

**ROMAN CATHOLIC FOUNDATION OF  
EASTERN MISSOURI**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2018**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Roman Catholic Foundation of Eastern Missouri (the Foundation), which comprises the statement of financial position as of December 31, 2018, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Board of Trustees  
Roman Catholic Foundation of Eastern Missouri

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Roman Catholic Foundation of Eastern Missouri as of December 31, 2018, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Period Adjustment***

As discussed in Note 16 to the financial statements, management discovered an error in the prior year financial statements resulting in an understatement of net assets as of December 31, 2017. A prior period adjustment has been made to correct the error. Our opinion is not modified with respect to this matter.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

St. Louis, Missouri  
March 6, 2019

**ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2018**

**ASSETS**

Cash	\$	936,513
Investments		13,785,890
Prepaid Expenses		3,758
Promises to Give - Without Donor Restriction		95,173
Promises to Give - With Donor Restriction		7,598,521
Agency Receivables		13,914,519
Property and Equipment, Net		50,062
Other Long-Term Assets		51,741
Promises to Give - With Donor Restriction in Perpetuity for Endowment		6,364,085
Investments With Donor Restriction in Perpetuity		<u>27,651,835</u>
Total Assets	\$	<u><u>70,452,097</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable and Accrued Liabilities	\$	45,571
Amounts Due to Beneficiaries of Split Interest Agreements		1,172,629
Agency Liabilities		19,415,651
Grants Payable		2,268,269
Beneficiary Funds		<u>1,416,669</u>
Total Liabilities		<u>24,318,789</u>

**NET ASSETS**

Without Donor Restriction		284,113
With Donor Restriction		<u>45,849,195</u>
Total Net Assets		<u>46,133,308</u>
Total Liabilities and Net Assets	\$	<u><u>70,452,097</u></u>

See accompanying Notes to Financial Statements.

**ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restriction	With Donor Restriction	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Total Contributions	\$ 95,543	\$ 8,862,574	\$ 8,958,117
Less:			
Amounts Raised for Others	-	2,870,863	2,870,863
Amounts Received for Beneficiary Endowments	-	658,930	658,930
Net Contributions	<u>95,543</u>	<u>5,332,781</u>	<u>5,428,324</u>
Planned Giving Services Fee	340,000	-	340,000
Foundation Management Fees	17,411	-	17,411
Miscellaneous Income	2,718	-	2,718
Loss on Disposal of Fixed Assets	(1,859)	-	(1,859)
Interest and Dividends	10,468	919,478	929,946
Net Assets Released from Restrictions	<u>4,676,302</u>	<u>(4,676,302)</u>	<u>-</u>
Total Public Support and Revenue	5,140,583	1,575,957	6,716,540
<b>PROGRAM GRANTS</b>			
Parish Life	126,440	-	126,440
Catholic Education	3,582,774	-	3,582,774
Catholic Social Services	37,584	-	37,584
Other Catholic Ministries	66,776	-	66,776
Other Ministries	<u>60,004</u>	<u>-</u>	<u>60,004</u>
Total Grants	3,873,578	-	3,873,578
Less Grants Made on Beneficial Funds	<u>(27,332)</u>	<u>-</u>	<u>(27,332)</u>
Total Program Grants	3,846,246	-	3,846,246
<b>OPERATING EXPENSES</b>			
Salaries	674,697	-	674,697
Employee Benefits	98,391	-	98,391
Payroll Taxes	53,115	-	53,115
Occupancy Expense	55,656	-	55,656
Office Expenses	105,295	-	105,295
Professional Fees	325,698	-	325,698
Insurance Premiums	63,741	-	63,741
Depreciation and Amortization Expenses	27,630	-	27,630
Travel and Other Expenses	<u>21,339</u>	<u>-</u>	<u>21,339</u>
Total Operating Expenses	<u>5,271,808</u>	<u>-</u>	<u>5,271,808</u>
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS</b>	(131,225)	1,575,957	1,444,732
<b>NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS</b>	<u>(2,959)</u>	<u>(3,066,832)</u>	<u>(3,069,791)</u>
<b>DECREASE IN NET ASSETS</b>	(134,184)	(1,490,875)	(1,625,059)
Net Assets - Beginning of Year (As Restated)	<u>418,297</u>	<u>47,340,070</u>	<u>47,758,367</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 284,113</u>	<u>\$ 45,849,195</u>	<u>\$ 46,133,308</u>

See accompanying Notes to Financial Statements.

**ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Decrease in Net Assets	\$ (1,625,059)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	27,630
Contributions with Donor Restrictions in Perpetuity for Endowment	(1,767,405)
Net Realized and Unrealized Loss on Investments	3,069,791
(Increase) Decrease in Assets:	
Promises to Give	(1,716,068)
Agency Receivables	15,532,369
Prepaid Expenses	(3,758)
Other Long-Term Assets	(1,523)
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Liabilities	3,109
Amounts Due to Beneficiaries of Split Interest Agreements	237,024
Agency Liabilities	(9,310,953)
Due to Archdiocese	(1,886)
Grants Payable	58,002
Beneficiary Endowments	568,065
Net Cash Provided by Operating Activities	5,069,338

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Investments	(17,596,105)
Proceeds from Sales of Investments	8,618,172
Net Cash Used by Investing Activities	(8,977,933)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Collections of Contributions With Donor Restrictions in Perpetuity for Endowment	4,136,545
Net Cash Provided by Financing Activities	4,136,545

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

227,950

Cash and Cash Equivalents - Beginning of Year

9,551,212

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 9,779,162

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash	\$ 936,513
Assets With Donor Restriction in Perpetuity for Endowment	\$ 8,842,649

See accompanying Notes to Financial Statements.

**ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 ORGANIZATION**

The Roman Catholic Foundation of Eastern Missouri (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.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting.

**Basis of Presentation**

Financial statement presentation follows guidance set forth by accounting principles generally accepted for nonprofit organizations, which requires the Foundation to report information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restriction.

**Estimates and Assumptions**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. 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 typically 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. A donation of privately-held stock was received from a donor during the year ended December 31, 2018. Based on valuation, this amount is recorded as \$449,902, which is considered cost.

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**  
**DECEMBER 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 to 5 years
Software	3 to 5 years
Furniture and Fixtures	5 to 10 years
Website Development	3 to 5 years

**Promises to Give**

Promises to give, including those which are stipulated by the donor restrictions, 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 and historical collection rates. 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. Promises to give expected to be collected after one year are discounted at rates ranging from 0.67% to 2.51%. See Note 7.

**Agency Receivables and Liabilities**

The Foundation is currently raising funds through a campaign soliciting contributions from parishioners throughout the Archdiocese of St. Louis. A portion of these funds is being remitted back to each donor's specific parish. Of the funds raised in 2018, \$2,870,863 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, 2018, the amount due to these parishes from the campaign funds raised was \$19,415,651. The agency receivable balance at December 31, 2018 was \$13,904,668, with the difference of \$5,510,983 reflected in investments due to timing of distribution due to parishes. The agency receivable and payable are also shown net of allowance and discount. See Note 7.

**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, 2018, 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, 2018 is \$581,386.

During 2018, the Foundation entered into a net income makeup charitable remainder unitrust agreement with a donor for an irrevocable trust whereby a liability is recorded for present value of payments due to the beneficiaries. The excess of contributed assets over the trust liability is recorded as a contribution with donor restrictions. The liability for this agreement at December 31, 2018 is \$269,315.

**ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Foundation enters 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. Upon termination of this annuity agreements, the remaining balance is transferred to various funds within the Foundation. 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 \$321,928 at December 31, 2018. Included in this amount are agency funds of \$57,897 which the Foundation holds and invests as an agent for parishes, schools, and other Catholic organizations.

**Beneficiary Funds**

Beneficiary funds are donor-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.

**Net Assets and Contributions**

Net Assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net Assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net Assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Foundation considers donor-advised funds as contributions with donor restrictions.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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**  
**DECEMBER 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, grant programs, and planned giving education.

**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. The expenses that are allocated primarily involve allocations based on estimates of time and effort and square footage.

**Income 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 follows the accounting standards for contingencies in evaluating uncertain tax positions. Management believes all positions taken would be upheld when examined. The Foundation's federal tax returns are subject to examination by taxing authorities.

**Change in Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

**Subsequent Events**

Management has evaluated subsequent events through March 6, 2019, the date that the financial statements were available for issue.

**ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 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.

**NOTE 4 INVESTMENTS**

Investments consist of the following as of December 31, 2018:

Cash and Cash Equivalents	\$ 8,842,649
Equity Securities	22,258,485
Exchange-Traded Fund	1,317,523
Commodities	316,043
Mutual Funds	8,253,723
Privately Held Stock	449,302
Total	<u>\$ 41,437,725</u>

These amounts are reported in the financial statements as follows as of December 31, 2018:

Investments	\$ 13,785,890
Investments With Donor Restriction in Perpetuity	27,651,835
Total	<u>\$ 41,437,725</u>

Net realized and unrealized losses on investments for the year ended December 31, 2018 are comprised of the following:

Unrealized losses	\$ (3,027,203)
Realized losses	(42,588)
Total	<u>\$ (3,069,791)</u>

**NOTE 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:

**ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

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 2018 there were no changes in the methods and/or assumptions utilized to derive the fair value of the Foundation's assets.

The following are major categories of assets measured at fair value on a recurring basis during the year ended December 31, 2018:

	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 3,655,065	\$ -	\$ -	\$ 3,655,065
Equity Securities:				
Basic Materials	333,695	-	-	333,695
Consumer Goods	2,017,054	-	-	2,017,054
Financial	1,532,778	-	-	1,532,778
Healthcare	1,791,936	-	-	1,791,936
Industrial Goods	1,124,704	-	-	1,124,704
Real Estate	337,318	-	-	337,318
Services	985,797	-	-	985,797
International	9,416,640	-	-	9,416,640
Technology	2,630,464	-	-	2,630,464
Utilities	439,348	-	-	439,348
Infrastructure	1,029,474	-	-	1,029,474
Energy	619,277	-	-	619,277
Exchange-Traded Fund	1,317,523	-	-	1,317,523
Commodities	316,043	-	-	316,043
Mutual Funds:				
Global Real Estate	636,743	-	-	636,743
Intermediate-Term Bond	7,475,644	-	-	7,475,644
Other Mutual Funds	141,336	-	-	141,336
Total Assets	<u>\$ 35,800,839</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,800,839</u>

**ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 6 LIQUIDITY AND AVAILABILITY**

Financial assets available for grants and other expenses within one year of the statement of financial position date comprise the following at December 31, 2018:

Cash and Cash Equivalents	\$ 936,513
Investments - Short-Term	7,094,256
Promises to Give	<u>2,109,512</u>
Total	<u><u>\$ 10,140,281</u></u>

In addition to these funds available for general expenditures, the Foundation's board of trustees has chosen to charge a management fee to all funds based on monthly market value to cover general expenditures required to operate the Foundation. The management fee rate for most funds is calculated at 1% annual rate on up to the first \$2 million, 0.85% on the next \$3 million, and 0.6% on the fund balance greater than \$5 million. Exceptions to this fee schedule are for agency funds, charitable remainder annuity trusts, charitable remainder unitrusts, and charitable lead trusts which is calculated at a flat 1% annual rate, and charitable gift annuity funds are calculated at an annual 1.5% rate. Fees are assessed on a monthly basis. Such management fee income and management fee expense is netted in the presentation of the statement of activities. Estimated management fees for general expenditure during 2019 are \$313,852.

In addition to a management fee, the board of trustees has also approved a scholarship administration fee for all scholarships granted from the Beyond Sunday Educational Fund and SOAR! to cover expenditures incurred to administer the application and award process. The fee is \$50 per award per semester. The estimated scholarship administration fees for 2019 are \$143,200.

As referenced in Note 15, the Foundation provides planned giving services on a contract basis to the Archdiocese of St. Louis in which estimated fee for 2019 is \$155,000.

The assets above include \$2,687,721 in donor-advised funds. The Foundation generally uses these assets for grant making based on donor recommendations and considers them as with donor restrictions.

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments that is restricted for specific purposes is not available for general expenditure. As described in Note 10, the Foundation's donor-restricted endowments are subject to an annual spending rate of 4.5% and \$148,386 of appropriation from the donor-restricted endowments will be available within the next 12 months, of which \$1,241 will remain with the Foundation.

The Foundation invests cash in excess of daily requirements in short-term investments and money market funds. These short-term funds are accumulated and invested for operating expenditures, distributing funds to parishes as part of the Beyond Sunday Parish share distribution on a periodic basis, as well as funding scholarships and school grants.

**ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 7 PROMISES TO GIVE AND AGENCY RECEIVABLES**

Promises to give and agency receivables are expected to be collected as follows at December 31, 2018:

	Promises to Give			Agency Receivables
	Without Donor Restriction	With Donor Restriction	Total	Total
Less Than One Year	\$ 50,517	\$ 9,013,419	\$ 9,063,936	\$ 8,424,934
One to Five Years	50,000	7,162,968	7,212,968	7,145,941
More Than Five Years	-	8,281	8,281	17,121
	<u>100,517</u>	<u>16,184,668</u>	<u>16,285,185</u>	<u>15,587,996</u>
Less: Allowance for Doubtful Accounts	3,000	1,771,231	1,774,231	1,220,118
Less: Discount on Balances Collectible After One Year	2,344	450,831	453,175	453,359
	<u>\$ 95,173</u>	<u>\$ 13,962,606</u>	<u>\$ 14,057,779</u>	<u>\$ 13,914,519</u>

**NOTE 8 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2018:

Computer Equipment	\$ 10,823
Software	116,428
Furniture and Fixtures	<u>18,825</u>
	146,076
Less: Accumulated Depreciation and Amortization	<u>96,014</u>
Total	<u>\$ 50,062</u>

**NOTE 9 NET ASSETS**

Net assets consist of the following at December 31, 2018:

	Without Donor Restriction	With Donor Restriction	Total
Undesignated	\$ 284,113	\$ -	\$ 284,113
Donor-Advised Funds	-	2,687,721	2,687,721
Parishes, Schools, Agencies, and Charities	-	4,691,026	4,691,026
Beyond Sunday Campaign Funds	-	38,470,448	38,470,448
	<u>\$ 284,113</u>	<u>\$ 45,849,195</u>	<u>\$ 46,133,308</u>

**ROMAN CATHOLIC FOUNDATION OF EASTERN MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 9 NET ASSETS (CONTINUED)**

Net assets were released from restrictions as follows:

Donor-Advised Funds	\$ 280,974
Parishes, Schools, Agencies, and Charities	204,122
Beyond Sunday Campaign Funds	4,191,206
Total	<u>\$ 4,676,302</u>

**NOTE 10 ENDOWMENT**

The Foundation's endowment consists of 54 funds established for parishes, schools, and ministries in Eastern Missouri. As required by accounting principles generally accepted in the United States of America, 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 net assets with donor restrictions at 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 not retained in perpetuity is subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the Foundation.



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**NOTE 10 ENDOWMENT (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

Endowment net asset composition as of December 31, 2018:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Original Donor Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity	\$ -	\$ 27,651,835	\$ 27,651,835
Accumulated Investment Gain	-	154,274	154,274
Total Investment Return	<u>\$ -</u>	<u>\$ 27,806,109</u>	<u>\$ 27,806,109</u>

Changes in endowment net assets for the year ended December 31, 2018:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment Assets - December 31, 2017	\$ -	\$ 25,841,698	\$ 25,841,698
Investment Return:			
Net Realized and Unrealized Loss	-	(2,692,028)	(2,692,028)
Interest and Dividends	-	773,460	773,460
Total Investment Return	-	(1,918,568)	(1,918,568)
Contributions	-	4,136,545	4,136,545
Amounts Appropriated for Spending	-	(253,566)	(253,566)
Endowment Assets - December 31, 2018	<u>\$ -</u>	<u>\$ 27,806,109</u>	<u>\$ 27,806,109</u>

**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, 2018.

**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 endowments 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 5.5% annually. Actual returns in any given year may vary from this goal.

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**NOTE 10 ENDOWMENT (CONTINUED)**

**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 uses equity-based and 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 market value, ranging from 2.25% to 4.5%. In establishing this policy, the Foundation considered the long-term expected return on its endowments. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowments to continue to grow. 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.

**NOTE 11 RELATED PARTY TRANSACTIONS**

During the year ended, December 31, 2018, related parties contributed approximately \$655,000 to the Foundation. These contributions represent approximately 12% of total contributions. In addition, amounts due from related parties of approximately \$114,000 represent less than 1% of promises to give and agency receivables outstanding at December 31, 2018.

**NOTE 12 RETIREMENT PLAN**

The Foundation maintained a 403(b) plan covering all employees who met certain eligibility requirements through June 2018. Effective July 2018, the Foundation established a 401(k) plan covering all employees meeting certain eligibility criteria. Contributions paid by the Foundation for both retirement plans totaled \$26,856 for the year ended December 31, 2018, which are included in employee benefits.

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**NOTE 13 COMMITMENTS**

In 2016, the Foundation entered into a lease agreement with the Archdiocese of St. Louis (Archdiocese) for office space. During 2018, the lease was extended and provisions were made making it cancellable with a 30 day written notice. Monthly rental payments in accordance with the lease were \$4,638 per month, which includes a technology fee. On January 1, 2019, the lease was extended for an additional year with the same terms. The Foundation entered into a noncancellable lease agreement for office equipment that provides for monthly rent payments of \$170 through December 2022.

Future minimum rents under the noncancellable lease agreements are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 2,041
2020	2,041
2021	2,041
2022	2,041
Total	<u>\$ 8,164</u>

Rent expense for the office space amounted to \$55,656 for the year ended December 31, 2018, which is included in occupancy expenses and was paid to the Archdiocese. Office equipment rent of \$2,041 is included in office expense at December 31, 2018.

**NOTE 14 FUNCTIONAL EXPENSES**

The following is a detail of expenses by functional classification for the year ended December 31, 2018:

	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 3,846,246	\$ -	\$ -	\$ 3,846,246
Salaries	238,760	211,818	224,119	674,697
Employee Benefits	35,425	31,607	31,359	98,391
Payroll Taxes	18,593	16,620	17,902	53,115
Occupancy Expenses	21,500	18,047	16,109	55,656
Office Expenses	37,087	29,416	38,792	105,295
Professional Fees	73,507	54,389	197,802	325,698
Insurance Premiums	62,571	598	572	63,741
Depreciation and Amortization Expense	3,060	1,775	22,795	27,630
Travel and Other Expense	7,917	10,974	2,448	21,339
	<u>\$ 4,344,666</u>	<u>\$ 375,244</u>	<u>\$ 551,898</u>	<u>\$ 5,271,808</u>

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**NOTE 15 TRANSACTIONS WITH THE ARCHDIOCESE**

In July 2016, the Foundation entered into a Planned Giving Services Agreement with the Archdiocese for \$1,100,000. The agreement is in effect through June 2019. During 2018, \$340,000 was received and included in planned giving services revenue in the statement of activities.

**NOTE 16 PRIOR PERIOD ADJUSTMENT**

The Foundation determined that an adjustment was required to the prior period financial statements to accurately reflect the present value discount in relation to the agency liability for the year ended December 31, 2017. Previously, the Foundation recorded the agency liability discount within the change in net assets instead of within the statement of financial position. As a result of the prior period adjustment, the January 1, 2018 balances were adjusted as follows:

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Agency Liability
As Originally Stated, December 31, 2017	\$ 418,297	\$ 46,619,786	\$ 29,446,888
Prior Period Adjustment	-	720,284	(720,284)
Beginning Balance, January 1, 2018 (Restated)	<u>\$ 418,297</u>	<u>\$ 47,340,070</u>	<u>\$ 28,726,604</u>