TRUSTEES OF THE DIOCESE OF MINNESOTA, INCORPORATED

Minneapolis, Minnesota

FINANCIAL STATEMENTS
Including Independent Auditors' Report

As of and for the Year Ended December 31, 2016

TRUSTEES OF THE DIOCESE OF MINNESOTA, INCORPORATED

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Trustees of the Diocese of Minnesota, Incorporated
Minneapolis, Minnesota

We have audited the accompanying financial statements of Trustees of the Diocese of Minnesota, Incorporated (the "Trustees"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities 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.

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 qualified audit opinion.

Basis for Qualified Opinion

As explained in Note 1 to the financial statements, the Trustees have recorded certain property and buildings at insurance replacement value and have not recorded a provision for depreciation. In our opinion, accounting principles generally accepted in the require that property and buildings be recorded at historical cost and depreciated over their estimated useful lives. The effects on the financial statements of that departure from those accounting principles are not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Trustees of the Diocese of Minnesota, Incorporated as of December 31, 2016, 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.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
May 25, 2017

TRUSTEES OF THE DIOCESE OF MINNESOTA, INCORPORATED

STATEMENT OF FINANCIAL POSITION
As of December 31, 2016

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 68,220	$ 67,135	$ -	$ 135,355
Accounts receivable	22,581	-	-	22,581
Total Current Assets	90,801	67,135	-	157,936
INVESTMENTS	23,607,787	7,747,158	1,873,558	33,228,503
BENEFICIAL INTEREST IN PERPETUAL TRUSTS				
Investments	-	-	2,228,702	2,228,702
Loans receivable	-	-	250,000	250,000
Total Beneficial Interest in Perpetual Trusts	-	-	2,478,702	2,478,702
RECEIVABLES				
Loan receivable	25,898	-	-	25,898
Split interest agreement receivable	-	22,486	109,849	132,335
Total Receivables	25,898	22,486	109,849	158,233
PROPERTY AND BUILDINGS				
Property held for sale	1,002,781	-	-	1,002,781
Mission church property	24,238,217	-	-	24,238,217
Total Property and Buildings	25,240,998	-	-	25,240,998
TOTAL ASSETS	$ 48,965,484	$ 7,836,779	$ 4,462,109	$ 61,264,372
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$ 54,370	$ -	$ -	$ 54,370
Loan payable, current portion	3,686	-	-	3,686
Total Current Liabilities	58,056	-	-	58,056
LONG TERM LIABILITIES				
Loan payable	22,212	-	-	22,212
Custodial accounts	15,069,748	-	-	15,069,748
Total Long Term Liabilities	15,091,960	-	-	15,091,960
TOTAL LIABILITIES	15,150,016	-	-	15,150,016
NET ASSETS				
Invested in property and buildings	25,240,998	-	-	25,240,998
Other	8,574,470	7,836,779	4,462,109	20,873,358
TOTAL NET ASSETS	33,815,468	7,836,779	4,462,109	46,114,356
TOTAL LIABILITIES AND NET ASSETS	$ 48,965,484	$ 7,836,779	$ 4,462,109	$ 61,264,372

See accompanying notes to financial statements.

TRUSTEES OF THE DIOCESE OF MINNESOTA, INCORPORATED

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Investment returns	$ 794,322	$ 751,493	$ -	$ 1,545,815
Change in beneficial interest in perpetual trust	-	-	19,459	19,459
Change in split interest agreements	-	2,847	1,419	4,266
Rental income	173,908	-	-	173,908
Contributions and grants	70,872	-	-	70,872
Fee income	129,123	-	-	129,123
	1,168,225	754,340	20,878	1,943,443
Net assets released from restrictions	436,185	(436,185)	-	-
Total Revenues	1,604,410	318,155	20,878	1,943,443
EXPENDITURES AND LOSSES				
Program services				
Distributions to the Church and other organizations	567,867	-	-	567,867
Total program services	567,867	-	-	567,867
Support services				
Direct building costs	137,147	-	-	137,147
Amortization of leasehold improvements	10,030	-	-	10,030
Property tax and insurance	3,212	-	-	3,212
Professional and administrative fees	199,000	-	-	199,000
Investment management fees	133,978	-	-	133,978
Liability insurance	20,258	-	-	20,258
Miscellaneous expense	44,339	-	-	44,339
Total support services	547,964	-	-	547,964
Total Expenditures and Losses	1,115,831	-	-	1,115,831
Net increase in net assets before transfers	488,579	318,155	20,878	827,612
Transfer to the Church	(32,800)	-	-	(32,800)
Change in Net Assets	455,779	318,155	20,878	794,812
NET ASSETS - Beginning of Year	33,359,689	7,518,624	4,441,231	45,319,544
NET ASSETS - END OF YEAR	$ 33,815,468	$ 7,836,779	$ 4,462,109	$ 46,114,356

See accompanying notes to financial statements.

TRUSTEES OF THE DIOCESE OF MINNESOTA, INCORPORATED

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 794,812
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Amortization expense	10,030
Change in beneficial interest in perpetual trusts	(19,459)
Change in split interest agreements	(4,266)
Net gain on marketable securities	(1,123,271)
Changes in assets and liabilities	
Accounts receivable	(5,199)
Accounts payable	46,371
Net Cash Flows From Operating Activities	(300,982)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(2,075,570)
Proceeds from sales of investments	1,839,561
Increase in custodial account liability	519,181
Net Cash Flows From Investing Activities	283,172
Net Change in Cash and Cash Equivalents	(17,810)
CASH AND CASH EQUIVALENTS - Beginning of year	153,165
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 135,355

Supplemental Cash Flow Disclosures	
Note payable principal payments made directly by church	$ 4,254
Note receivable collections received directly by church	(4,254)

See accompanying notes to financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

Trustees of the Diocese of Minnesota, Incorporated (the “Trustees”) was incorporated in order to acquire property to hold for investment and income production for the religious, charitable, educational, and administrative purposes of the Episcopal Diocese of Minnesota (the “Church”). The Trustees hold investments for the Church for the purpose of investment, reinvestment and for return to the Church. In addition, the Trustees receive and hold in-trust, properties and investments for parishes, missions, and other organizations of the Church, and properties for the endowment of the Church. The Annual Convention of the Church elects the Board of Trustees.

Principles of Presentation

The accompanying financial statements include the accounts of the Trustees and do not include other accounts and activities of the Church or other organizations within the Church community, which are separate legal entities apart from the Trustees. The financial statements have been prepared on the accrual basis.

Cash and Cash Equivalents

The Trustees consider all highly liquid, short-term investments with a maturity of three months or less when purchased to be cash equivalents. Cash on deposit in excess of federally insured limits are subject to the usual banking risks of funds in excess of those limits.

Split Interest Agreements

The Trustees are the designated beneficiary of split interest agreements held by others. The Trustees recognize the contribution from split interest agreements when the trust is established and they are notified of their interest. The split interest agreement receivable is the present value of the estimated future cash flows expected to be received by the Trustees. The significant assumptions used to estimate the present value of the future cash flows include a discount rate of 5.4%.

Property and Buildings

Property and buildings include property, churches, and related buildings used by mission churches, as well as an office building. At December 31, 2015 the office building was reclassified to property held for sale as it met all the conditions for such classification.

Property and buildings, excluding the commercial office building, are recorded at insurance replacement value as of 1995. No additional adjustments have been made to recorded values since 1995. Additions subsequent to 1995 are added at insurance value during the year of addition. When assets are retired or otherwise disposed of, their costs are removed from the accounts and resulting gains or losses are included in income. At December 31, 2016 one property valued at insurance replacement value of approximately $5.1 million is listed for sale for approximately $1.6 million.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Property and Buildings (continued)

Recording property and buildings at insurance replacement value and not recognizing depreciation is not in accordance with accounting principles generally accepted in the United States of America

The Trustees provides for amortization of tenant improvements made to the commercial office building using the straight-line method over the lease term. However, there is no provision or allowance for depreciation of the original cost of the office building.

Property and buildings consist of the following at December 31:

	2016
Property and buildings - insurance value, no depreciation	$ 25,091,543
Tenant building improvements	
Cost of improvements	472,366
Accumulated amortization	(322,911)
Tenant building improvements, net	149,455
Total property and buildings	$ 25,240,998

Donated property and buildings are recorded as increases in unrestricted net assets at their estimated fair market value as of the date received. Contributions of cash that must be used to acquire property and buildings are reported as temporarily restricted contributions. The Trustees reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Trustees reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Custodial Accounts

Custodial accounts are investments held for other churches or missions.

Net Assets

For the purpose of financial reporting, the Trustees classify resources into three net asset categories pursuant to any donor-imposed restrictions. Accordingly, the net assets of the Trustees are classified in the accompanying financial statements in the categories that follow:

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that will be met by action of the Trustees and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Trustees.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Revenues from sources other than contributions are generally reported as increases in unrestricted net assets. Expenses are reported as decreases in unrestricted net assets.

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Trustees reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as restricted support and as net assets released from restriction.

Donated Services

A number of volunteers have made significant donations of their time to the Trustees program and support functions. The value of this contributed time does not meet the criteria for recognition and, accordingly, is not reflected in the accompanying financial statements.

Tax-Exempt Status

Trustees of the Diocese of Minnesota, Incorporated has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes. However, unrelated business income may be subject to taxation. The Trustees, an organization affiliated with the Episcopal Church, is not required to file federal income tax returns unless subject to the tax on unrelated business income under section 511 of the Code.

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.

Investments

Certificates of deposit are recorded at cost.

Investments and other financial instruments recorded at fair value on a recurring basis are described in Note 3.

NOTE 1 - Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (cont.)

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This new guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. ASU 2014-09 is effective date for fiscal years beginning after December 15, 2018. Early application is permitted for fiscal years beginning after December 15, 2016. The Trustees are assessing the impact this new standard will have on its financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019. Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The Trustees are currently assessing the effect this standard will have on its results of operations, financial position and cash flows.

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Trustees is assessing the impact this new standard will have on the financial statements.

Subsequent Events Review

The Trustees has evaluated subsequent events occurring through May 25, 2017, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the Trustees' financial statements.

On April 19, 2017, the Trustees sold their office building that had been previously held for sale resulting in a gain on the sale of approximately $1.9 million. Along with the sale of the building, the Trustees entered into a month to month lease agreement to lease office space from the new owners for monthly payments of $5,617.

On March 20, 2017, the Trustees entered into a purchase agreement to acquire office space at a purchase price of $1.8 million. The agreement is subject to inspection and other requirements and may be terminated by the Trustees prior to the inspection without penalty.

NOTE 2 - Investments

Following is a summary of investments, including custodial account investments, as of December 31:

	2016
Equity securities - stocks	$ 3,685,859
Debt securities - bonds	5,798,204
Mutual and money funds	23,517,493
Mortgage backed securities	24,721
Total Investments - at fair value	33,026,277
Certificates of deposit - at cost	202,226
Total Investments	$ 33,228,503

Amounts invested for agency/custodial and other purposes are as follows as of December 31:

	2016
Custodial depository funds - churches and others	$ 15,069,748
Endowment and other	18,158,755
	$ 33,228,503

The Trustees share of returns from investment securities is summarized as follows:

	2016
Interest and dividends	$ 425,189
Net realized and unrealized gains	1,123,271
Fees	(2,645)
Total	$ 1,545,815

Investment income and net appreciation or depreciation of investments for custodial accounts are reflected as additions or deductions to the custodial account liabilities in the statement of financial position.

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

NOTE 3 - Fair Value of Financial Instruments

Fair Value Hierarchy

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

Valuation Techniques and Inputs

Level 1 - Level 1 assets include investments in short-term investments, consisting primarily of equity securities, debt securities (consisting of U.S. Treasuring notes, municipal bonds, and corporate bonds and notes), and mutual and money funds for which quoted prices are readily available.

Level 2 - Level 2 assets include investments in mortgage backed securities as fair value is based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Level 3 - Level 3 assets include investments in beneficial interest in perpetual trusts administered by a third party as the fair values are based on a combination of Level 2 inputs and significant unobservable inputs (entity specific estimates of cash flows). Since the Trustee has an irrevocable right to receive the income earned from the trust's assets, the fair value of the beneficial interest is estimated to approximate the fair value of the trust's assets.

The following methods and assumptions were used to measure the fair value for each class of financial instrument. There has been no change in the methodologies and assumptions used at December 31, 2016.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The schedules within this note are not intended to indicate the volatility of the investments.

NOTE 3 - Fair Value of Financial Instruments (continued)

While the Trustees believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents information about the Trustees' assets measured at fair value on a recurring basis as of December 31, 2016 based upon the three-tier hierarchy:

	Total	Level 1	Level 2	Level 3
ASSETS				
Equity securities - stocks	$ 3,685,859	$ 3,685,859	$ -	$ -
Debt securities - bonds	5,798,204	5,798,204	-	-
Mutual and money funds	23,517,493	23,517,493	-	-
Mortgage backed securities	24,721	-	24,721	-
Investments	33,026,277	33,001,556	24,721	-
Beneficial interest in perpetual trusts	2,228,702	-	-	2,228,702
Total	$ 35,254,979	$ 33,001,556	$ 24,721	$ 2,228,702

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31:

	2016
Beneficial Interest in Perpetual Trusts	
Balance at beginning of year	$ 2,209,243
Net realized and unrealized gains	116,684
Distributions to beneficiaries	(126,717)
Purchases	69,655
Sales, issuances and settlements	(40,163)
Net change in beneficial interest in perpetual trust shown in statement of activities	19,459
Balance at end of year	$ 2,228,702

NOTE 4 - Related Party Transactions

The following describes the significant related party transactions:

Administration Fee Expense

In accordance with an agreement between the Trustees and the Church, the Church provides the Trustees with administrative services in exchange for an administrative fee. The services provided include accounting, loan monitoring, real estate management, and other management services. The Trustees has an operating lease agreement with the Church. The lease agreement requires the Church to pay the Trustees for office space in the commercial office building owned by the Trustees. Rental income is netted against this administrative fee. For the year ended December 31, 2016, the Trustees paid the Church $117,200 for those services.

NOTE 4 - Related Party Transactions (continued)

Distributions Expense

The Trustees make distributions from endowment and other earnings to the Church. These funds are then paid out in grants. During the year ended December 31, 2016, endowment distributions totaled $559,100.

Loan Guarantee

The Church has guaranteed a loan to Saint Andrews by the Lake Episcopal Church, Duluth by securing a mission property owned by the Trustees.

Transfers Expense

The Trustees make annual distributions from the Isabella Cooke perpetual trust to the Church. During the year ended December 31, 2016 these distributions totaled $56,120.

The following transfers were made between the Trustees and the Church during the year ended December 31:

	2016
Transfers to the Church	
Building investment returns transferred	$ (32,800)

Summarized financial data of the Church as of December 31, 2016 and for the year then ended is as follows:

Total assets	$ 682,697
Total liabilities	175,988
Net assets	506,709
Total revenues	2,895,926
Total expenditures	2,742,487
Transfers and other reclassifications	32,800

NOTE 5 - Loan Payable

Loan payable consists of the following at December 31:

	2016
Bank mortgage note payable, 5.5% per annum, payable in monthly installments of $447 with a balloon payment due February 2018	$ 25,898

The mortgage note payable was taken out on behalf of a mission church, Trinity Episcopal Church, in Hermantown, Minnesota. All principal and interest payments are made by the mission church. A note receivable from the church is recorded in the financial statements for the same amount as the loan payable. Loan payable debt interest expense paid by the church was $1,579 for the year ended December 31, 2016.

NOTE 6 - Custodial Accounts

The Trustees manage funds as an agent for parishes, missions and other organizations within the Church. As agent, the Trustees establish, manage and invest the funds in the Church's name. Distributions are made in accordance with the agency agreements or directions from the organization. Either party may cancel an agency agreement at any time.

NOTE 7 - Net Assets

Temporarily restricted net assets at year end are composed of:

	2016
Ellen M. Watkinson Trust (Fund 500)	$ 59,729
Israel Trust (Fund 510) - future interest	22,486
Total	82,215
Held in Pooled Investment Fund:	
ECS - Endowment Fund - 35091	269,372
ECS - John Hannaford Fund - 35092	62,329
ECS - Gwendolyn Twentyman Fund - 35093	6,072
ECS - Karen Peterson Fund - 35094	577,232
ECS - Guifillian Fund - 35095	2,523,842
Episcopate Fund A - 37001	124,582
Episcopate B - 37002	103,609
George Brown Fund - 37005	11,591
Yardley Fund - 37007	121,720
Dr. Daniels Fund - 37009	178,691
Lois Granner Fund - 37010	85,586
Elliot Marston Fund - 37012	5,411
Mudge Evangelism Fund - 37013	49,443
Post Ordination Fund - 37014	246,946
Retired Clergy Fund - 37015	170,277
Seminarian Aid Fund - 37016	216,739
Knickerbocker Fund - 37017	21,064
Eric Freidus Fund - 37018	4,853
Keeler Trust - 37076	302,154
Elizabeth Leigh Fund - 37078	854,141
Weed Jones Fund - 37079	1,120,920
Whipple Scholarship Fund - 37088	32,534
Henton Endowment Fund - 37089	2,053
Pope Fund - 37093	138,114
S.B. Cowdry Fund - 37100	24,406
Witts Memorial Fund - 37110	123,420
Boutwell Fund - 37111	46,990
Shakopee Episcopal Mission Trust - 37142	7,153
Sullivan Seminary Fund - 37153	153,478
Elaine Marshall Rural Minnesota Fund - 37162	92,970
Minister Financial Aid Fund - 37169	42,930
James Tippy Fund - 37174	6,941
St. Barnabas Fund - 37176	27,000
Total	7,754,564
Total temporarily restricted net assets	$ 7,836,779

Net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were reclassified to unrestricted net assets for operations and programs.

NOTE 7 - Net Assets (continued)

Permanently restricted net assets at year end are composed of:

	2016
Held in Loan Fund:	
Isabella T. Cooke Trust - Perpetual Trust	$ 1,361,244
Hatch Loan Fund	78,000
Total	1,439,244
Held in Office Building Fund:	
Helen Henton Fund	67,105
Held in Investment Fund:	
Bernier Trust - future interest	109,849
Harrington Trust	21,290
Isabella T. Cooke Trust - Perpetual Trust	1,117,458
Total	1,248,597
Held in Pooled Investment Fund - Endowments:	
Mildred H. and Hamilton H. Kellogg Fund	780,712
Episcopate Fund B	56,216
Program Fund	155,389
Helen Henton Fund	171,894
Yardley Fund	85,711
Dr. Daniels Fund	5,347
Elliot Marston Fund	872
Post Ordination Fund	20,000
Retired Clergy Fund	39,470
Seminarian Aid Fund	93,026
Knickerbocker Fund	28,976
Keeler Trust	177,579
Weed Jones Fund	76,000
S. B. Cowdry Fund	15,971
Total Endowments (Note 10)	1,707,163
Total permanently restricted net assets	$ 4,462,109

The principal must be perpetually maintained as either endowment or loan funds and the income from these funds is expendable and any changes in the fair value of permanently restricted net assets are recorded as changes in temporarily restricted net assets (except for those related to beneficial interests in perpetual trusts).

NOTE 8 - Concentrations

The Trustees maintains cash balances in two institutions which exceeds the federally insured limit of $250,000. The Trustees have not experienced any losses in such accounts. Substantially all investments are held by Morgan Stanley.

NOTE 9 - Endowments

The Trustees' endowments consist of 38 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowments do not include trusts or future interest agreements.

Interpretation of Relevant Law

The Board of Trustees has interpreted 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, the Trustees 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) accumulations 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 as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Trustees in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Trustees consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Trustees and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Trustees
7. The investment policies of the Trustees

Endowment net asset composition by type of fund consists of the following as of December 31, 2016.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (21,824)	$ 7,754,564	$ 1,707,163	$ 9,439,903
Board-designated endowment funds	345,405	-	-	345,405
Total funds	$ 323,581	$ 7,754,564	$ 1,707,163	$ 9,785,308

NOTE 9 - Endowments (continued)

Changes in endowment net assets for the year ended December 31, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2015	$ 274,982	$ 7,439,256	$ 1,707,163	$ 9,421,401
Investment return:				
Investment income	7,012	220,715	-	227,726
Net appreciation (realized and unrealized)	44,424	530,779	-	575,202
Total investment return	51,435	751,493	-	802,929
Contributions	275	-	-	275
Appropriation of endowment assets for expenditure	(3,111)	(436,185)	-	(439,297)
Endowment net assets, December 31, 2016	$ 323,581	$ 7,754,564	$ 1,707,163	$ 9,785,308

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Trustees to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $21,824 as of December 31, 2016.

Return Objectives and Risk Parameters

The Trustees has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Trustees must hold in perpetuity or for a donor-specified period as well as Trustee designated funds. Under this policy, as approved by the Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the spending rate while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Trustees relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Trustees targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 9 - Endowments (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Trustees' endowment distribution policy for 2016 recommended a spending rate up to 5 percent applied to the average of the fair value of endowment investments for the 12 quarters ended September 30, 2015. In establishing this policy, the Trustees considered the long-term expected return on its endowment. Accordingly, the long term goal is to achieve a rate of growth sufficient to meet the Trustees' spending needs, while maintaining the inflation-adjusted principal of the endowment funds. If actual earnings for any year are less than the current year spending rule, the deficiency is drawn from prior years' amounts that have accumulated but not been spent.

NOTE 10 - Beneficial Interest in Perpetual Trusts

Beneficial interest in perpetual trusts consists of irrevocable trusts contributed to the Trustees of the Diocese of Minnesota, Incorporated and from which the Trustees' is to receive the income in perpetuity. The principal is held in trust by US Bank and will never revert to the Trustees.

The Trustees records its beneficial interest in perpetual trusts as permanently restricted net assets. Income received is recorded as either unrestricted or temporarily restricted activity based on the presence or absence of donor restrictions. Increases or decreases in the fair value of the trust assets are recorded on the statement of activities as changes in permanently restricted net assets. Some of the assets of the trust have been loaned out and the perpetual trust holds the receivables for these assets.

Notes held in the trust as of December 31, 2016 are as follows:

	2016
St Andrews by the Lake	$ 250,000

The note is secured by a related property. Interest is payable at a rate of 5% until final maturity on April 1, 2019. At December 31, 2016, there were no amounts past due under this note.

NOTE 11 - Contingencies

From time to time, the Trustees are party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and their attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Trustees' financial position or results of operations.