Consolidated Financial Statements
December 31, 2014

St. John's Church in the Wilderness

(with comparative totals for 2013)

EideBailly®
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Vestry
St. John's Church in the Wilderness
Denver, Colorado

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of St. John's Church in the Wilderness (the "Church") which comprise the consolidated statement of financial position as of December 31, 2014 and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Basis for Modified Opinion
As more fully described in Note 1 to the consolidated financial statements, the Church has not recorded all property and equipment at cost or estimated cost nor has it recognized depreciation on those assets. Accounting principles generally accepted in the United States of America require that property and equipment be recorded at cost or estimated cost and to be depreciated over the useful lives of the assets. The effects on the accompanying consolidated financial statements of the failure to properly record property and equipment have not been determined.

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Modified Opinion

In our opinion, except for the effects of the matter described in the Basis for Modified Opinion paragraph, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of St. John's Church in the Wilderness 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.

Report on Summarized Comparative Information

We have previously audited St. John's Church in the Wilderness' 2013 financial statements, and we expressed a modified opinion on those audited financial statements in our report dated September 5, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Eide Bailly LLP

Greenwood Village, Colorado
June 18, 2015

	2014						
		Unrestricted					
	Operating	Property & Equipment	Designated Endowment	Temporarily Restricted	Permanently Restricted	Total	2013
Assets							
Cash and cash equivalents	$ (50,546)	$ 14,472	$ 137,297	$ 724,112	$ -	$ 825,335	$ 1,003,321
Short-term investments	76,784	-	-	471,943	-	548,727	521,877
Accounts receivable	31	-	-	-	-	31	3,565
Accrued interest and investment income	-	-	6,591	-	-	6,591	10,988
Interfund receivable/payable	1,947	(1,947)	-	-	-	-	-
Bequest receivable	-	-	-	-	-	-	286,576
Capital campaign promises to give, net	-	71,498	-	279,041	-	350,539	117,293
Other assets	60,224	-	-	-	-	60,224	61,466
Mortgages receivable	-	-	43,588	-	-	43,588	41,513
Property and equipment (unaudited)	-	15,820,088	3,118,819	-	-	18,938,907	18,757,307
Beneficial interest in perpetual trust	-	-	-	-	691,909	691,909	721,504
Endowment investments	-	-	19,618,144	-	2,424,091	22,042,235	21,042,213
Total assets	$ 88,440	$15,904,111	$22,924,439	$ 1,475,096	$ 3,116,000	$43,508,086	$42,567,623
Liabilities and Net Assets							
Liabilities							
Accounts payable and accrued liabilities	$ 218,593	$ 114,485	$ -	$ -	$ -	$ 333,078	$ 208,226
Line of credit	235,000	-	-	-	-	235,000	-
Total liabilities	453,593	114,485	-	-	-	568,078	208,226
Net assets							
Unrestricted							
Undesignated	(365,153)	15,789,626	-	-	-	15,424,473	15,843,289
Designated	-	-	22,924,439	-	-	22,924,439	21,831,881
Total unrestricted	(365,153)	15,789,626	22,924,439	-	-	38,348,912	37,675,170
Temporarily restricted	-	-	-	1,475,096	-	1,475,096	1,538,632
Permanently restricted	-	-	-	-	3,116,000	3,116,000	3,145,595
Total net assets	(365,153)	15,789,626	22,924,439	1,475,096	3,116,000	42,940,008	42,359,397
Total liabilities and net assets	$ 88,440	$15,904,111	$22,924,439	$ 1,475,096	$ 3,116,000	$43,508,086	$42,567,623

	2014						
	Unrestricted						
	Operating	Property & Equipment	Designated Endowment	Temporarily Restricted	Permanently Restricted	Total	2013
Revenue, Support and Gains							
Pledges and annual giving	$ 1,223,255	$ 20	$ -	$ 9,928	$ -	$ 1,233,203	$ 1,049,825
Contributions and bequests	266,219	-	55,730	512,554	-	834,503	731,000
Net realized and unrealized gain (loss) on investments	15,000	-	1,179,199	153,532	-	1,347,731	2,938,561
Interest and other investment income	16,312	-	484,625	57,716	-	558,653	520,239
Rental income	120,400	27,500	-	-	-	147,900	124,793
Other	248,958	-	-	-	-	248,958	129,616
Distributions from and change in value of beneficial interest in perpetual trust	-	-	-	32,002	(29,595)	2,407	219,485
Net assets released from restriction pursuant to endowment spending-rate distribution formula	1,113,110	-	(901,862)	(211,248)	-	-	-
Net assets released from restrictions	174,599	155,904	287,517	(618,020)	-	-	-
Total revenue, support and gains	3,177,853	183,424	1,105,209	(63,536)	(29,595)	4,373,355	5,713,519
Expenses and Losses							
Program services expense							
Pastoral services	1,155,224	-	-	-	-	1,155,224	1,139,523
Music	396,002	-	-	-	-	396,002	365,895
Cathedral life	136,607	-	-	-	-	136,607	62,245
Outreach	282,823	-	-	-	-	282,823	330,493
Christian formation	209,710	-	-	-	-	209,710	214,820
Total program services expense	2,180,366	-	-	-	-	2,180,366	2,112,976
Supporting services expense							
Development and stewardship	267,516	-	-	-	-	267,516	45,014
Communications	170,241	-	-	-	-	170,241	135,596
Building services and maintenance	567,599	49,780	-	-	-	617,379	712,233
Administrative	491,571	53,020	12,651	-	-	557,242	566,167
Total supporting services expense	1,496,927	102,800	12,651	-	-	1,612,378	1,459,010
Total expenses and losses	3,677,293	102,800	12,651	-	-	3,792,744	3,571,986
Change in Net Assets Before Transfers	(499,440)	80,624	1,092,558	(63,536)	(29,595)	580,611	2,141,533
Net Assets, Beginning of Year	144,740	15,698,549	21,831,881	1,538,632	3,145,595	42,359,397	40,217,864
Transfers	(10,453)	10,453	-	-	-	-	-
Net Assets, End of Year	$ (365,153)	$ 15,789,626	$ 22,924,439	$ 1,475,096	$3,116,000	$ 42,940,008	$42,359,397

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	$ 580,611	$ 2,141,533
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Realized and unrealized (gain) loss on short-term investments	(26,850)	(67,825)
Change in beneficial interests in charitable trusts	29,595	97,995
Endowment net investment (return) loss	(1,332,731)	(2,870,736)
Changes in operating assets and liabilities		
Promises to give, net	(233,246)	104,491
Bequest and accounts receivable	290,110	(187,605)
Accrued interest and investment income	2,322	(18,412)
Other assets	1,242	18,822
Accounts payable and accrued liabilities	124,852	(48,237)
Net Cash from (used for) Operating Activities	(564,095)	(829,974)
Cash Flows from Investing Activities		
Proceeds from sales of short-term investments	-	216,832
Purchases of short-term investments	-	(7,248)
Purchase of property and equipment	(181,600)	(1,244,836)
Mortgage principal payment received	-	75,452
Issuance of mortgage receivable	-	(40,500)
(Addition to) withdrawal from endowment	332,709	2,966,328
Net Cash Flows from (used for) Investing Activities	151,109	1,966,028
Cash Flows from Financing Activities		
Net borrowings (repayments) under line of credit	235,000	(1,400,000)
Net Cash Flows from (used for) Financing Activities	235,000	(1,400,000)
Net Change in Cash and Cash Equivalents	(177,986)	(263,946)
Cash and Cash Equivalents, Beginning of Year	1,003,321	1,267,267
Cash and Cash Equivalents, End of Year	$ 825,335	$ 1,003,321
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 2,965	$ 27,305
Supplemental Disclosure of Non-Cash Investing and Financing Activity		
Cancellation of mortgage receivable in exchange for property	$ -	$ 1,308,800

Note 1 - Principal Activity and Significant Accounting Policies

Organization

St. John's Church in the Wilderness, dba St. John's Cathedral ("the Cathedral") is a religious nonprofit organization established "To know Christ and make Christ known" in the Episcopal Church tradition. The Cathedral is located in central Denver, Colorado. Its members come from the entire metro area.

Principles of Consolidation

The consolidated financial statements include the accounts of the Cathedral and Clarkson Corporation, a Colorado nonprofit corporation which owns land contiguous to the Cathedral properties, because the Cathedral has both control and an economic interest in Clarkson Corporation. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "the Church".

Comparative Financial Information

The accompanying consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Cash and Cash Equivalents

The Church considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to permanent endowment or other long-term purposes are excluded from this definition.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due from programs of the Church. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At December 31, 2014, management has determined no allowance is necessary.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2014 the allowance was $75,660.

Property and Equipment

Land and buildings acquired through 1982 are carried at appraised values at that date plus cost of improvements subsequent to 1982. Furniture and equipment acquired prior to 1984 were expensed in the period acquired. Subsequent to 1982, property and equipment additions over $5,000 are recorded at cost, or if donated, at fair value on the date of donation. However, detailed property and equipment records are not maintained and the amounts recorded may not be accurate or complete. In addition, depreciation of buildings, improvements, and equipment is not provided, which is a departure from accounting principles generally accepted in the United States of America. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Beneficial Interest in Perpetual Trust

The Church has been named as an irrevocable beneficiary of a perpetual trust held and administered by an independent trustee. Perpetual trusts provide for the distribution of the net income of the trust to the Church; however, the Church will never receive the assets of the trust. In a prior year, the Church recorded a permanently restricted contribution in the statement of activities, and a beneficial interest in the perpetual trust was recorded in the statement of financial position at the fair value of the underlying trust assets. Thereafter, the beneficial interest in the trust is reported at the fair value of the trust's assets in the statement of financial position, with trust distributions and changes in fair value recognized in the statement of activities.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net realized and unrealized gain (loss) is reported in the statement of activities and consists of interest and dividend income, and realized and unrealized capital gains and losses. Short-term investments (held at the Colorado Episcopal Foundation) are valued by the Foundation at fair value based upon the Church's percentage allocation in the pooled assets.

Net Assets

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

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted designated net assets consist of net assets designated by the Vestry for the designated endowment.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Church and/or the passage of time, and certain income earned on permanently restricted net assets that have not yet been appropriated for expenditure by the Vestry.

The Church reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Church. The restrictions stipulate that resources be maintained permanently but permit the Church to expend the income generated in accordance with the provisions of the agreements.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed.

Pledges and Annual Giving – Annual pledge revenue is recorded as revenue when received, as these monies are deemed to be intentions to give rather than promises to give. Intentions to give are not recorded until the cash contribution is received and these are recorded in the unrestricted operating fund. Pledges to the Capital Campaign are considered promises to give and are recorded as revenue when the written pledge is received.

Contributions – Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Bequests – Bequests are recognized at the time that the Church is reasonably assured it will be receiving a distribution as an irrevocable beneficiary of a trust or asset.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Church's program services, administration and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Church records donated professional services at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended December 31, 2014.

Outreach Expense

The Church considers an essential part of its mission to include support of the Episcopal Church at the Diocesan and regional levels and contributes a percentage of the offertory (annual promises, contributions, and certain other revenue) to these purposes in addition to direct contributions to other entities serving the poor in the community and world as administered by the clergy.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

St. John's Church in the Wilderness and Clarkson Corporation are organized as Colorado nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction under Section 170(b)(A)(vi), and have been determined not to be private foundations. Clarkson Corporation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS while St. John's Church in the Wilderness is exempt from the requirement as a religious organization. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Each entity has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes the Church has conducted its operations in accordance with, and has properly maintained its tax-exempt status, and has taken no material uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Use of 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 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 and those differences could be material.

Financial Instruments and Credit Risk

The Church manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Church has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from members of the Vestry and individuals supportive of the Church's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Church.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The Church has evaluated subsequent events through June 18, 2015, the date which the consolidated financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that the Church can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the Church develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Church's assessment of the quality, risk or liquidity profile of the asset.

A significant portion of the Church's investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values. The COEF pooled asset funds are held in trust and administered by the Colorado Episcopal Foundation. The trust and Foundation value the investments at the readily available market value of the instruments and allocate the percentage of the pool to the individual participants on a quarterly basis which is available for distribution quarterly from the Equity Fund and the Bond Fund and daily with notice from the Limited Maturity Income Fund. These investments are classified within Level 2. The fair value of the beneficial interest in perpetual trust is based on the fair values of trust investments as reported by the trustees and is considered to be a Level 3 measurement.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at December 31, 2014:

		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investments				
Colorado Episcopal Foundation:				
Limited Maturity Income Fund	$ 140,874	$ -	$ 140,874	$ -
Bond Fund	130,557	-	130,557	-
Equity Fund	277,296	-	277,296	-
Total short-term investments	$ 548,727	$ -	$ 548,727	$ -
Beneficial interest in perpetual trust	$ 691,909	$ -	$ -	$ 691,909
Endowment investments				
Money Market Mutual Fund (at cost)	$ 201,715	$ 201,715	$ -	$ -
Dodge & Cox Income Fund	2,817,540	2,817,540		
Doubleline Total Return Bond Fund	2,824,652	2,824,652		
TIAA-CREF Social Choice Equity Fund	1,388,691	1,388,691	-	-
Pimco Total Return Fund	2,763,436	2,763,436	-	-
Vanguard S&P 500 Index Fund	9,879,940	9,879,940	-	-
Vanguard Mid Cap Index Fund	1,177,544	1,177,544	-	-
Vanguard International Index Fund	988,717	988,717	-	-
Total endowment investments	$ 22,042,235	$ 22,042,235	$ -	$ -

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2014:

	Beneficial Interest in Perpetual Trust
Balance at December 31, 2013	$ 721,504
Net realized and unrealized gain (loss)	4,503
Interest and dividends	14,087
Investment management and other fees	(14,983)
Distributions	(33,202)
Balance at December 31, 2014	$ 691,909
Unrealized gain (loss) included in net investment return in the statement of activities relating to assets still held at December 31, 2014	$ (52,623)

Note 3 - Net Investment Return

Net investment return consists of the following for the year ended December 31, 2014:

Interest and dividends	$ 558,653
Net realized and unrealized gain (loss)	1,347,731
	$ 1,906,384

Note 4 - Beneficial Interest in Perpetual Trust

The Church is named as one of the income beneficiaries and a principal beneficiary of a perpetual trust. This trust is held by an independent trustee and is neither in the possession nor under the control of the Church. The Church includes this asset as part of its permanently restricted funds. The fair value of the trust totaled $691,909 at December 31, 2014. The trust requires the net income earned be distributed to the two beneficiaries. Of this income $1,200 is to be distributed to the other beneficiary and the remaining amount is distributed to the Church to serve the poor in the City of Denver. The trust distributed $32,002 to the Church in 2014 restricted for outreach in 2015.

Note 5 - Promises to Give

During 2009 the Church initiated a Capital Campaign. The goal of the Campaign was to raise funds over a three to five year pledge period from members and foundations to complete the restoration of the 1938 Kimball Pipe Organ in the Cathedral, critical structural needs and other capital projects to enhance the worship experience, spaces, facilities, and grounds. Unpaid specific promises to give for completed projects are reported in the property and equipment fund. Certain projects were deferred to a future period with the related unpaid promises to give, along with the collected funds, reported in the temporarily restricted fund. All projects are expected to be completed in 2015.

Unconditional promises to give are estimated to be collected as follows at December 31, 2014:

Within one year	$ 426,199
Less allowance for uncollectable promises to give	(75,660)
	$ 350,539

The Church has received a conditional bequest for a yet to be committed project in the estimated amount of $670,000 using mortality tables and a discount rate of 2% but has not recorded the bequest due to its conditional nature.

Note 6 - Mortgages Receivable

The mortgage note receivable in the designated endowment fund at December 31, 2014, in the amount of $40,500, is a note bearing interest at 5.00%, payable with all accrued interest at maturity June 30, 2020, and collateralized by a deed of trust on a privately owned clergy house. Accrued interest at December 31, 2014 amounted to $3,088.

Note 7 - Property and Equipment (Unaudited)

Property and equipment consists of the following at December 31, 2014:

Land	$ 2,783,738
Buildings and improvements	12,672,525
Furniture and equipment	3,482,644
	$ 18,938,907

Note 8 - Episcopal Camp and Conference Ministries of Colorado Agreement

In April 2010 the Church entered into a loan agreement with the Episcopal Camp and Conference Ministries of Colorado (ECCM) to fund the acquisition of camp facilities in Woodland Park, Colorado. In August 2013, the Church and ECCM restructured the agreement. The Church took title to the camp property, the loan and deed of trust were canceled, and the collateral property pool was released. ECCM continues to lease the property from the Church for an annual fee. In addition, ECCM is making an annual repurchase right payment to the Church totaling 3% of the repurchase fee of $1,308,800, the amount of the loan principal and accrued interest canceled. Per the terms of the restructured agreement, should ECCM discontinue operations of the camp and the Church sell the property, any proceeds from the sale, after costs of the sale and repurchase fee are retained by the Church, shall be returned to ECCM. Although the fair value of the property is more than $2.6 million, the Church has recorded the value of the property at $1,308,800, which is the maximum value to be received by the Church for the property.

Note 9 - Line of Credit

The Church has a $5,000,000 revolving line of credit with a bank that matures in June 2015. Borrowings under the line bear interest at the Wall Street Journal prime rate less .5%, or a floor of 3% (3% at December 31, 2014). The line is secured by the Church's accounts at the bank. In June 2015 the line of credit was extended through September 2018 at an interest rate of 2.3% over the one month LIBOR rate.

Note 10 - Endowment

The Church's endowment (the Endowment) consists of individual funds established by donors to provide annual funding for general operations. The Endowment also includes certain unrestricted net assets designated for endowment by the Vestry for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Church has interpreted the Colorado 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, unless there are explicit donor stipulations to the contrary. At December 31, 2014, there were no such donor stipulations. As a result of this interpretation, the Church classifies as permanently restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Church in a manner consistent with the standard of prudence prescribed by UPMIFA. The Church considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- Duration and preservation of the fund
- The purposes of the Church 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 Church
- The investment policies of the Church

As of December 31, 2014, the Church had the following endowment net asset composition by type of fund:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment	$22,924,439	$ -	$ -	$22,924,439
Donor-restricted endowment	-	-	2,424,091	2,424,091
	$22,924,439	$ -	$ 2,424,091	$25,348,530

Investment and Spending Policies

The Church has adopted investment and spending rate policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the Endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of the Endowment investments. The first investment objective for the Endowment over a market cycle of four to seven years is to minimize risk while attaining such growth in the principal of the Endowment that the purchasing power of the Fund is maintained with respect to the prevailing rate of inflation as measured by the Consumer Price Index (CPI). The second objective is to attain "real" growth over a market cycle of four to seven years commensurate with the level of risk assumed by the Fund. The minimum "real" rate of return for the overall fund shall be 5% per annum (CPI plus 5%). The third objective of the Endowment is for the investment return over a market cycle of four to seven years to meet or exceed on a risk-adjusted basis, as measured using a capital market line analysis, the rate of return that would have been achieved by a statically allocated and passively managed portfolio invested according to the long-term asset allocation policy. Actual returns in any given year may vary from these objectives.

The Church utilizes a "total return" endowment spending-rate formula to determine the maximum amount to spend from the Endowment each year to fund operating expenses. Under this method, 5% of the average fair value of the Endowment investments for the prior thirteen quarters is appropriated for expenditure and transferred to unrestricted operating funds each year.

Changes in Endowment net assets for the year ended December 31, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$21,831,881	$ -	$ 2,424,091	$24,255,972
Investment return				
Investment income, net of fees	471,974	57,716	-	529,690
Net realized and unrealized gain (loss)	1,179,199	153,532	-	1,332,731
	1,651,173	211,248	-	1,862,421
Contributions	55,730	-	-	55,730
Distributions				
Appropriation of endowment assets pursuant to spending-rate policy	(901,862)	(211,248)	-	(1,113,110)
Transfer to board-designated endowment	287,517	-	-	287,517
Endowment net assets, end of year	$22,924,439	$ -	$ 2,424,091	$25,348,530

Note 11 - Restricted Net Assets

Temporarily restricted net assets at December 31, 2014 and 2013 consist of:

	2014	2013
Restricted by donors for		
Capital Campaign: Projects Deferred	$ 708,223	$ 505,872
Family Assistance	257,316	281,568
Outreach Grants	161,078	95,624
Vestments	86,133	131,848
Altar Guild	29,907	30,649
Friends of Music	27,563	27,563
All Souls Walk	27,503	14,634
Homeless Women Emergency Shelter	24,642	12,945
Landscape & Gardens	24,631	20,977
Douglas Memorial	15,675	-
St. Martin's Chapel	15,628	15,628
Joan Schaal Memorial/Direct Service	14,355	13,355
Dean's Continuing Education	14,043	21,366
Sabbatical Fund	10,157	5,157
McPhee Memorial	10,102	10,102
Robbie Henry Memorial	9,410	9,410
Abrahamic Initiative	6,377	4,669
Accounts under $5,000	32,353	50,689
Time restrictions (proceeds are not restricted by donors)		
Bequest receivable	-	286,576
	$ 1,475,096	$ 1,538,632

Net assets were released from restrictions as follows during the year ended December 31, 2014:

Satisfaction of purpose restrictions	
Capital Campaign: Projects Deferred	$ 100,299
Family Assistance	24,651
Outreach Grants	5,000
Vestments	52,480
Altar Guild	4,373
Friends of Music	20,662
All Souls Walk	3,263
Homeless Women Emergency Shelter	2,063
Landscape & Gardens	1,346
Dean's Continuing Education	7,323
Abrahamic Initiative	4,815
Accounts under $5,000	104,318
	330,593
Collection of bequest receivable	287,427
Restricted-purpose spending-rate distributions and appropriations	211,248
	$ 829,268

Permanently restricted net assets consist of a beneficial interest in perpetual trust and endowment funds restricted by donors for investment in perpetuity. Distributions from the perpetual trust and earnings on endowment funds are available for the purposes specified by the donors, or in certain cases, for the unrestricted use of the Church. The permanently restricted net assets balances, classified by restriction on the use of earnings, are as follows at December 31, 2014:

General Endowment - general operations	$ 2,424,091
Beneficial interest in perpetual trust - outreach	691,909
	$ 3,116,000

Note 12 - Leases

The Church owns a 36-unit apartment building known as Kimberly Apartments. The Church currently leases the building to Wartburg College primarily for student housing. The Church is to receive monthly rent from Wartburg set at $5,833 per month or $70,000 annually for 5 years with agreed extensions available.

Effective in 2007 the Church negotiated a 31-year lease of a portion of its vacant ground for non-exclusive parking spaces with a contiguous commercial entity. The Church retains rights of common use of the premises. The tenant pays rent in the amount of $67,200 annually through 2017 with escalating rents on a quinquennial basis through 2037. The final ten years (2028 through 2037) have been estimated utilizing the same rate as 2027 since the last ten years' rate has not yet been determined. The tenant pays all operating costs, including insurance, utilities, and taxes and agrees to share any net income from special event parking on the premises.

Future minimum lease payments to the Church under these leases are as follows:

Years Ending December 31,	
2015	$ 137,200
2016	137,200
2017	137,200
2018	98,597
2019	75,264
Thereafter	1,490,492
	$ 2,075,953

Certain property is leased to the Episcopal Diocese of Colorado for a nominal amount under a lease agreement through 2074.

Note 13 - Pension Plans

The Church sponsors a tax-deferred annuity plan (the Plan) qualified under Section 403(b) of the Internal Revenue Code. Employees are eligible to participate, based upon an anticipated 1,000 hours per year, at the start of employment and attaining age 21. Vesting in the 403(b) Plan is immediate at contribution. The Church contributes 10% of salary paid to participants. The Church made contributions to the Plan totaling $75,204 for the year ended December 31, 2014.

The clergy of the Church are members of a defined benefit pension plan through the National Episcopal Church Pension Plan. This plan is for all clergy under the National Church and clergy are 100% vested upon entrance into the plan. The Church contributes 18% of the clergy salaries and housing allowances to the plan. Total clergy pension expense for the year ended December 31, 2014 was $121,526. The National Church sponsors a voluntary 403(b) deferred compensation plan for the clergy. No matching contributions are required to the Voluntary 403(b) Plan.

Note 14 - Natural Expense Classifications

The Church's natural expense classifications for the Operating fund for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Personnel	$ 1,416,709	$ 1,202,037
Personnel benefits	711,107	554,186
Professional and contract services	296,669	395,899
Outreach agency support and grants	309,498	317,763
Travel, meals, and lodging	265,511	172,070
General administrative	138,556	147,633
Repairs and Maintenance	159,256	119,375
Supplies	109,893	118,539
Utilities	99,852	104,995
Insurance	109,837	101,907
Equipment and Resources	32,434	27,317
Telephone	27,971	25,901
	$ 3,677,293	$ 3,287,622