

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020



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YEARS ENDED JUNE 30, 2021 AND 2020**

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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 nonprofit corporation), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Board of Directors
Diocesan Excellence in Education Fund, Inc.

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, 2021 and 2020, and the change 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
January 27, 2022

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|--|---------------|---------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 21,407 | \$ 7,011 |
| Investments: | | |
| Funds Held on Deposit with The Catholic Diocese of Jefferson City Fund: | | |
| Depositor's Fund | 1,058,905 | 1,549,783 |
| Pooled Investments | 16,869,987 | 14,059,028 |
| Total Assets | \$ 17,950,299 | \$ 15,615,822 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Teacher Grants Payable | \$ 578,000 | \$ 636,250 |
| Total Liabilities | 578,000 | 636,250 |
| NET ASSETS | | |
| Without Donor Restrictions | 3,731,775 | 3,211,998 |
| With Donor Restrictions | 13,640,524 | 11,767,574 |
| Total Net Assets | 17,372,299 | 14,979,572 |
| Total Liabilities and Net Assets | \$ 17,950,299 | \$ 15,615,822 |

See accompanying Notes to Financial Statements.

**DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|---------------|
| REVENUE, SUPPORT, AND GAINS | | | |
| Net Investment Income | \$ 495,278 | \$ 2,452,803 | \$ 2,948,081 |
| Contributions | 15,499 | - | 15,499 |
| Net Assets Released from Restrictions | 579,853 | (579,853) | - |
| Total Revenue, Support, and Gains | 1,090,630 | 1,872,950 | 2,963,580 |
| EXPENSES | | | |
| Program Services | 570,853 | - | 570,853 |
| Total Expenses | 570,853 | - | 570,853 |
| CHANGE IN NET ASSETS | 519,777 | 1,872,950 | 2,392,727 |
| Net Assets - Beginning of Year | 3,211,998 | 11,767,574 | 14,979,572 |
| NET ASSETS - END OF YEAR | \$ 3,731,775 | \$ 13,640,524 | \$ 17,372,299 |

See accompanying Notes to Financial Statements.

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|---------------|
| REVENUE, SUPPORT, AND GAINS | | | |
| Net Investment Income | \$ 172,521 | \$ 801,620 | \$ 974,141 |
| Contributions | 5,300 | - | 5,300 |
| Net Assets Released from Restrictions | 639,304 | (639,304) | - |
| Total Revenue, Support, and Gains | 817,125 | 162,316 | 979,441 |
| EXPENSES | | | |
| Program Services | 639,304 | - | 639,304 |
| Supporting Services | | | |
| Management and General | 10,000 | - | 10,000 |
| Total Expenses | 649,304 | - | 649,304 |
| CHANGE IN NET ASSETS | 167,821 | 162,316 | 330,137 |
| Net Assets - Beginning of Year | 3,044,177 | 11,605,258 | 14,649,435 |
| NET ASSETS - END OF YEAR | \$ 3,211,998 | \$ 11,767,574 | \$ 14,979,572 |

See accompanying Notes to Financial Statements.

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|--|--------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 2,392,727 | \$ 330,137 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities: | | |
| Net Unrealized and Realized Gain on Investments | (2,678,514) | (647,356) |
| Increase in Grants Payable | (58,250) | 58,250 |
| Net Cash Used by Operating Activities | (344,037) | (258,969) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from Sale of Investments | 709,864 | 590,500 |
| Purchase of Investments | (351,431) | (326,785) |
| Net Cash Provided by Investing Activities | 358,433 | 263,715 |
| CHANGE IN CASH AND CASH EQUIVALENTS | 14,396 | 4,746 |
| Cash and Cash Equivalents - Beginning of Year | 7,011 | 2,265 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 21,407 | \$ 7,011 |

See accompanying Notes to Financial Statements.

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Diocesan Excellence in Education Fund, Inc. (DEEF) is a nonprofit organization established November 2, 1989, solely to acquire funds to assist parish and inter-parish schools of the Diocese of Jefferson City, Missouri (the 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.

Net Assets

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

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

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be satisfied by actions of DEEF or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 deposits with The Catholic Diocese of Jefferson City Fund (DJC Fund). DEEF considers funds on deposit with DJC Fund to be other investments.

Investments

Investments are reported at fair value. Pooled investment fund interest and dividends, realized and unrealized gains and losses, and investment fees 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.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities, or other assets or an unconditional gift is received. Conditional gifts, which depend upon specific barriers, are recognized as support when the conditions have been substantially met.

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

**NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Functional Expenses

All expenses are charged directly to program and supporting services based on specific identification. Administrative and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of DEEF.

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, 2021 and 2020.

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 and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

We have evaluated subsequent events through January 27, 2022, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The following represents financial assets as of the financial position date, reduced by amounts not available for general use within one year of the financial position date because of contractual or donor-imposed restrictions or internal designations.

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Cash and Cash Equivalents | \$ 21,407 | \$ 7,011 |
| Investments: | | |
| Funds Held on Deposit with The Catholic Diocese of Jefferson City Fund: | | |
| Depositors Fund | 1,058,905 | 1,549,783 |
| Pooled Investments | 16,869,987 | 14,059,028 |
| Total Financial Assets | <u>17,950,299</u> | <u>15,615,822</u> |
| Donor-Restricted Endowment Funds | <u>(13,640,524)</u> | <u>(11,767,574)</u> |
| Total | <u>\$ 4,309,775</u> | <u>\$ 3,848,248</u> |

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 ENDOWMENT

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

DEEF has interpreted Missouri's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, DEEF classifies as net assets with donor restrictions (a) the original value of the gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulation to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, DEEF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

DEEF's endowment had the following activity during the years ended June 30:

| | Without Donor Restriction | With Donor Restrictions | Total |
|--------------------------------------|------------------------------|----------------------------|----------------------|
| Balance - June 30, 2019 | \$ - | \$ 11,605,258 | \$ 11,605,258 |
| Contributions | - | - | - |
| Net Investment Income | - | 801,620 | 801,620 |
| Amounts Appropriated for Expenditure | | | |
| Pursuant to Spending Policy | - | (639,304) | (639,304) |
| Balance - June 30, 2020 | - | 11,767,574 | 11,767,574 |
| Contributions | - | - | - |
| Net Investment Income | - | 2,452,803 | 2,452,803 |
| Amounts Appropriated for Expenditure | | | |
| Pursuant to Spending Policy | - | (579,853) | (579,853) |
| Balance - June 30, 2021 | <u>\$ -</u> | <u>\$ 13,640,524</u> | <u>\$ 13,640,524</u> |

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 ENDOWMENT (CONTINUED)

Endowment net assets are subject to DEEF's spending policy and appropriation by the board of directors for the following purposes at June 30:

| | 2021 | 2020 |
|---|---------------|---------------|
| Donor-Restricted Endowment Funds: | | |
| Original-Restricted Gift and Amounts | | |
| Required to be Maintained in Perpetuity | \$ 8,817,219 | \$ 8,817,219 |
| Specific Restrictions | 1,525,632 | 1,525,632 |
| Total | 10,342,851 | 10,342,851 |
| Accumulated Earnings | 3,297,673 | 1,424,723 |
| Total | \$ 13,640,524 | \$ 11,767,574 |

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 for the year end June 30, 2021. This was decreased from \$1,100 for the year ended June 30, 2020.

On July 1, 1994, the DEEF board of directors accepted a gift of ownership of \$1,375,632 in noncash 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.

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 of 5% which consists of the Consumer Price Index (CPI) plus 3%. Actual returns in any given year may vary from this amount. Assets are invested in a diversified asset mix, which includes equity and fixed income securities.

Spending Policy

DEEF set its spending policy at a rate to ensure the assets grow at a nominal average rate of the CPI annually and in 2020 approved a spending policy using 4% distributions on a three-year rolling average of net assets. 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.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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.

Funds on deposit with the DJC Fund comprised approximately 99% of DEEF total assets at June 30, 2021 and 2020.

NOTE 5 RELATED PARTY TRANSACTIONS

DEEF is related through the Bishop of the Catholic 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; My Community, Our Mission; 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; Fr. Augustine Tolton Regional Catholic High School in Columbia; Helias Catholic High School in Jefferson City; Diocese of Jefferson City Real Estate Corporation; and all parishes within the Jefferson City Diocese. DEEF maintains separate books and records. All financial information for the above entities is presented separately and is excluded from this report.

As of June 30, 2021 and 2020, the DJC Fund held pooled investments for DEEF in the amount of \$16,869,987 and \$14,059,028, respectively. As of June 30, 2021 and 2020, funds held in the deposit and loan program with the DJC Fund totaled \$1,058,905 and \$1,549,783, respectively.

DEEF had the following transactions with related parties for the years ended June 30:

| | <u>2021</u> | <u>2020</u> |
|--|--------------|-------------|
| The Catholic Diocese of Jefferson City Fund: | | |
| Investment Income from the Fund: | | |
| Pooled Investments | \$ 2,926,636 | \$ 939,580 |
| Depositors Fund | 21,445 | 34,561 |
| The Catholic Diocese of Jefferson - Chancery Office: | | |
| Payments for Accounting Services Provided by the Diocese | - | 10,000 |

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 5 RELATED PARTY TRANSACTIONS (CONTINUED)

During the years ended June 30, 2021 and 2020, DEEF expended \$570,300 and \$638,750, respectively, to fund teacher salaries at related parish schools. For the years ended June 30, 2021 and 2020, the DEEF board of directors approved distributions to the parish schools of \$1,000 and \$1,100, respectively, per full time teacher to be paid the following year. DEEF has recognized a liability for these teacher grants payable in the amount of \$578,000 and \$636,250 as of June 30, 2021 and 2020, respectively.

NOTE 6 INVESTMENTS AND 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. Fair value of investments is determined using Level 1 inputs for common stock, and equity, fixed income and alternative mutual funds, which are quoted market prices for identical securities in active markets and Level 2 inputs for money market accounts, municipal bonds, U.S. government agency securities and certificates of deposit, which are quoted prices for similar securities in active markets. Level 2 inputs are 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. A majority of investments are managed along with investments of affiliates in the DJC Fund. These investments held at the DJC Fund are valued using Level 2 inputs.

The majority of DEEF's investments are held in a pooled investment account with the DJC Fund. Pooled investments include equity securities and fixed income securities DEEF's investments in the pooled investment fund at June 30, 2021 were allocated 61% equities and 39% fixed income. DEEF's investments in the pooled investment fund at June 30, 2020 were allocated 1% to cash and cash equivalents, 52% equities and 47% 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 from 1.50% to 3.75% at June 30, 2021, and 1.25% to 3.25% at 2020, respectively.

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 6 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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

| | 2021 | | | Fair Value |
|---------------------------------|-------------|----------------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| Depositor's Fund | \$ - | \$ 1,058,905 | \$ - | \$ 1,058,905 |
| Pooled Investments: | | | | |
| Equity Securities | - | 10,251,298 | - | 10,251,298 |
| Fixed Income Securities | - | 6,618,689 | - | 6,618,689 |
| Total Pooled Investments | - | 16,869,987 | - | 16,869,987 |
| Total Investments at Fair Value | <u>\$ -</u> | <u>\$ 17,928,892</u> | <u>\$ -</u> | <u>\$ 17,928,892</u> |
| | | | | |
| | 2020 | | | Fair Value |
| | Level 1 | Level 2 | Level 3 | |
| Depositor's Fund | \$ - | \$ 1,549,783 | \$ - | \$ 1,549,783 |
| Pooled Investments: | | | | |
| Cash and Cash Equivalents | - | 114,387 | - | 114,387 |
| Equity Securities | - | 7,521,888 | - | 7,521,888 |
| Fixed Income Securities | - | 6,422,753 | - | 6,422,753 |
| Total Pooled Investments | - | 14,059,028 | - | 14,059,028 |
| Total Investments at Fair Value | <u>\$ -</u> | <u>\$ 15,608,811</u> | <u>\$ -</u> | <u>\$ 15,608,811</u> |

NOTE 7 FUNCTIONAL EXPENSES

The expenses are charged directly to program and supporting services based on specific identification. The following is the detail of expenses by functional classification for the years ended June 30:

| | 2021 | | |
|---------------------------------|-------------------|---------------------|-------------------|
| | Program Services | Supporting Services | Total |
| Teacher Grants | \$ 570,300 | \$ - | \$ 570,300 |
| Dues | 553 | - | 553 |
| Total | <u>\$ 570,853</u> | <u>\$ -</u> | <u>\$ 570,853</u> |
| | | | |
| | 2020 | | |
| | Program Services | Supporting Services | Total |
| Teacher Grants | \$ 638,751 | \$ - | \$ 638,751 |
| Dues | 553 | - | 553 |
| Accounting and Auditing Expense | - | 10,000 | 10,000 |
| Total | <u>\$ 639,304</u> | <u>\$ 10,000</u> | <u>\$ 649,304</u> |

DIOCESAN EXCELLENCE IN EDUCATION FUND, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 8 RISK AND UNCERTAINTIES

In March of 2020, The World Health Organization declared the outbreak of the Coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Project for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.