



**Audit and Administration Committee Meeting
June 5, 2019, 2:30 pm
10000 N. Central Expressway
4th Floor, Suite 400
Dallas, TX 75231**

Call to Order and Opening Prayer: Ken Hanks

- Introduction of the BKD Audit Team
- Presentation of December 2018 Audit Draft Report and Discussion
- Insurance coverages
- Committee Responsibilities
 - 2019 Work Plan
 - Gift Policy Review
 - Draft Document Inventory review
- Diverted check - discussion on electronic transfer
- Discussion on adding Controller as a check signer with appropriate internal controls
- Other Business
- Adjourn

**Episcopal Health Foundation of Dallas
Audit and Administration Committee Meeting**

Call to Order: Ken Hanks

- Review 2018 Financial Statements
- Other business
- Adjourn

Episcopal Foundation of Dallas

Independent Auditor's Report and
Financial Statements

December 31, 2018 and 2017

DRAFT



Episcopal Foundation of Dallas
December 31, 2018 and 2017

Contents

Independent Auditor’s Report..... 1

Financial Statements

 Statements of Financial Position 3

 Statements of Activities..... 4

 Statement of Functional Expenses..... 5

 Statements of Cash Flows 6

 Notes to Financial Statements 7

DRAFT

Independent Auditor's Report

Board of Trustees
Episcopal Foundation of Dallas
Dallas, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Episcopal Foundation of Dallas, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses 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 financial statements referred to above present fairly, in all material respects, the financial position of the Episcopal Foundation of Dallas as of December 31, 2018, 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.

Emphasis of Matter

As described in *Note 1* to the financial statements, in 2018, Episcopal Foundation of Dallas adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Prior Year Audited by Other Auditors

The 2017 financial statements were audited by other auditors, and their report thereon, dated June 12, 2018, expressed an unmodified opinion.

June XX, 2019

DRAFT

Episcopal Foundation of Dallas
Statements of Financial Position
December 31, 2018 and 2017

Assets

	2018	2017
Cash	\$ 139,093	\$ 132,900
Accounts receivable	53,024	58,183
Investments	5,316,480	5,848,673
Agency funds	29,270,459	33,878,805
Furniture and equipment, net	1,429	2,245
Other assets	6,974	6,666
Total assets	\$ 34,787,459	\$ 39,927,472

Liabilities and Net Assets

	2018	2017
Liabilities		
Accounts payable	\$ 36,738	\$ 49,856
Agency funds	29,270,459	33,878,805
Total liabilities	29,307,197	33,928,661
Net Assets		
Without donor restrictions	5,478,512	5,997,061
With donor restrictions	1,750	1,750
Total net assets	5,480,262	5,998,811
Total liabilities and net assets	\$ 34,787,459	\$ 39,927,472

Episcopal Foundation of Dallas
Statements of Activities
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
	<u>Without Donor Restrictions</u>	<u>Without Donor Restrictions</u>
Revenues and Other Support		
Contributions	\$ 110,495	\$ 7,400
Investment income (loss), net	(386,304)	950,442
Administrative income, net	176,278	186,790
Other income, net	11,017	12,373
	<hr/>	<hr/>
Total revenues and other support	(88,514)	1,157,005
	<hr/>	<hr/>
Expenses		
Grants	249,000	252,661
Investment management - agency funds	9,865	62,969
Administrative support	171,170	112,201
	<hr/>	<hr/>
Total expenses	430,035	427,831
	<hr/>	<hr/>
Change in Net Assets	(518,549)	729,174
Net Assets, Beginning of Year	5,998,811	5,269,637
	<hr/>	<hr/>
Net Assets, End of Year	\$ 5,480,262	\$ 5,998,811
	<hr/> <hr/>	<hr/> <hr/>

Episcopal Foundation of Dallas
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services			Support	Total
	Grants	Investment Management	Total Program Services	Administrative Support	
Grants and other assistance	\$ 227,006	\$ -	\$ 227,006	\$ -	\$ 227,006
Salaries and wages	18,718	7,853	26,571	108,781	135,352
Payroll taxes	1,432	707	2,139	8,321	10,460
Professional fees and services	-	-	-	27,150	27,150
Advertising and promotion	-	-	-	7,054	7,054
Office expenses	306	316	622	3,187	3,809
Information technology	308	152	460	2,363	2,823
Occupancy	1,148	567	1,715	6,671	8,386
Conferences, conventions and meetings	82	270	352	2,045	2,397
Insurance	-	-	-	3,558	3,558
Depreciation	-	-	-	816	816
Other	-	-	-	1,224	1,224
Total expenses included in the expense section on the statement of activities	<u>\$ 249,000</u>	<u>\$ 9,865</u>	<u>\$ 258,865</u>	<u>\$ 171,170</u>	<u>\$ 430,035</u>

DRAFT

Episcopal Foundation of Dallas
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	\$ (518,549)	\$ 729,174
Items not requiring (providing) cash		
Depreciation	816	698
Net realized and unrealized (gains) losses on investments	624,020	(788,943)
Changes in		
Accounts receivable	5,159	(1,595)
Other assets	(308)	(2,014)
Accounts payable	(13,118)	16,702
	98,020	(45,978)
Net cash provided by (used in) operating activities		
Investing Activities		
Purchases of investments	(357,039)	(268,598)
Proceeds from sale of investments	265,212	259,784
Purchases of furniture and equipment	-	(2,449)
	(91,827)	(11,263)
Net cash provided by (used in) investing activities		
Increase (Decrease) in Cash	\$ 6,193	\$ (57,241)
Cash, Beginning of Year	132,900	190,141
Cash, End of Year	\$ 139,093	\$ 132,900

Episcopal Foundation of Dallas

Notes to Financial Statements

December 31, 2018 and 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Episcopal Foundation of Dallas (the “Foundation”) is a Texas not-for-profit corporation whose mission is to strengthen and support faith communities by partnering wise investments with purposeful giving. The Foundation is organized and operating with an independent Board of Trustees outside the jurisdiction of the Episcopal Diocese of Dallas (the Diocese), the Episcopal Church and the Diocesan and General Conventions of the Church. The Foundation provides investment management services to Episcopal churches, schools, and agencies within the Episcopal Diocese of Dallas, and makes grants to these organizations in addition to other not-for-profits whose work is consistent with the mission of the Foundation and the Diocese. The Foundation’s revenues and other support are derived principally from its own investment earnings and administrative fees charged to investment partners (Agency Funds).

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2018 and 2017, the Foundation held no cash equivalents, and the Foundation’s cash account did not exceed the federally insured limit.

Investments and Net Investment Income

Investments in equity securities having a readily determinable fair value are carried at fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments carried at fair value less external and direct internal investment expenses. Realized and unrealized gains and losses are determined using the average cost method.

Episcopal Foundation of Dallas

Notes to Financial Statements

December 31, 2018 and 2017

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions

The Foundation maintains a diversified pooled investment portfolio for the benefit of the Foundation and participating Episcopal entities recorded as Agency Funds. Investment income, realized and unrealized gains and losses from securities, and investment expenses in the pooled investment portfolio are allocated monthly to individual accounts based on the relationship of the fair value of each account to the total fair value of the pooled investments portfolio, as adjusted for additions to or deductions from the individual accounts.

Furniture and Equipment

Furniture and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset which ranges from three to ten years. Total accumulated depreciation was \$6,025 and \$5,661 at December 31, 2018 and 2017, 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.

Net Assets

Net assets, revenues, and gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions of \$1,750 at December 31, 2018 and 2017 are subject to donor restrictions for the benefit of another Diocesan organization.

Net assets without donor restrictions include \$616,017 and \$697,583 of donor advised funds at December 31, 2018 and 2017, 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.

Episcopal Foundation of Dallas

Notes to Financial Statements

December 31, 2018 and 2017

Contributions

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value of unconditional gifts of cash, with or without donor restrictions, is recorded at fair value.

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Income Taxes

The Foundation is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law except to the extent it has unrelated business taxable income. For the years ended December 31, 2018 and 2017, the Foundation had no material unrelated business income. Accordingly, no provision for income tax has been provided in the accompanying financial statements.

The Foundation received a ruling from the Internal Revenue Service which determined the Foundation meets the requirements of an integrated auxiliary of a church and as such is not required to file Form 990. Management, however, intends to continue filing Form 990 because it is widely used to evaluate not-for-profit organizations and provides transparency to investment partners and donors. The Foundation's informational returns 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 U.S. federal income tax examinations by tax authorities for years prior to fiscal year 2015.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program and management and general categories based on a time study conducted for each employee, specific identification, and other methods.

Episcopal Foundation of Dallas

Notes to Financial Statements

December 31, 2018 and 2017

Change in Accounting Principle

In 2018, the Foundation adopted Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

- The statements of financial position distinguish between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.
- Investment income is shown on the statements of activities net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.
- Expenses are reported by nature and function on a separate statement of functional expense.
- Notes to the financial statements include enhanced quantitative and qualitative disclosures providing additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.

Note 2: Fair Value Measurements and Disclosures

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Investments

The following table presents the fair value measurements of the Foundation's investments recognized in the accompanying statements of financial position measured at fair value on a recurring basis. The investments consist of mutual funds accounted for at fair value based on quoted prices in active markets in which the mutual funds are traded (Level 1 inputs) at December

Episcopal Foundation of Dallas

Notes to Financial Statements

December 31, 2018 and 2017

31, 2018 and 2017. There were no changes in valuation techniques during the years ended December 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Mutual funds		
Domestic equity	2,236,596	2,523,371
International equity	1,437,921	1,676,088
Domestic fixed income	978,487	984,930
International fixed income	339,131	329,853
Real estate	324,345	334,431
Total	<u>\$ 5,316,480</u>	<u>\$ 5,848,673</u>

Agency Funds

The following table presents the fair value measurements of agency fund investments recognized in the accompanying statements of financial position measured at fair value on a recurring basis. The investments consist of mutual funds accounted for at fair value based on quoted prices in active markets in which the mutual funds are traded (Level 1 inputs) at December 31, 2018 and 2017. There were no changes in valuation techniques during the years ended December 31, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Mutual funds		
Domestic equity	12,313,821	14,616,786
International equity	7,916,633	9,708,847
Domestic fixed income	5,387,168	5,705,266
International fixed income	1,867,121	1,910,696
Real estate	1,785,716	1,937,210
Total	<u>\$ 29,270,459</u>	<u>\$ 33,878,805</u>

Episcopal Foundation of Dallas
Notes to Financial Statements
December 31, 2018 and 2017

Note 3: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018, comprise the following:

Financial assets at year-end	
Cash and cash equivalents	\$ 139,093
Accounts receivable	53,024
Investments	<u>5,316,480</u>
Total financial assets	<u>5,508,597</u>
Financial assets available to meet cash needs for general expenditures within one year	
	<u>\$ 5,508,597</u>

The Foundation manages its liquidity by operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund operating needs. The Foundation's investments are subject to a spending guideline which allows the Foundation to be as generous and as consistent as possible in making grants to the Episcopal community while also maintaining the value of the fund over time. The guideline is for planning purposes and to demonstrate due diligence and it is the intent of the Board of Trustees that investments remain without restriction and not subject to any self-imposed limits that create designated assets.

Note 4: Related Party Transactions

Agency funds include \$5,835,131 and \$6,612,856 held on behalf of a not-for-profit organization that has the same Board of Trustees as the Foundation at December 31, 2018 and 2017, respectively. The not-for-profit organization incurred administrative fees with the Foundation of \$36,158 and \$34,291 for the years ended December 31, 2018 and 2017, respectively. A receivable for administrative fees and services was outstanding from this organization in the amount of \$19,672 and \$20,093 at December 31, 2018 and 2017, respectively.

Note 5: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Investments

The Foundation invests in various mutual funds which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities,

Episcopal Foundation of Dallas

Notes to Financial Statements

December 31, 2018 and 2017

it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Administrative Income

Approximately 35% and 33% of the Foundation's administrative fee income was generated from two individual agency funds for the years ended December 31, 2018 and 2017, respectively. Of those percentages, approximately 20% and 18% was generated from the related organization identified in Note 4 for the years ended December 31, 2018 and 2017, respectively.

Note 6: Subsequent Events

Subsequent events have been evaluated through June XX, 2019, which is the date the financial statements were available to be issued.

DRAFT

EPISCOPAL FOUNDATION OF DALLAS

Audit and Administration Committee Responsibilities

The Audit and Administration Committee is an Advisory Committee of the Board of Trustees. Its principal responsibilities are to see that appropriate accounting policies and internal controls are established and followed, and that the organization issues financial statements and reports on time and in accordance with its regulatory obligations. In addition, the Committee will annually review the compensation provided to staff and recommend changes to the Board of Trustees as deemed prudent by the Committee. The Committee is also responsible for overseeing the employment process related to staff and the annual evaluation of the Executive Director.

The committee should exercise direct oversight over the Foundation's external auditors. For example, the audit engagement letter should be addressed to the audit committee chair, rather than to internal management.

The committee will meet as needed to fulfill the following duties:

1. Review the results of the annual audit with the external auditor.
2. Oversee the independence and performance of the independent auditors. Review and hire a new external auditor, if needed.
3. Review the Foundation's Form 990 before it is filed with the Internal Revenue Service and report to the Board of Trustees on the results of the review.
4. Oversee review and enforcement of the Foundation's Conflict of Interest Policy including review of annual conflict of interest statements and other policies and documents as needed.
5. Provide an avenue of communication among the organization's independent auditors, staff and the Board of Trustees.
6. After each committee meeting, the committee chair will report to the Board of Trustees at its next quarterly meeting.
7. Oversee the employment process and evaluation of the Executive Director.

Suggested Additional Committee Work Plans for 2019

DRAFT

I. Executive Committee

- a. Explore Board service project
- b. Insure smooth transition of Executive Committee and Board Chair

II. Audit and Administration Committee

- a. Create an inventory of all material policies and documents and the frequency with which they must be reviewed.
 - i. Receive from Exec Director any changes that may have been learned in continuing ed during year for best practices.
- b. Review all insurance policies and make recommendations to the board

III. Development and Marketing Committee

- a. Contribute ideas for quarterly newsletter
- b. Review and refine plan to identify church-based targets to market and recruit as investors
 - i. Discussion of parish sizes and potential growth trends
 - ii. Evaluation of schools in the Diocese as targets
 - iii. Strategic vision of who to approach and how
- c. Review and finalize decision/plan on contacting outside sources
 - i. Partnering with other community-based organizations on projects
 - ii. Seeking outside funds from non-profits and donors
 - iii. Casting a three-year vision?
- d. Create resources (planned giving, investing) for Churches (with Investment Committee)
 - i. EFD as the Diocesan clearing house per EDOD Strategic Plan
 - ii. Standardizing educational materials
 - iii. Assistance of Bishop's Office for guidance and introductions
- e. Evaluate if an Advisory Council should be added back into EFD structure
- f. Investigate the use of social media (Facebook, Twitter)
 - i. Establishing a presence for EFD and the commitment that requires
 - ii. EFD Executive Director following others users
- g. Set growth expectation/goal for the Episcopal Fund
- h. Develop the "elevator speech" for Board Members and standardized process

IV. Grants Committee

- a. Refine the evaluation criteria of grant applications
- b. Refine site visit questions/grid
- c. Continuously analyze potential joint funding opportunities with the Diocese
- d. Create a strategy to identify collaboration partners for joint funding

V. Investment and Finance Committee

- a. Review the methodology for spending/distributions for grants from the EFD Fund
- b. Investigate alternate asset allocation portfolio and advising legal needs
- c. Evaluate Fee Structure to remain competitive in the market
- d. Review and modify the investment partner visitation plan

VI. Governance and Nominating Committee

- a. Evaluate and create a process to identify weaknesses, strengthen board performance and reflect on accomplishments
- b. Analyze positions and board talents to make recommendations for succession planning of Executive Committee and committee chair positions for the next 4-6 years.

**EFD Committees
Document Review & Timetable
DRAFT**

Financial Documents	Reviewed by	Reviewed	Board Vote
1. EFD Audit Report		Yearly	Yes (June)
2. EFD Form 990		Yearly	Yes (Sept)
3. EHFD Form 990 PF		Yearly	Yes (Sept)
 Policies			Board Vote (March)
1. Conflict of Interest		Yearly	Yes
2. Board Commitment Form		Yearly	No
3. Executive Director Review and Process		Yearly	No
4. Document Retention		Yearly	Yes
 Other Documents			
1. Insurance Coverages		Every 3 years	No (Inform)
2. Employee Handbook		As Needed	No
3. Accounting Manual		Yearly	No

Episcopal Health Foundation of Dallas
Statement of Net Assets

	Notes	As of 12/31/2018	As of 12/31/2017
<hr/> Assets <hr/>			
Cash - checking account		\$ 20,817	\$ 27,075
Prepaid expense		3,727	3,816
Prepaid D&O insurance		615	672
Investments at market value		5,835,131	6,612,855
Total assets		<u>\$ 5,860,290</u>	<u>\$ 6,644,418</u>
<hr/> Liabilities and Net Assets <hr/>			
Liabilities			
Grants payable		\$ -	\$ 12,000
Accounts payable	(1)	11,277	11,000
Estimated excise tax liability	(2)	6,562	3,946
Total liabilities		<u>17,839</u>	<u>26,946</u>
<hr/> Net Assets <hr/>			
Total unrestricted net assets		<u>5,842,451</u>	<u>6,617,472</u>
Total liabilities and net assets		<u>\$ 5,860,290</u>	<u>\$ 6,644,418</u>

Notes to Statement of Net Assets:

- (1) Accounts payable of \$11,277 represents the amount owed to EFD for administrative support and reimbursable expenses provided to EHFD for 2018.
- (2) The 2018 Estimated tax liability for EHFD is substantially greater than 2017 as a result of a significant increase in year-end dividends and capital gains distributions.

Episcopal Health Foundation of Dallas
Statement of Activities

	Notes	Quarter Ended 12/31/2018	Year Ended 12/31/2017
Investment income and expense			
Interest and dividends		\$ 273,476	\$ 185,662
Realized gains on sales on securities		78,273	34,177
Unrealized gains on investments		(756,203)	886,104
Investment management fees		(43,271)	(41,012)
Net investment income	(1)	(447,725)	1,064,931
Grants and operating expenses			
Foundation grants		\$ 304,500	\$ 298,500
Contract services	(2)	10,973	11,000
Excise tax expense	(3)	6,170	3,789
Accounting fees		2,250	2,206
Insurance - D&O	(4)	2,517	3,425
Website		474	420
Meetings		312	108
Bank fees		50	60
Misc.		50	107
Total grants and expenses		327,296	319,615
Increase (decrease) in net assets		(775,021)	745,316
Net assets at beginning of period		6,617,472	5,872,156
Net assets at end of period		\$ 5,842,451	\$ 6,617,472

Notes to Statement of Activities:

- (1) Performance loss for 2018 was -7.27%
- (2) See Note 1 on Statement of Net Assets
- (3) See Note 2 on Statement of Net Assets
- (4) EHFD changed insurance underwriters in 2018 resulting in a lower D&O premium.

Episcopal Foundation of Dallas

Gift Acceptance Policy

Confidentiality

All information concerning donors or prospective donors including names and addresses, names of beneficiaries, the amount of gifts, nature and worth of estates, etc., shall be held in strict confidence by the Foundation and its personnel. Exceptions can be made only if donors grant permission to use selective material for purposes of referral, testimonial or example at the discretion of authorized representatives of the Foundation.

Legal Counsel

Prospective donors shall be advised to consult their attorney or accountant in all matters related to the tax implications and estate planning aspects of deferred gift arrangements. The Foundation shall consult with legal counsel in all matters pertaining to its deferred gift program and shall execute no agreement, contract, trust or other legal document with any donor without the services of legal counsel.

Restrictions

Donors may restrict the use of their gifts to a particular purpose or area of support provided that such restrictions are provided in written form and signed by the donor at the time of the gift; that restrictions comply with Internal Revenue code as it applies to the tax-exempt status of the Episcopal Foundation of Dallas; and that restrictions are compatible with the mission of the Foundation and are board approved. Gifts that are unrestricted by the donor may be designated for a particular program, project or fund.

Gifts of U. S. Funds ~~Cash~~ and Marketable ~~Securities~~

The Episcopal Foundation of Dallas may accept unrestricted gifts of U. S. funds received via wire from a U. S. bank or financial institution or a check drawn on a U. S. bank or financial institution clearing through a U. S. bank ~~cash~~ at any time. Donor-restricted gifts of ~~cash funds~~ will be accepted provided the restriction falls within the bylaws of the Foundations and the standard operating procedures of the Foundation as approved by the board of trustees and provided that the applicable guidelines for restricted gifts are followed. The Foundations do not accept currency.

The Episcopal Foundation of Dallas may accept gifts of negotiable marketable securities such as publicly traded stocks, mutual funds, municipal and corporate bonds, government agency bonds and bonds, bills and notes issued by the US Treasury. These securities will be liquidated as determined by the Investment Committee and placed in the appropriate account to the extent specified by the donor and/or designated by the board.

Gifts of Real Estate

Real estate gifts include residences, rental property, land, farms, ranches, leasehold interests and commercial properties. Gifts of real estate will be accepted by the Foundation upon board approval and sold. Prior to the acceptance of any real estate gift by the Foundation, the Executive Director will obtain the following: The board may impose conditions on the property including but not limited to:

1. A written appraisal of the property by a qualified, independent, professional appraiser, the cost of which will be borne by the donor;

Formatted: Body Text, Justified, Indent: Left: 0.58", Right: 0.5", Space Before: 0.05 pt

Formatted: Indent: Left: 0.13", First line: 0.45", Space Before: 0 pt

Formatted: Number of columns: 1, Force equal column width

Formatted: Indent: Left: 0.58"

2. A title policy for the property or title examination;
3. An environmental study; and,

4. A description of any liens against the property.

Donors of property gifts must seek their own legal and tax counsel in regard to all property gifts. The Foundation reserves the right to refuse gifts of property when it is determined that the donor has not complied with IRS appraisal requirements or that the advice of an independent counsel is not being obtained.

Donors of property gifts will receive an acknowledgment of the gifts only when complete transfer has occurred.

Gifts of Personal Property

Gifts of personal property, such as jewelry, art, collectibles and similar items may be accepted and disposed of upon board approval. Prior to such acceptance, the Executive Director must obtain the following:

1. A bona fide appraisal or documentation of fair market value;
2. A written statement from a broker regarding the marketability of such gift;
3. A written statement from the donor regarding the donor's wishes regarding the sale of such gift.

Gifts of Life Insurance

The Episcopal Foundation of Dallas may accept gifts of life insurance through the following mechanisms:

- The donor may name the Foundation as the beneficiary of an existing life insurance policy. The donor will be asked to provide the Foundation with a copy of the policy and the beneficiary designation, with the understanding that the designation may be changed or revoked at any time by the donor.
- The donor may make a pledge and/or cash contribution to the Foundation with the proceeds of the gift to be restricted for the sole purpose of purchasing or maintaining life insurance at the direction of the donor. Provision must be included for future premium payments at the time of the gift.
- The donor may make a gift of insurance through the transfer of ownership of an existing paid up policy. The Foundation will become the owner and beneficiary of the policy and the beneficiary may not be changed at a later date by the donor.

Gifts of Mineral Assets

Gifts of producing oil and gas royalty interests may be accepted and disposed of subject to board approval.

Gifts of Closely Held Securities

Gifts of closely held securities will be accepted on a case-by-case basis upon board approval. The Executive Director must ascertain that such a transfer and subsequent sale does not violate any portion of the Internal Revenue code, regulations or rulings, or any state or federal law and does not jeopardize the tax-exempt status of the Foundation.

Deferred Gifts

Deferred gifts are those in which the property is irrevocably transferred to the Foundation but income from the property or a life estate in the property is retained by the donor. Charitable remainder trusts, pooled income gifts, life estates and other such gifts must be approved by the board prior to acceptance by the Foundation.

Formatted: Indent: Left: 0.58"

If the donor retains a life estate in a personal residence, farm or ranch, an agreement shall be executed between the Foundation and the donor which states that the donor shall be responsible for all upkeep, taxes, insurance and other expenses required for the maintenance of the property until such time as the property is transferred to the Foundation.

Gifts-in-Kind

Gifts-in-kind are tangible gifts other than cash, marketable or privately held securities, or real property. Gifts-in-kind of an undetermined value will be recorded at one dollar (\$1.00) and acknowledged as received with no value stated.

The gift value of a gift-in-kind is determined by the cost or fair market value of the materials on the date that ownership (possession) is transferred to the Foundation. Evidence of fair market value can be: (1) a canceled invoice for the purchase of the product by the donor; (2) a voided invoice from the donor to the Foundation, or a third-party appraisal.

The fair market value of a gift-in-kind does not include a profit margin or markup by the donor. Essentially, gifts-in-kind are made "at cost." Donor recognition will be based upon the value of the gift-in-kind as documented and recorded in the campaign records.

Service

Gifts of service are contributions of actual, billable service directly related to the business or profession of the provider. Gifts of services will be recognized at the level of actual expenses invoiced but not paid. Evidence of a gift of service will be a voided or canceled invoice stating the date, type of service rendered, quantity cost, total cost and amount to be contributed or forgiven.

Pledges

Payment of commitments to the Foundation may take the form of one or a combination of the following: cash, marketable securities, or real property that can be expected to be converted to cash within a reasonable time period. Commitments will be publicly recognized and/or commemorated consistent with the donor's wishes and the guidelines approved by the Foundation. Requests by donors for anonymity will be honored. Gifts will not be accepted where there is no charitable intent on the part of the donor. No verbal pledges will be recognized as having been made. Either a signed pledge or letter or intent must be in the organization's possession before a pledge is recorded. The normal pledge payment period for gifts to the Foundation will be one to three years. With Board approval, exceptions can be made for planned gifts. Donor recognition will be based upon the full payment of pledge commitments.

^{***}"Board approval/approval of the board" as used in this document shall mean approval by a majority of the members present at a regular or called meeting of the board of directors, as provided for in the bylaws, at which a quorum of the board is present and provided that written notice of such meeting and the agenda items is provided to board members at least five days prior to said meeting. When approval at a regularly scheduled quarterly meeting of the Board cannot be obtained in a timely manner, the executive committee of the Board, in accordance with the preceding policies, may accept a gift on the Board's behalf, or may authorize the Executive Director to accept a gift.

Formatted: Space Before: 0.05 pt