments	(1,359,455)	13,997,623	1,780,639	14,418,807
Net Realized And Unrealized Losses On Investments (Note 4)	(45,853)	(48,860)	—	(94,713)
Increase (Decrease) In Net Assets	(1,405,308)	13,948,763	1,780,639	14,324,094
Net Assets - Beginning Of Year	533,076	582,686	6,253,975	7,369,737
Net Assets - End Of Year	\$ (872,232)	\$ 14,531,449	\$ 8,034,614	\$ 21,693,831

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support And Revenue				
Contributions, including amounts raised for others	\$ 531,289	\$ 1,338,988	\$ 6,252,975	\$ 8,123,252
Less: Amounts raised for others (Note 1)	—	255,000	—	255,000
Net contributions (Note 10)	531,289	1,083,988	6,252,975	7,868,252
Grants	—	90,000	—	90,000
Miscellaneous income	25,409	—	—	25,409
Interest and dividends	—	794	—	794
Clarification of donor intent	—	(1,000)	1,000	—
Net assets released from restrictions (Note 8)	635,485	(635,485)	—	—
Total Public Support And Revenue	1,192,183	538,297	6,253,975	7,984,455
Expenses (Note 13)				
Salaries	273,692	—	—	273,692
Employee benefits (Note 11)	34,577	—	—	34,577
Payroll taxes	18,438	—	—	18,438
Occupancy expenses (Note 12)	48,311	—	—	48,311
Office expenses	58,992	—	—	58,992
Professional fees	510,404	—	—	510,404
Insurance premiums	4,184	—	—	4,184
Grants and assessments	35,846	—	—	35,846
Interest expense	661	—	—	661
Depreciation expense	5,601	—	—	5,601
Other	10,656	—	—	10,656
Total Expenses	1,001,362	—	—	1,001,362
Increase In Net Assets Before Net Realized And Unrealized Gains On Investments	190,821	538,297	6,253,975	6,983,093
Net Realized And Unrealized Gains On Investments (Note 4)	—	43,389	—	43,389
Increase In Net Assets	190,821	581,686	6,253,975	7,026,482
Net Assets - Beginning Of Year	342,255	1,000	—	343,255
Net Assets - End Of Year	\$ 533,076	\$ 582,686	\$ 6,253,975	\$ 7,369,737

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

STATEMENT OF CASH FLOWS

	For The Years	
	Ended December 31,	
	2015	2014
Cash Flows From Operating Activities		
Increase in net assets	\$ 14,324,094	\$ 7,026,482
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	14,217	5,601
Contributions restricted for permanent endowment	(1,780,639)	(6,252,975)
Net realized and unrealized (gains) losses on investments	94,713	(43,389)
Changes in assets and liabilities:		
Increase in promises to give	(18,479,225)	(985,563)
Decrease in other receivables	169	200
Increase in prepaid expenses	(3,604)	—
Increase (decrease) in accounts payable and accrued liabilities	66,708	(1,663)
Increase in funds held for others	11,616,857	255,000
Increase (decrease) in due to the Archdiocese	(11,052)	14,491
Increase in grants payable	201,400	—
Net Cash Provided By Operating Activities	6,043,638	18,184
Cash Flows From Investing Activities		
Purchases of investments	(9,111,921)	(2,918,399)
Proceeds from sales of investments	3,113,282	47,922
Purchase of property and equipment	(127,251)	—
Net Cash Used In Investing Activities	(6,125,890)	(2,870,477)
Cash Flows Provided By Financing Activities		
Collections of contributions restricted for permanent endowment	2,443,726	2,912,866
Net Increase In Cash	2,361,474	60,573
Cash - Beginning Of Year	384,906	324,333
Cash - End Of Year	\$ 2,746,380	\$ 384,906

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 And 2014

1. Summary Of Significant Accounting Policies

Basis Of Accounting

The accompanying financial statements of the Roman Catholic Foundation of Eastern Missouri (the Foundation) have been prepared on the accrual basis of accounting.

Basis Of Presentation

Financial statement presentation follows guidance set forth by generally accepted accounting principles for not-for-profit organizations, which requires the Foundation to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Estimates And Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Investments

Investments are reported at fair value. Gains and losses on sales of investments are generally determined on a specific cost identification basis. Unrealized gains and losses are determined based on year-end fair value fluctuations.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position.

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements *(Continued)*

Property And Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization computed using the straight-line method. The assets are depreciated and amortized over the following periods:

Computer equipment	3 - 5 years
Software	3 - 5 years
Furniture and fixtures	5 - 10 years
Website development	3 - 5 years

Promises To Give

Promises to give, including those which are stipulated by the donor as permanently restricted, are recognized as support in the period the promises are received and are recorded at the present value of estimated future cash flows. The Foundation provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in the collection of all promises to give. The estimated losses are based on its assessment of the current status of individual promises to give. Balances that are still outstanding after management has used reasonable collection efforts will be written off through a charge to the valuation allowance and a credit to promises to give. Allowances of \$1,698,125 and \$285,000 were provided at December 31, 2015 and 2014, respectively.

Funds Held For Others

The Foundation is currently raising funds through a campaign targeting parishioners in the St. Louis area. A portion of these funds are being remitted back to each donor's specific parish. Of the funds raised in 2015 and 2014, \$10,889,110 and \$255,000, respectively, was for specific parishes. At December 31, 2015 and 2014, the amount due to these parishes was \$11,144,110 and \$255,000, respectively. An additional \$52,840 is owed to specific parishes based on the donors' intent for funds raised outside of the campaign.

Additionally, during 2015, the Foundation was named the trustee, but not a beneficiary, of one charitable remainder trust. The trust assets held by the Foundation are included with investments at December 31, 2015, and an equivalent liability is included with funds held for others. The trust assets and equivalent liability are valued at fair value. The fair value of the assets and the related liability at December 31, 2015 is \$674,907.

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements *(Continued)*

Restricted And Unrestricted Public Support

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Foundation has adopted the policy of reporting net assets released from restrictions upon completion of the donor purpose restriction, regardless of whether the related cash has been received.

Description Of Program Services And Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

Programs - The program component of the Foundation consists of all aspects of the Foundation's administration of scholarships and grant programs.

General And Administrative - Includes the functions necessary to: maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Foundation's program strategy; secure proper administrative functioning of the Board of Trustees; and manage the financial and budgetary responsibilities of the Foundation.

Fundraising - Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and organizations.

Expense Allocation

Expenses are charged to program services and supporting activities on the basis of periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Tax Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes on related, exempt income.

The Foundation began operations in 2013. As such, the Foundation's federal tax returns for years 2013 and later remain subject to examination by taxing authorities.

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (Continued)

Subsequent Events

Management has evaluated subsequent events through April 21, 2016, the date which the financial statements were available for issue.

2. Organization

The Foundation was organized on June 5, 2013. The mission of the Foundation is to connect donors and their philanthropic goals with the local Catholic Church. Parishes, schools, agencies and charities throughout eastern Missouri will benefit from increased giving through the establishment of endowment funds. The Foundation has been organized to support these organizations in perpetuity.

3. Cash

The Foundation places its cash in accounts with banking institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2015, the Foundation held approximately \$3,920,000 of cash in excess of the FDIC-insured amount. Total cash held at the banks represents the amount of cash actually deposited in the banks at December 31, 2015 without regard to deposits in transit or outstanding checks.

4. Investments

Investments consist of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 3,994,270	\$ 968,375
Equity securities	3,076,060	1,425,485
Exchange-traded fund	197,078	98,375
Mutual funds	1,550,384	421,631
	<u>\$ 8,817,792</u>	<u>\$ 2,913,866</u>

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (Continued)

These amounts are reported in the financial statements as follows:

	<u>2015</u>	<u>2014</u>
Investments	\$ 3,460,200	\$ —
Assets restricted for permanent endowment	5,357,592	2,913,866
	<u>\$ 8,817,792</u>	<u>\$ 2,913,866</u>

Net realized and unrealized gains (losses) on investments for the years ended December 31, 2015 and 2014 are comprised of the following:

	<u>2015</u>	<u>2014</u>
Unrealized gains (losses)	\$ (57,704)	\$ 35,677
Realized gains (losses)	(37,009)	7,712
	<u>\$ (94,713)</u>	<u>\$ 43,389</u>

5. Fair Value Measurements

The Foundation accounts for certain assets at fair value as required by generally accepted accounting principles. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The valuation techniques are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

There are three general valuation techniques that may be used to measure fair value, as described below:

- *Market approach* - Uses prices and other relevant information generated by market transactions involving identical or comparable asset or liabilities.
- *Cost approach* - Based on the amount that currently would be required to replace the service capacity of an asset.
- *Income approach* - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts.

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (Continued)

Assets measured and reported at fair value are classified and disclosed in one of the following three categories:

- Level 1 Quoted prices that are readily available in active markets/exchanges for identical assets.
- Level 2 Pricing inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 Significant pricing inputs that are unobservable for the asset and includes assets for which there is little, if any, market activity for the asset.

The following are major categories of assets measured at fair value on a recurring basis during the years ended December 31, 2015 and 2014:

Assets	2015			Total
	Level 1	Level 2	Level 3	
Money market funds	\$ 344,766	\$ —	\$ —	\$ 344,766
Equity securities				
Basic materials	274,839	—	—	274,839
Consumer goods	345,059	—	—	345,059
Financial	469,521	—	—	469,521
Healthcare	184,550	—	—	184,550
Industrial goods	36,691	—	—	36,691
International	989,618	—	—	989,618
Services	289,366	—	—	289,366
Technology	453,418	—	—	453,418
Utilities	32,998	—	—	32,998
Exchange-traded fund	197,078	—	—	197,078
Mutual funds				
Global real estate	259,485	—	—	259,485
Intermediate-term bond	1,147,847	—	—	1,147,847
Other mutual funds	143,052	—	—	143,052
Promises to give	—	—	22,141,810	22,141,810
Total Assets	\$ 5,168,288	\$ —	\$ 22,141,810	\$ 27,310,098

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (Continued)

Assets	2014			Total
	Level 1	Level 2	Level 3	
Equity securities				
Basic materials	\$ 119,970	\$ —	\$ —	\$ 119,970
Consumer goods	149,530	—	—	149,530
Financial	209,547	—	—	209,547
Healthcare	57,640	—	—	57,640
Industrial goods	26,002	—	—	26,002
International	470,000	—	—	470,000
Services	96,104	—	—	96,104
Technology	234,760	—	—	234,760
Utilities	61,932	—	—	61,932
Exchange-traded fund	98,375	—	—	98,375
Mutual funds				
Global real estate	163,658	—	—	163,658
Intermediate-term bond	257,973	—	—	257,973
Promises to give	—	—	4,325,672	4,325,672
Total Assets	\$ 1,945,491	\$ —	\$ 4,325,672	\$ 6,271,163

At December 31, 2015 and 2014, the Level 3 assets utilize the following valuation techniques and inputs:

Promises to give: The fair value of promises to give was determined using estimated future cash flows and a risk-adjusted discount rate derived from observed rates for risk-free interest rates on U.S. Treasuries.

The following is a reconciliation of the balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended December 31, 2015 and 2014:

Promises to give - January 1, 2014	\$ —
Contribution of promises to give, net of allowance	4,415,000
Discount	<u>(89,328)</u>
Promises to give - December 31, 2014	4,325,672
Contribution of promises to give, net of allowance	18,424,830
Discount	<u>(608,692)</u>
Promises to give - December 31, 2015	<u><u>\$ 22,141,810</u></u>

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (Continued)

During 2015 and 2014, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Foundation's assets.

6. Promises To Give

Promises to give are expected to be collected as follows at December 31:

	2015		Total
	Temporarily Restricted	Permanently Restricted	
Less than one year	\$ 6,578,749	\$ 977,957	\$ 7,556,706
One to five years	15,010,826	1,970,423	16,981,249
	21,589,575	2,948,380	24,537,955
Less: Allowance for doubtful accounts	1,501,083	197,042	1,698,125
Less: Discount on promises to give collectible after one year	623,704	74,316	698,020
	\$ 19,464,788	\$ 2,677,022	\$ 22,141,810

	2014		Total
	Temporarily Restricted	Permanently Restricted	
Less than one year	\$ 953,750	\$ 896,250	\$ 1,850,000
One to five years	40,000	2,810,000	2,850,000
	993,750	3,706,250	4,700,000
Less: Allowance for doubtful accounts	4,000	281,000	285,000
Less: Discount on promises to give collectible after one year	4,187	85,141	89,328
	\$ 985,563	\$ 3,340,109	\$ 4,325,672

Promises to give that are expected to be collected after one year are discounted at rates ranging from 1.06% to 2.09%. Promises to give are accounted for at fair value on a recurring basis (Note 5).

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (Continued)

7. Property And Equipment

Property and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Computer equipment	\$ 10,823	\$ —
Software	116,428	—
Furniture and fixtures	18,825	18,825
Website development	18,595	18,595
	<u>164,671</u>	<u>37,420</u>
Less: Accumulated depreciation and amortization	20,132	5,915
	<u>\$ 144,539</u>	<u>\$ 31,505</u>

8. Net Assets

Net assets consist of the following at December 31, 2015 and 2014:

	<u>2015</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Undesignated	\$ (786,199)	\$ —	\$ —	\$ (786,199)
Parishes, schools, agencies and charities	—	343,905	—	343,905
Endowment earnings	(86,033)	—	—	(86,033)
Education	—	14,187,544	8,034,614	22,222,158
	<u>\$ (872,232)</u>	<u>\$ 14,531,449</u>	<u>\$ 8,034,614</u>	<u>\$ 21,693,831</u>

	<u>2014</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Undesignated	\$ 533,076	\$ —	\$ —	\$ 533,076
Parishes, schools, agencies and charities	—	65,750	—	65,750
Capital campaign administration costs	—	47,996	—	47,996
Endowment earnings	—	39,963	—	39,963
Education	—	428,977	6,253,975	6,682,952
	<u>\$ 533,076</u>	<u>\$ 582,686</u>	<u>\$ 6,253,975</u>	<u>\$ 7,369,737</u>

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (Continued)

Net assets were released from restrictions as follows:

	<u>2015</u>	<u>2014</u>
Capital campaign administration costs	\$ 2,142,878	\$ 597,015
Parishes, schools, agencies and charities	68,269	34,250
Education fund program costs	400,059	—
Appropriated endowment earnings (Note 9)	42,947	4,220
	<u>\$ 2,654,153</u>	<u>\$ 635,485</u>

9. Endowment

The Foundation's endowment consists of eleven funds established for parishes, schools and ministries in Eastern Missouri. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation Of Relevant Law

The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (Continued)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Foundation and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation; and
- (7) The investment policies of the Foundation.

Endowment Net Asset Composition As Of December 31, 2015:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor restricted	\$ (86,033)	\$ —	\$ 5,357,592	\$ 5,271,559

Endowment Net Asset Composition As Of December 31, 2014:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor restricted	\$ —	\$ 39,963	\$ 2,913,866	\$ 2,953,829

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (Continued)

Changes In Endowment Net Assets For The Years Ended December 31, 2015 And 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Assets - January 1, 2014	\$ —	\$ —	\$ —	\$ —
Investment Return				
Net realized and unrealized gains	—	43,389	—	43,389
Interest and dividends	—	794	—	794
Total Investment Return	—	44,183	—	44,183
Clarification Of Donor Intent	—	—	1,000	1,000
Contributions	—	—	2,912,866	2,912,866
Amounts Appropriated For Spending	—	(4,220)	—	(4,220)
Endowment Assets - December 31, 2014	—	39,963	2,913,866	2,953,829
Investment Return				
Net realized and unrealized losses	(86,033)	(28,006)	—	(114,039)
Interest and dividends	—	30,990	—	30,990
Total Investment Return	(86,033)	2,984	—	(83,049)
Contributions	—	—	2,443,726	2,443,726
Amounts Appropriated For Spending	—	(42,947)	—	(42,947)
Endowment Assets - December 31, 2015	\$ (86,033)	\$ —	\$ 5,357,592	\$ 5,271,559

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were eleven underwater endowment funds totaling \$86,033 at December 31, 2015, resulting from unfavorable market fluctuations, and no underwater endowment funds at December 31, 2014.

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (*Continued*)

Return Objectives And Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to seek long-term capital appreciation and current income while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return that exceeds inflation by approximately 2% to 5.5% or more annually, depending on the asset pool. Actual returns in any given year may vary from this goal.

Strategies Employed For Achieving Objectives

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that, depending on the particular fund, places a greater emphasis on either equity-based or fixed-income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy And How The Investment Objectives Relate To Spending Policy

The Foundation has a policy of appropriating for distribution each year a set percentage of an endowment fund's twelve quarter trailing average value, ranging from 2.5% to 4.5%, depending on the investment pool. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to continue to grow at an average of 0.5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in, as well as to provide additional real growth through new gifts and investment return.

10. Related Party Transactions

In 2015, related parties contributed \$1,050,000 to the Foundation. These contributions represent approximately 6% of total contributions. In addition, related party promises to give of \$3,550,000 represent approximately 16% of promises to give outstanding at December 31, 2015.

In 2014, related parties contributed \$4,873,667 to the Foundation. These contributions represented approximately 62% of total contributions. In addition, related party promises to give represented 100% of promises to give outstanding at December 31, 2014.

11. Retirement Plan

The Foundation maintains a 403(b) plan covering all employees who meet certain eligibility requirements. Contributions paid by the Foundation totaled \$14,775 and \$4,428 for the years ended December 31, 2015 and 2014, respectively, which are included in employee benefits.

12. Commitments

On September 1, 2013, the Foundation entered into a lease agreement with the Archdiocese of St. Louis (Archdiocese) for office space that provided for monthly rent payments of \$3,631 through August 31, 2014. On August 1, 2014, the lease was amended to increase monthly rental payments to \$4,227 through October 14, 2014. On October 15, 2014, the lease was modified to increase monthly rental payments to \$4,548 through September 30, 2015. On February 20, 2015, the lease was amended to increase monthly rental payments to \$5,276 for the period of March 1, 2015 through December 31, 2015. The monthly rental amount beginning January 1, 2016 through December 31, 2016 will increase to \$5,382. The monthly rent amount includes a technology services fee of \$300 per month.

In November 2014, the Foundation entered into a lease agreement for office equipment that provides for monthly rent payments of \$287 through January 2018.

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (Continued)

Future minimum rents under the noncancellable lease agreements, including the technology services fee, are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 68,028
2017	3,444
2018	287
	<u>\$ 71,759</u>

Rent expense amounted to \$61,617 in 2015 and \$44,713 in 2014, which is included in occupancy expenses.

On December 23, 2014, the Foundation entered into a consulting agreement for approximately \$3,600,000, of which approximately \$2,050,000 is expected to be incurred in 2016.

13. Functional Expenses

The following is a detail of expenses by functional classification for the years ended December 31, 2015 and 2014:

	<u>2015</u>			
	<u>Programs</u>	<u>General And Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 12,015	\$ 161,251	\$ 490,182	\$ 663,448
Employee benefits	2,949	20,643	73,837	97,429
Payroll taxes	794	11,509	34,650	46,953
Occupancy expenses	—	47,884	20,889	68,773
Office expenses	—	53,847	255,887	309,734
Professional fees	43,301	112,948	2,287,389	2,443,638
Insurance premiums	—	1,738	294	2,032
Grants and assessments	472,250	542	5,401	478,193
Interest expense	—	25	109	134
Depreciation and amortization expense	—	9,636	4,581	14,217
Other	—	9,377	21,927	31,304
	<u>\$ 531,309</u>	<u>\$ 429,400</u>	<u>\$ 3,195,146</u>	<u>\$ 4,155,855</u>

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (Continued)

	2014			
	General And			Total
	Programs	Administrative	Fundraising	
Salaries	\$ —	\$ 147,222	\$ 126,470	\$ 273,692
Employee benefits	—	19,107	15,470	34,577
Payroll taxes	—	9,944	8,494	18,438
Occupancy expenses	—	44,735	3,576	48,311
Office expenses	—	41,538	17,454	58,992
Professional fees	—	91,865	418,539	510,404
Insurance premiums	—	4,184	—	4,184
Grants and assessments	34,250	679	917	35,846
Interest expense	—	661	—	661
Depreciation expense	—	5,601	—	5,601
Other	—	10,448	208	10,656
	<u>\$ 34,250</u>	<u>\$ 375,984</u>	<u>\$ 591,128</u>	<u>\$ 1,001,362</u>

14. Transactions With The Archdiocese

The Foundation entered into an Administrative and Service Agreement (the Agreement) with the Archdiocese on September 30, 2013. The agreement is in effect until September 30, 2016. During 2015 and 2014, \$162,753 and \$12,684, respectively, was incurred; and \$3,937 and \$14,989 was payable as of December 31, 2015 and 2014, respectively. See Note 12 for amounts incurred related to rent.