

EPISCOPAL FOUNDATION OF DALLAS

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2014 AND 2013

EPISCOPAL FOUNDATION OF DALLAS

DECEMBER 31, 2014 AND 2013

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## Independent Auditor's Report

Board of Trustees  
Episcopal Foundation of Dallas

We have audited the accompanying financial statements of Episcopal Foundation of Dallas (the "Foundation"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the 2014 financial statements referred to above, present fairly, in all material respects, the financial position of Episcopal Foundation of Dallas as of December 31, 2014, and the changes in its 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 Financial Statements

The financial statements of Episcopal Foundation of Dallas as of December 31, 2013 were audited by other auditors whose report dated June 2, 2014 expressed an unmodified opinion on those statements.

*Lane Gorman Trubitt, PLLC*

Dallas, Texas  
June 15, 2015

Episcopal Foundation of Dallas  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2014 and 2013

ASSETS

	2014	2013
Cash and cash equivalents	\$ 91,749	\$ 112,970
Accounts receivable	39,068	37,461
Accrued investment income	5,170	5,386
Investments	5,013,232	5,006,832
Agency funds	34,727,528	33,298,585
Furniture and equipment, net	2,864	1,195
Other assets	7,676	6,019
Total assets	\$ 39,887,287	\$ 38,468,448

LIABILITIES AND NET ASSETS

<b>LIABILITIES</b>		
Accounts payable	\$ 7,600	\$ 2,517
Agency funds	34,727,528	33,298,585
Total liabilities	34,735,128	33,301,102
<b>COMMITMENTS</b>		
	-	-
<b>NET ASSETS</b>		
Unrestricted	5,150,409	5,165,596
Temporarily restricted	1,750	1,750
Total net assets	5,152,159	5,167,346
Total liabilities and net assets	\$ 39,887,287	\$ 38,468,448

The accompanying notes are an integral part of these financial statements.

Episcopal Foundation of Dallas  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
December 31, 2014 and 2013

	2014	2013
UNRESTRICTED NET ASSETS		
Support and revenue:		
Contributions	\$ 3,575	\$ 7,950
Investment income, net	265,420	844,076
Administrative fee income, net	152,545	141,630
Other income, net	14,432	-
Total support and revenue	435,972	993,656
Expenses:		
Programs:		
Grants	236,929	212,923
Investment management	136,610	77,769
Management and general	77,620	29,390
Total expenses	451,159	320,082
CHANGE IN NET ASSETS	(15,187)	673,574
Net assets, beginning of year	5,167,346	4,493,772
Net assets, end of year	\$ 5,152,159	\$ 5,167,346

The accompanying notes are an integral part of these financial statements.

Episcopal Foundation of Dallas  
STATEMENTS OF CASH FLOWS  
December 31, 2014 and 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (15,187)	\$ 673,574
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	1,290	797
Net realized gains on investments	(131,086)	(308,413)
Net unrealized gains on investments	(11,316)	(429,270)
Change in operating assets and liabilities:		
Accounts receivable	(1,607)	(8,580)
Accrued investment income	216	820
Other assets	(1,657)	93
Accounts payable	5,083	(6)
Grants payable	-	(3,000)
Net cash used in operating activities	(154,264)	(73,985)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(683,255)	(1,678,515)
Proceeds from sale of investments	819,257	1,808,253
Purchases of furniture and equipment	(2,959)	-
Net cash provided by investing activities	133,043	129,738
Net increase (decrease) in cash and cash equivalents	(21,221)	55,753
Cash and cash equivalents at beginning of year	112,970	57,217
Cash and cash equivalents at end of year	\$ 91,749	\$ 112,970

The accompanying notes are an integral part of these financial statements.

Episcopal Foundation of Dallas  
NOTES TO FINANCIAL STATEMENTS

## NATURE OF BUSINESS

Episcopal Foundation of Dallas (the “Foundation”) is a Texas not-for-profit corporation. The Foundation’s mission is to expand the Kingdom of God through disciplined investing for transformative ministries.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

A summary of significant accounting policies consistently applied by the Foundation in the preparation of the accompanying financial statements is as follows:

#### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

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

*Unrestricted net assets* - Net assets not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

*Temporarily restricted net assets* - Net assets that are subject to donor-imposed restrictions that may or will be met by the occurrence of a specific event or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

*Permanently restricted net assets* - Net assets required to be maintained in perpetuity, due to donor-imposed restrictions, with generally only the income used for general or specific purposes. There are no permanently restricted net assets at December 31, 2014 and 2013.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is limited by donor-imposed restrictions or by law. Expirations of temporary restrictions on net assets (*i.e.* the donor-restricted purpose has been fulfilled and/or the stipulated time period has elapsed) are recorded as reclassifications between the applicable classes of net assets.

#### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less. The Foundation maintains its cash balances in financial institutions, which at times may exceed federally insured limits. The Foundation has not incurred any losses in these accounts and does not believe that they are exposed to any significant credit risk on cash and cash equivalents.

Episcopal Foundation of Dallas  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

Cash and Cash Equivalents (Continued)

Cash and securities maintained through a registered securities dealer are insured up to \$500,000 by the Securities Investor Protection Corporation (“SIPC”). SIPC covers losses from fraud and negligence of the registered securities dealer, but not against market losses or investment return. Balances held in accounts may still at times exceed insured limits. The Foundation has not incurred any losses in these accounts, outside normal trading activities, and does not believe that they are exposed to any significant credit risk.

Investments

Investments include cash and cash equivalents, fixed income securities, mutual funds and exchange traded funds, marketable equity securities, and alternative investments. The Foundation’s investment policy, as approved by the Board of Trustees, permits investments in alternative investments which are comprised of hedge fund limited partnerships. Invested with three different fund of fund managers, the alternative strategy investment objectives are to protect capital during declining markets while participating during market advances, to achieve returns with low volatility and to minimize the possibility for capital loss.

Investments are stated at their fair value. Realized and unrealized gains and losses on investments are determined by comparison of the actual cost to the proceeds at the time of disposition or market values as of the end of the financial statement period.

Investment income or loss (including realized and unrealized gains and losses on investments and interest and dividend income, net) is included in the determination of the change in net assets and is reported as revenue in the accompanying statements of activities and changes in net assets.

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

Investment transactions are recorded on the trade date. Realized gains and losses are determined using the first-in-first-out (FIFO) method. Interest income is recognized on the accrual basis and dividends are recognized on the ex-dividend date.

The Foundation pays management fees related to its investments and the investments of the agency fund it manages. Fees paid to various money managers are allocated between the Foundation’s investment accounts and agency funds based on the relative fair value of the funds. Mutual funds, exchange traded funds, and alternative investments report performance net of management fees such that fees for those funds are not reflected as expense, but instead reduce reported investment income.

Agency Funds

The Foundation maintains funds for various Diocesan institutions in which it has no economic interest. These funds are held as agency accounts. The Foundation records agency funds at fair value and recognizes a corresponding liability of an equal amount.

Fair Value Measurements

The Foundation reports its fair value measurements using the framework for measuring fair value established by GAAP. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying investments. The three levels of the fair value hierarchy under GAAP are described below:



Episcopal Foundation of Dallas  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

Fair Value Measurements (Continued)

*Level 1 Inputs* - Quoted prices (unadjusted) in active markets for identical assets and liabilities. Valuations of these instruments do not require a high degree of judgment since the valuations are based on readily available quoted prices in active markets.

*Level 2 Inputs* - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

*Level 3 Inputs* - Unobservable inputs for the valuation of the asset or liability. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Foundation believes the valuation methods used in this report are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Furniture and Equipment

Furniture and equipment are capitalized at cost or, if acquired by gift, at the fair market value at the date of gift. Provisions for depreciation are determined on a straight-line basis over the expected useful lives of the assets, which range from three to ten years. Total accumulated depreciation was \$5,443 and \$5,747 at December 31, 2014 and 2013, respectively. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is recognized in the statements of activities and changes in net assets. Costs of betterments and improvements are capitalized, while replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred.

Contributions

Contributions are recognized as revenue in the period in which unconditional promises to give are received. Conditional promises to give are not recognized until the conditions on which they depend are substantially satisfied. Contributions of assets other than cash are recorded at estimated fair values.

Contributed Services

Contributions of services are recognized in the accompanying financial statements if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would otherwise be purchased by the Foundation if not provided by donation. Any services that meet the criteria for recognition under GAAP are recorded in the accompanying statements of activities and changes in net assets at the estimated fair value of the services received.

Officers and trustees donate administrative services to the Foundation. No amounts have been recorded in the accompanying financial statements for these services because they either do not meet the criteria for recognition or because they are not material to the financial statements.

Episcopal Foundation of Dallas  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

Administrative Fee Income

The Foundation charges an administrative fee to cover the expense of administering agency funds. The fee is based on the fair value of the investment accounts and is accrued quarterly and deducted from agency fund balances in the month following accrual.

Grants

Grants are recognized as expenses when approved by the Board of Trustees. All grants approved during 2014 and 2013 were paid in the years approved.

Income Taxes

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (the "Code"), except to the extent it has unrelated business income. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. For the years ended December 31, 2014 and 2013, the Foundation had no material unrelated business income. Accordingly, no provision for income tax has been provided in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Foundation's tax returns to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense in the current year. A reconciliation is not provided herein, as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions, or settlements. The Foundation is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status. However, the conclusions regarding accounting for uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

The Foundation recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense. There were no interest or penalties for the years ended December 31, 2014 or 2013. The Foundation's informational returns filed are generally subject to examination for three years after the later of the due date or date of filing. As a result, the Foundation is no longer subject to income tax examinations by tax authorities for years prior to fiscal year 2011.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Expenses that are readily identifiable to a single program service or supporting service are charged directly to that function. However, many expenses relate to more than one function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Episcopal Foundation of Dallas  
NOTES TO FINANCIAL STATEMENTS

2. INVESTMENTS

The table below sets forth, by level, investments that were accounted for at fair value as of December 31, 2014:

	<u>Carrying Value</u>	<u>Measured Fair Value</u>	<u>Quoted Prices In Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents	\$ 155,072	\$ 155,072	\$ 155,072	\$ -	\$ -
Fixed income securities:					
U.S. Government and agency bonds	414,246	414,246	-	414,246	-
U.S. Corporate bonds	<u>288,127</u>	<u>288,127</u>	-	<u>288,127</u>	-
	702,373	702,373	-	702,373	-
Mutual funds and exchange traded funds:					
Large growth	1,259,005	1,259,005	1,259,005	-	-
Large value	1,056,105	1,056,105	1,056,105	-	-
Diversified emerging markets	125,837	125,837	125,837	-	-
World bond	<u>89,911</u>	<u>89,911</u>	<u>89,911</u>	-	-
	2,530,858	2,530,858	2,530,858	-	-
Marketable equity securities:					
Domestic	575,451	575,451	575,451	-	-
International	<u>524,405</u>	<u>524,405</u>	<u>524,405</u>	-	-
	1,099,856	1,099,856	1,099,856	-	-
Alternative investments	<u>525,073</u>	<u>525,073</u>	-	-	<u>525,073</u>
Total	<u>\$ 5,013,232</u>	<u>\$ 5,013,232</u>	<u>\$ 3,785,786</u>	<u>\$ 702,373</u>	<u>\$ 525,073</u>

Episcopal Foundation of Dallas  
NOTES TO FINANCIAL STATEMENTS

2. INVESTMENTS (Continued)

The table below sets forth, by level, investments that were accounted for at fair value as of December 31, 2013:

	Carrying Value	Measured Fair Value	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 254,034	\$ 254,034	\$ 254,034	\$ -	\$ -
Fixed income securities:					
U.S. Government and agency bonds	426,446	426,446	-	426,446	-
U.S. Corporate bonds	<u>285,582</u>	<u>285,582</u>	-	<u>285,582</u>	-
	712,028	712,028	-	712,028	-
Mutual funds and exchange traded funds:					
Large growth	1,144,015	1,144,015	1,144,015	-	-
Large value	982,535	982,535	982,535	-	-
Diversified emerging markets	96,022	96,022	96,022	-	-
World bond	<u>91,483</u>	<u>91,483</u>	<u>91,483</u>	-	-
	2,314,055	2,314,055	2,314,055	-	-
Marketable equity securities:					
Domestic	634,658	634,658	634,658	-	-
International	<u>578,471</u>	<u>578,471</u>	<u>578,471</u>	-	-
	1,213,129	1,213,129	1,213,129	-	-
Alternative investments	<u>513,586</u>	<u>513,586</u>	-	-	<u>513,586</u>
<b>Total</b>	<u><u>\$ 5,006,832</u></u>	<u><u>\$ 5,006,832</u></u>	<u><u>\$ 3,781,218</u></u>	<u><u>\$ 712,028</u></u>	<u><u>\$ 513,586</u></u>

The following methods and assumptions were used to estimate fair value. There were no changes in valuation techniques during the years ended December 31, 2014 and 2013.

*Cash and cash equivalents* – Reflected in the accompanying financial statements at amounts which approximate fair value, primarily because of the short-term maturity of those instruments.

*Fixed income securities* - Valued based on quotes market prices for investments with similar yields, bond ratings, and other relevant information from various sources including pricing vendors, investment managers, and market conditions.

*Mutual funds and exchange traded funds and Marketable equity securities* – Valued based on quoted market prices on the active markets on which they are traded.

*Alternative investments* – Valued based on the net asset value as a particular expedient in estimating fair value. The net asset values are determined by the management of the funds and the Foundation’s management believes that the carrying value is a reasonable estimate of the fair value as of December 31, 2014 and 2013.

Episcopal Foundation of Dallas  
NOTES TO FINANCIAL STATEMENTS

2. INVESTMENTS (Continued)

The schedule below summarizes the activity for the items above which have been classified as Level 3 measurements for the years ended December 31,:

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 513,586	\$ 501,208
Investment purchases	-	(7,850)
Investment sales	-	7,850
Total realized and unrealized gains reported in investment income	<u>11,487</u>	<u>12,378</u>
Balance at end of year	<u>\$ 525,073</u>	<u>\$ 513,586</u>

The alternative investments may be redeemed with 90 days' notice at the end of any calendar quarter, or in the case of one investment, at the end of any calendar year.

3. AGENCY FUNDS

The table below sets forth, by level, agency funds that were accounted for at fair value as of December 31, 2014:

	<u>Carrying Value</u>	<u>Measured Fair Value</u>	<u>Quoted Prices In Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents	\$ 1,108,878	\$ 1,108,878	\$ 1,108,878	\$ -	\$ -
Fixed income securities:					
U.S. Government and agency bonds	2,866,597	2,866,597	-	2,866,597	-
U.S. Corporate bonds	<u>1,993,850</u>	<u>1,993,850</u>	-	<u>1,993,850</u>	-
	4,860,447	4,860,447	-	4,860,447	-
Mutual funds and exchange traded funds:					
Large growth	8,712,361	8,712,361	8,712,361	-	-
Large value	7,308,283	7,308,283	7,308,283	-	-
Diversified emerging markets	870,800	870,800	870,800	-	-
World bond	<u>622,184</u>	<u>622,184</u>	<u>622,184</u>	-	-
	17,513,628	17,513,628	17,513,628	-	-
Marketable equity securities:					
Domestic	3,982,145	3,982,145	3,982,145	-	-
International	<u>3,628,903</u>	<u>3,628,903</u>	<u>3,628,903</u>	-	-
	7,611,048	7,611,048	7,611,048	-	-
Alternative investments	<u>3,633,527</u>	<u>3,633,527</u>	-	-	<u>3,633,527</u>
Total	<u>\$ 34,727,528</u>	<u>\$ 34,727,528</u>	<u>\$ 26,233,554</u>	<u>\$ 4,860,447</u>	<u>\$ 3,633,527</u>

Episcopal Foundation of Dallas  
NOTES TO FINANCIAL STATEMENTS

3. AGENCY FUNDS (Continued)

The table below sets forth, by level, agency funds that were accounted for at fair value as of December 31, 2013:

	Carrying Value	Measured Fair Value	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 1,723,446	\$ 1,723,446	\$ 1,723,446	\$ -	\$ -
Fixed income securities:					
U.S. Government and agency bonds	2,833,089	2,833,089	-	2,833,089	-
U.S. Corporate bonds	<u>1,897,261</u>	<u>1,897,261</u>	-	<u>1,897,261</u>	-
	4,730,350	4,730,350	-	4,730,350	-
Mutual funds and exchange traded funds:					
Large growth	7,600,242	7,600,242	7,600,242	-	-
Large value	6,527,457	6,527,457	6,527,457	-	-
Diversified emerging markets	637,921	637,921	637,921	-	-
World bond	<u>607,766</u>	<u>607,766</u>	<u>607,766</u>	-	-
	15,373,386	15,373,386	15,373,386	-	-
Marketable equity securities:					
Domestic	4,216,338	4,216,338	4,216,338	-	-
International	<u>3,843,064</u>	<u>3,843,064</u>	<u>3,843,064</u>	-	-
	8,059,402	8,059,402	8,059,402	-	-
Alternative investments	<u>3,412,001</u>	<u>3,412,001</u>	-	-	<u>3,412,001</u>
Total	<u>\$ 33,298,585</u>	<u>\$ 33,298,585</u>	<u>\$ 25,156,234</u>	<u>\$ 4,730,350</u>	<u>\$ 3,412,001</u>

The following methods and assumptions were used to estimate fair value. There were no changes in valuation techniques during the years ended December 31, 2014 and 2013.

*Cash and cash equivalents* – Reflected in the accompanying financial statements at amounts which approximate fair value, primarily because of the short-term maturity of those instruments.

*Fixed income securities* - Valued based on quotes market prices for investments with similar yields, bond ratings, and other relevant information from various sources including pricing vendors, investment managers, and market conditions.

*Mutual funds and exchange traded funds and Marketable equity securities* – Valued based on quoted market prices on the active markets on which they are traded.

*Alternative investments* – Valued based on the net asset value as a particular expedient in estimating fair value. The net asset values are determined by the management of the funds and the Foundation’s management believes that the carrying value is a reasonable estimate of the fair value as of December 31, 2014 and 2013.

Episcopal Foundation of Dallas  
NOTES TO FINANCIAL STATEMENTS

3. AGENCY FUNDS (Continued)

The schedule below summarizes the activity for agency funds for the years ended December 31,:

	<u>2014</u>	<u>2013</u>
Investment income	\$ 1,789,258	\$ 5,499,200
Expenses	(235,320)	(222,458)
Agency fund additions	1,417,603	4,251,673
Agency fund distributions	<u>(1,542,598)</u>	<u>(1,901,837)</u>
Net agency fund activity	1,428,943	7,626,578
Agency funds at beginning of year	<u>33,298,585</u>	<u>25,672,007</u>
Agency funds at end of year	<u>\$ 34,727,528</u>	<u>\$ 33,298,585</u>

The schedule below summarizes the activity for the items above which have been classified as Level 3 measurements for the years ended December 31,:

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 3,412,001	\$ 2,920,943
Investment purchases	-	52,150
Investment sales	-	(52,150)
Total realized and unrealized gains	<u>221,526</u>	<u>491,058</u>
Balance at end of year	<u>\$ 3,633,527</u>	<u>\$ 3,412,001</u>

4. INVESTMENT INCOME

Investment income consists of the following for the years ended December 31,:

	<u>2014</u>	<u>2013</u>
Interest and dividend income, net	\$ 123,018	\$ 106,393
Net realized gains on investments	131,086	308,413
Net unrealized gains on investments	<u>11,316</u>	<u>429,270</u>
Total investment income	<u>\$ 265,420</u>	<u>\$ 844,076</u>

5. NET ASSETS

Temporarily restricted net assets of \$1,750 at December 31, 2014 and 2013 are restricted for the benefit of another Diocesan institution.

Unrestricted net assets include \$617,609 and \$633,639 of donor advised funds at December 31, 2014 and 2013, respectively. Although grant recommendations are accepted from the donors or other advisors of these funds, the ultimate discretion regarding their use lies with the Board of Trustees.

6. RELATED PARTY TRANSACTIONS

Agency funds include \$6,021,565 and \$6,034,250 held on behalf of a not-for-profit organization that has the same Board of Trustees as the Foundation at December 31, 2014 and 2013, respectively. The not-for-profit organization incurred administrative fees with the Foundation of \$27,265 and \$26,248 for the years ended December 31, 2014 and 2013, respectively.

A receivable for administrative fees was outstanding from this organization in the amount of \$6,774 and 6,787 at December 31, 2014 and 2013, respectively.

7. CONCENTRATION OF FEE INCOME

Approximately 57% of the Foundation's administrative fee income was generated from four individual agency funds for the year ended December 31, 2014.

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8. SUBSEQUENT EVENTS

On May 22, 2015 the Foundation received a ruling from the Internal Revenue Service (IRS) confirming the Foundation's classification as a public charity under section 509(a)(3). The IRS further determined the Foundation meets the requirements of an integrated auxiliary of a church and as such, is not required to file Form 990.

Management has evaluated subsequent events through June 15, 2015, which is the date the financial statements were available to be issued.