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***ROMAN CATHOLIC FOUNDATION  
OF EASTERN MISSOURI***  
*FINANCIAL STATEMENTS*  
*DECEMBER 31, 2017*

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## **Contents**

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	<b>Page</b>
<b>Independent Auditors' Report</b> .....	1 - 2
 <b>Financial Statements</b>	
Statement Of Financial Position.....	3
Statement Of Activities .....	4 - 5
Statement Of Cash Flows.....	6
Notes To Financial Statements.....	7 - 22

## 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, 2017 and 2016, 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, 2017 and 2016, 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 15, 2018

# ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

## STATEMENT OF FINANCIAL POSITION

	December 31,	
	2017	2016
<b>Assets</b>		
Cash	\$ 1,414,422	\$ 4,162,687
Investments (Notes 4 and 5)	10,625,397	7,104,236
Prepaid expenses	—	129
Unrestricted promises to give (Notes 6 and 10)	137,538	178,419
Temporarily restricted promises to give (Notes 6 and 10)	5,840,088	2,148,613
Agency receivables (Notes 1 and 6)	29,446,888	31,990,056
Property and equipment (Note 7)	79,549	112,045
Other long-term assets	50,218	52,664
Permanently restricted promises to give (Notes 6 and 10)	9,422,745	15,348,396
Assets restricted for permanent endowment (Notes 4, 5 and 9)	23,506,950	12,560,824
<b>Total Assets</b>	<b>\$ 80,523,795</b>	<b>\$ 73,658,069</b>

### Liabilities And Net Assets

<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 42,462	\$ 89,465
Amounts due to beneficiaries of split interest agreements (Note 1)	935,605	629,645
Agency liabilities (Note 1)	29,446,888	31,990,056
Due to the Archdiocese (Note 14)	1,886	4,831
Grants payable	2,210,267	2,160,164
Beneficiary endowments (Note 1)	848,604	—
<b>Total Liabilities</b>	<b>33,485,712</b>	<b>34,874,161</b>
<b>Net Assets (Note 8)</b>		
Unrestricted	418,297	(792,236)
Temporarily restricted	13,690,091	11,666,924
Permanently restricted (Note 9)	32,929,695	27,909,220
<b>Total Net Assets</b>	<b>47,038,083</b>	<b>38,783,908</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 80,523,795</b>	<b>\$ 73,658,069</b>

# ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

## STATEMENT OF ACTIVITIES For The Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public Support And Revenue</b>				
Total contributions	\$ 108,645	\$ 13,709,898	\$ 5,684,623	\$ 19,503,166
Less:				
Amounts raised for others (Note 1)	—	7,891,289	—	7,891,289
Amounts received for beneficiary endowments	—	139,355	664,148	803,503
Net contributions (Note 10)	108,645	5,679,254	5,020,475	10,808,374
Planned giving services (Note 14)	400,000	—	—	400,000
Investment fund management fees	6,690	—	—	6,690
Miscellaneous income	226	—	—	226
Interest and dividends	11,062	308,804	—	319,866
Net assets released from restrictions (Note 8)	6,334,164	(6,334,164)	—	—
<b>Total Public Support And Revenue</b>	<b>6,860,787</b>	<b>(346,106)</b>	<b>5,020,475</b>	<b>11,535,156</b>
<b>Expenses (Notes 13 and 14)</b>				
Salaries	703,711	—	—	703,711
Employee benefits (Note 11)	135,053	—	—	135,053
Payroll taxes	50,365	—	—	50,365
Occupancy expenses (Note 12)	59,414	—	—	59,414
Office expenses	150,051	—	—	150,051
Professional fees	677,945	—	—	677,945
Insurance premiums	23,371	—	—	23,371
Grants and assessments	3,748,163	—	—	3,748,163
Depreciation and amortization expense	32,496	—	—	32,496
Provision for uncollectible amounts	38,897	—	—	38,897
Other expenses	34,531	—	—	34,531
<b>Total Expenses</b>	<b>5,653,997</b>	<b>—</b>	<b>—</b>	<b>5,653,997</b>
<b>Increase (Decrease) In Net Assets Before Net Realized And Unrealized Gains On Investments</b>				
	1,206,790	(346,106)	5,020,475	5,881,159
<b>Net Realized And Unrealized Gains On Investments (Note 4)</b>				
	3,743	2,369,273	—	2,373,016
<b>Increase In Net Assets</b>	<b>1,210,533</b>	<b>2,023,167</b>	<b>5,020,475</b>	<b>8,254,175</b>
<b>Net Assets - Beginning Of Year</b>	<b>(792,236)</b>	<b>11,666,924</b>	<b>27,909,220</b>	<b>38,783,908</b>
<b>Net Assets - End Of Year</b>	<b>\$ 418,297</b>	<b>\$ 13,690,091</b>	<b>\$ 32,929,695</b>	<b>\$ 47,038,083</b>

# ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

## STATEMENT OF ACTIVITIES For The Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public Support And Revenue</b>				
Total contributions	\$ 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)	—	—
<b>Total Public Support And Revenue</b>	<b>7,640,361</b>	<b>(2,920,421)</b>	<b>19,874,606</b>	<b>24,594,546</b>
<b>Expenses (Notes 13 and 14)</b>				
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
<b>Total Expenses</b>	<b>7,654,161</b>	<b>—</b>	<b>—</b>	<b>7,654,161</b>
<b>Increase (Decrease) In Net Assets Before Net Realized And Unrealized Gains On Investments</b>				
	(13,800)	(2,920,421)	19,874,606	16,940,385
<b>Net Realized And Unrealized Gains On Investments (Note 4)</b>				
	93,796	55,896	—	149,692
<b>Increase (Decrease) In Net Assets</b>	<b>79,996</b>	<b>(2,864,525)</b>	<b>19,874,606</b>	<b>17,090,077</b>
<b>Net Assets - Beginning Of Year</b>	<b>(872,232)</b>	<b>14,531,449</b>	<b>8,034,614</b>	<b>21,693,831</b>
<b>Net Assets - End Of Year</b>	<b>\$ (792,236)</b>	<b>\$ 11,666,924</b>	<b>\$ 27,909,220</b>	<b>\$ 38,783,908</b>

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# ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

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## STATEMENT OF CASH FLOWS

	For The Years	
	Ended December 31,	
	2017	2016
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$ 8,254,175	\$ 17,090,077
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	32,496	32,494
Contributions restricted for permanent endowment	(5,020,475)	(19,874,606)
Net realized and unrealized gains on investments	(2,373,016)	(149,692)
Changes in assets and liabilities:		
(Increase) decrease in promises to give	(3,650,594)	5,993,646
(Increase) decrease in agency receivables	2,543,168	(20,845,946)
Decrease in other receivables	—	606
Decrease in prepaid expenses	129	3,475
(Increase) decrease in other long-term assets	2,446	(52,664)
Increase (decrease) in accounts payable and accrued liabilities	(47,003)	5,759
Increase (decrease) in amounts due to beneficiaries of split interest agreements	305,960	(98,102)
Increase (decrease) in agency liabilities	(2,543,168)	20,845,946
Increase (decrease) in due to the Archdiocese	(2,945)	894
Increase in grants payable	50,103	1,958,764
Increase in beneficiary endowments	848,604	—
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>(1,600,120)</b>	<b>4,910,651</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of investments	(36,215,999)	(10,348,616)
Proceeds from sales of investments	20,079,192	7,836,096
<b>Net Cash Used In Investing Activities</b>	<b>(16,136,807)</b>	<b>(2,512,520)</b>
<b>Cash Flows Provided By Financing Activities</b>		
Collections of contributions restricted for permanent endowment	10,946,126	7,203,232
<b>Net Increase (Decrease) In Cash</b>	<b>(6,790,801)</b>	<b>9,601,363</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>16,342,013</b>	<b>6,740,650</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 9,551,212</b>	<b>\$ 16,342,013</b>
<b>Cash And Cash Equivalents Are Included Within The Following Captions On The Statement of Financial Position</b>		
Cash	\$ 1,414,422	\$ 4,162,687
Assets restricted for permanent endowment	8,136,790	12,179,326
	<b>\$ 9,551,212</b>	<b>\$ 16,342,013</b>



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# ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2017 And 2016

### 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

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### 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 \$2,585,849 and \$3,973,468 were provided at December 31, 2017 and 2016, respectively.

#### **Agency Receivables And Liabilities**

The Foundation is currently raising funds through a campaign targeting parishioners in the St. Louis area. A portion of these funds is being remitted back to each donor's specific parish. Of the funds raised in 2017 and 2016, \$7,891,289 and \$25,556,837, respectively, was for specific parishes. Agency liabilities are recorded when the parishioners' commitment is made to the Foundation, not necessarily when the cash is received by the Foundation. At December 31, 2017 and 2016, the amount due to these parishes from the campaign funds raised was \$29,446,888 and \$31,949,986, respectively. At December 31, 2016, an additional \$40,070 was owed to other agencies based on the donors' intent for funds raised outside of the campaign. No amounts were owed to other agencies as of December 31, 2017.

## **ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI**

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### Notes To Financial Statements *(Continued)*

#### **Amounts Due To Beneficiaries Of Split Interest Agreements**

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, 2017 and 2016, and an equivalent liability is included with amounts due to beneficiaries of split interest agreements. The trust assets and equivalent liability are valued at fair value. The fair value of the assets and the related liability at December 31, 2017 and 2016 is \$660,277 and \$629,645, respectively.

During 2017, the Foundation entered into charitable gift annuity agreements with donors, whereby a specified annuity amount is paid to the donors from the Foundation for the remainder of the donors' life. The Foundation is not the beneficiary of these agreements at the end of the annuities. The amounts received from the donors are invested with the Foundation's investments. The gift annuity payable represents the present value of the future contractual payments to the donors of \$275,328 at December 31, 2017. Included in this amount are agency funds of \$31,252 which the Foundation holds and invests as an agent for parishes, schools, and other Catholic organizations.

#### **Beneficiary Endowments**

Beneficiary endowments are permanently restricted funds for the contributing Catholic organization, who is also the sole beneficiary. Although the Foundation retains legal ownership of beneficiary endowments through the irrevocable gifts contributed to the Foundation, because this is a reciprocal transfer, the Foundation must account for the fair value of these funds as both assets and liabilities on the statement of financial position in accordance with accounting principles generally accepted in the United States of America.

#### **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**

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### 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 has evaluated subsequent events through the date that the financial statements were 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

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### 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 8,136,790	\$ 12,179,326
Equity securities	17,972,426	4,530,270
Exchange-traded fund	1,057,970	303,925
Commodities	221,625	—
Mutual funds	6,743,536	2,651,539
	<u>\$ 34,132,347</u>	<u>\$ 19,665,060</u>

These amounts are reported in the financial statements as follows:

	<u>2017</u>	<u>2016</u>
Investments	\$ 10,625,397	\$ 7,104,236
Assets restricted for permanent endowment	23,506,950	12,560,824
	<u>\$ 34,132,347</u>	<u>\$ 19,665,060</u>

Net realized and unrealized gains on investments for the years ended December 31, 2017 and 2016 are comprised of the following:

	<u>2017</u>	<u>2016</u>
Unrealized gains	\$ 2,220,436	\$ 89,943
Realized gains	152,580	59,749
	<u>\$ 2,373,016</u>	<u>\$ 149,692</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.

During 2017 and 2016, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Foundation's assets.

## 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:

Assets	2017			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 4,192,711	\$ —	\$ —	\$ 4,192,711
Equity securities				
Basic materials	357,353	—	—	357,353
Consumer goods	2,008,221	—	—	2,008,221
Financial	1,454,193	—	—	1,454,193
Healthcare	1,276,617	—	—	1,276,617
Industrial goods	985,163	—	—	985,163
International	7,588,782	—	—	7,588,782
Technology	2,557,746	—	—	2,557,746
Utilities	318,297	—	—	318,297
Infrastructure	821,982	—	—	821,982
Energy	604,072	—	—	604,072
Exchange-traded fund	1,057,970	—	—	1,057,970
Commodities	221,625	—	—	221,625
Mutual funds				
Global real estate	835,863	—	—	835,863
Intermediate-term bond	5,701,604	—	—	5,701,604
Other mutual funds	206,069	—	—	206,069
<b>Total Assets</b>	<b>\$ 30,188,268</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 30,188,268</b>

Assets	2016			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 5,978,580	\$ —	\$ —	\$ 5,978,580
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
Other mutual funds	60,798	—	—	60,798
<b>Total Assets</b>	<b>\$ 13,464,314</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 13,464,314</b>

## ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

### Notes To Financial Statements (Continued)

#### 6. Promises To Give And Agency Receivables

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

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Less than one year	\$ 50,000	\$ 17,520,309	\$ 2,662,328	\$ 20,232,637
One to five years	100,000	20,822,829	7,806,738	28,729,567
	150,000	38,343,138	10,469,066	48,962,204
Less: Allowance for doubtful accounts	8,000	2,097,090	480,759	2,585,849
Less: Discount on promises to give collectible after one year	4,462	959,072	565,562	1,529,096
	\$ 137,538	\$ 35,286,976	\$ 9,422,745	\$ 44,847,259

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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

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

Temporarily restricted amounts are reported in the statement of financial position as follows:

	2017	2016
Temporarily restricted promises to give	\$ 5,840,088	\$ 2,148,613
Agency receivables	29,446,888	31,990,056
	\$ 35,286,976	\$ 34,138,669



## ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

### Notes To Financial Statements (Continued)

#### 7. Property And Equipment

Property and equipment consist of the following:

	<u>2017</u>	<u>2016</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	85,122	52,626
	<u>\$ 79,549</u>	<u>\$ 112,045</u>

#### 8. Net Assets

Net assets consist of the following at December 31, 2017 and 2016:

	<u>2017</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Undesignated	\$ 418,297	\$ —	\$ —	\$ 418,297
Donor-advised funds	—	708,856	—	708,856
Parishes, schools, agencies and charities	—	1,206,372	1,969,545	3,175,917
Beyond Sunday Campaign Funds	—	11,774,863	30,960,150	42,735,013
	<u>\$ 418,297</u>	<u>\$ 13,690,091</u>	<u>\$ 32,929,695</u>	<u>\$ 47,038,083</u>

	<u>2016</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Undesignated	\$ (792,236)	\$ —	\$ —	\$ (792,236)
Donor-advised funds	—	484,500	—	484,500
Parishes, schools, agencies and charities	—	550,823	1,561,450	2,112,273
Beyond Sunday Campaign Funds	—	10,631,601	26,347,770	36,979,371
	<u>\$ (792,236)</u>	<u>\$ 11,666,924</u>	<u>\$ 27,909,220</u>	<u>\$ 38,783,908</u>

## ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

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### Notes To Financial Statements (Continued)

Net assets were released from restrictions as follows:

	<u>2017</u>	<u>2016</u>
Donor advised funds	\$ 204,744	\$ 143,722
Parishes, schools, agencies and charities	58,071	8,734
Beyond Sunday Campaign Funds	6,071,349	6,618,412
	<u>\$ 6,334,164</u>	<u>\$ 6,770,868</u>

### 9. Endowment

The Foundation's endowment consists of 42 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

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### 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:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor restricted	\$ —	\$ 2,334,748	\$ 23,506,950	\$ 25,841,698

  

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

## ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

### Notes To Financial Statements (Continued)

#### Changes In Endowment Net Assets For The Years Ended December 31, 2017 And 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Assets - January 1, 2016	\$ (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
Investment Return				
Net realized and unrealized gains	—	2,154,823	—	2,154,823
Interest and dividends	—	303,688	—	303,688
Total Investment Return	—	2,458,511	—	2,458,511
Contributions	—	—	10,946,126	10,946,126
Amounts Appropriated For Spending	—	(173,872)	—	(173,872)
Endowment Assets - December 31, 2017	\$ —	\$ 2,334,748	\$ 23,506,950	\$ 25,841,698

#### 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 no underwater endowment funds at December 31, 2017 or 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 2017, related parties contributed approximately \$441,000 to the Foundation. These contributions represent approximately 2% of total contributions. In addition, amounts due from related parties of approximately \$1,309,000 represent approximately 3% of promises to give and agency receivables outstanding at December 31, 2017.

In 2016, related parties contributed approximately \$553,000 to the Foundation. These contributions represented approximately 1% of total contributions. In addition, related party promises to give of approximately \$2,650,000 represented approximately 5% of promises to give and agency receivables outstanding at December 31, 2016.

## **11. Retirement Plan**

The Foundation maintains a 403(b) plan covering all employees who meet certain eligibility requirements. Contributions paid by the Foundation totaled \$30,611 and \$32,018 for the years ended December 31, 2017 and 2016, 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 beginning January 1, 2016 through December 31, 2016 was \$5,382. On April 1, 2017, the lease was amended for the period of January 1, 2017 through December 31, 2017, with monthly rental payments at \$4,638. On January 1, 2018, the lease was extended for an additional year with the same terms.

In November 2014, the Foundation entered into a lease agreement for office equipment that provides for monthly rent payments of \$287 through January 2018. A new lease for office equipment was effective December 2017 and continues through December 2022 with monthly payments at \$170.

## 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>
2018	\$ 57,697
2019	2,040
2020	2,040
2021	2,040
2022	2,040
	<u>\$ 65,857</u>

Rent expense amounted to \$57,977 in 2017 and \$64,963 in 2016, which is included in occupancy expenses and was paid to the Archdiocese.

### 13. Functional Expenses

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

	<u>2017</u>			
	<u>Programs</u>	<u>General And Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 335,410	\$ 122,725	\$ 245,576	\$ 703,711
Employee benefits	56,581	16,819	61,653	135,053
Payroll taxes	23,929	8,898	17,538	50,365
Occupancy expenses	23,333	20,984	15,097	59,414
Office expenses	40,690	26,741	82,620	150,051
Professional fees	119,976	51,994	505,975	677,945
Insurance premiums	16,071	5,712	1,588	23,371
Grants and assessments	3,743,340	4,823	—	3,748,163
Depreciation and amortization expense	—	10,003	22,493	32,496
Provision for uncollectible amounts	—	—	38,897	38,897
Other expense	10,438	5,176	18,917	34,531
	<u>\$ 4,369,768</u>	<u>\$ 273,875</u>	<u>\$ 1,010,354</u>	<u>\$ 5,653,997</u>

## ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI

### Notes To Financial Statements (Continued)

	2016			
	Programs	General And Administrative	Fundraising	Total
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>

#### 14. Transactions With The Archdiocese

The Foundation entered into an Administrative and Service Agreement (the Agreement) with the Archdiocese on September 30, 2013. Annual agreements have been entered into subsequent to 2013, with the current agreement in effect until October 5, 2018. During 2017 and 2016, \$93,664 and \$60,926 respectively, was incurred; and \$1,886 and \$4,831, was payable as of December 31, 2017 and 2016, 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 2017 and 2016, \$400,000 and \$215,000, respectively, was received and included in planned giving services revenue in the statement of activities.