
***ROMAN CATHOLIC FOUNDATION
OF EASTERN MISSOURI***
FINANCIAL STATEMENTS
DECEMBER 31, 2016

Contents

| | Page |
|---|-------------|
| Independent Auditors' Report | 1 - 2 |
| Financial Statements | |
| Statement Of Financial Position..... | 3 |
| Statement Of Activities | 4 - 5 |
| Statement Of Cash Flows..... | 6 |
| Notes To Financial Statements..... | 7 - 21 |

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, 2016 and 2015, 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, 2016 and 2015, 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

May 2, 2017

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

STATEMENT OF FINANCIAL POSITION

| | December 31, | |
|--|----------------------|----------------------|
| | 2016 | 2015 |
| Assets | | |
| Cash (Note 3) | \$ 4,162,687 | \$ 2,746,380 |
| Investments (Notes 4 and 5) | 7,104,236 | 3,460,200 |
| Other receivables | — | 606 |
| Prepaid expenses | 129 | 3,604 |
| Unrestricted promises to give (Notes 6 and 10) | 178,419 | — |
| Temporarily restricted promises to give (Notes 6 and 10) | 34,138,669 | 19,464,788 |
| Property and equipment (Note 7) | 112,045 | 144,539 |
| Other long-term assets | 52,664 | — |
| Permanently restricted promises to give (Notes 6 and 10) | 15,348,396 | 2,677,022 |
| Assets restricted for permanent endowment (Notes 4, 5 and 9) | 12,560,824 | 5,357,592 |
| Total Assets | \$ 73,658,069 | \$ 33,854,731 |

Liabilities And Net Assets

Liabilities

| | | |
|--|-------------------|-------------------|
| Accounts payable and accrued liabilities | \$ 89,465 | \$ 83,706 |
| Funds held for others (Note 1) | 32,619,701 | 11,871,857 |
| Due to the Archdiocese (Note 14) | 4,831 | 3,937 |
| Grants payable | 2,160,164 | 201,400 |
| Total Liabilities | 34,874,161 | 12,160,900 |

Net Assets (Note 8)

| | | |
|---------------------------------|-------------------|-------------------|
| Unrestricted | (792,236) | (872,232) |
| Temporarily restricted | 11,666,924 | 14,531,449 |
| Permanently restricted (Note 9) | 27,909,220 | 8,034,614 |
| Total Net Assets | 38,783,908 | 21,693,831 |

| | | |
|---|----------------------|----------------------|
| Total Liabilities And Net Assets | \$ 73,658,069 | \$ 33,854,731 |
|---|----------------------|----------------------|

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2016

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------|---------------------------|---------------------------|----------------------|
| Public Support And Revenue | | | | |
| Contributions, including amounts raised for others | \$ 312,254 | \$ 29,352,486 | \$ 20,173,856 | \$ 49,838,596 |
| Less: Amounts raised for others (Note 1) | — | 25,556,837 | — | 25,556,837 |
| Net contributions (Note 10) | 312,254 | 3,795,649 | 20,173,856 | 24,281,759 |
| Planned giving services (Note 14) | 215,000 | — | — | 215,000 |
| Investment fund management fees | 5,221 | — | — | 5,221 |
| Miscellaneous income | 4,559 | — | — | 4,559 |
| Interest and dividends | 2,459 | 85,548 | — | 88,007 |
| Clarification of donor intent | 330,000 | (30,750) | (299,250) | — |
| Net assets released from restrictions (Note 8) | 6,770,868 | (6,770,868) | — | — |
| Total Public Support And Revenue | 7,640,361 | (2,920,421) | 19,874,606 | 24,594,546 |
| Expenses (Note 13) | | | | |
| Salaries | 818,049 | — | — | 818,049 |
| Employee benefits (Note 11) | 141,039 | — | — | 141,039 |
| Payroll taxes | 58,291 | — | — | 58,291 |
| Occupancy expenses (Note 12) | 70,494 | — | — | 70,494 |
| Office expenses | 302,398 | — | — | 302,398 |
| Professional fees | 2,501,465 | — | — | 2,501,465 |
| Insurance premiums | 80,262 | — | — | 80,262 |
| Grants and assessments | 3,579,195 | — | — | 3,579,195 |
| Interest expense | 23 | — | — | 23 |
| Depreciation and amortization expense | 32,494 | — | — | 32,494 |
| Other | 70,451 | — | — | 70,451 |
| Total Expenses | 7,654,161 | — | — | 7,654,161 |
| Increase (Decrease) In Net Assets Before Net Realized And Unrealized Gains On Investments | | | | |
| | (13,800) | (2,920,421) | 19,874,606 | 16,940,385 |
| Net Realized And Unrealized Gains On Investments (Note 4) | | | | |
| | 93,796 | 55,896 | — | 149,692 |
| Increase (Decrease) In Net Assets | 79,996 | (2,864,525) | 19,874,606 | 17,090,077 |
| Net Assets - Beginning Of Year | (872,232) | 14,531,449 | 8,034,614 | 21,693,831 |
| Net Assets - End Of Year | \$ (792,236) | \$ 11,666,924 | \$ 27,909,220 | \$ 38,783,908 |

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 fund 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 CASH FLOWS

| | For The Years Ended December 31, | |
|--|-------------------------------------|---------------------|
| | 2016 | 2015 |
| Cash Flows From Operating Activities | | |
| Increase in net assets | \$ 17,090,077 | \$ 14,324,094 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 32,494 | 14,217 |
| Contributions restricted for permanent endowment | (19,874,606) | (1,780,639) |
| Net realized and unrealized (gains) losses on investments | (149,692) | 94,713 |
| Changes in assets and liabilities: | | |
| Increase in promises to give | (14,852,300) | (18,479,225) |
| Decrease in other receivables | 606 | 169 |
| (Increase) decrease in prepaid expenses | 3,475 | (3,604) |
| Increase in other long-term assets | (52,664) | — |
| Increase in accounts payable and accrued liabilities | 5,759 | 66,708 |
| Increase in funds held for others | 20,747,844 | 11,616,857 |
| Increase (decrease) in due to the Archdiocese | 894 | (11,052) |
| Increase in grants payable | 1,958,764 | 201,400 |
| Net Cash Provided By Operating Activities | 4,910,651 | 6,043,638 |
| Cash Flows From Investing Activities | | |
| Purchases of investments | (18,533,672) | (9,111,921) |
| Proceeds from sales of investments | 7,836,096 | 3,113,282 |
| Purchase of property and equipment | — | (127,251) |
| Net Cash Used In Investing Activities | (10,697,576) | (6,125,890) |
| Cash Flows Provided By Financing Activities | | |
| Collections of contributions restricted for permanent endowment | 7,203,232 | 2,443,726 |
| Net Increase In Cash | 1,416,307 | 2,361,474 |
| Cash - Beginning Of Year | 2,746,380 | 384,906 |
| Cash - End Of Year | \$ 4,162,687 | \$ 2,746,380 |

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 And 2015

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.

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 |

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements *(Continued)*

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 \$3,973,468 and \$1,698,125 were provided at December 31, 2016 and 2015, 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 2016 and 2015, \$25,556,837 and \$10,889,110, respectively, was for specific parishes. At December 31, 2016 and 2015, the amount due to these parishes from the campaign funds raised was \$31,949,986 and \$11,144,110, respectively. As of December 31, 2016 and 2015, an additional \$40,070 and \$52,840, respectively, is owed to other agencies 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 a charitable remainder trust. The trust assets held by the Foundation are included with investments at December 31, 2016 and 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, 2016 and 2015 is \$629,645 and \$674,907, respectively.

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.

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements *(Continued)*

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's federal tax returns for years 2013 and later remain subject to examination by taxing authorities.

Subsequent Events

Management evaluates subsequent events through the date the financial statements are available for issue, which is the date of the Independent Auditors' Report.

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.

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (Continued)

3. Cash And Cash Equivalents

The Foundation places its cash and cash equivalents with an original maturity date of three months or less in accounts with banking institutions with strong credit ratings that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, such amounts may be in excess of FDIC limits.

4. Investments

Investments consist of the following as of December 31, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|---------------------------|----------------------|---------------------|
| Cash and cash equivalents | \$ 12,179,326 | \$ 3,994,270 |
| Equity securities | 4,530,270 | 3,076,060 |
| Exchange-traded fund | 303,925 | 197,078 |
| Mutual funds | 2,651,539 | 1,550,384 |
| | <u>\$ 19,665,060</u> | <u>\$ 8,817,792</u> |

These amounts are reported in the financial statements as follows:

| | <u>2016</u> | <u>2015</u> |
|---|----------------------|---------------------|
| Investments | \$ 7,104,236 | \$ 3,460,200 |
| Assets restricted for permanent endowment | 12,560,824 | 5,357,592 |
| | <u>\$ 19,665,060</u> | <u>\$ 8,817,792</u> |

Net realized and unrealized gains (losses) on investments for the years ended December 31, 2016 and 2015 are comprised of the following:

| | <u>2016</u> | <u>2015</u> |
|---------------------------|-------------------|--------------------|
| Unrealized gains (losses) | \$ 89,943 | \$ (57,704) |
| Realized gains (losses) | 59,749 | (37,009) |
| | <u>\$ 149,692</u> | <u>\$ (94,713)</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.

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.

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (Continued)

The following are major categories of assets measured at fair value on a recurring basis during the years ended December 31, 2016 and 2015:

| Assets | 2016 | | | |
|------------------------|---------------------|-------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Equity securities | | | | |
| Basic materials | \$ 171,927 | \$ — | \$ — | \$ 171,927 |
| Consumer goods | 514,308 | — | — | 514,308 |
| Financial | 481,998 | — | — | 481,998 |
| Healthcare | 218,029 | — | — | 218,029 |
| Industrial goods | 215,982 | — | — | 215,982 |
| International | 1,948,344 | — | — | 1,948,344 |
| Services | 3,355 | — | — | 3,355 |
| Technology | 578,725 | — | — | 578,725 |
| Utilities | 9,329 | — | — | 9,329 |
| Energy | 327,767 | — | — | 327,767 |
| Real estate | 60,506 | — | — | 60,506 |
| Exchange-traded fund | 303,925 | — | — | 303,925 |
| Mutual funds | | | | |
| Global real estate | 398,395 | — | — | 398,395 |
| Intermediate-term bond | 2,192,346 | — | — | 2,192,346 |
| Large blend | 60,798 | — | — | 60,798 |
| Total Assets | \$ 7,485,734 | \$ — | \$ — | \$ 7,485,734 |

| Assets | 2015 | | | |
|------------------------|---------------------|-------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| 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 |
| Total Assets | \$ 5,168,288 | \$ — | \$ — | \$ 5,168,288 |

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (Continued)

During 2016 and 2015, 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, 2016 and 2015:

| | 2016 | | | |
|---|--------------|------------------------|------------------------|---------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Less than one year | \$ 50,000 | \$ 12,678,111 | \$ 5,452,346 | \$ 18,180,457 |
| One to five years | 150,000 | 25,310,366 | 11,686,687 | 37,147,053 |
| | 200,000 | 37,988,477 | 17,139,033 | 55,327,510 |
| Less: Allowance for doubtful accounts | 15,000 | 2,740,549 | 1,217,919 | 3,973,468 |
| Less: Discount on promises to give collectible after one year | 6,581 | 1,109,259 | 572,718 | 1,688,558 |
| | \$ 178,419 | \$ 34,138,669 | \$ 15,348,396 | \$ 49,665,484 |

| | 2015 | | | |
|---|--------------|------------------------|------------------------|---------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| 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 |

Promises to give that are expected to be collected after one year are discounted at rates ranging from 0.67% to 2.51%.

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (Continued)

7. Property And Equipment

Property and equipment consist of the following:

| | <u>2016</u> | <u>2015</u> |
|--|-------------------|-------------------|
| Computer equipment | \$ 10,823 | \$ 10,823 |
| Software | 116,428 | 116,428 |
| Furniture and fixtures | 18,825 | 18,825 |
| Website development | 18,595 | 18,595 |
| | <u>164,671</u> | <u>164,671</u> |
| Less: Accumulated depreciation and amortization | 52,626 | 20,132 |
| | <u>\$ 112,045</u> | <u>\$ 144,539</u> |

8. Net Assets

Net assets consist of the following at December 31, 2016 and 2015:

| | <u>2016</u> | | | |
|--|---------------------|-----------------------------------|-----------------------------------|----------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
| Undesignated | \$ (792,236) | \$ — | \$ — | \$ (792,236) |
| Parishes, schools, agencies and charities | — | 482,512 | — | 482,512 |
| Endowment earnings | — | 50,109 | — | 50,109 |
| Education | — | 11,134,303 | 27,909,220 | 39,043,523 |
| | <u>\$ (792,236)</u> | <u>\$ 11,666,924</u> | <u>\$ 27,909,220</u> | <u>\$ 38,783,908</u> |

| | <u>2015</u> | | | |
|--|---------------------|-----------------------------------|-----------------------------------|----------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</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> |

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (Continued)

Net assets were released from restrictions as follows:

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|
| Capital campaign administration costs | \$ 3,129,311 | \$ 2,142,878 |
| Parishes, schools, agencies and charities | 143,722 | 68,269 |
| Education fund program costs | 3,445,694 | 400,059 |
| Appropriated endowment earnings (Note 9) | 52,141 | 42,947 |
| | <u>\$ 6,770,868</u> | <u>\$ 2,654,153</u> |

9. Endowment

The Foundation's endowment consists of twenty-eight 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:

| | 2016 | | | Total |
|------------------|--------------|------------------------|------------------------|---------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Donor restricted | \$ — | \$ 50,109 | \$ 12,560,824 | \$ 12,610,933 |

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

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (Continued)

Changes In Endowment Net Assets For The Years Ended December 31, 2016 And 2015:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|--------------|---------------------------|---------------------------|---------------|
| Endowment Assets - January 1, 2015 | \$ — | \$ 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 |
| Investment Return | | | | |
| Net realized and unrealized gains | — | 130,550 | — | 130,550 |
| Interest and dividends | — | 57,733 | — | 57,733 |
| Total Investment Return | — | 188,283 | — | 188,283 |
| Restoration Of Underwater Endowment | 86,033 | (86,033) | — | — |
| Contributions | — | — | 7,203,232 | 7,203,232 |
| Amounts Appropriated For Spending | — | (52,141) | — | (52,141) |
| Endowment Assets - December 31, 2016 | \$ — | \$ 50,109 | \$ 12,560,824 | \$ 12,610,933 |

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. There were no underwater endowment funds at December 31, 2016.

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 2016, related parties contributed approximately \$553,000 to the Foundation. These contributions represent 2% of net contributions. In addition, related party promises to give of approximately \$2,650,000 represent 5% of promises to give outstanding at December 31, 2016.

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

11. Retirement Plan

The Foundation maintains a 403(b) plan covering all employees who meet certain eligibility requirements. Contributions paid by the Foundation totaled \$32,018 and \$14,775 for the years ended December 31, 2016 and 2015, respectively, which are included in employee benefits.

12. Commitments

The Foundation has entered into a lease agreement with the Archdiocese of St. Louis (Archdiocese) for office space. The monthly rental amount in 2015 was \$4,548 until February 2015 when the monthly rental payment increased to \$5,276. The monthly rental amount beginning January 1, 2016 through December 31, 2016 was \$5,382. On December 20, 2016, the lease was amended for the period of January 1, 2017 through December 31, 2017, with the monthly rental payments remaining at \$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> |
|-------------|------------------|
| 2017 | \$ 68,028 |
| 2018 | 287 |
| | <u>\$ 68,315</u> |

Rent expense amounted to \$64,963 in 2016 and \$61,617 in 2015, which is included in occupancy expenses and was paid to the Archdiocese.

On December 23, 2014, the Foundation entered into a consulting agreement for approximately \$3,600,000 for services through December 2016. In September 2016, an amendment extended the agreement until March 2017 for an additional \$187,500 in fees. Approximately \$220,000 is expected to be incurred in 2017.

13. Functional Expenses

The following is a detail of expenses by functional classification for the years ended December 31, 2016 and 2015:

| | <u>2016</u> | | | |
|---------------------------------------|---------------------|-----------------------------------|---------------------|---------------------|
| | <u>Programs</u> | <u>General And Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
| Salaries | \$ 145,824 | \$ 96,218 | \$ 576,007 | \$ 818,049 |
| Employee benefits | 21,544 | 16,186 | 103,309 | 141,039 |
| Payroll taxes | 10,304 | 6,829 | 41,158 | 58,291 |
| Occupancy expenses | 15,246 | 34,092 | 21,156 | 70,494 |
| Office expenses | 9,146 | 24,953 | 268,299 | 302,398 |
| Professional fees | 145,731 | 45,262 | 2,310,472 | 2,501,465 |
| Insurance premiums | 74,982 | 4,993 | 287 | 80,262 |
| Grants and assessments | 3,578,630 | 374 | 191 | 3,579,195 |
| Interest expense | — | — | 23 | 23 |
| Depreciation and amortization expense | — | 10,003 | 22,491 | 32,494 |
| Other expense | 846 | 10,474 | 59,131 | 70,451 |
| | <u>\$ 4,002,253</u> | <u>\$ 249,384</u> | <u>\$ 3,402,524</u> | <u>\$ 7,654,161</u> |

ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

Notes To Financial Statements (Continued)

| | 2015 | | | |
|--|-------------------|-------------------------------|---------------------|---------------------|
| | Programs | General And Administrative | Fundraising | Total |
| 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> |

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, 2017. During 2016 and 2015, \$60,926 and \$162,753, respectively, was incurred; and \$4,831 and \$3,937, was payable as of December 31, 2016 and 2015, respectively. See Note 12 for amounts incurred related to rent.

In July 2016, the Foundation entered into a Planned Giving Agreement with the Archdiocese for \$1,100,000. The agreement is in effect through June 2019. During 2016, \$215,000 was received and included in planned giving services revenue.