

Community of Christ and Affiliates

Consolidated Financial Report
June 30, 2015

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Independent Auditor's Report on the Financial Statements

First Presidency
Community of Christ and Affiliates
Independence, Missouri

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Community of Christ and Affiliates which comprise the consolidated statements of financial position as of June 30, 2015, 2014, and 2013 and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community of Christ and Affiliates as of June 30, 2015, 2014, and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information for the World Church and Graceland University and the related eliminating entries presented on the statements of financial position and the statements of activities are presented for the purposes of additional analysis rather than to present the financial position and the results of operations of the individual entities, and is not a required part of the financial statements. Additionally, the accompanying supplementary information on pages 59 to 72 is presented for purposes of additional analysis and is not a required part of the financial statements. The information for the World Church, Graceland University and the supplementary information on pages 59 to 72 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating and other supplementary information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Kansas City, Missouri
April 29, 2016

Community of Christ and Affiliates

Consolidated Statements of Financial Position

June 30, 2015

(Dollars in Thousands)

Assets	World Church	Graceland University	Eliminations	Total
Cash and cash equivalents	\$ 11,314	\$ 9,416	\$ -	\$ 20,730
Investments				
Bonds, stocks and other investments	115,809	2,192	(28,498) ⁽¹⁾	89,503
Real estate	14,294	-	-	14,294
	130,103	2,192	(28,498)	103,797
Receivables				
Accounts, U.S. government and miscellaneous receivables, net	4,659	6,389	-	11,048
Notes, mortgages, and student and U.S. government loans receivable, net	13,531	5,130	-	18,661
Contributions receivable, net	14,687	2,347	(151) ⁽²⁾	16,883
	32,877	13,866	(151)	46,592
Assets Limited as to Use				
Cash restricted for investment in land, buildings and equipment	-	29	-	29
Endowed assets	85,165	30,564	-	115,729
	85,165	30,593	-	115,758
Real Estate and Equipment, net	74,336	56,898	-	131,234
Other Assets				
Inventories	863	1,167	-	2,030
Prepaid expenses and deposits	641	1,602	-	2,243
Deferred expenses and other assets	36	8,507	-	8,543
Intangible assets and Goodwill	-	8,658	-	8,658
Funds held in trust by others	-	1,590	-	1,590
	1,540	21,524	-	23,064
	\$ 335,335	\$ 134,489	\$ (28,649)	\$ 441,175

(1) To eliminate investment held at the Church for the University.

(2) To eliminate the contribution receivable from the Church to the University.

See Notes to Consolidated Financial Statements.

Liabilities and Net Assets	World Church	Graceland University	Eliminations	Total
Payables and Other Liabilities				
Accounts payable	\$ 2,180	\$ 3,291	\$ -	\$ 5,471
Accrued expenses, deferred income and other liabilities	8,066	20,871	(151) ⁽²⁾	28,786
Annuities payable	2,904	1,078	-	3,982
U.S. Government grants refundable	-	3,040	-	3,040
	<u>13,150</u>	<u>28,280</u>	<u>(151)</u>	<u>41,279</u>
Funds Held on Behalf of Others	<u>131,993</u>	<u>805</u>	<u>(28,498)</u> ⁽¹⁾	<u>104,300</u>
Pension Benefits	56,185	10,796	-	66,981
Post-Retirement Benefits	23,199	-	-	23,199
	<u>79,384</u>	<u>10,796</u>	<u>-</u>	<u>90,180</u>
Long-Term Debt and Capital Lease Obligation	<u>11,620</u>	<u>34,056</u>	<u>-</u>	<u>45,676</u>
Net Assets				
Unrestricted	45,205	22,048	-	67,253
Temporarily restricted	5,561	8,451	-	14,012
Permanently restricted	48,422	30,053	-	78,475
Total net assets	<u>99,188</u>	<u>60,552</u>	<u>-</u>	<u>159,740</u>
	<u>\$ 335,335</u>	<u>\$ 134,489</u>	<u>\$ (28,649)</u>	<u>\$ 441,175</u>

(1) To eliminate investment held at the Church for the University.

(2) To eliminate the contribution receivable from the Church to the University.

Community of Christ and Affiliates

Consolidated Statements of Financial Position

June 30, 2014

(Dollars in Thousands)

Assets	World Church	Graceland University	Eliminations	Total
Cash and cash equivalents	\$ 12,783	\$ 10,007	\$ -	\$ 22,790
Investments				
Bonds, stocks and other investments	137,818	2,923	(28,467) ⁽¹⁾	112,274
Real estate	20,194	-	-	20,194
	158,012	2,923	(28,467)	132,468
Receivables				
Accounts, U.S. government and miscellaneous receivables, net	3,553	5,920	-	9,473
Notes, mortgages, and student and U.S. government loans receivable, net	16,640	5,325	-	21,965
Contributions receivable, net	13,703	2,905	(298) ⁽²⁾	16,310
	33,896	14,150	(298)	47,748
Assets Limited as to Use				
Cash restricted for investment in land, buildings and equipment	-	70	-	70
Endowed assets	85,566	30,150	-	115,716
	85,566	30,220	-	115,786
Real Estate and Equipment, net	75,636	58,187	-	133,823
Other Assets				
Inventories	1,006	897	-	1,903
Prepaid expenses and deposits	688	1,095	-	1,783
Deferred expenses and other assets	43	6,377	-	6,420
Funds held in trust by others	-	1,281	-	1,281
	1,737	9,650	-	11,387
	\$ 367,630	\$ 125,137	\$ (28,765)	\$ 464,002

(1) To eliminate investment held at the Church for the University.

(2) To eliminate the contribution receivable from the Church to the University.

See Notes to Consolidated Financial Statements.

Liabilities and Net Assets	World Church	Graceland University	Eliminations	Total
Payables and Other Liabilities				
Accounts payable	\$ 3,941	\$ 3,310	\$ -	\$ 7,251
Accrued expenses, deferred income and other liabilities	7,889	13,756	(298) ⁽²⁾	21,347
Annuities payable	2,857	1,095	-	3,952
U.S. Government grants refundable	-	3,057	-	3,057
	<u>14,687</u>	<u>21,218</u>	<u>(298)</u>	<u>35,607</u>
Funds Held on Behalf of Others	<u>138,706</u>	<u>521</u>	<u>(28,467)</u> ⁽¹⁾	<u>110,760</u>
Pension Benefits	48,554	9,933	-	58,487
Post-Retirement Benefits	<u>23,467</u>	<u>-</u>	<u>-</u>	<u>23,467</u>
	<u>72,021</u>	<u>9,933</u>	<u>-</u>	<u>81,954</u>
Long-Term Debt and Capital Lease Obligations	<u>24,620</u>	<u>32,054</u>	<u>-</u>	<u>56,674</u>
Net Assets				
Unrestricted	64,965	23,083	-	88,048
Temporarily restricted	6,220	9,200	-	15,420
Permanently restricted	<u>46,411</u>	<u>29,128</u>	<u>-</u>	<u>75,539</u>
Total net assets	<u>117,596</u>	<u>61,411</u>	<u>-</u>	<u>179,007</u>
	<u>\$ 367,630</u>	<u>\$ 125,137</u>	<u>\$ (28,765)</u>	<u>\$ 464,002</u>

(1) To eliminate investment held at the Church for the University.

(2) To eliminate the contribution receivable from the Church to the University.

Community of Christ and Affiliates

Consolidated Statements of Financial Position

June 30, 2013

(Dollars in Thousands)

Assets	World Church	Graceland University	Eliminations	Total
Cash and cash equivalents	\$ 10,319	\$ 11,049	\$ -	\$ 21,368
Investments				
Bonds, stocks and other investments	127,933	2,568	(26,982) ⁽¹⁾	103,519
Real estate	35,406	-	-	35,406
	<u>163,339</u>	<u>2,568</u>	<u>(26,982)</u>	<u>138,925</u>
Receivables				
Accounts, U.S. government and miscellaneous receivables, net	6,776	5,409	(487) ⁽⁴⁾	11,698
Notes, mortgages, and student and U.S. government loans receivable, net	21,472	5,620	(4,475) ⁽³⁾	22,617
Contributions receivable, net	11,953	6,626	(440) ⁽²⁾	18,139
	<u>40,201</u>	<u>17,655</u>	<u>(5,402)</u>	<u>52,454</u>
Assets Limited as to Use				
Cash restricted for investment in land, buildings and equipment	-	71	-	71
Endowed assets	83,843	28,375	-	112,218
	<u>83,843</u>	<u>28,446</u>	<u>-</u>	<u>112,289</u>
Real Estate and Equipment, net	<u>76,685</u>	<u>59,731</u>	<u>-</u>	<u>136,416</u>
Other Assets				
Inventories	942	1,178	-	2,120
Prepaid expenses and deposits	780	1,246	-	2,026
Deferred expenses and other assets	141	6,810	(71) ⁽³⁾	6,880
Funds held in trust by others	-	1,094	-	1,094
	<u>1,863</u>	<u>10,328</u>	<u>(71)</u>	<u>12,120</u>
	<u>\$ 376,250</u>	<u>\$ 129,777</u>	<u>\$ (32,455)</u>	<u>\$ 473,572</u>

(1) To eliminate investment held at the Church for the University.

(2) To eliminate the contribution receivable from the Church to the University.

(3) To eliminate note payable from the University to the Church and related unamortized bond issue costs.

(4) To eliminate the interest rate swap liability included in the Church and the University.

See Notes to Consolidated Financial Statements.

Liabilities and Net Assets	World Church	Graceland University	Eliminations	Total
Payables and Other Liabilities				
Accounts payable	\$ 5,391	\$ 3,475	\$ -	\$ 8,866
Accrued expenses, deferred income and other liabilities	13,335	17,637	(998) ⁽³⁾ ⁽⁴⁾ ⁽²⁾	29,974
Annuities payable	2,933	1,074	-	4,007
U.S. Government grants refundable	-	3,045	-	3,045
	<u>21,659</u>	<u>25,231</u>	<u>(998)</u>	<u>45,892</u>
Funds Held on Behalf of Others	<u>121,032</u>	<u>486</u>	<u>(26,982)</u> ⁽¹⁾	<u>94,536</u>
Pension Benefits	45,074	11,059	-	56,133
Post-Retirement Benefits	26,874	-	-	26,874
	<u>71,948</u>	<u>11,059</u>	<u>-</u>	<u>83,007</u>
Long-Term Debt and Capital Lease Obligation	<u>31,205</u>	<u>29,183</u>	<u>(4,475)</u> ⁽³⁾	<u>55,913</u>
Net Assets				
Unrestricted	81,903	23,140	-	105,043
Temporarily restricted	5,859	9,088	-	14,947
Permanently restricted	42,644	31,590	-	74,234
Total net assets	<u>130,406</u>	<u>63,818</u>	<u>-</u>	<u>194,224</u>
	<u>\$ 376,250</u>	<u>\$ 129,777</u>	<u>\$ (32,455)</u>	<u>\$ 473,572</u>

(1) To eliminate investment held at the Church for the University.

(2) To eliminate the contribution receivable from the Church to the University.

(3) To eliminate note payable from the University to the Church and related unamortized bond issue costs.

(4) To eliminate the interest rate swap liability included in the Church and the University.

Community of Christ and Affiliates

Consolidated Statements of Activities Year Ended June 30, 2015 (Continued) (Dollars in Thousands)

	World Church		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenues, Gains and Other Support			
Contributions, private gifts, grants and contracts	\$ 15,830	\$ 1,693	\$ 1,806
Seminars	-	-	-
Student tuition and fees	-	-	-
Products	-	-	-
Services and sales of auxiliary enterprises and affiliates	8,203	-	-
Income (loss) from investment activities	(1,774)	(199)	209
Unrealized gain on real estate	2,206	-	-
Government grants and contracts	-	-	-
Other	1,481	(174)	(4)
Net assets released from restrictions	1,979	(1,979)	-
Total revenues, gains and other support	27,925	(659)	2,011
Expenses			
Program expenses			
Congregation and mission support	19,304	-	-
Personal ministry	1,323	-	-
Assistance to the poor and needy	2,042	-	-
Education and leadership training	3,128	-	-
Communications	4,320	-	-
Capital development	3,428	-	-
Instruction	-	-	-
Public service	-	-	-
Academic support	-	-	-
Student services	-	-	-
Auxiliary enterprises	974	-	-
Total program expenses	34,519	-	-
Management and general	7,184	-	-
Fundraising	847	-	-
Total expenses	42,550	-	-
Change in net assets before other income (expense)	(14,625)	(659)	2,011
Minimum Pension Liability Adjustment	(5,135)	-	-
Change in net assets	(19,760)	(659)	2,011
Net Assets, Beginning of Year	64,965	6,220	46,411
Net Assets, End of Year	\$ 45,205	\$ 5,561	\$ 48,422

- (1) To eliminate support from the Church to the University.
- (2) To eliminate accrued contributions from the Church to the University.
- (3) To eliminate fees paid from the University to the Church.

See Notes to Consolidated Financial Statements.

Graceland University				Totals by Restriction			
Unrestricted	Temporarily Restricted	Permanently Restricted	Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Consolidated Total
\$ 2,577	\$ 1,255	\$ 944	\$ (1,493) ^{(1) (2)}	\$ 16,914	2,948	2,750	\$ 22,612
51,682	-	-	-	51,682	-	-	51,682
22,818	-	-	-	22,818	-	-	22,818
4,936	-	-	-	4,936	-	-	4,936
7,014	-	-	(100) ⁽³⁾	15,117	-	-	15,117
695	422	(19)	-	(1,079)	223	190	(666)
-	-	-	-	2,206	-	-	2,206
308	1,115	-	-	308	1,115	-	1,423
937	19	-	-	2,418	(155)	(4)	2,259
3,560	(3,560)	-	-	5,539	(5,539)	-	-
94,527	(749)	925	(1,593)	120,859	(1,408)	2,936	122,387
-	-	-	-	19,357	-	-	19,357
-	-	-	-	1,326	-	-	1,326
-	-	-	-	2,044	-	-	2,044
-	-	-	(1,493) ^{(1) (2)}	1,639	-	-	1,639
-	-	-	-	4,311	-	-	4,311
-	-	-	-	3,430	-	-	3,430
14,806	-	-	(100) ⁽³⁾	14,706	-	-	14,706
1,223	-	-	-	1,223	-	-	1,223
2,278	-	-	-	2,278	-	-	2,278
10,724	-	-	-	10,724	-	-	10,724
6,383	-	-	-	7,357	-	-	7,357
36,797	-	-	-	36,797	-	-	36,797
72,211	-	-	(1,593)	105,192	-	-	105,192
20,227	-	-	-	27,356	-	-	27,356
1,789	-	-	-	2,636	-	-	2,636
94,227	-	-	(1,593)	135,184	-	-	135,184
300	(749)	925	-	(14,325)	(1,408)	2,936	(12,797)
(1,335)	-	-	-	(6,470)	-	-	(6,470)
(1,035)	(749)	925	-	(20,795)	(1,408)	2,936	(19,267)
23,083	9,200	29,128	-	88,048	15,420	75,539	179,007
\$ 22,048	\$ 8,451	\$ 30,053	\$ -	\$ 67,253	\$ 14,012	\$ 78,475	\$ 159,740

Community of Christ and Affiliates

Consolidated Statements of Activities (Continued) Year Ended June 30, 2014 (Dollars in Thousands)

	World Church		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenues, Gains and Other Support			
Contributions, private gifts, grants and contracts	\$ 12,602	\$ 1,299	\$ 3,019
Seminars	-	-	-
Student tuition and fees	-	-	-
Products	-	-	-
Services and sales of auxiliary enterprises and affiliates	9,457	-	-
Income from investment activities	5,340	26	709
Unrealized (loss) on real estate	(3,064)	-	-
Government grants and contracts	-	-	-
Other	2,009	(225)	39
Net assets released from restrictions	739	(739)	-
Total revenues, gains and other support	27,083	361	3,767
Expenses			
Program expenses			
Congregation and mission support	19,610	-	-
Personal ministry	1,538	-	-
Assistance to the poor and needy	2,077	-	-
Education and leadership training	4,643	-	-
Communications	4,614	-	-
Capital development	3,493	-	-
Instruction	-	-	-
Public service	-	-	-
Academic support	-	-	-
Student services	-	-	-
Auxiliary enterprises	2,458	-	-
Seminars and products	-	-	-
Total program expenses	38,433	-	-
Management and general	7,682	-	-
Fundraising	896	-	-
Total expenses	47,011	-	-
Change in net assets before other income (expense)	(19,928)	361	3,767
Write-off of a contribution receivable	-	-	-
Minimum Pension Liability Adjustment	2,939	-	-
Realized Gain on Interest Rate Swap Agreements	51	-	-
Change in net assets	(16,938)	361	3,767
Net Assets, Beginning of Year	81,903	5,859	42,644
Net Assets, End of Year	\$ 64,965	\$ 6,220	\$ 46,411

- (1) To eliminate support from the Church to the University.
(2) To eliminate accrued contributions from the Church to the University.
(3) To eliminate interest and fee reimbursements from the University to the Church.

See Notes to Consolidated Financial Statements.

Graceland University				Totals by Restriction			
Unrestricted	Temporarily Restricted	Permanently Restricted	Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Consolidated Total
\$ 850	\$ 1,158	\$ 646	\$ (173)	(1) (2) \$ 13,279	\$ 2,457	\$ 3,665	\$ 19,401
45,712	-	-	-	45,712	-	-	45,712
21,347	-	-	-	21,347	-	-	21,347
4,995	-	-	-	4,995	-	-	4,995
6,883	-	-	-	16,340	-	-	16,340
961	1,776	(4)	(78)	(3) 6,223	1,802	705	8,730
-	-	-	-	(3,064)	-	-	(3,064)
281	1,068	-	-	281	1,068	-	1,349
927	49	-	(87)	(3) 2,849	(176)	39	2,712
3,939	(3,939)	-	-	4,678	(4,678)	-	-
<u>85,895</u>	<u>112</u>	<u>642</u>	<u>(338)</u>	<u>112,640</u>	<u>473</u>	<u>4,409</u>	<u>117,522</u>
-	-	-	-	19,610	-	-	19,610
-	-	-	-	1,538	-	-	1,538
-	-	-	-	2,077	-	-	2,077
-	-	-	(173)	(1) (2) 4,470	-	-	4,470
-	-	-	-	4,614	-	-	4,614
-	-	-	-	3,493	-	-	3,493
15,276	-	-	-	15,276	-	-	15,276
1,057	-	-	-	1,057	-	-	1,057
2,108	-	-	-	2,108	-	-	2,108
9,819	-	-	-	9,819	-	-	9,819
6,497	-	-	-	8,955	-	-	8,955
<u>32,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,716</u>	<u>-</u>	<u>-</u>	<u>32,716</u>
67,473	-	-	(173)	105,733	-	-	105,733
18,596	-	-	(233)	(3) 26,045	-	-	26,045
1,717	-	-	-	2,613	-	-	2,613
<u>87,786</u>	<u>-</u>	<u>-</u>	<u>(406)</u>	<u>134,391</u>	<u>-</u>	<u>-</u>	<u>134,391</u>
(1,891)	112	642	68	(21,751)	473	4,409	(16,869)
-	-	(3,104)	-	-	-	(3,104)	(3,104)
875	-	-	-	3,814	-	-	3,814
959	-	-	(68)	(3) 942	-	-	942
<u>(57)</u>	<u>112</u>	<u>(2,462)</u>	<u>-</u>	<u>(16,995)</u>	<u>473</u>	<u>1,305</u>	<u>(15,217)</u>
23,140	9,088	31,590	-	105,043	14,947	74,234	194,224
<u>\$ 23,083</u>	<u>\$ 9,200</u>	<u>\$ 29,128</u>	<u>\$ -</u>	<u>\$ 88,048</u>	<u>\$ 15,420</u>	<u>\$ 75,539</u>	<u>\$ 179,007</u>

Community of Christ and Affiliates

Consolidated Statements of Activities Year Ended June 30, 2013 (Dollars in Thousands)

	World Church		
	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenues, Gains and Other Support			
Contributions, private gifts, grants and contracts	\$ 13,122	\$ 1,129	\$ 13,995
Seminars	-	-	-
Student tuition and fees	-	-	-
Products	-	-	-
Services and sales of auxiliary enterprises and affiliates	8,306	-	-
Income (loss) from investment activities	5,919	-	712
Unrealized gain on real estate	1,005	-	-
Government grants and contracts	-	-	-
Other	233	16	6
Net assets released from restrictions	2,837	(2,837)	-
Total revenues, gains and other support	31,422	(1,692)	14,713
Expenses			
Program expenses			
Congregation and mission support	19,729	-	-
Personal ministry	1,388	-	-
Assistance to the poor and needy	2,833	-	-
Education and leadership training	3,916	-	-
Communications	5,154	-	-
Capital development	2,227	-	-
Instruction	-	-	-
Public service	-	-	-
Academic support	-	-	-
Student services	-	-	-
Auxiliary enterprises	1,326	-	-
Seminars and products	-	-	-
Total program expenses	36,573	-	-
Management and general	6,574	-	-
Fundraising	684	-	-
Total expenses	43,831	-	-
Change in net assets before other income (expense)	(12,409)	(1,692)	14,713
Minimum Pension Liability Adjustment	10,664	-	-
Unrealized Gain (Loss) on Interest Rate Swap Agreements	224	-	-
Change in net assets	(1,521)	(1,692)	14,713
Net Assets, Beginning of Year	83,424	7,551	27,931
Net Assets, End of Year	\$ 81,903	\$ 5,859	\$ 42,644

- (1) To eliminate support from the Church to the University.
- (2) To eliminate interest and fee reimbursements from the University to the Church.
- (3) To eliminate accrued contributions from the Church to the University.

See Notes to Consolidated Financial Statements.

Graceland University				Totals by Restriction			
Unrestricted	Temporarily Restricted	Permanently Restricted	Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Consolidated Total
\$ 849	\$ 1,962	\$ 7,068	\$ (127) ^{(1) (3)}	\$ 13,844	\$ 3,091	\$ 21,063	\$ 37,998
47,923	-	-	-	47,923	-	-	47,923
19,374	-	-	-	19,374	-	-	19,374
5,791	-	-	-	5,791	-	-	5,791
6,186	-	-	-	14,492	-	-	14,492
5,730	1,629	(16)	(120) ⁽²⁾	11,529	1,629	696	13,854
-	-	-	-	1,005	-	-	1,005
316	872	-	-	316	872	-	1,188
929	25	61	(70) ⁽²⁾	1,092	41	67	1,200
9,431	(9,431)	-	-	12,268	(12,268)	-	-
<u>96,529</u>	<u>(4,943)</u>	<u>7,113</u>	<u>(317)</u>	<u>127,634</u>	<u>(6,635)</u>	<u>21,826</u>	<u>142,825</u>
-	-	-	-	19,729	-	-	19,729
-	-	-	-	1,388	-	-	1,388
-	-	-	-	2,833	-	-	2,833
-	-	-	(127) ^{(1) (3)}	3,789	-	-	3,789
-	-	-	-	5,154	-	-	5,154
-	-	-	-	2,227	-	-	2,227
16,285	-	-	-	16,285	-	-	16,285
1,293	-	-	-	1,293	-	-	1,293
2,200	-	-	-	2,200	-	-	2,200
8,390	-	-	-	8,390	-	-	8,390
6,464	-	-	-	7,790	-	-	7,790
36,474	-	-	-	36,474	-	-	36,474
<u>71,106</u>	<u>-</u>	<u>-</u>	<u>(127)</u>	<u>107,552</u>	<u>-</u>	<u>-</u>	<u>107,552</u>
19,414	-	-	(294) ⁽²⁾	25,694	-	-	25,694
1,674	-	-	-	2,358	-	-	2,358
<u>92,194</u>	<u>-</u>	<u>-</u>	<u>(421)</u>	<u>135,604</u>	<u>-</u>	<u>-</u>	<u>135,604</u>
4,335	(4,943)	7,113	104	(7,970)	(6,635)	21,826	7,221
2,378	-	-	-	13,042	-	-	13,042
974	-	-	(104) ⁽²⁾	1,094	-	-	1,094
<u>7,687</u>	<u>(4,943)</u>	<u>7,113</u>	<u>-</u>	<u>6,166</u>	<u>(6,635)</u>	<u>21,826</u>	<u>21,357</u>
15,453	14,031	24,477	-	98,877	21,582	52,408	172,867
<u>\$ 23,140</u>	<u>\$ 9,088</u>	<u>\$ 31,590</u>	<u>\$ -</u>	<u>\$ 105,043</u>	<u>\$ 14,947</u>	<u>\$ 74,234</u>	<u>\$ 194,224</u>

Community of Christ and Affiliates

Consolidated Statements of Cash Flows Years Ended June 30, 2015, 2014 and 2013 (Dollars in Thousands)

	2015	2014	2013
Cash Flows from Operating Activities			
Change in net assets	\$ (19,267)	\$ (15,217)	\$ 21,357
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities			
Depreciation	5,318	4,867	4,595
Amortization	475	91	42
Minimum pension liability adjustment	6,470	(3,814)	(13,042)
Unrealized loss (gain) on real estate	(2,206)	3,064	(1,005)
Unrealized loss (gain) on investment securities	9,302	(47)	(13,460)
Unrealized (gain) on interest rate swap agreements	-	-	(1,094)
Net (gain) on sale of investment securities and real estate	(7,495)	(17,938)	(5,802)
Net (gain) on sale of real estate and equipment	(65)	(834)	(35)
Realized (gain) on interest rate swap agreements	-	(942)	-
Contributions and income restricted	(2,486)	(4,409)	(21,063)
Write-off of a contribution receivable	-	3,104	-
Noncash contributions of investment securities and real estate	(1,021)	(10)	(2,580)
Changes in:			
Receivables	(2,579)	986	(69)
Inventories, prepaids and deposits	867	460	185
Deferred expenses and other assets	(135)	369	440
Funds held in trust by others	(309)	(187)	(127)
Accounts payable	(1,780)	(1,615)	(5,723)
Accrued expenses, deferred income and other liabilities	292	(5,152)	3,862
Accrued retirement liability	1,756	2,761	3,252
Net cash (used in) operating activities	(12,863)	(34,463)	(30,267)
Cash Flows from Investing Activities			
Proceeds from sale of investment securities and real estate	110,423	209,145	127,025
Purchase of investment securities and real estate	(80,345)	(191,254)	(117,155)
Increase (decrease) in funds held on behalf of others	(6,460)	16,224	5,677
Increase (decrease) in student and U.S. Government loans receivable, net	168	205	(2)
Issuance of notes and mortgages receivable	(2,874)	(2,355)	(5,512)
Payments from notes and mortgages receivable	6,441	2,766	3,149
(Decrease) increase in U.S. Government grants refundable, net	(17)	12	5
Purchase of real estate and equipment	(2,805)	(2,432)	(8,538)
Proceeds from sale of real estate and equipment	392	992	242
Cash paid in acquisition of Continuing Education Center, Inc. net of cash acquired	(2,979)	-	-
Change in cash restricted for land, buildings and equipment	41	-	4,420
Net cash provided by investing activities	21,985	33,303	9,311
Cash Flows from Financing Activities			
Proceeds from issuance of long-term debt	-	25,950	5,500
Principal payments on long-term debt	(13,585)	(25,080)	(5,800)
Payment to terminate interest rate swap agreements	-	(2,533)	-
Principal payments on capital lease obligation	(113)	(109)	(105)
Increase (decrease) in annuities payable	30	(55)	(101)
Contributions and income restricted for long-term investment	2,486	4,409	5,021
Net cash provided by (used in) financing activities	(11,182)	2,582	4,515
Increase (decrease) in Cash and Cash Equivalents	(2,060)	1,422	(16,441)
Cash and Cash Equivalents, Beginning of Year	22,790	21,368	37,809
Cash and Cash Equivalents, End of Year	\$ 20,730	\$ 22,790	\$ 21,368

Community of Christ and Affiliates

**Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2015, 2014 and 2013
(Dollars in Thousands)**

	2015	2014	2013
Supplemental Disclosures of Cash Flow Information			
Cash payments for interest			
World Church	\$ 416	\$ 680	\$ 797
University	1,025	802	607
	<u>\$ 1,441</u>	<u>\$ 1,482</u>	<u>\$ 1,404</u>
Noncash transactions:			
Accounts payable incurred for purchase of property and equipment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 366</u>
Borrowing on note payable associated with the acquisition of Continuing Education Center, Inc.	<u>\$ 2,700</u>	<u>\$ -</u>	<u>\$ -</u>
Supplemental Disclosures of Investment Gains and Losses			
Detail of unrealized loss (gain) on investment securities:			
Church-owned investment securities	\$ 2,527	\$ (111)	\$ (16,374)
Funds Held on Behalf of Others	3,843	(24)	5,770
University	2,932	88	(2,856)
Total unrealized loss (gain) on investment securities	<u>\$ 9,302</u>	<u>\$ (47)</u>	<u>\$ (13,460)</u>
Detail of net (gain) on sale of investment securities and real estate:			
Church-owned Investment securities	\$ (2,206)	\$ (5,030)	\$ (3,148)
Funds Held on Behalf of Others	(3,782)	(10,632)	1,412
Church net loss (gain) on sale of real estate	1,721	(29)	129
University	(3,228)	(2,247)	(4,195)
Total net (gain) on sale of investment securities and real estate	<u>\$ (7,495)</u>	<u>\$ (17,938)</u>	<u>\$ (5,802)</u>

See Notes to Consolidated Financial Statements.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies

Nature of business: The Community of Christ (Church) is an international Christian denomination with approximately 197,000 members in 1,139 congregations in 52 countries. The early church was founded in New York State in 1830 by Joseph Smith, Jr. The Reorganized Church of Jesus Christ of Latter Day Saints (now known as Community of Christ) was established in 1860 following Smith's death. The mission of the Church is to proclaim Jesus Christ and promote communities of joy, hope, love and peace.

Graceland University (University) is a private, nonprofit institution of higher education with campuses in Lamoni, Iowa and Independence, Missouri. The University offers liberal arts programs and graduate degrees to its students, who are primarily from the United States, but with enrollments spanning the globe. The University is accredited by the North Central Association of Colleges and Schools. The University is sponsored by the Church and participates in the Church's insurance pool for institutional coverage and risk management services.

The Graceland College Center for Professional Development and Lifelong Learning, Inc. (the Center) is a not-for-profit corporation controlled by the University. The primary nature of the Center's operations is to develop and market adult continuing education, training and self-improvement products, courses and tools. The Center operates in the United States, Canada, United Kingdom, New Zealand, and Australia under the trade names SkillPath Seminars, National Seminars, CompuMaster, and Human Resources Council.

Following is a summary of significant accounting policies.

Principles of consolidation: The consolidated financial statements include the accounts of the Church and University. The Church includes the accounts of its affiliates: Corporation of the Presiding Bishopric of the Community of Christ; Community of Christ For Profit Holding Corporation; PeacePathways; Community of Christ Historic Sites Foundation and Spectacular; real estate title-holding only entities are Central Development Association; Atherton Farms, LLC; Atherton Farms (Central) LLC; Atherton Farms (West) LLC; East M78, LLC; Independence Improvement Investments, LLC; Little Blue River Valley Property Holdings, LLC; Little Blue Valley (Northeast) LLC; Little Blue Valley (Northwest) LLC; Little Blue Valley (West) LLC, Surplus Disposition, LLC; for-profit, no asset, inactive entities are CPB, Inc. and OBI, Inc. The University includes the accounts of the Graceland College Center for Professional Development and Lifelong Learning, Inc., its wholly owned subsidiary. All transactions between consolidated entities have been eliminated in consolidation.

On March 31, 2015, the Center acquired all the outstanding common stock of the Continuing Education Center (CEC) and CEC became a wholly owned subsidiary of the Center. CEC earns revenues predominantly from providing public and private seminars and sales of associated training products throughout the United States and Canada. The results of operations of CEC, from April 1, 2015 to May 31, 2015 have been consolidated into the financial statements of the Center, and therein, into the financial statements of the University.

The University has a fiscal year-end of May 31. Eliminations between the Church and University are based on balances at May 31, 2015, 2014, and 2013 according to the Church's records. Differences between the amounts at May 31 and June 30 are immaterial.

Programs: The Church and University operate the following programs:

Congregation and Mission Support: Ministers are provided to serve in congregations, fields and mission centers. Headquarters ministers and other staff are also available for guest ministry in support of congregations, fields and mission centers. Includes activities in support of the Church's overall mission.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Personal Ministry: Programs of ministry designed to assist persons in preparing for ministry to singles, youth, women, seekers, and other groups with special interests. Also offers programs for persons interested in promoting peace and helping others develop an abundant life.

Assistance to the Poor and Needy: Develops systems to deliver assistance to the poor and needy and provides direct financial support to persons in need. Provides disaster assistance and grants to other organizations (Church- and community-sponsored), to assist them in providing such support.

Education and Leadership Training: Offers classes to members and friends of the Church to assist them in providing ministry to others. Presents conferences and other activities designed to develop skills of full-time and volunteer ministers and lay persons. Supports students in post-secondary education through grants and loans, as well as direct support to Church-sponsored institutions of higher education.

Communications: Produces materials to present the message of the Church in various formats, including print, audio, video and electronic delivery. Also presents the message of the Church and its historical context through development, maintenance and guided interpretation of historic sites.

Capital Development: Assists congregations with funds for capital development through loans and grants. Also provides funds for development of assets in harmony with the Church's enduring principles of the blessings of community, unity in diversity, and the sacredness of creation.

Instruction: Includes all activities that directly relate to the instruction of students, including academic, occupational and vocational instruction.

Public Service: Includes activities that are established primarily to provide non-instructional services beneficial to individuals and groups external to the institution.

Academic Support: Includes activities that provide support services for the institution's primary mission. It includes retention, preservation and display of educational materials, provided that these services directly assist the academic functions of the institution.

Student Services: Includes all student organizations, programs, social activities, athletics, and student administrative processes such as admissions, registrar, financial aid services, and health services.

Auxiliary Enterprises: Includes entities that exist to furnish goods or services to students, faculty, staff or the Church and that charge a fee directly related to the cost of the goods or services.

Seminars and Products: Includes the development and marketing of professional seminars and self-improvement products, courses and tools.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Significant estimates include: depreciable life and salvage value of property and equipment; estimated discount rate and expected long-term rate of return used in the actuarial determination of the postretirement obligation; market value adjustment of real estate investments; gift annuity and charitable remainder trust liabilities. Actual results could differ from those estimates.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Basis of presentation: The Church and University present their consolidated financial statements based on Statement of Financial Accounting Standards Topic 958, *Presentation of Financial Statements*.

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

Unrestricted net assets: Net assets that are not subject to donor-imposed restrictions but may be subject to Trustee (the Church) or Board (the University) designations.

Temporarily restricted net assets: Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Church or the University and/or the passage of time. Also includes net assets subject to World Conference (the Church) designations.

Permanently restricted net assets: Net assets subject to donor-imposed restrictions that they be maintained permanently by the Church or the University. Generally, the donors of these assets permit the Church or the University to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets and are being recognized prospectively.

Contributions: Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions with donor-imposed restrictions that are met within the same reporting period are reported as temporarily restricted revenues, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Contributions of land, buildings and equipment, at fair value based upon independent appraisal, without donor restrictions concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire land, buildings and equipment are reported as temporarily restricted revenues; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Cash and cash equivalents: Cash and cash equivalents include demand deposits, money market accounts, overnight repurchase agreements, and short-term investments with a maturity of less than three months at the date of purchase.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Concentration of credit risk: The Church and University maintain cash accounts with various commercial banks. At times during the year, amounts on deposit with various commercial banks may have exceeded the insurance limits of the Federal Deposit Insurance Corporation. The Church and University have not experienced any losses due to this.

Investments: Investments in equity and debt securities are carried at fair value. Certain real estate is held for investment and is carried at fair value. Fair value of real estate is determined by independent appraisal. Fair value of alternative investments is determined using the practical expedient. See Note 3 for a discussion of fair value measurements.

Investment income and gains that are initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are included in unrestricted net assets. Other investment income, gains and losses are reflected in the consolidated statements of activities as unrestricted, temporarily restricted, or permanently restricted, based upon the existence and nature of any donor or legally imposed restrictions.

Investments may be exposed to various risks, such as interest rate, market and credit risk. As a result, it is at least reasonably possible that changes in risks in the near term could affect investments balances, and those affects could be significant.

Assets limited as to use: Assets limited as to use consist of investments in equity securities, debt securities, and real estate and have been restricted by donors or other external parties. Assets limited as to use are stated at fair value. See Note 3 for a discussion of fair value measurements.

Real estate and equipment: Although title to individual Houses of Worship is held in the name of the Presiding Bishop as Trustee in Trust or in not-for-profit corporations organized by the Presiding Bishopric, such properties are held in trust for the use and benefit of the Church in mission centers and congregations, with the value of the properties and their related debts not reflected in the accompanying consolidated financial statements. The aforementioned indebtedness is normally retired by contributions received directly from the members of the Church.

Purchased real estate and equipment are stated at cost or, if received by gift, at a value based upon the market or an appraisal at the date of gift. Depreciation, which includes depreciation on assets acquired under capital lease, is provided on the straight-line basis over the lesser of the estimated useful lives of depreciable property and equipment or the lease term.

The Temple, Auditorium, buildings on the National Register of Historical Places, and other properties having historical significance to the Church are considered to be historical treasures. The Church preserves and protects these historic assets in perpetuity for the benefit of current and future generations. As a result, the service potential of the original cost of these historic assets, totaling \$46,498,000, is essentially undiminished and depreciation is not recorded. These assets are evaluated annually for indicators of impairment. Additions and betterments to the historical treasures, primarily an organ, and some other historical properties are capitalized and depreciated straight-line over their estimated useful life.

Collection items acquired on or after June 1, 1995 by the Church are capitalized at cost if the items were purchased or at their appraised value on the accession date if the items were contributed. Such items consist primarily of books, manuscripts and artifacts. Gains or losses from de-accessions of these items are reflected in the consolidated statements of activities as changes in the appropriate net asset classes, depending on the existence and type of donor-imposed restrictions. Collections acquired by the University are not capitalized, and consist of donated artwork and historical documents and artifacts.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

These assets are reviewed for impairment under the *Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360*, Property Plant and Equipment, when events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount is no longer recoverable based upon the undiscounted future cash flows of the assets the amount of impairment is the difference between carrying amount and the fair value of the asset.

Funds held in trust by others: The value of funds held in trust by others is derived from the underlying investments of the unitrusts. The value of those investments is determined in the same manner as investments described previously. Future expected cash flows are discounted using a risk adjusted discount rate.

Accounts, notes and mortgages receivable: Accounts receivable are stated at the amount billed to the purchaser of services or goods less allowance for doubtful accounts. An allowance for doubtful accounts is established based upon a review of outstanding receivables and historical collection information. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Delinquent receivables are written off, based on individual credit evaluation and specific circumstances of the customer. Interest is not charged on past due accounts.

Notes and mortgages receivable are stated at their outstanding principal amount, net of allowance for uncollectible accounts. An allowance for uncollectible notes and mortgages is established based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Outstanding notes and mortgages accrue interest based on the terms of the respective agreements. A note or mortgage receivable is considered delinquent when the debtor has missed three or more payments. At that time, the note is placed on nonaccrual status and interest accrual ceases and does not resume until the note is no longer classified as delinquent. Delinquent accounts are written off, based on individual credit evaluation and specific circumstances of the borrower. The provision for bad debts, write offs and other adjustments charged to expense was approximately \$-0-, \$505,000 and \$-0- for the years ended June 30, 2015, 2014, and 2013 respectively.

Accounts receivable and loans to students: Accounts receivable from students are carried at the unpaid balance of the original amount billed to students, and loans receivable are carried at the amount of unpaid principal. Both accounts receivable and student loans are net of allowance for doubtful accounts and cancellations. Management determines the allowance for doubtful accounts by calculating a specific percent reserve on the aging of the accounts based on historical experience. Student accounts and loans receivable are written off when they are twelve months delinquent or when deemed uncollectible. Recoveries of student accounts and loans receivable previously written off are recognized as revenue when received. The provision for bad debts, cancellations and other administrative reductions charged to expense was approximately \$128,000, \$128,000 and \$27,000 for the years ended June 30, 2015, 2014 and 2013, respectively.

Interest is assessed on any unpaid balance for a student accounts receivable for any student who has withdrawn and continues to be assessed when sent to a collection agency. Interest is recognized as revenue when it is received.

Interest is assessed on student loans receivable after a student is no longer enrolled in an institution of higher education and after a grace period. Interest is recognized as revenue when received. Late fees are assessed if payments are not paid by the payment due date and are recognized as revenue as they are received. Students may be granted a deferment, forbearance or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education or, in the case of University loan funds, based on the respective loan program.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Other accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Unless specific arrangements are made, a trade receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 days. Accounts receivable are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. Interest may be charged on past due accounts.

Inventories: Inventories of the Church, which consist of books, hymnals and resale supplies are stated at the lower of cost (first-in, first-out) or market.

Inventories of the University, composed of items in the bookstores, in the print shop, and in a movie theater are stated at the lower of cost (first-in, first-out) or market.

Inventories of the Center, which consist of purchased products held for sale at seminars and online, are stated at the lower of cost (weighted-average cost method) or market.

Deferred expenses and other assets: Deferred expenses of the Church and University include bond issue costs and are being amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. The primary deferred expense for the University is the capital lease discount discussed more fully in Note 9.

Deferred expenses of the Church totaled \$-0-, \$-0- and \$71,000 at June 30, 2015, 2014 and 2013, respectively. Church bonds payable were redeemed in full in 2014 with the remaining issue costs included in amortization expense in 2014. Deferred expenses of the University totaled \$2,434,000, \$2,568,000 and \$2,341,000 at June 30, 2015, 2014 and 2013, respectively.

Funds held on behalf of others: Funds held on behalf of others comprise funds held by the Church for investment in marketable securities, short-term investments and loans. These funds are sent to the Church by congregations and affiliates and are pooled for investment purposes. Included in the category for the University are deposits of students and others.

Annuities payable: The Church and University have entered into annuity agreements with individuals or couples in exchange for property, securities or cash. The liability to the annuitants is calculated as the present value of the annuity payments using discount rates varying from 4.5 percent to 11.7 percent.

U.S. government grants refundable: Funds provided by the United States Government under the Federal Perkins Loan program are loaned to qualified students and may be reloaned after collection. These funds are ultimately refundable to the United States Government and are included as a liability in the consolidated statements of financial position.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Revenue and expense recognition: Advance seminar enrollments for the Center are recorded as deferred revenue at the time of enrollment. Revenue and related seminar expense are recognized in the accounting period in which the seminar is presented. Seminar expenses (primarily lettershop, postage, printing, and list rental) incurred in advance are recorded as deferred expenses until the accounting period in which the seminar is presented.

Revenue from student tuition and fees, net of financial aid awarded to students, is recorded as revenue during the year the related academic services are rendered.

Deferred income and expenses of the Center relate to seminars to be presented primarily in June through August following the fiscal year-end. Deferred income of the University represents student tuition and fees received for the summer session.

Revenue from products and services is recognized when sold or when the services are performed.

Fundraising expenses: Fundraising expenses for the University consist of development, grant writing, alumni relations, and capital campaign costs. Fundraising expenses for the Church consist of mailings to members soliciting new and different ways to support the Mission of the organization as well as campaign costs associated with the Mission Endowment.

Income taxes: The Church and University have tax determination letters from the Internal Revenue Service stating that they qualify under the provisions of Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes. As such, the Church and University are subject to federal income taxes only on any net unrelated business income under the provisions of Section 511 of the Code. The Church and University are also exempt from income taxes in Canada. Uncertain tax positions, if any, are recorded in accordance with *FASB ASC 740*, Income Taxes. *FASB ASC 740* requires the recognition of a liability for tax positions taken that do not meet the more-likely-than not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at June 30, 2015, 2014 or 2013.

The University and Center file Forms 990 and 990-T together. Forms 990 and 990-T filed by the University and the Center are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 and 990-T filed by the University and the Center are no longer subject to examination for the fiscal years ended 2011 and prior.

Derivative financial instruments: As part of a strategy to maintain an acceptable level of exposure to the risk of interest rate fluctuations, the Church and University had entered into interest rate swap agreements. Under these agreements, the Church and University agreed to exchange the difference between fixed rate and variable rate amounts calculated by reference to an agreed notional principal amount.

The difference between the fixed interest rate and the variable interest rate is settled on a monthly basis and is reported as a component of interest expense in the consolidated statements of activities.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

FASB Topic 815, Derivatives and Hedging, establishes accounting and reporting standards for derivative financial instruments. This Topic requires most derivative instruments to be reflected as assets or liabilities on the balance sheet at their fair values, with changes in fair values reflected in changes in net assets. Although management believes its interest rate swap agreements are economic hedges, none have been designated as a hedge for accounting purposes. The derivative instruments are recorded at their fair value, with subsequent changes in fair value included in changes in net assets. During the fiscal year ended June 30, 2014, the Church and University terminated these agreements at a gain of \$942,000, which is reported in the statement of activities as a realized gain on interest rate swap agreements.

Fair value of financial instruments: The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value:

Cash and cash equivalents: For these short-term instruments, the carrying amount approximates fair value.

Investments (including endowed assets): See Note 3.

Contributions receivable: For these assets, the carrying amount of short-term pledges approximates the fair value. Long-term pledges approximate fair value as pledges have been discounted to net present value.

Notes, accounts and mortgages receivable: The carrying value of third-party accounts receivable instruments approximates fair value, due to their short-term nature. Due to the lack of an arm's length relationship, it was not practical to estimate the fair value of notes, mortgages and accounts receivable from related parties. The nature of the amounts is more fully disclosed and discussed in Note 4. The majority of notes and mortgages receivable are due from related parties.

U.S. Government loans receivable and refundable loan program: The fair value of the student loans receivable and liability for U.S. Government loans refundable, in which the University acts as an agent for the U.S. government Perkins Loan Program, is not practical to determine as these loans are subject to restrictions on interest rate and transferability.

Debt: Rates currently available for debt with similar terms and remaining maturities are used in a discounted cash flow calculation to estimate fair value of existing debt. As the Industrial Revenue Bonds payable are remarketed weekly with the interest rate being adjusted to reflect current market conditions, the carrying amount reported in the consolidated statements of financial position approximates the bonds' fair value. Due to the short-term nature of the agreements, the carrying amount of short-term debt approximates fair value.

Accounts payable: Due to the short-term nature of the balances, the carrying amount of accounts payable approximates fair value.

Accrued expenses, deferred income and other liabilities: Due to the short-term nature of the balances, the carrying amounts of accrued expenses, deferred income and other liabilities approximate fair value.

Annuities payable: The liabilities are reported at fair value based on the present value of the annuity payments, discounted using an appropriate rate.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Funds held on behalf of others: Funds held on behalf of others comprise funds held by the Church for investment in marketable securities, short-term investments and loans; funds are pooled by the Church and invested. See Note 3.

Interest rate swaps: The fair value of interest rate swaps was based on the estimated value to settle the obligations.

Advertising: Advertising costs, which consist of direct response advertising, are charged to expense in the period incurred. The amounts expensed for direct response advertising by the Center for the years ended June 30, 2015, 2014 and 2013 were approximately \$15,380,000, \$14,521,000 and \$16,913,000, respectively.

The University charges advertising costs to expense as incurred. The University's advertising expense totaled approximately \$1,094,000, \$863,000 and \$740,000 for the years ended June 30, 2015, 2014, and 2013.

Risk management: The Church has a formal program to manage risk including property insurance covering claims up to \$150,000,000 (with a deductible of \$100,000 per occurrence) and General Liability and Auto Liability insurance covering claims up to \$25,000,000 (with a \$1,000,000 self-insured retention). Worker's Compensation claims are covered with a guaranteed cost policy. Program revenue of \$4,133,000, \$4,132,000 and \$3,778,000 for 2015, 2014 and 2013, respectively, is reported in the consolidated statements of activities as services and sales of auxiliary enterprises and affiliates. Associated premium and claims costs are allocated between the various expense categories in the consolidated statements of activities.

Asset retirement obligations: The University recognizes the fair value of a liability for legal or contractual obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the retirement obligation is capitalized by increasing the carrying value of the related asset. Over time, the liability is accreted to its present value each year, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of activities. The University reviews its estimates annually and adjusts the recorded liability as needed. The Church has no recorded asset retirement obligations.

Business combinations: The Center allocates the purchase price of the acquisition to the tangible and intangible assets acquired and liabilities assumed at the acquisition date based upon estimated fair values. Goodwill as of the acquisition date represents the excess of the purchase consideration of an acquired business over the fair value of the underlying net tangible and intangible assets acquired and liabilities assumed. This allocation and valuation require management to make significant estimates and assumptions, especially with respect to long-lived and intangible assets.

Goodwill: Goodwill represents the excess purchase price over the value assigned to the net tangible and identifiable intangible assets of the business acquired. In accordance with ASC Topic: 350 Intangibles - Goodwill and Other, goodwill is not amortized, but instead is tested for impairment annually, or more frequently if circumstances indicate a possible impairment may exist. In September 2011, the Financial Accounting Standards Board approved ASU No. 2011-08, *Intangibles-Goodwill and Other: Testing Goodwill for Impairment*. As a result, the Center assessed the qualitative factors and determined no further testing was necessary. If further testing is warranted, the Center evaluates the recoverability of goodwill using a two-step impairment test. Absent any special circumstances that could require an interim test, the Center has elected to test goodwill impairment as of the end of each fiscal year.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

The goodwill impairment test is a two-step test. Under the first test, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. The fair value of the reporting unit is determined using a combination of a discounted cash flow analysis and market multiples for comparable entities. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed. No impairment charges have been recorded for the years ended June 30, 2015, 2014 or 2013.

Intangible assets: Intangibles, included in the assets of the Center, consist of non-compete agreements, internally developed software, trade names, prospect databases, copyrighted seminar content and customer relationships. Amounts are being amortized over their respective estimated useful lives by using the straight-line method.

Recently issued or implemented accounting pronouncements: In October 2012, the FASB issued Accounting Standards Update (ASU) No. 2012-05 (ASU 2012-05), *Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, which requires not-for-profit entities to classify cash receipts from the "nearly immediate" sale of donated financial assets as an operating activity in the consolidated statement of cash flows when received with no donor-imposed restrictions. When the donor has restricted the use of the cash receipts from the sale of donated financial assets, classification as a financing activity would be required. When financial assets are not "nearly immediately" sold, classification as an investing activity would be appropriate. The amendments in ASU 2012-05 are effective prospectively for fiscal years beginning after June 15, 2013. As such, the new pronouncement has been implemented for the fiscal year ended June 30, 2014 with minimal impact on the organization or the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP, including industry-specific guidance, when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for annual reporting periods beginning after December 15, 2018, with a one-year delay for not-for-profit entities. The Church and University have not yet selected a transition method and are currently evaluating the effect that the updated standard will have on the financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The amendments in ASU 2015-03 are effective for financial statements issued for fiscal years beginning after December 15, 2015. The Church and University are currently evaluating the effect that the updated standard will have on the financial statements.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Summary of Significant Accounting Policies (Continued)

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments in this update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. However, sufficient information must be provided to permit reconciliation of the fair value of assets categorized within the fair value hierarchy to the amounts presented in the statement of financial position. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset per share practical expedient. The ASU is effective for annual reporting periods beginning after December 15, 2016, with early adoption. The Church and University have not yet adopted this pronouncement and are currently evaluating the effect that the updated standard will have on the financial statements.

Note 2. Investments and Assets Limited as to Use

At June 30, 2015, 2014, and 2013, investments in bonds, stocks and other investments consisted of the following:

	2015				2014				2013			
	Church	University	Eliminations	Total	Church	University	Eliminations	Total	Church	University	Eliminations	Total
	(in thousands)				(in thousands)				(in thousands)			
Bonds, including												
U.S. Treasury and Canadian government notes and agency obligations	\$ 5,965	\$ -	\$ -	\$ 5,965	\$ 17,849	\$ -	\$ -	\$ 17,849	\$ 26,841	\$ -	\$ -	\$ 26,841
Common and preferred stock and mutual funds	81,339	3,901	-	85,240	104,273	4,259	-	108,532	101,357	3,597	-	104,954
Alternative and other investments	38,734	357	-	39,091	32,817	347	-	33,164	26,053	364	-	26,417
Community of Christ Investment Pool	-	28,498	(28,498)	-	-	28,467	(28,467)	-	-	26,982	(26,982)	-
Real estate	89,230	-	-	89,230	88,639	-	-	88,639	92,931	-	-	92,931
	<u>\$ 215,268</u>	<u>\$ 32,756</u>	<u>\$ (28,498)</u>	<u>\$ 219,526</u>	<u>\$ 243,578</u>	<u>\$ 33,073</u>	<u>\$ (28,467)</u>	<u>\$ 248,184</u>	<u>\$ 247,182</u>	<u>\$ 30,943</u>	<u>\$ (26,982)</u>	<u>\$ 251,143</u>

These assets are presented in the consolidated statements of financial position as follows:

	2015				2014				2013			
	Church	University	Eliminations	Total	Church	University	Eliminations	Total	Church	University	Eliminations	Total
	(in thousands)				(in thousands)				(in thousands)			
Investments												
Bonds, stocks and other	\$ 115,809	\$ 2,192	\$ (28,498)	\$ 89,503	\$ 137,818	\$ 2,923	\$ (28,467)	\$ 112,274	\$ 127,933	\$ 2,568	\$ (26,982)	\$ 103,519
Real estate	14,294	-	-	14,294	20,194	-	-	20,194	35,406	-	-	35,406
Assets limited as to use—												
Endowment	85,165	30,564	-	115,729	85,566	30,150	-	115,716	83,843	28,375	-	112,218
	<u>\$ 215,268</u>	<u>\$ 32,756</u>	<u>\$ (28,498)</u>	<u>\$ 219,526</u>	<u>\$ 243,578</u>	<u>\$ 33,073</u>	<u>\$ (28,467)</u>	<u>\$ 248,184</u>	<u>\$ 247,182</u>	<u>\$ 30,943</u>	<u>\$ (26,982)</u>	<u>\$ 251,143</u>

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 2. Investments and Assets Limited as to Use (Continued)

Investment return for the years ended June 30, 2015, 2014, and 2013 consisted of the following:

	2015			2014			2013		
	Church	University	Total	Church	University	Total	Church	University	Total
	(in thousands)			(in thousands)			(in thousands)		
Investment income									
(after eliminations)	\$ 437	\$ 1,020	\$ 1,457	\$ 1,710	\$ 767	\$ 2,477	\$ 1,481	\$ 502	\$ 1,983
Net realized and unrealized gains on									
investments reported at fair value									
(after eliminations)	(2,042)	296	(1,746)	5,141	2,159	7,300	6,026	7,051	13,077
Unrealized gain (loss) on									
real estate	2,206	-	2,206	(3,064)	-	(3,064)	1,005	-	1,005
Investment fees	(159)	(218)	(377)	(854)	(193)	(1,047)	(996)	(210)	(1,206)
	\$ 442	\$ 1,098	\$ 1,540	\$ 2,933	\$ 2,733	\$ 5,666	\$ 7,516	\$ 7,343	\$ 14,859

The above Church investment returns for 2015, 2014, and 2013 are net of amounts allocated to Funds Held on Behalf of Others totaling a gain of \$3,050,000, \$10,951,000 and \$6,764,000, respectively.

Note 3. Fair Value Measurements

The Church and University follow the *Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820*, Fair Value Measurements and Disclosures, which establishes a framework for measuring fair value for assets and liabilities measured and reported at fair value. *FASB ASC 820* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. *FASB ASC 820* requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. *FASB ASC 820* establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. Level 1 securities would include highly liquid government bonds and exchange traded equities.
- Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions, and certain corporate, asset-backed and other securities. Alternative investments, including separate accounts and limited partnerships, are valued using the practical expedient.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability, developed based on the best information available. The investment in the limited liability corporation is valued using the practical expedient.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 3. Fair Value Measurement (Continued)

The following is a description of valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at June 30, 2015.

Corporate bonds, governmental and agency securities: Fair value is estimated using pricing models, quoted prices of securities with similar characteristics and other valuation methodologies.

Common stocks: Common stocks are valued at quoted market prices.

Mutual funds: Mutual funds are valued at the published net asset value (NAV) of shares held at year-end.

Alternative investments: Alternative investments are valued using the practical expedient. The practical expedient allows for the use of net asset value (NAV) of shares held at year-end either as reported by the investee or as adjusted by the Church and University based on various factors, including capital calls, proceeds from distributions, and gains and losses that are included in earnings and recorded in the consolidated statements of activities.

Real estate: Investment real estate (held for sale) is valued based on independent appraisals and is deemed to represent net liquidation value.

Funds held in trust by others: The value of funds held in trust by others is derived from the underlying investments of the unitrusts. The value of those investments is determined in the same manner as investments described above. Future expected cash flows are discounted using a risk adjusted discount rate.

Charitable lead/remainder unitrusts: The value of charitable lead/remainder unitrusts is derived from the underlying investments of the unitrusts. The value of those investments is determined in the same manner as investments described above. Future expected cash flows are discounted using a risk-adjusted discount rate. The underlying investments are classified within Levels 1, 2 and 3 of the valuation hierarchy.

Annuities payable: Annuities payable approximates fair value as it represents the net present value of payments to be made under the agreement using current life expectancy and estimated risk-free interest rate.

Interest rate swaps: The fair value was estimated by the issuing bank using inputs that were observable or that could be corroborated by observable market data.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 3. Fair Value Measurement (Continued)

The following table summarizes the assets and liabilities measured at fair value on a recurring basis, segregated by the general classification of such instruments pursuant to the valuation hierarchy. Prior year categories have been reclassified as needed, based on current year assessments.

	June 30, 2015			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	(in thousands)			
Investments:				
Corporate bonds and securities	\$ -	\$ 2,473	\$ -	\$ 2,473
U.S. Government and agency securities	-	3,061	-	3,061
Canadian Government and agency securities	-	431	-	431
Total Bonds, including U.S. Treasury and Canadian government notes and agency obligations	-	5,965	-	5,965
Common stocks:				
Health care	3,393	-	-	3,393
Utilities	723	-	-	723
Financials	4,907	-	-	4,907
Consumer staples	1,241	-	-	1,241
Consumer discretionary	3,019	-	-	3,019
Materials	618	-	-	618
Energy	1,407	-	-	1,407
Information technology	3,055	-	-	3,055
Industrials	1,884	-	-	1,884
Telecommunication service	503	-	-	503
Miscellaneous	2	-	-	2
Mutual funds:				
Fixed income	19,193	-	-	19,193
Domestic equity	37,517	-	-	37,517
International equity	7,764	-	-	7,764
Other Investments	-	-	14	14
Total Common stock and mutual funds	85,226	-	14	85,240
Alternative investments:				
Prudential Property Investment Separate Account	-	19,015	-	19,015
Investments in Limited Partnerships	-	9,291	-	9,291
Investments in Limited Liability Corporations	-	10,428	-	10,428
Cash value of life insurance	-	-	274	274
Other Investments	83	-	-	83
Total alternative and other investments	83	38,734	274	39,091

(Continued)

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 3. Fair Value Measurements (Continued)

	June 30, 2015			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	(in thousands)			
Real Estate Parcels primarily in Independence, Missouri	-	-	89,230	89,230
Total investments	\$ 85,309	\$ 44,699	\$ 89,518	\$ 219,526
Funds held in trust by others	\$ -	\$ -	\$ 1,590	\$ 1,590
Liabilities:				
Charitable lead/remainder unitrusts	\$ -	\$ -	\$ 2,735	\$ 2,735
Annuities payable	\$ -	\$ -	\$ 3,982	\$ 3,982
	June 30, 2014			
	(in thousands)			
Collateral for securities on loans	\$ -	\$ 6,265	\$ -	\$ 6,265
Investments:				
Corporate bonds and securities	-	9,409	-	9,409
U.S. Government and agency securities	-	7,853	-	7,853
Canadian Government and agency securities	-	587	-	587
Total Bonds, including U.S. Treasury and Canadian government notes and agency obligations	-	17,849	-	17,849
Common stocks:				
Health care	3,202	-	-	3,202
Utilities	631	-	-	631
Financials	4,225	-	-	4,225
Consumer staples	2,420	-	-	2,420
Consumer discretionary	3,179	-	-	3,179
Materials	1,190	-	-	1,190
Energy	2,563	-	-	2,563
Information technology	3,614	-	-	3,614
Industrials	2,405	-	-	2,405
Telecommunication service	381	-	-	381
ADRs	1,031	-	-	1,031
Mutual funds:				
Fixed income	34,389	-	-	34,389
Domestic equity	14,107	-	-	14,107
International equity	35,181	-	-	35,181
Other Investments	-	-	14	14
Total Common stock and mutual funds	108,518	-	14	108,532
Alternative investments:				
Prudential Property Investment Separate Account	-	17,131	-	17,131
Investments in Limited Partnerships	-	10,074	-	10,074
Investments in Limited Liability Corporations	-	4,394	1,218	5,612
Cash value of life insurance	-	-	274	274
Other Investments	73	-	-	73
Total alternative and other investments	73	31,599	1,492	33,164

(Continued)

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 3. Fair Value Measurements (Continued)

	June 30, 2014			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	(in thousands)			
Real Estate Parcels primarily in Independence, Missouri	-	-	88,639	88,639
Total investments	\$ 108,591	\$ 49,448	\$ 90,145	\$ 248,184
Funds held in trust by others	\$ -	\$ -	\$ 1,281	\$ 1,281
Liabilities:				
Charitable lead/remainder unitrusts	\$ -	\$ -	\$ 2,772	\$ 2,772
Annuities payable	\$ -	\$ -	\$ 3,952	\$ 3,952
Obligation to return collateral for loaned investments	\$ 7,453	\$ -	\$ -	\$ 7,453
	June 30, 2013			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(in thousands)			
Collateral for securities on loans	\$ -	\$ 590	\$ -	\$ 590
Investments:				
Corporate bonds and securities	-	12,419	-	12,419
U.S. Government and agency securities	-	13,620	-	13,620
Canadian Government and agency securities	-	802	-	802
Total Bonds, including U.S. Treasury and Canadian government notes and agency obligations	-	26,841	-	26,841
Common stocks:				
Health care	5,712	-	-	5,712
Utilities	830	-	-	830
Financials	6,771	-	-	6,771
Consumer staples	3,360	-	-	3,360
Consumer discretionary	6,736	-	-	6,736
Materials	2,134	-	-	2,134
Energy	4,107	-	-	4,107
Information technology	8,120	-	-	8,120
Industrials	4,294	-	-	4,294
Telecommunication service	548	-	-	548
Miscellaneous	156	-	-	156
ADRs	2,570	-	-	2,570
Mutual funds:				
Fixed income	24,193	-	-	24,193
Domestic equity	15,440	-	-	15,440
International equity	19,969	-	-	19,969
Other Investments	-	-	14	14
Total Common stock and mutual funds	104,940	-	14	104,954
Alternative investments:				
Prudential Property Investment Separate Account	-	11,331	-	11,331
Investments in Limited Partnerships	-	13,066	-	13,066
Investments in Limited Liability Corporations	-	-	1,656	1,656
Cash value of life insurance	-	-	260	260
Other Investments	104	-	-	104
Total alternative and other investments	104	24,397	1,916	26,417

(Continued)

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 3. Fair Value Measurements (Continued)

	June 30, 2013			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	(in thousands)			
Real Estate Parcels primarily in Independence, Missouri	-	-	92,931	92,931
Total investments	\$ 105,044	\$ 51,238	\$ 94,861	\$ 251,143
Funds held in trust by others	\$ -	\$ -	\$ 1,094	\$ 1,094
Liabilities:				
Charitable lead/remainder unitrusts	\$ -	\$ -	\$ 2,835	\$ 2,835
Annuities payable	\$ -	\$ -	\$ 4,007	\$ 4,007
Obligation to return collateral for loaned investments	\$ 1,935	\$ -	\$ -	\$ 1,935
Interest rate swaps	\$ -	\$ 3,476	\$ -	\$ 3,476

As of June 30, 2015, 2014, and 2013, investments under security lending agreements, included in the investments above, totaled \$0-, \$7,294,000, and \$1,882,000, respectively.

The following table presents additional information about assets and liabilities measured at fair value on a recurring basis for which the Church and University have utilized Level 3 inputs to determine fair value.

	(in thousands)			Funds Held in Trust by Others	Charitable Lead/Remainder Unitrusts and Annuities Payable
	Common stock and mutual funds	Alternative and Other Investments	Real Estate		
Beginning balance, July 1, 2012	\$ 14	\$ 20,830	\$ 93,568	\$ 967	\$ 6,963
Issuances	-	-	139	-	65
Settlements	-	-	(1,818)	-	(68)
Transfers to Level 2	-	(18,899)	-	-	-
Total gains or losses (realized/unrealized) included in change in net assets	-	(15)	1,042	127	(118)
Balance, June 30, 2013	14	1,916	92,931	1,094	6,842
Issuances	-	-	25	-	65
Settlements	-	-	(1,253)	-	(105)
Total gains (losses) (unrealized) included in change in net assets	-	(424)	(3,064)	187	(78)
Balance, June 30, 2014	14	1,492	88,639	1,281	6,724
Issuances	-	-	2,041	-	213
Settlements	-	(1,218)	(3,656)	-	(167)
Total gains (losses) (unrealized) included in change in net assets	-	-	2,206	309	(53)
Ending balance, June 30, 2015	\$ 14	\$ 274	\$ 89,230	\$ 1,590	\$ 6,717
Net unrealized gains (losses) attributable to investments held at year end:					
2013	\$ -	\$ (15)	\$ 1,042	\$ 127	\$ (118)
2014	\$ -	\$ (424)	\$ (3,064)	\$ 187	\$ (162)
2015	\$ -	\$ -	\$ 2,206	\$ 309	\$ (53)

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 3. Fair Value Measurements (Continued)

The following table sets forth additional disclosures of investments whose fair value is estimated using net asset value per share (or its equivalent) as of June 30, 2015.

Investments	2015			
	Fair Value (in thousands)	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Prudential Property Investment				
Separate Account (a)	\$ 19,015	-	Quarterly	3 months
Investment in limited partnership (b)	9,291	-	Quarterly	15 days
Investment in limited liability corporations (c)	3,370	-	Daily	1-3 days
Investment in limited liability corporations (d)	7,058	-	Monthly	10 days

- (a) This pooled separate account is a core equity real estate portfolio that generates a high proportion of its total return from income with a goal to achieve a total return which exceeds the NCREIF Fund Index-Open-End Diversified Core Equity (NFI-ODCE). The account uses an integrated “Top-Down” and “Bottom-Up” approach to drive performance. The “Top-Down” approach focuses on diversification by property type and market, investing primarily in completed, well-leased income producing property and limiting portfolio leverage to 30 percent. The “Bottom-Up” focuses on superior property selection, leveraging local operating partners to identify attractive investments, and a disciplined approach to dispositions.
- (b) This limited partnership engages in investment activities the objective of which is to maximize total returns by investing primarily in debt securities of non-investment grade (high yield) companies. Such securities include publicly and privately issued debt securities of U.S. and non-U.S. corporate issuers (other than emerging markets). The partnership may also invest in floating rate loans of high yield companies, including secured and unsecured loans, first lien term loans, second lien term loans, bridge loans, letters of credit, synthetic letters of credit, delayed draw term loans and revolvers.
- (c) This limited liability corporation’s objectives are to add value to an investor’s portfolio of financial investments, provide inflation protection and generate higher risk-adjusted returns than leading commodity market benchmarks, ETFs/ETNs and commodity mutual funds. These objectives are to be achieved by investing assets in a long-only, unleveraged, diversified portfolio of exchange-traded U.S. dollar-denominated futures and forward contracts in tangible commodities traded on U.S. and non-U.S. exchanges to obtain broad exposure to all principal groups in the global commodity markets, including energies, agriculture and metals (both precious & industrial) using the Member Manager’s proprietary commodity trading strategies.
- (d) This limited liability corporation’s objective is to seek total return with an emphasis on high current income, but also consider capital appreciation. The corporation seeks to outperform the JP Morgan EMBI Global Diversified Index in both up and down markets. Net assets are invested primarily in debt instruments that are tied economically to emerging market countries which are located in Latin America, Asia, Africa, the Middle East and the developing countries of Eastern Europe. A bottom-up investment approach is used to buy and sell debt investments. Factors considered in making investment decisions may include the instrument’s credit quality, collateral characteristics, and indenture provisions, along with the issuer’s management ability, capital structure, leverage, and ability to meet its current obligations.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 4. Loans and Notes Receivable

The Church makes loans and advances to congregations and mission centers at below-market interest rates with flexible repayment terms, in order to assist with the development of the sponsored entities. The loans and advances are made to entities throughout the United States and in other countries in which the Church is established. The title to any real estate purchased with such loans is held in the name of the Presiding Bishopric. Total notes and accounts receivable due from affiliates were approximately \$11,127,000, \$12,611,000 and \$13,517,000 at June 30, 2015, 2014 and 2013, respectively. Interest income related to these notes and receivables was approximately \$467,000, \$330,000 and \$454,000 for the years ended June 30, 2015, 2014 and 2013, respectively.

The Church evaluated its allowance for doubtful loans by examining historic default rates and analyzing the aging of past due loans. During the year ended June 30, 2015, the Church has not significantly changed its methodology for the allowance for doubtful loans.

Included in the University's notes receivable is a loan to a third party for financing of construction costs for student housing. The outstanding balance of the note receivable as of June 30, 2015, 2014 and 2013 is \$1,322,000, \$1,343,000 and \$1,362,000, respectively, and there is no allowance associated with the note receivable, which would be evaluated for impairment individually, as the borrower is current in payments and has not defaulted since the inception of the note. The credit quality indicator on this note receivable is performance determined by delinquency status and the recorded investment would be considered performing as of June 30, 2015.

The University's student loans receivable consist of a revolving loan fund for Federal Perkins Loans for which the University acts as an agent for the federal government in administering the loan program and an institutional loan fund created by the University to assist students in funding their education.

The University determined their allowance for doubtful loans on these student loans by looking at historical default rates and analyzing the aging of the past due loans. During the year ended June 30, 2015, the University has not significantly changed its methodology for the allowance for doubtful accounts on student loans. The University also has an allowance for cancellations on institutional loans of \$286,000, \$346,000 and \$346,000 recorded as of June 30, 2015, 2014 and 2013, respectively.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 4. Loans and Notes Receivable (Continued)

The aging of the Church's notes and mortgages receivable (net of eliminations), as of June 30, 2015, 2014, and 2013 is presented as follows:

	Current	Past Due	Total
2015			
Houses of Worship loans	\$ 9,456,000	\$ 20,000	\$ 9,476,000
Various notes and mortgages	4,227,000	33,000	4,260,000
	<u>\$ 13,683,000</u>	<u>\$ 53,000</u>	<u>\$ 13,736,000</u>
As a percentage of the total loan portfolio	99.61%	0.39%	100.00%
2014			
Houses of Worship loans	\$ 10,710,000	\$ 161,000	\$ 10,871,000
Various notes and mortgages	2,564,000	3,765,000	6,329,000
	<u>\$ 13,274,000</u>	<u>\$ 3,926,000</u>	<u>\$ 17,200,000</u>
As a percentage of the total loan portfolio	77.17%	22.83%	100.00%
2013			
Houses of Worship loans	\$ 12,038,000	\$ 20,000	\$ 12,058,000
Various notes and mortgages	4,961,000	33,000	4,994,000
	<u>\$ 16,999,000</u>	<u>\$ 53,000</u>	<u>\$ 17,052,000</u>
As a percentage of the total loan portfolio	99.69%	0.31%	100.00%

The allowance for doubtful accounts on the Church's notes and mortgages is \$205,000, \$560,000, and \$55,000 at June 30, 2015, 2014 and 2013, respectively.

In August 2014, the Church reached a settlement with a past due borrower resulting in property collateralizing approximately \$1,565,300 of notes receivable outstanding at June 30, 2014 being deeded back to the Church.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 4. Loans and Notes Receivable (Continued)

The aging of the student loan portfolio by classes of loans for the University as of June 30, 2015, 2014 and 2013 is presented as follows:

2015						
Classes of Loans	Not in Repayment	Current & 1 Month Past Due	2-5 Months Past Due	6-24 Months Past Due	25+ Months Past Due	Total
Federal Perkins Loans	\$ 1,385,000	\$ 1,027,000	\$ 164,000	\$ 281,000	\$ 854,000	\$ 3,711,000
Institutional Loans	188,000	222,000	18,000	20,000	5,000	453,000
	<u>\$ 1,573,000</u>	<u>\$ 1,249,000</u>	<u>\$ 182,000</u>	<u>\$ 301,000</u>	<u>\$ 859,000</u>	<u>\$ 4,164,000</u>
As a percentage of total loan portfolio	37.78%	30.00%	4.37%	7.23%	20.63%	0.00%

2014						
Classes of Loans	Not in Repayment	Current & 1 Month Past Due	2-5 Months Past Due	6-24 Months Past Due	25+ Months Past Due	Total
Federal Perkins Loans	\$ 1,384,000	\$ 1,174,000	\$ 181,000	\$ 329,000	\$ 811,000	\$ 3,879,000
Institutional Loans	216,000	266,000	21,000	59,000	13,000	575,000
	<u>\$ 1,600,000</u>	<u>\$ 1,440,000</u>	<u>\$ 202,000</u>	<u>\$ 388,000</u>	<u>\$ 824,000</u>	<u>\$ 4,454,000</u>
As a percentage of total loan portfolio	35.92%	32.33%	4.54%	8.71%	18.50%	0.00%

2013						
Classes of Loans	Not in Repayment	Current & 1 Month Past Due	2-5 Months Past Due	6-24 Months Past Due	25+ Months Past Due	Total
Federal Perkins Loans	\$ 1,581,000	\$ 1,246,000	\$ 173,000	\$ 285,000	\$ 799,000	\$ 4,084,000
Institutional Loans	228,000	299,000	39,000	41,000	11,000	618,000
	<u>\$ 1,809,000</u>	<u>\$ 1,545,000</u>	<u>\$ 212,000</u>	<u>\$ 326,000</u>	<u>\$ 810,000</u>	<u>\$ 4,702,000</u>
As a percentage of total loan portfolio	38.47%	32.86%	4.51%	6.93%	17.23%	100.00%

The allowance for doubtful accounts on student loans in aggregate for the University is \$70,000, \$98,000, and \$98,000 at June 30, 2015, 2014, and 2013, respectively.

For each class of financing receivable for the University, the following presents the recorded investment by credit quality indicator as of June 30, 2015, 2014, and 2013:

	2015			2014			2013		
	Federal Perkins Loans	Institutional Loans	Total	Federal Perkins Loans	Institutional Loans	Total	Federal Perkins Loans	Institutional Loans	Total
Performing	\$ 2,576,000	\$ 411,000	\$ 2,987,000	\$ 2,739,000	\$ 503,000	\$ 3,242,000	\$ 3,000,000	\$ 566,000	\$ 3,566,000
Nonperforming	1,135,000	42,000	1,177,000	1,140,000	72,000	1,212,000	1,084,000	52,000	1,136,000
	<u>\$ 3,711,000</u>	<u>\$ 453,000</u>	<u>\$ 4,164,000</u>	<u>\$ 3,879,000</u>	<u>\$ 575,000</u>	<u>\$ 4,454,000</u>	<u>\$ 4,084,000</u>	<u>\$ 618,000</u>	<u>\$ 4,702,000</u>

For institutional loans and Federal Perkins loans, the credit quality indicator is performance determined by delinquency status. Delinquency status is updated monthly.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 5. Contributions Receivable

Net contributions receivable for the Church and University are summarized at June 30, 2015, 2014, and 2013, as follows:

	2015		2014		2013	
	Church	University	Church	University	Church	University
	(in thousands)					
Unconditional promises expected to be collected in:						
Less than one year	\$ 1,176	\$ 1,987	\$ 469	\$ 2,165	\$ 335	\$ 2,344
One year to five years	6,038	300	6,367	564	4,345	4,457
Over five years	16,091	150	16,044	178	15,870	211
	<u>23,305</u>	<u>2,437</u>	<u>22,880</u>	<u>2,907</u>	<u>20,550</u>	<u>7,012</u>
Less:						
Unamortized discount	8,618	112	9,177	146	8,597	463
Allowance for uncollectible accounts	-	129	-	154	-	363
	<u>\$ 14,687</u>	<u>\$ 2,196</u>	<u>\$ 13,703</u>	<u>\$ 2,607</u>	<u>\$ 11,953</u>	<u>\$ 6,186</u>

Related party contributions receivable of \$1,610,000, \$1,638,000, and \$1,736,000 are included in the gross contributions receivable of the University at June 30, 2015, 2014, and 2013, respectively.

Discount rates used by the Church and University are determined by management, based on the risks inherent to the contributor. The rates used in 2015, 2014, and 2013 range from .5 percent to 4.7 percent.

The University had a permanently restricted contribution receivable in the amount of \$3,104,000 that was written off during the year ended June 30, 2014.

Note 6. Real Estate and Equipment

At June 30, 2015, 2014, and 2013, real estate and equipment consisted of the following:

	2015			2014			2013		
	Church	University	Total	Church	University	Total	Church	University	Total
	(in thousands)								
Land	\$ 631	\$ 8,391	\$ 9,022	\$ 646	\$ 3,223	\$ 3,869	\$ 646	\$ 3,057	\$ 3,703
Historical properties	68,724	-	68,724	68,659	-	68,659	68,207	-	68,207
Property, buildings and grounds	14,661	86,763	101,424	14,731	87,457	102,188	15,144	86,545	101,689
Furniture and equipment	15,624	23,427	39,051	15,527	26,090	41,617	15,201	25,965	41,166
Construction in progress	385	-	385	202	202	404	-	557	557
Autos, trucks and other mobile equipment	4,156	-	4,156	3,997	-	3,997	4,031	-	4,031
	<u>104,181</u>	<u>118,581</u>	<u>222,762</u>	<u>103,762</u>	<u>116,972</u>	<u>220,734</u>	<u>103,229</u>	<u>116,124</u>	<u>219,353</u>
Less accumulated depreciation	29,845	61,683	91,528	28,126	58,785	86,911	26,544	56,393	82,937
	<u>\$ 74,336</u>	<u>\$ 56,898</u>	<u>\$ 131,234</u>	<u>\$ 75,636</u>	<u>\$ 58,187</u>	<u>\$ 133,823</u>	<u>\$ 76,685</u>	<u>\$ 59,731</u>	<u>\$ 136,416</u>

Depreciation expense was approximately \$5,318,000, \$4,867,000 and \$4,595,000 for the years ended June 30, 2015, 2014, and 2013, respectively.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 7. Intangible Assets and Goodwill

The following is a schedule of amortized intangibles as of June 30, 2015:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Remaining Average Period
	(in thousands)			
Noncompete agreements	\$ 1,278	\$ (213)	\$ 1,065	10 months
Internally developed software	512	(28)	484	2.8 years
Tradename, National Training	1,450	(24)	1,426	9.8 years
Tradename, Star 12	535	(9)	526	9.8 years
Copyrighted seminar content	1,551	(74)	1,477	3.3 years
Prospect mail database	1,126	(75)	1,051	2.3 years
Prospect email database	194	(13)	181	2.3 years
Customer relationships	1,402	(39)	1,363	5.8 years
	<u>\$ 8,048</u>	<u>\$ (475)</u>	<u>\$ 7,573</u>	

Amortization expense related to the above intangibles was \$475,000, \$0, and \$0 for the years ended June 30, 2015, 2014, and 2013, respectively.

Estimated future amortization expense as of June 30, 2015 is as follows (in thousands):

Years ending June 30:	
2016	\$ 2,377
2017	1,574
2018	1,310
2019	654
2020	432
Thereafter	1,226
	<u>\$ 7,573</u>

A summary of the activity in goodwill is as follows (in thousands):

Beginning balance, July 1, 2014	\$ -
The Continuing Education Center, Inc. acquisition	1,085
Ending balance	<u>\$ 1,085</u>

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 8. Acquisition

On March 31, 2015, the Center entered into a stock purchase transaction with Rockhurst University, a Missouri nonprofit corporation. The transaction involved the purchase of all of the outstanding common stock of the Continuing Education Center, Inc., a Kansas nonprofit corporation, which provides services similar to the Center. The acquisition is expected to expand the Center's market share and geographical area.

The purchase price was a total of \$6,700,000 which was paid by a \$4,000,000 cash payment and the issuance by the Center to Rockhurst University of a promissory note in the amount of \$2,700,000. In addition, the Center incurred \$155,000 in legal, accounting and other professional fees related to the transaction which were expensed and included in general and administrative expenses in the statement of activities for the year ended June 30, 2015.

The acquisition was recorded in accordance with FASB ASC Topic 805, *Business Combinations*. The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Assets acquired:	
Cash	\$ 1,021
Accounts receivable	984
Product inventories	285
Deferred expenses and other assets	1,169
Deferred seminar expense	1,988
Equipment	251
Intangibles	8,048
Goodwill	1,085
Liabilities assumed:	
Accounts payable	(492)
Deferred revenue	(5,724)
Accrued expenses	(1,915)
Total purchase price	<u>6,700</u>
Less promissory note	(2,700)
Cash paid at closing	<u><u>\$ 4,000</u></u>

Note 9. Deferred Income and Other Liabilities

Advance billings of insurance premiums to Church affiliates of \$596,000, \$600,000, and \$576,000 are included in deferred income at June 30, 2015, 2014, and 2013, respectively.

At June 30, 2015, 2014, and 2013, deferred income included \$11,698,000, \$6,214,000, and \$6,424,000, respectively, and expenses of \$6,073,000, \$3,808,000, and \$4,469,000, respectively, for the Center related to seminars to be presented subsequent to year-end.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 10. Employee Benefit Plans and Subsequent Event

Pension plans: The Church has an Appointee/Employee Retirement Plan Trust (a defined benefit plan) that covers employees who meet the eligibility requirements. The Church funds its obligations over a 30-year life as computed by the most recent actuarial valuation.

Effective January 1, 2016, the Church's defined benefit plan was frozen for all but a small group of qualifying employees who are close to retirement age. All other existing and new employees are now covered by a defined contribution 403(b) retirement plan. Plan changes effective January 1, 2016 have not been reflected in the benefit cost as of June 30, 2015.

The University has a defined benefit plan covering substantially all of its employees who meet the eligibility requirements. The University's funding policy is to make annual contributions to the Plan of no less than the amount required to maintain adequate funding as determined under Section 412 of the Internal Revenue Code. Effective August 1, 2006, the defined benefit plan was closed to new employees, who are now covered by a defined contribution 403(b) retirement plan.

The Church uses a combination of historical and projected returns on its securities portfolio and estimated future returns on its investment real estate portfolio to develop the long-term rate of return on assets of its plan. The University has estimated the long-term rate of return on assets of its plan based primarily on historical returns. The Church plan and the University plan use June 30 and May 31 measurement dates, respectively.

The following table sets forth information related to the plans for 2015, 2014, and 2013:

	2015			2014			2013		
	Church	University	Total	Church	University	Total	Church	University	Total
	(in thousands)			(in thousands)			(in thousands)		
Fair value of plan assets at beginning of period	\$ 33,625	\$ 24,776	\$ 58,401	\$ 33,285	\$ 21,586	\$ 54,871	\$ 33,112	\$ 17,647	\$ 50,759
Actual return of plan assets	268	991	1,259	2,879	2,498	5,377	2,571	2,618	5,189
Employer contributions	1,718	1,712	3,430	1,764	1,904	3,668	1,820	2,487	4,307
Benefits paid	(4,496)	(1,306)	(5,802)	(4,303)	(1,212)	(5,515)	(4,218)	(1,166)	(5,384)
Fair value of plan assets at end of period	31,115	26,173	57,288	33,625	24,776	58,401	33,285	21,586	54,871
Benefit obligation at beginning of period	82,179	34,709	116,888	78,359	32,645	111,004	83,454	31,476	114,930
Plan amendment	85	-	85	80	-	80	86	-	86
Service cost	1,640	662	2,302	1,559	666	2,225	1,758	711	2,469
Interest cost	3,149	1,359	4,508	3,304	1,357	4,661	3,039	1,310	4,349
Actuarial (gain) loss	4,743	1,545	6,288	3,180	1,253	4,433	(5,760)	314	(5,446)
Benefits paid	(4,496)	(1,306)	(5,802)	(4,303)	(1,212)	(5,515)	(4,218)	(1,166)	(5,384)
Benefit obligation at end of period	87,300	36,969	124,269	82,179	34,709	116,888	78,359	32,645	111,004
Plan assets in deficit of projected benefit obligation, accrued benefit liability on the statement of financial position	\$ (56,185)	\$ (10,796)	\$ (66,981)	\$ (48,554)	\$ (9,933)	\$ (58,487)	\$ (45,074)	\$ (11,059)	\$ (56,133)

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 10. Employee Benefit Plans and Subsequent Event (Continued)

Following are the weighted average assumptions used as of June 30:

	2015		2014		2013	
	Church	University	Church	University	Church	University
Benefit Obligations						
Discount rate	4.20%	4.10%	3.95%	4.00%	4.35%	4.25%
Rate of compensation increases	n/a	2.00%	1.00%	2.00%	2.00%	2.00%
Net Costs						
Discount rate	3.95%	4.00%	4.35%	4.00%	3.75%	4.25%
Expected return on plan assets	8.00%	7.50%	8.00%	7.50%	8.00%	7.60%
Rate of compensation increases	n/a	2.00%	2.00%	2.00%	2.00%	2.00%

Assets of the plans are held by third-party financial institutions, which invest the assets in accordance with the provisions of the agreement for each plan. These agreements permit investment in mutual funds, insurance company separate funds, common stocks, corporate bonds and debentures, U.S. Government securities, real estate, and other specified investments, based on certain target allocation percentages.

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through investment in equity securities. Assets are rebalanced periodically. Assets of the plans, by category, approximated target percentages at June 30, 2015, 2014, and 2013.

The breakdown of investment by type is as follows as of June 30, 2015, 2014, and 2013:

	2015		2014		2013	
	Church	University	Church	University	Church	University
Corporate bonds and securities	1.28%	-	4.29%	-	5.02%	-
U.S. Government and agency securities	1.91%	-	3.81%	-	7.67%	-
Equity securities	11.52%	-	10.96%	-	21.54%	-
Mutual funds	33.97%	-	39.68%	-	26.99%	-
Pooled separate accounts	-	100%	-	100%	-	100%
Real estate	29.04%	-	26.01%	-	26.61%	-
Alternative investments	22.28%	-	15.25%	-	12.17%	-

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 10. Employee Benefit Plans and Subsequent Event (Continued)

The fair value of the Church's and University's pension plan assets at June 30, 2015, 2014, and 2013, by asset category are as follows:

Assets	June 30, 2015			Total
	Level 1	Level 2	Level 3	
	(in thousands)			
Investments:				
Corporate bonds and securities	\$ -	\$ 388	\$ -	\$ 388
U.S. Government and agency securities	-	580	-	580
Common stocks:				
Health care	608	-	-	608
Utilities	127	-	-	127
Financials	779	-	-	779
Consumer staples	210	-	-	210
Consumer discretionary	541	-	-	541
Materials	101	-	-	101
Energy	172	-	-	172
Information technology	540	-	-	540
Industrials	341	-	-	341
Telecommunication service	84	-	-	84
ADRs	-	-	-	-
Other common stock	-	-	-	-
Total common stock	3,503	-	-	3,503
Mutual funds:				
Fixed income	2,837	-	-	2,837
Domestic equity	6,139	-	-	6,139
International equity	1,352	-	-	1,352
Pooled separate accounts:				
Large U.S. equity	-	4,987	-	4,987
Small/mid U.S. equity	-	4,264	-	4,264
International equity	-	4,398	-	4,398
Fixed income	-	12,524	-	12,524
Alternative investments:				
Prudential property investment separate account	-	3,394	-	3,394
Investment in Limited Partnerships	-	1,590	-	1,590
Investment in Limited Liability Corporations	-	1,790	-	1,790
Parcel in Independence, Missouri	-	-	8,830	8,830
Total investments	\$ 13,831	\$ 33,915	\$ 8,830	\$ 56,576
Other Assets:				
Cash and cash equivalents	\$ 1,437	\$ -	\$ -	\$ 1,437
Other assets	119	-	-	119
Total cash and other assets	\$ 1,556	\$ -	\$ -	\$ 1,556
Liabilities				
Obligation to return collateral for loaned investments	\$ -	\$ -	\$ -	\$ -
Other liabilities	844	-	-	844
Total liabilities	\$ 844	\$ -	\$ -	\$ 844

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 10. Employee Benefit Plans and Subsequent Event (Continued)

Assets	Level 1	Level 2	Level 3	Total
	(in thousands)			
Collateral for securities on loans	\$ -	\$ 232	\$ -	\$ 232
Investments:				
Corporate bonds and securities	\$ -	\$ 1,458	\$ -	\$ 1,458
U.S. Government and agency securities	-	1,294	-	1,294
Common stocks:				
Health care	519	-	-	519
Utilities	88	-	-	88
Financials	577	-	-	577
Consumer staples	390	-	-	390
Consumer discretionary	485	-	-	485
Materials	182	-	-	182
Energy	307	-	-	307
Information technology	562	-	-	562
Industrials	398	-	-	398
Telecommunication service	45	-	-	45
ADRs	163	-	-	163
Other common stock	4	-	-	4
Total common stock	3,720	-	-	3,720
Mutual funds:				
Fixed income	5,692	-	-	5,692
Domestic equity	2,284	-	-	2,284
International equity	5,498	-	-	5,498
Pooled separate accounts:				
Large U.S. equity	-	7,611	-	7,611
Small/mid U.S. equity	-	1,867	-	1,867
International equity	-	3,194	-	3,194
Balanced/asset allocation	-	1,317	-	1,317
Fixed income	-	10,787	-	10,787
Alternative investments:				
Prudential property investment separate account	-	2,862	-	2,862
Investment in Limited Partnerships	-	1,571	-	1,571
Investment in Limited Liability Corporations	-	744	-	744
Parcel in Independence, Missouri	-	-	8,830	8,830
Total investments	\$ 17,194	\$ 32,705	\$ 8,830	\$ 58,729
Other Assets:				
Cash and cash equivalents	\$ 517	\$ -	\$ -	\$ 517
Other assets	154	-	-	154
Total cash and other assets	\$ 671	\$ -	\$ -	\$ 671
Liabilities				
Obligation to return collateral for loaned investments	\$ 448	\$ -	\$ -	\$ 448
Other liabilities	783	-	-	783
Total liabilities	\$ 1,231	\$ -	\$ -	\$ 1,231

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 10. Employee Benefit Plans and Subsequent Event (Continued)

Assets	June 30, 2013			Total
	Level 1	Level 2	Level 3	
	(in thousands)			
Collateral for securities on loans	\$ -	\$ 101	\$ -	\$ 101
Investments:				
Corporate bonds and securities	\$ -	\$ 1,666	\$ -	\$ 1,666
U.S. Government and agency securities	-	2,544	-	2,544
Common stocks:				
Health care	903	-	-	903
Utilities	108	-	-	108
Financials	1,029	-	-	1,029
Consumer staples	538	-	-	538
Consumer discretionary	1,086	-	-	1,086
Materials	363	-	-	363
Energy	599	-	-	599
Information technology	1,320	-	-	1,320
Industrials	699	-	-	699
Telecommunication service	65	-	-	65
ADRs	414	-	-	414
Other common stock	25	-	-	25
Total common stock	7,149	-	-	7,149
Mutual funds:				
Fixed income	3,733	-	-	3,733
Domestic equity	2,313	-	-	2,313
International equity	2,913	-	-	2,913
Pooled separate accounts:				
Large U.S. equity	-	6,663	-	6,663
Small/mid U.S. equity	-	1,723	-	1,723
International equity	-	2,719	-	2,719
Balanced/asset allocation	-	1,056	-	1,056
Fixed income funds	-	9,425	-	9,425
Alternative investments:				
Prudential property investment separate account	-	1,834	-	1,834
Investment in Limited Partnerships	-	2,205	-	2,205
Parcel in Independence, Missouri	-	-	8,830	8,830
Total investments	\$ 16,108	\$ 29,835	\$ 8,830	\$ 54,773
Other Assets:				
Cash and cash equivalents	\$ 1,090	\$ -	\$ -	\$ 1,090
Other assets	762	-	-	762
Total cash and other assets	\$ 1,852	\$ -	\$ -	\$ 1,852
Liabilities				
Obligation to return collateral for loaned investments	\$ 282	\$ -	\$ -	\$ 282
Other liabilities	1,573	-	-	1,573
Total liabilities	\$ 1,855	\$ -	\$ -	\$ 1,855

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 10. Employee Benefit Plans and Subsequent Event (Continued)

The following table sets forth additional disclosures of the Church and University's pension plan investments whose fair value is estimated using net asset value per share as of June 30, 2015, 2014, and 2013.

	2015	2014	2013	Unfunded Commitment at June 30, 2015	Redemption Frequency	Redemption Notice Period
	Fair Value	Fair Value	Fair Value			
Pooled separate accounts:						
Large U.S. equity (a)	\$ 4,987	\$ 7,611	\$ 6,663	\$ -	Monthly	None
Small/mid U.S. equity (b)	4,264	1,867	1,723	-	Monthly	None
International equity (c)	4,398	3,194	2,719	-	Monthly	None
Balanced/asset allocation (d)	-	1,317	1,056	-	Monthly	None
Fixed income (e)	12,524	10,787	9,425	-	Monthly	None
Prudential property investment						
separate account (f)	3,394	2,862	1,834	-	Quarterly	3 months
Investment in limited partnership (g)	1,590	1,571	2,205	-	Quarterly	15 days
Investment in limited liability corp. (h)	571	744	-	-	Daily	1-3 days
Investment in limited liability corp. (i)	1,219	-	-	-	Daily	10 days
	<u>\$ 32,947</u>	<u>\$ 29,953</u>	<u>\$ 25,625</u>			

- (a) The pooled separate accounts in this category primarily invest in equity securities of U.S. companies with large market capitalization. Selected funds within this category may invest in stocks of foreign companies, convertible debt securities, and real estate investment trusts. Investments in this category can be redeemed once every 30 days at the current net asset value per share based on the fair value of the underlying assets.
- (b) The pooled separate accounts in this category seek long-term growth by primarily investing in U.S. equity securities of companies with small to mid-size market capitalization. Selected funds within this category may invest in stocks of foreign companies, U.S. and foreign preferred stocks, convertible debt securities, equity-equivalent securities, non-leveraged stock index futures contracts and options, notes, bonds, and other debt securities. Investments in this category can be redeemed once every 30 days at the current net asset value per share based on the fair value of the underlying assets.
- (c) This category seeks long-term growth by investing in common stocks of non-U.S. companies with large market capitalization. Investments are normally diversified across different countries and regions of the world. Investments in this category can be redeemed once every 30 days at the current net asset value per share based on the fair value of the underlying assets.
- (d) This asset class is generally comprised of a combination of fixed income and equity investment options. These investment options may include balanced, asset allocation, target-date, and target-risk investment options. Although typically lower risk than investment options that invest solely in equities, all investment options in this category have the potential to lose value.
- (e) This category includes securities that are intermediate-term, fixed-income investments such as public and private corporate bonds, commercial and residential mortgages, asset-based securities, and U.S. Government and agency-backed securities. In addition to these securities, this category also includes fixed-income instruments of varying maturities which may be represented by forwards or derivatives such as options, futures, contracts or swap agreements. Investments in this category can be redeemed once every 30 days at the current net asset value per share based on the fair value of the underlying assets.
- (f) (g) (h) (i) See Note 3 for a discussion of these investments.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 10. Employee Benefit Plans and Subsequent Event (Continued)

At June 30, 2015, 2014, and 2013, investments under security lending agreements were \$-0-, \$439,000, and \$274,000, respectively.

Postretirement benefits: The Church provides certain unfunded health care and life insurance as well as other benefits to existing and retired appointees and employees.

Significant balances, costs and assumptions are as follows:

	2015	2014	2013
	(in thousands)		
Unfunded benefit obligation	\$ 23,199	\$ 23,467	\$ 26,874
Accrued post-retirement benefit obligation recognized in consolidated statements of financial position	23,199	23,467	26,874
Interest cost	786	996	900
Benefit cost	2,020	(1,280)	315
Benefits paid	2,287	2,128	2,067

The weighted average annual assumed rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) is assumed to increase 10 percent per year beginning July 1, 2009, decreasing at various rates per year until reaching an ultimate rate of 4.50 percent per year. A weighted average discount rate of 3.85 percent, 3.5 percent and 3.85 percent for 2015, 2014, and 2013, respectively, was used in determining the accumulated benefit obligation.

The effect of a one-percentage-point increase and the effect of a one-percentage-point decrease in the assumed health care cost trend rates on the aggregate of the service and interest cost components and the accumulated postretirement benefit obligation for health care benefits would be as follows:

	2015	2014	2013
	(in thousands)		
Effect on total service cost and interest cost components			
One-percentage-point increase	\$ 42	\$ 46	\$ 40
One-percentage-point decrease	(38)	(41)	(45)
Effect on year-end benefit obligation			
One-percentage-point increase	1,050	1,114	1,115
One-percentage-point decrease	(947)	(1,008)	(1,014)

In accordance with *FASB ASC Topic 715, Compensation—Retirement Benefits*, the Church and University have recognized the underfunded status of a defined benefit postretirement plan as a liability in the consolidated statements of financial position and recognized changes in that funded status in the year in which the changes in unrestricted net assets occur. The plan's benefit obligations are measured as of June 30, 2015.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 10. Employee Benefit Plans and Subsequent Event (Continued)

The Church and University expect to contribute \$1,227,000 and \$1,550,000, respectively, to each pension in the year ending 2016.

Cash flows: The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of June 30, 2015:

	Pension Benefits		Post-Retirement
	Church	University	Benefits
	(in thousands)		Church
			(in thousands)
2016	\$ 5,203	\$ 1,620	\$ 2,115
2017	5,256	1,760	2,245
2018	5,389	1,860	2,025
2019	5,460	1,950	1,918
2020	5,468	2,010	1,890

The aggregate benefits expected to be paid in the five years from 2021 to 2025 are as follows:

	Pension Benefits		Post-Retirement
	Church	University	Benefits
	(in thousands)		Church
			(in thousands)
	\$ 28,438	\$ 11,130	\$ 8,413

The University has a defined contribution pension plan covering substantially all of its employees hired August 1, 2006 or after. The total pension expense for the fiscal years ended 2015, 2014 and 2013 was approximately \$270,000, \$258,000 and \$210,000, respectively. After one year of service, employees hired August 1, 2006 or after will receive a base discretionary contribution in each month they are employed. Also after one year of service, the University will match employees' contributions at 50 percent up to 3 percent of pay.

The Center has a tax-deferred annuity plan (the Plan) pursuant to section 403 of the Code, whereby participants may contribute a percentage of compensation not in excess of the maximum allowed under the Code. All Center employees are eligible to make tax-deferred contributions. The Plan provides for matching contributions equal to 25 percent of employee contributions. Matching contributions were approximately \$151,000, \$136,000 and \$142,000, for the fiscal years 2015, 2014, and 2013, respectively. The Center's Board of Directors may approve additional discretionary contributions payable to active employees at the conclusion of the calendar year under the Plan. Contributions approved prior to and paid in the following fiscal years by the Center were approximately \$268,000, \$117,000 and \$129,000 for the calendar years 2015, 2014, and 2013, respectively. At the conclusion of each fiscal year, the Center's management determines an appropriate accrual, if necessary, for contributions for the fiscal year. The accrual for employer contributions at June 30, 2015, 2014, and 2013 was approximately \$66,000.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 11. Long-Term Debt and Subsequent Event

At June 30, 2015, 2014, and 2013, long-term debt consisted of the following (after eliminations):

	2015			2014			2013		
	Church	University	Total	Church	University	Total	Church	University	Total
	(in thousands)			(in thousands)			(in thousands)		
IDR Bonds (A)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,085	\$ -	\$ 6,085
Revolving Credit									
Agreement (B)	-	-	-	23,000	-	23,000	23,500	-	23,500
Revolving Credit									
Agreement (C)	10,000	-	10,000	-	-	-	-	-	-
Private College Facility									
Variable Rate									
Revenue Bonds (D)	-	-	-	-	-	-	-	18,285	18,285
Note Payable, Dougherty									
Funding LLC (E)	-	25,155	25,155	-	25,740	25,740	-	-	-
Note Payable, Rockhurst									
University (F)	-	2,700	2,700	-	-	-	-	-	-
Capital lease (Note 12)	-	6,201	6,201	-	6,314	6,314	-	6,423	6,423
Other notes payable	1,620	-	1,620	1,620	-	1,620	1,620	-	1,620
	<u>\$ 11,620</u>	<u>\$ 34,056</u>	<u>\$ 45,676</u>	<u>\$ 24,620</u>	<u>\$ 32,054</u>	<u>\$ 56,674</u>	<u>\$ 31,205</u>	<u>\$ 24,708</u>	<u>\$ 55,913</u>
Interest expense									
for the year	\$ 394	\$ 1,025	\$ 1,419	\$ 617	\$ 753	\$ 1,370	\$ 439	\$ 607	\$ 1,046

(A) Industrial Development Revenue Bonds, Series 1997A (The Groves and Graceland University Nursing Arts Center Projects). The bonds were redeemed in full in 2014.

(B) Provided for unsecured borrowing from a bank for up to \$25,000,000, with \$23,000,000 to be used to fund past and future House of Worship and other special loans to jurisdictions and the remaining \$2,000,000 used for the issuance of letters of credit. In addition, the line was used to fund deficits incurred in providing postretirement medical benefits. Interest was payable monthly. On November 17, 2014, this borrowing was repaid by a cash payment of \$13,022,000 with the \$10,000,000 balance refinanced by the agreement in (C) below.

(C) Revolving credit agreement from a bank for up to \$17,000,000 to provide operating cash flow and to be used for the issuance of standby letters of credit. Interest is payable monthly at the rate of the one month LIBOR plus 100 basis points. The average interest rate for fiscal year 2015 was 1.17% with a rate of 1.19% at June 30, 2015. The agreement will expire November 17, 2019.

(D) The bonds payable were issued by the Iowa Higher Education Loan Authority (IHELA) and Iowa Finance Authority. The bonds were redeemed in full in 2014 through refinancing of debt with Dougherty Funding LLC.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 11. Long-Term Debt and Subsequent Event (Continued)

(E) This note payable includes the following initial amounts and details:

- \$9,500,000 and \$9,158,000 are tax exempt and supported by City of Lamoni, Iowa and Decatur County in Iowa, respectively, with a fixed interest rate of 3.75 percent for five years and will be adjusted on the date of the 60th loan payment to equal the five year Treasury Note Rate Constant Maturity Index plus 1.15 percent, subject to an interest rate floor of 3.75 percent and interest rate cap of 5.25 percent. Principal is payable monthly beginning July 30, 2018 with final payment due December 30, 2023.
- \$2,292,000 with a fixed interest rate of 4.5 percent. Principal is payable monthly beginning January 30, 2014 with final payment due June 30, 2018.
- \$5,000,000 with a fixed interest rate of 4.875 percent through December 30, 2018 and will be adjusted to equal the Prime Rate Index plus 1.75 percent, subject to an interest rate floor of 4.875 percent and interest rate cap of 6.625 percent. Principal is payable monthly beginning April 30, 2014 with final payment due December 30, 2023.

The Church guarantees repayment of the debt. The agreements provide for certain covenants, including financial ratios, measured annually commencing with the fiscal year ending June 30, 2015. The note is collateralized by the University's Lamoni, Iowa, and Independence, Missouri, campuses.

(F) Promissory note due to Rockhurst University in connection with the acquisition of Continuing Education Center, Inc. The note matured and was paid off on March 31, 2016.

Aggregate annual maturities and sinking fund requirements of long-term debt, excluding the capital lease, at June 30, 2015 are as follows:

	Church	University	Total
		(in thousands)	
2016	\$ 1,620	\$ 3,312	\$ 4,932
2017	-	641	641
2018	-	671	671
2019	-	738	738
2020	10,000	773	10,773
Thereafter	-	21,720	21,720
	<u>\$ 11,620</u>	<u>\$ 27,855</u>	<u>\$ 39,475</u>

As discussed in Note 1, the Church and University had entered into interest rate swap agreements to hedge their exposure to interest rate risk related to their variable rate bonds. The specific goal of the Church and University was to lower (where possible) the cost of its borrowed funds over the borrowing term. Although the Church and University believe their interest rate swap agreements are economic hedges, none have been designated as a hedge for accounting purposes and they are recorded on the consolidated statement of financial position at their fair market value, with changes in fair value recognized in current period change in unrestricted net assets. The following amounts have been included in the consolidated statements of activities for the years ended 2015, 2014 and 2013. All interest rate swap agreements were terminated by the Church and University during the year ended June 30, 2014.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 11. Long-Term Debt and Subsequent Event (Continued)

	2014			2013		
	Church	University	Total	Church	University	Total
	(in thousands)			(in thousands)		
Swap settlements, included in interest expense	\$ 91	\$ 323	\$ 414	\$ 126	\$ 660	\$ 786
Unrealized (gain) on interest rate swaps	-	-	-	(224)	(870)	(1,094)
Realized (gain) on interest rate swaps	(51)	(891)	(942)	-	-	-
Net (gain) loss	\$ 40	\$ (568)	\$ (528)	\$ (98)	\$ (210)	\$ (308)

Note 12. Capital Lease Obligations

During the year ended June 30, 2012, the University leased buildings located adjacent to the campus for use as student housing. Since the term of the lease is approximately the same as the estimated useful life of the assets, the lease is considered to be a capital lease. The assets were recorded at fair market value of \$4,559,000, and the offsetting lease obligation, at the present value of the minimum lease payments of \$6,632,000, as determined with a 4 percent discount rate. The liability is payable in monthly installments of \$30,000 for principal and interest to January 2044 and shall be adjusted annually on March 1 of each calendar year based on the consumer price index. The discount on the obligation, \$2,073,000, will be amortized in monthly installments of \$5,000 to January 2044. The outstanding lease obligation at June 30, 2015 is \$6,201,000.

The leased property was constructed and is owned by an unrelated third party. A loan was made to the third party by the University for financing of construction costs. The outstanding balance of the note receivable as of June 30, 2015 is \$1,322,000, and there is no allowance associated with the note receivable, which would be evaluated for impairment individually, as the borrower is current in payments and has not defaulted since the inception of the note. The credit quality indicator on the note receivable is performance, determined by delinquency status, and the recorded investment would be considered performing as of June 30, 2015. Terms of the note receivable include monthly installments of \$8,000 for principal and interest at a rate of 6 percent to May 2041.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 12. Capital Lease Obligations (Continued)

The following is a schedule by years of lease payments and lease discount amortization and the related note receivable receipts as of June 30, 2015:

Year Ending June 30:	Lease Payments	Lease Discount	Note Receivable
		(in thousands)	
2016	\$ 364	\$ 64	\$ 101
2017	364	64	101
2018	364	64	101
2019	364	64	101
2020	364	64	101
Thereafter	8,611	1,514	2,107
Total minimum payments/receipts	10,431	1,834	2,612
Less amount representing interest expense/income	4,230	-	1,290
Total	\$ 6,201	\$ 1,834	\$ 1,322

Note 13. Endowment Fund and Net Asset Classification

The Church's and University's Endowment Funds consist of various donor-restricted endowment funds and funds designated as endowment or quasi-endowment by the Board of Trustees. Net assets associated with endowment funds, including funds designated to function as endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University and the Church have 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 Church and University classify as permanently restricted net assets (a) the original value of 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, (d) the present value of estimated future receipts for beneficial interests in perpetual trusts and (e) subsequent changes in the value of the University's share of trust assets in perpetual trusts. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by the State of Iowa and Missouri in their enacted versions of UPMIFA. In accordance with the State of Iowa and Missouri in the enacted versions of UPMIFA, the Church and University consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the Endowment Fund; (2) the purposes of the Church and University 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 Church and University; and (7) the investment policies of the Church and University.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 13. Endowment Fund and Net Asset Classification (Continued)

The Church and University have adopted investment and spending policies for their Endowment Funds. The objective of these policies is to provide the Church and University a predictable funding stream for their programs while achieving an investment return equal to the combination of the current spending formula and the current rate of inflation in order to protect the purchasing power of the Endowment Funds. The Church and University, through their investment policy, have established a target annualized rate of return over the long-term of at least 8.3 percent; the total return during any single measurement period may deviate from the long-term return objective. To satisfy their long-term rate-of-return objective, the Church and University expect to maintain appropriate diversification among equity, fixed income, and alternative investment allocations. The purpose is to moderate the overall investment risk of the Endowment Fund.

The Presiding Bishopric may appropriate for expenditure or accumulate so much of the Endowment Fund as the Church determines is prudent for the uses, benefits, purposes, and duration for which the Endowment Fund is established. The amount appropriated, the spending policy, is an approved spending percentage of the five-year rolling average of the fair value of the Endowment Fund assets measured on December 31 each year. This appropriation may be made when the Endowment Fund assets are underwater if the Presiding Bishopric deems it is prudent to do so. The Presiding Bishopric approved spending percentage was 6.0 percent for the fiscal years ended June 30, 2015 and 2014 and 6.1 percent for 2013. Special appropriations from unrestricted earnings of \$1,621,000 in addition to the approved spending percentage were approved for the year ended June 30, 2013. No special appropriations were made in the years ended June 30, 2015 and 2014.

The Temple roof was in need of substantial repair to address water incursion problems. The Presiding Bishopric deemed this situation to be an unusual circumstance, which according to the Temple Endowment document would allow for the use of corpus to address such a need. The repair project began in fiscal year 2014 and was completed in fiscal year 2015 with a cost of \$3,081,000. New Temple Endowment contributions have been used to offset the cost of the project which was initially funded from unrestricted cash. Contributions received and used to offset project costs were \$1,168,000 and \$99,000 in the fiscal years ended June 30, 2015 and 2014, respectively, and are reported in the consolidated statement of activities as both temporarily restricted contribution and as net assets released from restrictions.

The Board of Trustees of the University may appropriate for expenditure or accumulate so much of the Endowment Fund as the University determines is prudent for the uses, benefits, purposes, and duration for which the Endowment Fund is established. The amount appropriated, the spending policy, is based on the three-year rolling average of the fair value of the Endowment Fund assets measured on December 31 each year. This appropriation may be made when the Endowment Fund assets are underwater if the Board deems it is prudent to do so. The Board-approved spending percentage was 6 percent for the fiscal years ended June 30, 2015, 2014 and 2013, respectively. Special appropriations of \$250,000, \$1,000,000, and \$1,000,000, in addition to the 6 percent, were approved by the University for the years ending June 30, 2015, 2014, and 2013.

From time to time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Church and University to retain as a fund of perpetual duration as underwater endowments. As of June 30, 2015, 2014 and 2013, approximately \$11,691,000 (Church—\$10,627,000, University—\$1,064,000), \$9,204,000 (Church—\$8,239,000, University—\$965,000) and \$7,915,000 (Church—\$6,676,000, University—\$1,239,000), respectively, of donor-restricted endowment funds were underwater. This amount is reported in unrestricted net assets. These deficiencies, which the Church and University believe are temporary, resulted from unfavorable market fluctuations. The Presiding Bishopric and Board determined that continued appropriation during the fiscal years ended June 30, 2015, 2014 and 2013 for certain programs was prudent.

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 13. Endowment Fund and Net Asset Classification (Continued)

Church and University endowment net assets as of June 30 are as follows:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	(in thousands)			
Donor-restricted endowment funds	\$ (11,691)	\$ 1,799	\$ 62,155	\$ 52,263
Board-designated (quasi) endowment funds	60,704	2,762	-	63,466
Total endowment funds	<u>\$ 49,013</u>	<u>\$ 4,561</u>	<u>\$ 62,155</u>	<u>\$ 115,729</u>
	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	(in thousands)			
Donor-restricted endowment funds	\$ (9,204)	\$ 2,179	\$ 59,360	\$ 52,335
Board-designated (quasi) endowment funds	60,282	3,099	-	63,381
Total endowment funds	<u>\$ 51,078</u>	<u>\$ 5,278</u>	<u>\$ 59,360</u>	<u>\$ 115,716</u>
	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	(in thousands)			
Donor-restricted endowment funds	\$ (7,915)	\$ 1,933	\$ 55,988	\$ 50,006
Board-designated (quasi) endowment funds	58,927	3,285	-	62,212
Total endowment funds	<u>\$ 51,012</u>	<u>\$ 5,218</u>	<u>\$ 55,988</u>	<u>\$ 112,218</u>

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 13. Endowment Fund and Net Asset Classification (Continued)

The changes in the Church and University's endowment net assets for the year ended June 30 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	(in thousands)			
Endowment assets, June 30, 2012	\$ 50,300	\$ 4,821	\$ 50,250	\$ 105,371
Investment return:				
Investment income	244	418	(34)	628
Net appreciation/(depreciation) (realized and unrealized)	1,202	1,707	(26)	2,883
Total investment return	1,446	2,125	(60)	3,511
Contributions	-	-	5,024	5,024
Appropriation of endowment funds for expenditure	(622)	(2,456)	-	(3,078)
Other changes (transfer)	(112)	728	774	1,390
Endowment assets, June 30, 2013	51,012	5,218	55,988	112,218
Investment return:				
Investment income	260	1,064	-	1,324
Net appreciation (realized and unrealized)	561	1,099	-	1,660
Total investment return	821	2,163	-	2,984
Contributions	-	-	2,672	2,672
Appropriation of endowment funds for expenditure	(440)	(2,936)	-	(3,376)
Other changes (transfer)	(315)	833	700	1,218
Endowment assets, June 30, 2014	51,078	5,278	59,360	115,716
Investment return:				
Investment income	1,903	656	(30)	2,529
Net appreciation (realized and unrealized)	302	(362)	-	(60)
Total investment return	2,205	294	(30)	2,469
Contributions	-	-	2,635	2,635
Appropriation of endowment funds for expenditure	(1,169)	(2,253)	-	(3,422)
Other changes (transfer)	(3,101)	1,242	190	(1,669)
Endowment assets, June 30, 2015	\$ 49,013	\$ 4,561	\$ 62,155	\$ 115,729

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 14. Restricted Net Assets

Temporarily restricted net assets at June 30, 2015, 2014 and 2013 are available for the following purposes:

	2015			2014			2013		
	Church	University	Total	Church	University	Total	Church	University	Total
	(in thousands)			(in thousands)			(in thousands)		
Charitable remainder trust	\$ 2,443	\$ -	\$ 2,443	\$ 2,708	\$ -	\$ 2,708	\$ 2,933	\$ -	\$ 2,933
Mission endowment	-	-	-	26	-	26	-	-	-
Canada Mission	832	-	832	515	-	515	347	-	347
Temple Peace									
Center Grant	116	-	116	115	-	115	91	-	91
Donor Advised	16	-	16	16	-	16	16	-	16
Peace and justice ministry specialist	75	-	75	93	-	93	32	-	32
Leading congregations in mission	212	-	212	791	-	791	787	-	787
Supporting pastors and congregational leaders	1,256	-	1,256	1,326	-	1,326	1,396	-	1,396
Dome & Spire Foundation	-	-	-	1	-	1	1	-	1
Children's Peace Pavilion	368	-	368	373	-	373	-	-	-
Kirtland Temple	201	-	201	201	-	201	201	-	201
Other	42	-	42	55	-	55	55	-	55
Instruction and operational support	-	1,864	1,864	-	2,460	2,460	-	2,471	2,471
Student loans	-	123	123	-	117	117	-	117	117
Capital projects	-	1,607	1,607	-	1,480	1,480	-	1,597	1,597
Scholarships	-	3,306	3,306	-	3,926	3,926	-	3,822	3,822
Annuity and life income funds	-	1,551	1,551	-	1,217	1,217	-	1,081	1,081
	<u>\$ 5,561</u>	<u>\$ 8,451</u>	<u>\$ 14,012</u>	<u>\$ 6,220</u>	<u>\$ 9,200</u>	<u>\$ 15,420</u>	<u>\$ 5,859</u>	<u>\$ 9,088</u>	<u>\$ 14,947</u>

Permanently restricted net assets at June 30, 2015, 2014 and 2013 consisted of the following:

	2015			2014			2013		
	Church	University	Total	Church	University	Total	Church	University	Total
	(in thousands)			(in thousands)			(in thousands)		
Temple endowment	\$ 25,248	\$ -	\$ 25,248	\$ 25,066	\$ -	\$ 25,066	\$ 24,502	\$ -	\$ 24,502
Dome & Spire Foundation	146	-	146	159	-	159	149	-	149
General operating endowment	4,063	-	4,063	4,032	-	4,032	3,863	-	3,863
Charitable remainder trust	416	-	416	422	-	422	386	-	386
Mission endowment	18,411	-	18,411	16,608	-	16,608	13,623	-	13,623
Loans	-	1,352	1,352	-	1,352	1,352	-	1,352	1,352
Restricted endowments	-	28,323	28,323	-	27,414	27,414	-	29,881	29,881
Annuity and life income funds	128	378	506	114	362	476	111	357	468
Other	10	-	10	10	-	10	10	-	10
	<u>\$ 48,422</u>	<u>\$ 30,053</u>	<u>\$ 78,475</u>	<u>\$ 46,411</u>	<u>\$ 29,128</u>	<u>\$ 75,539</u>	<u>\$ 42,644</u>	<u>\$ 31,590</u>	<u>\$ 74,234</u>

The Mission Endowment of \$18,411,000 at June 30, 2015, comprises \$4,365,000 of invested cash (included in Note 5) and \$14,046,000 in contributions receivable (see Note 14).

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 15. Temporarily Restricted Assets Released from Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished for the years ended June 30:

	2015			2014			2013		
	Church	University	Total	Church	University	Total	Church	University	Total
	(in thousands)			(in thousands)			(in thousands)		
Oblation fund	\$ -	\$ -	\$ -	\$ 1	\$ -	\$ 1	\$ 127	\$ -	\$ 127
Charitable remainder trust	91	-	91	-	-	-	113	-	113
Temple Peace Center Grant	29	-	29	6	-	6	39	-	39
Lifelong discipleship formation	-	-	-	-	-	-	42	-	42
Peace and justice ministry specialist	18	-	18	18	-	18	17	-	17
Leading congregations in mission	579	-	579	521	-	521	588	-	588
Mission endowment	146	-	146	-	-	-	-	-	-
Supporting pastors and congregational leaders	70	-	70	70	-	70	70	-	70
Temple Roof Repair Project	1,014	-	1,014	99	-	99	-	-	-
Children's Peace Pavilion	7	-	7	23	-	23	-	-	-
Other	25	-	25	1	-	1	47	-	47
Instruction and operational support	-	2,084	2,084	-	438	438	-	2,482	2,482
Scholarships	-	1,384	1,384	-	2,371	2,371	-	1,792	1,792
Passage of time	-	-	-	-	69	69	-	75	75
Capital projects	-	92	92	-	1,061	1,061	-	5,082	5,082
Changes in donor restrictions	-	-	-	-	-	-	1,794	-	1,794
Total restrictions released	\$ 1,979	\$ 3,560	\$ 5,539	\$ 739	\$ 3,939	\$ 4,678	\$ 2,837	\$ 9,431	\$ 12,268

Community of Christ and Affiliates

Notes to Consolidated Financial Statements

Note 16. Commitments and Contingencies

In the ordinary course of activities, there are various legal proceedings against the Church and its subsidiaries. Management, after consultation with legal counsel, is of the opinion that the ultimate resolution of these proceedings will have no material adverse effect on the consolidated financial position of the Church.

Note 17. Subsequent Events

Management has evaluated and disclosed subsequent events up to and including April 29, 2016, which is the date the financial statements were available to be issued. Through this date, other than the events disclosed in Notes 10 and 11, and as noted below, there were no significant events requiring disclosure.

As the Canadian Corporation of the Community of Christ began the process of updating its corporate registration in Canada, potentially moving to a federal rather than provincial registration, it was determined that the Church would no longer control the Canadian Corporation and it would be necessary to deconsolidate it. Effective July 1, 2015, the Canadian Corporation has been deconsolidated and will no longer be included in the audited financial statements for Community of Christ and Affiliates for the year ended June 30, 2016 and beyond. This deconsolidation is a financial and reporting matter only and does not affect the ecclesial policy or organization of the Church as one worldwide church engaged in mission.

Deconsolidation will result in a reduction of unrestricted net assets of \$2,369,000 and restricted net assets of \$4,924,000; the assets of the Canadian Corporation are held primarily in cash and investments. No consideration will be paid or received and no gain or loss will occur as a result of the deconsolidation.

Supplementary Information

Community of Christ and Affiliates

World Church Statements of Endowment Net Assets
(Dollars in Thousands)

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (10,627)	\$ -	\$ 33,832	\$ 23,205
Board-designated (quasi) endowment funds	60,704	1,256	-	61,960
Total endowment funds	\$ 50,077	\$ 1,256	\$ 33,832	\$ 85,165

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (8,239)	\$ -	\$ 32,171	\$ 23,932
Board-designated (quasi) endowment funds	60,282	1,352	-	61,634
Total endowment funds	\$ 52,043	\$ 1,352	\$ 32,171	\$ 85,566

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ (6,676)	\$ -	\$ 30,195	\$ 23,519
Board-designated (quasi) endowment funds	58,927	1,397	-	60,324
Total endowment funds	\$ 52,251	\$ 1,397	\$ 30,195	\$ 83,843

Community of Christ and Affiliates

**World Church Statements of Changes in Endowment Net Assets
(Dollars in Thousands)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, June 30, 2012	\$ 52,186	\$ 1,466	\$ 27,439	\$ 81,091
Investment return:				
Investment gain	-	248	-	248
Net (depreciation) (realized and unrealized)	69	477	-	546
Total investment return	69	725	-	794
Contributions	-	-	2,044	2,044
Appropriation of endowment funds for expenditure	-	(1,522)	-	(1,522)
Other changes (transfer)	(4)	728	712	1,436
Endowment assets, June 30, 2013	52,251	1,397	30,195	83,843
Investment return:				
Investment gain	-	696	-	696
Net (depreciation) (realized and unrealized)	-	(71)	-	(71)
Total investment return	-	625	-	625
Contributions	-	-	1,267	1,267
Appropriation of endowment funds for expenditure	-	(1,500)	-	(1,500)
Other changes (transfer)	(208)	830	709	1,331
Endowment assets, June 30, 2014	52,043	1,352	32,171	85,566
Investment return:				
Investment gain	-	5	-	5
Net (depreciation) (realized and unrealized)	-	3	-	3
Total investment return	-	8	-	8
Contributions	-	-	1,466	1,466
Appropriation of endowment funds for expenditure	-	(1,376)	-	(1,376)
Other changes (transfer)	(1,966)	1,272	195	(499)
Endowment assets, June 30, 2015	\$ 50,077	\$ 1,256	\$ 33,832	\$ 85,165

Community of Christ and Affiliates

**Consolidating Statements of Financial Position
for Graceland University and Subsidiaries
(Dollars in Thousands)**

Assets	2015			Total
	University	Center	Eliminations	
Cash and Cash Equivalents	\$ 2,982	\$ 6,434	\$ -	\$ 9,416
Investments	15,249	-	(13,057) ⁽¹⁾	2,192
Receivables				
Accounts, U.S. government and miscellaneous receivables, net	2,275	4,114	-	6,389
Notes, mortgages and student and U.S. government loans receivable, net	5,130	-	-	5,130
Contributions receivable, net	2,347	-	-	2,347
	<u>9,752</u>	<u>4,114</u>	<u>-</u>	<u>13,866</u>
Assets Limited as to Use				
Cash restricted for investment in land, buildings and equipment	29	-	-	29
Endowed assets	30,564	-	-	30,564
	<u>30,593</u>	<u>-</u>	<u>-</u>	<u>30,593</u>
Real Estate and Equipment	<u>49,526</u>	<u>7,372</u>	<u>-</u>	<u>56,898</u>
Other Assets				
Inventories	272	895	-	1,167
Prepaid expenses and deposits	876	726	-	1,602
Deferred expenses and other assets	2,434	6,073	-	8,507
Intangible assets, net	-	7,573	-	7,573
Goodwill	-	1,085	-	1,085
Funds held in trust by others	1,590	-	-	1,590
	<u>5,172</u>	<u>16,352</u>	<u>-</u>	<u>21,524</u>
	<u>\$ 113,274</u>	<u>\$ 34,272</u>	<u>\$ (13,057)</u>	<u>\$ 134,489</u>

Liabilities and Net Assets

2015

	University	Center	Eliminations	Total
Liabilities				
Accounts payable	\$ 1,364	\$ 1,927	\$ -	\$ 3,291
Accrued expenses, deferred income and other liabilities	4,283	16,588	-	20,871
Annuities payable	1,078	-	-	1,078
U.S. Government grants refundable	3,040	-	-	3,040
	<u>9,765</u>	<u>18,515</u>	<u>-</u>	<u>28,280</u>
Funds Held for Others	805	-	-	805
Pension Benefits	10,796	-	-	10,796
	<u>11,601</u>	<u>-</u>	<u>-</u>	<u>11,601</u>
Long-Term Debt	<u>31,356</u>	<u>2,700</u>	<u>-</u>	<u>34,056</u>
Net Assets				
Unrestricted	22,048	13,057	(13,057) ⁽¹⁾	22,048
Temporarily restricted	8,451	-	-	8,451
Permanently restricted	30,053	-	-	30,053
Total net assets	<u>60,552</u>	<u>13,057</u>	<u>(13,057)</u>	<u>60,552</u>
	<u>\$ 113,274</u>	<u>\$ 34,272</u>	<u>\$ (13,057)</u>	<u>\$ 134,489</u>

(1) To eliminate the University's investment in the Center.

Community of Christ and Affiliates

**Consolidating Statements of Financial Position
for Graceland University and Subsidiaries
(Dollars in Thousands)**

Assets	2014			Total
	University	Center	Eliminations	
Cash and Cash Equivalents	\$ 2,307	\$ 7,700	\$ -	\$ 10,007
Investments	14,930	-	(12,007) ⁽¹⁾	2,923
Receivables				
Accounts, U.S. government and miscellaneous receivables, net	2,292	3,628	-	5,920
Notes, mortgages and student and U.S. government loans receivable, net	5,325	-	-	5,325
Contributions receivable, net	2,905	-	-	2,905
	<u>10,522</u>	<u>3,628</u>	<u>-</u>	<u>14,150</u>
Assets Limited as to Use				
Cash restricted for investment in land, buildings and equipment	70	-	-	70
Endowed assets	30,150	-	-	30,150
	<u>30,220</u>	<u>-</u>	<u>-</u>	<u>30,220</u>
Real Estate and Equipment	<u>51,348</u>	<u>6,839</u>	<u>-</u>	<u>58,187</u>
Other Assets				
Inventories	248	649	-	897
Prepaid expenses and deposits	562	533	-	1,095
Deferred expenses and other assets	2,569	3,808	-	6,377
Funds held in trust by others	1,281	-	-	1,281
	<u>4,660</u>	<u>4,990</u>	<u>-</u>	<u>9,650</u>
	<u>\$ 113,987</u>	<u>\$ 23,157</u>	<u>\$ (12,007)</u>	<u>\$ 125,137</u>

(1) To eliminate the University's investment in the Center.

Liabilities and Net Assets

2014

	University	Center	Eliminations	Total
Liabilities				
Accounts payable	\$ 1,765	\$ 1,545	\$ -	\$ 3,310
Accrued expenses, deferred income and other liabilities	4,151	9,605	-	13,756
Annuities payable	1,095	-	-	1,095
U.S. Government grants refundable	3,057	-	-	3,057
	<u>10,068</u>	<u>11,150</u>	<u>-</u>	<u>21,218</u>
Funds Held for Others	521	-	-	521
Pension Benefits	9,933	-	-	9,933
	<u>10,454</u>	<u>-</u>	<u>-</u>	<u>10,454</u>
Long-Term Debt	<u>32,054</u>	<u>-</u>	<u>-</u>	<u>32,054</u>
Net Assets				
Unrestricted	23,083	12,007	(12,007) ⁽¹⁾	23,083
Temporarily restricted	9,200	-	-	9,200
Permanently restricted	29,128	-	-	29,128
Total net assets	<u>61,411</u>	<u>12,007</u>	<u>(12,007)</u>	<u>61,411</u>
	<u>\$ 113,987</u>	<u>\$ 23,157</u>	<u>\$ (12,007)</u>	<u>\$ 125,137</u>

(1) To eliminate the University's investment in the Center.

Community of Christ and Affiliates

**Consolidating Statements of Financial Position
for Graceland University and Subsidiaries
(Dollars in Thousands)**

Assets	2013			Total
	University	Center	Eliminations	
Cash and Cash Equivalents	\$ 4,755	\$ 6,294	\$ -	\$ 11,049
Investments	13,332	-	(10,764) ⁽¹⁾	2,568
Receivables				
Accounts, U.S. government and miscellaneous receivables, net	2,118	3,891	(600) ⁽²⁾	5,409
Notes, mortgages, and student and U.S. government loans receivable, net	5,620	-	-	5,620
Contributions receivable, net	6,626	-	-	6,626
	<u>14,364</u>	<u>3,891</u>	<u>(600)</u>	<u>17,655</u>
Assets Limited as to Use				
Cash restricted for investment in land, buildings and equipment	71	-	-	71
Endowed assets	28,375	-	-	28,375
	<u>28,446</u>	<u>-</u>	<u>-</u>	<u>28,446</u>
Real Estate and Equipment	<u>52,593</u>	<u>7,138</u>	<u>-</u>	<u>59,731</u>
Other Assets				
Inventories	384	794	-	1,178
Prepaid expenses and deposits	746	500	-	1,246
Deferred expenses and other assets	2,341	4,469	-	6,810
Funds held in trust by others	1,094	-	-	1,094
	<u>4,565</u>	<u>5,763</u>	<u>-</u>	<u>10,328</u>
	<u>\$ 118,055</u>	<u>\$ 23,086</u>	<u>\$ (11,364)</u>	<u>\$ 129,777</u>

(1) To eliminate the University's investment in the Center.

(2) To eliminate the miscellaneous receivables from the Center to the University.

Liabilities and Net Assets

2013

	University	Center	Eliminations	Total
Liabilities				
Accounts payable	\$ 2,065	\$ 2,010	\$ (600) ⁽²⁾	\$ 3,475
Accrued expenses, deferred income and other liabilities	7,325	10,312	-	17,637
Annuities payable	1,074	-	-	1,074
U.S. Government grants refundable	3,045	-	-	3,045
	<u>13,509</u>	<u>12,322</u>	<u>(600)</u>	<u>25,231</u>
Funds Held for Others	486	-	-	486
Pension Benefits	11,059	-	-	11,059
	<u>11,545</u>	<u>-</u>	<u>-</u>	<u>11,545</u>
Long-Term Debt	<u>29,183</u>	<u>-</u>	<u>-</u>	<u>29,183</u>
Net Assets				
Unrestricted	23,140	10,764	(10,764) ⁽¹⁾	23,140
Temporarily restricted	9,088	-	-	9,088
Permanently restricted	31,590	-	-	31,590
Total net assets	<u>63,818</u>	<u>10,764</u>	<u>(10,764)</u>	<u>63,818</u>
	<u>\$ 118,055</u>	<u>\$ 23,086</u>	<u>\$ (11,364)</u>	<u>\$ 129,777</u>

(1) To eliminate the University's investment in the Center.

(2) To eliminate the miscellaneous receivables from the Center to the University.

Community of Christ and Affiliates

Consolidating Statements of Activities for Graceland University and Subsidiaries For the Year Ended June 30, 2015 (Dollars in Thousands)

	University			Center
	Unrestricted	Temporarily Unrestricted	Permanently Restricted	Unrestricted
Revenue, Gains and Other Support				
Contributions, private gifts, grants and contracts	\$ 2,577	\$ 1,255	\$ 944	\$ -
Seminars	-	-	-	51,682
Student tuition and fees	22,818	-	-	-
Products	-	-	-	4,936
Service and sales of auxiliary enterprises and affiliates	7,014	-	-	-
Income (loss) from investment activities	3,245	422	(19)	-
Government grants and contracts	308	1,115	-	-
Other	445	19	-	492
Net assets released from restrictions	3,560	(3,560)	-	-
Total revenues, gains and other support	39,967	(749)	925	57,110
Expenses				
Program expenses				
Instruction	14,806	-	-	-
Public service	1,223	-	-	-
Academic support	2,278	-	-	-
Student services	10,724	-	-	-
Auxiliary enterprises	6,383	-	-	-
Seminars and products	-	-	-	36,797
Distributions to Graceland University	-	-	-	1,500
Total program expenses	35,414	-	-	38,297
Management and general	2,464	-	-	17,763
Fundraising	1,789	-	-	-
Total expenses	39,667	-	-	56,060
	300	(749)	925	1,050
Changes in Net Assets from Operating Activities				
Write-off of a contribution receivable	-	-	-	-
Minimum pension liability adjustment	(1,335)	-	-	-
Realized gains on interest rate swap	-	-	-	-
Change in net assets	(1,035)	(749)	925	1,050
Net Assets, Beginning of Year	23,083	9,200	29,128	12,007
Net Assets, End of Year	\$ 22,048	\$ 8,451	\$ 30,053	\$ 13,057

(1) To eliminate distributions by the Center to the University and the current-year decrease in net assets of the Center recorded as investment income by the University.

(2) To reclass a Church contribution to the University reported as other income.

Eliminations	Total			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Consolidated Total
\$ -	\$ 2,577	\$ 1,255	\$ 944	\$ 4,776
-	51,682	-	-	51,682
-	22,818	-	-	22,818
-	4,936	-	-	4,936
-	-	-	-	-
-	7,014	-	-	7,014
(2,550) ⁽¹⁾	695	422	(19)	1,098
-	308	1,115	-	1,423
-	937	19	-	956
-	3,560	(3,560)	-	-
<u>(2,550)</u>	<u>94,527</u>	<u>(749)</u>	<u>925</u>	<u>94,703</u>
-	14,806	-	-	14,806
-	1,223	-	-	1,223
-	2,278	-	-	2,278
-	10,724	-	-	10,724
-	6,383	-	-	6,383
-	36,797	-	-	36,797
(1,500) ⁽¹⁾	-	-	-	-
<u>(1,500)</u>	<u>72,211</u>	<u>-</u>	<u>-</u>	<u>72,211</u>
-	20,227	-	-	20,227
-	1,789	-	-	1,789
<u>(1,500)</u>	<u>94,227</u>	<u>-</u>	<u>-</u>	<u>94,227</u>
(1,050)	300	(749)	925	476
-	(1,335)	-	-	(1,335)
-	-	-	-	-
-	-	-	-	-
(1,050)	(1,035)	(749)	925	(859)
<u>(12,007)</u>	<u>23,083</u>	<u>9,200</u>	<u>29,128</u>	<u>61,411</u>
<u>\$ (13,057)</u>	<u>\$ 22,048</u>	<u>\$ 8,451</u>	<u>\$ 30,053</u>	<u>\$ 60,552</u>

Community of Christ and Affiliates

Consolidating Statements of Activities for Graceland University and Subsidiaries For the Year Ended June 30, 2014 (Dollars in Thousands)

	University			Center
	Unrestricted	Temporarily Unrestricted	Permanently Restricted	Unrestricted
Revenue, Gains and Other Support				
Contributions, private gifts, grants and contracts	\$ 800	\$ 1,158	\$ 646	\$ -
Seminars	-	-	-	45,712
Student tuition and fees	21,347	-	-	-
Products	-	-	-	4,995
Service and sales of auxiliary enterprises and affiliates	6,883	-	-	-
Income (loss) from investment activities	3,724	1,776	(4)	-
Government grants and contracts	281	1,068	-	-
Other	555	49	-	422
Net assets released from restrictions	3,939	(3,939)	-	-
Total revenues, gains and other support	37,529	112	642	51,129
Expenses				
Program expenses				
Instruction	15,276	-	-	-
Public service	1,057	-	-	-
Academic support	2,108	-	-	-
Student services	9,819	-	-	-
Auxiliary enterprises	6,497	-	-	-
Seminars and products	-	-	-	32,716
Distributions to Graceland University	-	-	-	1,520
Total program expenses	34,757	-	-	34,236
Management and general	2,946	-	-	15,650
Fundraising	1,717	-	-	-
Total expenses	39,420	-	-	49,886
	(1,891)	112	642	1,243
Changes in Net Assets from Operating Activities				
Write-off of a contribution receivable	-	-	(3,104)	-
Minimum pension liability adjustment	875	-	-	-
Realized gains on interest rate swap	959	-	-	-
Change in net assets	(57)	112	(2,462)	1,243
Net Assets, Beginning of Year	23,140	9,088	31,590	10,764
Net Assets, End of Year	<u>\$ 23,083</u>	<u>\$ 9,200</u>	<u>\$ 29,128</u>	<u>\$ 12,007</u>

(1) To eliminate distributions by the Center to the University and the current-year decrease in net assets of the Center recorded as investment income by the University.

(2) To reclass a Church contribution to the University reported as other income.

Eliminations	Total			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Consolidated Total
\$ 50 (2)	\$ 850	\$ 1,158	\$ 646	\$ 2,654
-	45,712	-	-	45,712
-	21,347	-	-	21,347
-	4,995	-	-	4,995
-	-	-	-	-
-	6,883	-	-	6,883
(2,763) (1)	961	1,776	(4)	2,733
-	281	1,068	-	1,349
(50) (2)	927	49	-	976
-	3,939	(3,939)	-	-
<u>(2,763)</u>	<u>85,895</u>	<u>112</u>	<u>642</u>	<u>86,649</u>
-	15,276	-	-	15,276
-	1,057	-	-	1,057
-	2,108	-	-	2,108
-	9,819	-	-	9,819
-	6,497	-	-	6,497
-	32,716	-	-	32,716
(1,520) (1)	-	-	-	-
<u>(1,520)</u>	<u>67,473</u>	<u>-</u>	<u>-</u>	<u>67,473</u>
-	18,596	-	-	18,596
-	1,717	-	-	1,717
<u>(1,520)</u>	<u>87,786</u>	<u>-</u>	<u>-</u>	<u>87,786</u>
(1,243)	(1,891)	112	642	(1,137)
-	-	-	(3,104)	(3,104)
-	875	-	-	875
-	959	-	-	959
(1,243)	(57)	112	(2,462)	(2,407)
(10,764)	23,140	9,088	31,590	63,818
<u>\$ (12,007)</u>	<u>\$ 23,083</u>	<u>\$ 9,200</u>	<u>\$ 29,128</u>	<u>\$ 61,411</u>

Community of Christ and Affiliates

Consolidating Statements of Activities for Graceland University and Subsidiaries For the Year Ended June 30, 2013 (Dollars in Thousands)

	University			Center
	Unrestricted	Temporarily Unrestricted	Permanently Restricted	Unrestricted
Revenue, Gains and Other Support				
Contributions, private gifts, grants and contracts	\$ 849	\$ 1,962	\$ 7,068	\$ -
Seminars	-	-	-	47,923
Student tuition and fees	19,374	-	-	-
Products	-	-	-	5,791
Service and sales of auxiliary enterprises and affiliates	6,186	-	-	-
Income (loss) from investment activities	7,098	1,629	(16)	-
Government grants and contracts	316	872	-	-
Other	573	25	61	356
Net assets released from restrictions	9,431	(9,431)	-	-
Total revenues, gains and other support	43,827	(4,943)	7,113	54,070
Expenses				
Program expenses				
Instruction	16,285	-	-	-
Public service	1,293	-	-	-
Academic support	2,200	-	-	-
Student services	8,390	-	-	-
Auxiliary enterprises	6,464	-	-	-
Seminars and products	-	-	-	36,474
Distributions to Graceland University	-	-	-	1,200
Total program expenses	34,632	-	-	37,674
Management and general	3,186	-	-	16,228
Fundraising	1,674	-	-	-
Total expenses	39,492	-	-	53,902
	4,335	(4,943)	7,113	168
Changes in Net Assets from Operating Activities				
Minimum pension liability adjustment	2,378	-	-	-
Unrealized gains on interest rate swap agreements	974	-	-	-
Change in net assets	7,687	(4,943)	7,113	168
Net Assets, Beginning of Year	15,453	14,031	24,477	10,596
Net Assets, End of Year	\$ 23,140	\$ 9,088	\$ 31,590	\$ 10,764

(1) To eliminate distributions by the Center to the University and the current-year decrease in net assets of the Center recorded as investment income by the University.

Eliminations	Total			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Consolidated Total
\$ -	\$ 849	\$ 1,962	\$ 7,068	\$ 9,879
-	47,923	-	-	47,923
-	19,374	-	-	19,374
-	5,791	-	-	5,791
-	-	-	-	-
-	6,186	-	-	6,186
(1,368) ⁽¹⁾	5,730	1,629	(16)	7,343
-	316	872	-	1,188
-	929	25	61	1,015
-	9,431	(9,431)	-	-
<u>(1,368)</u>	<u>96,529</u>	<u>(4,943)</u>	<u>7,113</u>	<u>98,699</u>
-	16,285	-	-	16,285
-	1,293	-	-	1,293
-	2,200	-	-	2,200
-	8,390	-	-	8,390
-	6,464	-	-	6,464
-	36,474	-	-	36,474
(1,200) ⁽¹⁾	-	-	-	-
<u>(1,200)</u>	<u>71,106</u>	<u>-</u>	<u>-</u>	<u>71,106</u>
-	19,414	-	-	19,414
-	1,674	-	-	1,674
<u>(1,200)</u>	<u>92,194</u>	<u>-</u>	<u>-</u>	<u>92,194</u>
(168)	4,335	(4,943)	7,113	6,505
-	2,378	-	-	2,378
-	974	-	-	974
<u>(168)</u>	<u>7,687</u>	<u>(4,943)</u>	<u>7,113</u>	<u>9,857</u>
(10,596)	15,453	14,031	24,477	53,961
<u>\$ (10,764)</u>	<u>\$ 23,140</u>	<u>\$ 9,088</u>	<u>\$ 31,590</u>	<u>\$ 63,818</u>

