

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
Jefferson City, Missouri

June 30, 2015 and 2014

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
Jefferson City, Missouri

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Independent Auditors' Report

Board of Directors
Diocesan Excellence in Education Fund, Inc.
Jefferson City, Missouri

We have audited the accompanying financial statements of Diocesan Excellence in Education Fund, Inc. (a Missouri corporation, not-for-profit), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Diocesan Excellence in Education Fund, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kerber, Eck + Brueckel LLP

St. Louis, Missouri
October 30, 2015

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
Jefferson City, Missouri

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 7,215	\$ 7,631
Investments		
Funds on deposit with The Catholic Diocese of Jefferson City Fund		
Depositor's fund	614,033	9,893
Pooled investments	10,572,167	11,674,256
Other investments	6,957	7,397
Total Investments	<u>11,193,157</u>	<u>11,691,546</u>
 Total Assets	 <u>\$ 11,200,372</u>	 <u>\$ 11,699,177</u>
 Net Assets		
Temporarily restricted	\$ 1,487,603	\$ 1,986,492
Permanently restricted	<u>9,712,769</u>	<u>9,712,685</u>
 Total Net Assets	 <u>\$ 11,200,372</u>	 <u>\$ 11,699,177</u>

See notes to financial statements.

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.

Jefferson City, Missouri

STATEMENTS OF ACTIVITIES

Years Ended June 30,

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenues								
Investment income								
Interest and dividend income	\$ -	\$ 327,758	\$ -	\$ 327,758	\$ -	\$ 287,416	\$ -	\$ 287,416
Net realized gains on investments	-	111,356	-	111,356	-	133,574	-	133,574
Net unrealized gains (losses) on investments	-	(333,944)	-	(333,944)	-	709,418	-	709,418
Investment management fees	-	(32,883)	-	(32,883)	-	(30,583)	-	(30,583)
Total Investment Income	-	72,287	-	72,287	-	1,099,825	-	1,099,825
Contributions	-	325	84	409	-	300	952	1,252
Other income	-	-	-	-	-	37	-	37
Net assets released from restriction	571,501	(571,501)	-	-	459,932	(459,932)	-	-
Total Support and Revenues	571,501	(498,889)	84	72,696	459,932	640,230	952	1,101,114
Expenses								
Teacher grants	571,501	-	-	571,501	459,800	-	-	459,800
Other expenses	-	-	-	-	132	-	-	132
Total Expenses	571,501	-	-	571,501	459,932	-	-	459,932
Change in Net Assets	-	(498,889)	84	(498,805)	-	640,230	952	641,182
Net assets, beginning of year	-	1,986,492	9,712,685	11,699,177	-	1,346,262	9,711,733	11,057,995
Net assets, end of year	\$ -	\$ 1,487,603	\$ 9,712,769	\$ 11,200,372	\$ -	\$ 1,986,492	\$ 9,712,685	\$ 11,699,177

See notes to financial statements.

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
Jefferson City, Missouri

STATEMENTS OF CASH FLOWS (INDIRECT METHOD)
Years Ended June 30,

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (498,805)	\$ 641,182
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net unrealized and realized loss (gain) on investments	222,588	(842,992)
Decrease in pledged contributions receivable	<u>-</u>	<u>71,640</u>
Net cash used in operating activities	<u>(276,217)</u>	<u>(130,170)</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	2,922,978	762,079
Purchase of Investments	<u>(2,647,177)</u>	<u>(636,415)</u>
Net cash provided by investing activities	<u>275,801</u>	<u>125,664</u>
Net change in cash and cash equivalents	(416)	(4,506)
Cash and cash equivalents, beginning of year	<u>7,631</u>	<u>12,137</u>
Cash and cash equivalents, end of year	<u><u>\$ 7,215</u></u>	<u><u>\$ 7,631</u></u>

See notes to financial statements.

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Diocesan Excellence in Education Fund, Inc. (DEEF) is a not-for-profit organization established November 2, 1989 solely to acquire funds to assist parish and inter-parish schools of the Diocese of Jefferson City, Missouri (Diocese) in providing salaries for professional educators. DEEF is governed by a Board of Directors representing the 38 counties which comprise the Diocese. Grants to professional educators from investment earnings are made in accordance with the distribution policy adopted by the Board of Directors.

Basis of Accounting

The books and records of DEEF are maintained and the financial statements are prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

DEEF is required to report information regarding its net assets according to three classes: unrestricted, temporarily restricted, and permanently restricted based upon the existence or absence of donor-imposed restrictions. As of June 30, 2015 and 2014, DEEF had temporarily restricted and permanently restricted net assets and no unrestricted net assets.

Unrestricted Net Assets

Include all non-designated and designated resources other than temporarily restricted or permanently restricted net assets available for support of operations.

Temporarily Restricted Net Assets

Include all resources whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions of DEEF pursuant to those stipulations.

Permanently Restricted Net Assets

Resources whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of DEEF.

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances held in bank accounts and short-term investments with an original maturity no longer than three months. Deposit accounts designated for long-term purposes or received with donor-imposed restrictions limiting the use to long-term purposes are not considered cash and cash equivalents.

DEEF also maintains some deposits with The Catholic Diocese of Jefferson City Fund. However, DEEF does not consider funds on deposit with The Catholic Diocese of Jefferson City Fund to be cash equivalents and accounts for them like other investments.

Income Taxes

DEEF is exempt from Federal income taxes under Section 501(c) (3) of the Internal Revenue Code and State of Missouri taxes under the applicable statute. In addition, due to religious activities, DEEF is not required to file an Internal Revenue Service Form 990. However, income from certain activities not directly related to DEEF's exempt purpose is subject to taxation as unrelated business income. DEEF had no unrelated business income for the years ended June 30, 2015 and 2014.

Investments

Investments are reported at fair value. A majority of investments are managed along with investments of affiliates in The Catholic Diocese of Jefferson City Fund (DJC Fund). Fair value of the underlying investments in the DJC Fund was determined using Level 1 inputs for common stocks and mutual funds, which are quoted market prices for identical securities in active markets and Level 2 inputs for cash and cash equivalents and fixed income securities, which are quoted prices for similar securities in active markets. Level 2 inputs were derived using the market approach, which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (that is, similar) assets, liabilities, or a group of assets and liabilities. The market prices were provided by investment broker statements as of June 30, 2015 and 2014.

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Pooled investment fund interest and dividends, realized gains and losses, and unrealized gains and losses are allocated based on the proportionate share of each entity's fair value at the time of allocation. The financial statements of each entity reflect only that entity's share of the pooled fund.

Subsequent Events

DEEF evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through October 30, 2015, which is the date the financial statements were available to be issued.

NOTE 2 – ENDOWMENT NET ASSETS

DEEF has adopted standards for the reporting of endowments. These standards provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and improves disclosures about an organization's endowed funds (both donor restricted endowment funds and board designated endowment funds).

DEEF has donor-restricted endowment funds established for educational and operational purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

DEEF has interpreted 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, DEEF classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by DEEF.

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 – ENDOWMENT NET ASSETS (Cont'd)

During the years ended June 30, 2015 and 2014, DEEF's donor-restricted endowment net assets had the following activity:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets at July 1, 2013	\$ -	\$ 1,346,262	\$ 9,711,733	\$ 11,057,995
Contributions	-	300	952	1,252
Investment income	-	1,099,825	-	1,099,825
Other income	-	37	-	37
Amounts appropriated for expenditure	-	(459,932)	-	(459,932)
Endowment net assets at June 30, 2014	-	1,986,492	9,712,685	11,699,177
Contributions	-	325	84	409
Investment income	-	72,287	-	72,287
Amounts appropriated for expenditure	-	(571,501)	-	(571,501)
Endowment net assets at June 30, 2015	<u>\$ -</u>	<u>\$ 1,487,603</u>	<u>\$ 9,712,769</u>	<u>\$ 11,200,372</u>

Investment Return Objectives, Risk Parameters and Strategies

DEEF has adopted investment policies approved by the Board of Directors for assets that attempt to provide a predictable stream of funding to DEEF programs while also maintaining the purchasing power of those assets over the long-term. Accordingly, the investment process seeks to achieve an average total annual rate of return which consists of the Consumer Price Index (CPI) plus 3%. Assets are invested in a diversified asset mix, which includes equity and fixed income securities. DEEF expects its assets, over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Spending Policy

DEEF sets its spending policy at a rate to ensure the assets grow at a nominal average rate of 5% annually. This is consistent with DEEF's objective to maintain the purchasing power of the assets as well as to provide additional real growth through new gifts and investment return.

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 3 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2015 and 2014 are restricted to investment in perpetuity, the income from which is to support:

	<u>2015</u>	<u>2014</u>
General purposes of the fund	\$ 8,187,137	\$ 8,187,053
Specific restrictions	<u>1,525,632</u>	<u>1,525,632</u>
	<u>\$ 9,712,769</u>	<u>\$ 9,712,685</u>

A donor has restricted a \$150,000 gift to DEEF. According to the terms of the restriction, the yield from investment of the gift is to be distributed to a particular parish school of the Diocese up to the sum of \$1,000 per year per full time professional educator, with any remaining yield to be used for the general purposes of DEEF.

On July 1, 1994, the DEEF Board of Directors accepted a gift of ownership of \$1,375,632 in non-cash assets belonging to the St. Pius X Teachers Fund of Moberly, Missouri. This fund was established to support the teachers of St. Pius X School. Under terms of the gift, DEEF will continue to provide a minimum of \$45,000 in support to St. Pius X School with any excess earnings available for general distribution.

Permanently restricted net assets for general purposes of the fund represent contributions from donors that are to be held indefinitely. Investment earnings from these contributions can be used to support the general operations of DEEF.

NOTE 4 – CONCENTRATIONS OF CREDIT RISK

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 and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the statements of financial position.

DEEF places its cash and cash equivalents with credit-worthy, high quality financial institutions. Account balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, cash balances may exceed FDIC insurance limits. DEEF has not experienced any loss in its account with this financial institution and believes it is not exposed to any significant credit risk.

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 4 – CONCENTRATIONS OF CREDIT RISK (Cont'd)

As of June 30, 2015, DEEF has funds on deposit in the DJC Fund of \$614,033 which comprise 5.5% of DEEF's net assets. DEEF also has pooled investments held in the name of the DJC Fund of \$10,572,167 which comprises 94.4% of DEEF's net assets. As of June 30, 2014, DEEF has funds on deposit in the DJC Fund of \$9,893 which comprise 0.1% of DEEF's net assets. DEEF also has pooled investments held in the name of the DJC Fund of \$11,674,256 which comprises 99.8% of DEEF's net assets.

NOTE 5 – RELATED PARTY TRANSACTIONS

DEEF is related through the Bishop of the Diocese of Jefferson City to the following entities: The Priests' Mutual Benefit Society; The Catholic Diocese of Jefferson City Fund; The Catholic Diocese of Jefferson City - Chancery Office; The Diocese of Jefferson City Parish Development Corporation; The Jefferson City Diocesan Chancery Building Fund, Inc.; The Diocese of Jefferson City Jubilee Retirement Trust Fund; Catholic Charities of Central and Northern Missouri; the Fr. Augustine Tolton Regional Catholic High School in Columbia; Helias High School in Jefferson City; Diocese of Jefferson City Real Estate Corporation, Inc.; and all parishes under the Bishop. DEEF maintains separate books and records. All financial information for the above entities is presented separately and is excluded from this report.

The DJC Fund allocated net investment income to DEEF of \$71,407 and \$1,097,626 on the investments held in its name for DEEF as of June 30, 2015 and 2014, respectively. As of June 30, 2015 and 2014, the account balance held by the DJC Fund was \$10,572,167 and \$11,674,256, respectively.

The DJC Fund holds investments in the deposit and loan program for DEEF of \$614,033 and \$9,893 as of June 30, 2015 and 2014, respectively. During the years ended June 30, 2015 and 2014, the DJC Fund paid \$881 and \$589, respectively, in interest income to DEEF for these investments.

During the years ended June 30, 2015 and 2014, DEEF paid \$571,501 and \$459,800, respectively, to related parish schools to help fund teacher salaries.

NOTE 6 – FUNCTIONAL ALLOCATION OF EXPENSES

DEEF considers all expenses to be program expenses, since they relate directly to activities that result in the distribution of funds to beneficiaries that fulfill the purpose and mission for which the organization exists.

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 7 – FAIR VALUE MEASUREMENTS

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 and in the principal or most advantageous market for that asset or liability.

The majority of DEEF’s investments are held in a pooled investment account with the DJC Fund. Pooled investments include common stocks, equity mutual funds, municipal bonds, U.S. government agency securities, fixed income mutual funds, certificates of deposit and cash and cash equivalents. DEEF investments in the pooled investment fund at June 30, 2015 were allocated 1% to cash and cash equivalents, 49% equities and 50% fixed income. DEEF investments in the pooled investment fund at June 30, 2014 were allocated 1% to cash and cash equivalents, 43% equities and 56% fixed income.

DEEF deposits funds in excess of three months of operating needs in the DJC Fund. The Depositor’s fund program operates similar to a money market account and pays interest on the deposited funds competitive with current market rates. Interest rates on deposits varied at June 30, 2015 and 2014 from 1.75% to 3.75%, depending on the term of the deposit.

Fair values of assets measured on a recurring basis at June 30, 2015 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled investments					
Cash and cash equivalents	\$ 113,658	\$ 113,658	\$ -	\$ 113,658	\$ -
Equity securities	4,084,776	5,213,990	5,213,990	-	-
Fixed income securities	5,377,558	5,244,519	-	5,244,519	-
Total	<u>9,575,992</u>	<u>10,572,167</u>	<u>5,213,990</u>	<u>5,358,177</u>	<u>-</u>
Depositor's Fund	614,033	614,033	-	614,033	-
Other investments	<u>4,846</u>	<u>6,957</u>	<u>6,957</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 10,194,871</u>	<u>\$ 11,193,157</u>	<u>\$ 5,220,947</u>	<u>\$ 5,972,210</u>	<u>\$ -</u>

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
Jefferson City, Missouri

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 7 – FAIR VALUE MEASUREMENTS (Cont'd)

Fair values of assets measured on a recurring basis at June 30, 2014 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Pooled investments					
Cash and cash equivalents	\$ 111,694	\$ 111,694	\$ -	\$ 111,694	\$ -
Equity securities	3,781,285	4,968,707	4,968,707	-	-
Fixed income securities	6,451,762	6,593,855	-	6,593,855	-
Total	<u>10,344,741</u>	<u>11,674,256</u>	<u>4,968,707</u>	<u>6,705,549</u>	<u>-</u>
Depositor's Fund	9,893	9,893	-	9,893	-
Other investments	<u>4,681</u>	<u>7,397</u>	<u>7,397</u>	<u>-</u>	<u>-</u>
 Total investments	 <u>\$ 10,359,315</u>	 <u>\$ 11,691,546</u>	 <u>\$ 4,976,104</u>	 <u>\$ 6,715,442</u>	 <u>\$ -</u>