

**THE BRUTON PARISH CHURCH
ENDOWMENT FUND, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2013

THE BRUTON PARISH CHURCH ENDOWMENT FUND, INC.

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CAVANAUGH NELSON PLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Report of Independent Accountants

To the Board of Directors
The Bruton Parish Church Endowment Fund, Inc.
Williamsburg, Virginia

We have audited the accompanying statement of net assets of The Bruton Parish Church Endowment Fund, Inc (the "Endowment Fund") as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, and cash flows for each of the years in the three year period ended December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

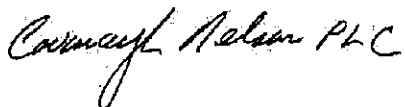
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 statement of net assets of the Endowment Fund as of December 31, 2013 and 2012, and the statement of activities and changes in its net assets and its cash flows for each of the three years in the period ended December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.



September 12, 2014

THE BRUTON PARISH CHURCH ENDOWMENT FUND, INC.

STATEMENT OF NET ASSETS

	December 31,	
	2013	2012
Assets		
Investments, at fair value (Note 2):		
Balanced managers	\$ 9,535,241	\$ 8,487,366
Hedging investments	919,353	850,679
Real assets	866,535	890,366
Private equity	606,646	622,847
Cash equivalents	821,730	294,042
Redemption receivable	<u>9,198</u>	<u>750,000</u>
Total investments	12,758,703	11,895,300
Cash	<u>152,917</u>	<u>144,611</u>
Total assets	<u>\$ 12,911,620</u>	<u>\$ 12,039,911</u>
Liabilities and net assets		
Accrued expenses:		
Due to Bruton Parish Church	\$ 6,000	\$ 60,700
Other liabilities	<u>11,813</u>	<u>19,175</u>
Total liabilities	17,813	79,875
Net assets – unrestricted	<u>12,893,807</u>	<u>11,960,036</u>
Total liabilities and net assets	<u>\$ 12,911,620</u>	<u>\$ 12,039,911</u>

The notes to financial statements are an integral part of these financial statements.

THE BRUTON PARISH CHURCH ENDOWMENT FUND, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

	Years ended December 31,		
	2013	2012	2011
Support and revenue			
Investment income (loss):			
Interest and dividends, net	\$ 447,005	\$ 317,136	\$ 318,942
Realized and unrealized gains (losses), net	983,228	896,483	(292,276)
Investment management fees	<u>(45,911)</u>	<u>(45,027)</u>	<u>(41,271)</u>
Total investment income (loss)	1,384,322	1,168,592	(14,605)
Contributions	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>
Total support and revenue	<u>1,390,322</u>	<u>1,174,592</u>	<u>(8,605)</u>
Expenses			
Program services:			
Bruton Parish Church support	<u>445,000</u>	<u>489,168</u>	<u>409,733</u>
Supporting services:			
Accounting and auditing fees	9,425	9,457	9,244
Other	<u>2,126</u>	<u>1,745</u>	<u>2,154</u>
Total supporting services	<u>11,551</u>	<u>11,202</u>	<u>11,398</u>
Total expenses	<u>456,551</u>	<u>500,370</u>	<u>421,131</u>
Change in net assets	933,771	674,222	(429,736)
Net assets, beginning of year	<u>11,960,036</u>	<u>11,285,814</u>	<u>11,715,550</u>
Net assets, end of year	<u>\$ 12,893,807</u>	<u>\$ 11,960,036</u>	<u>\$ 11,285,814</u>

The notes to financial statements are an integral part of these financial statements.

THE BRUTON PARISH CHURCH ENDOWMENT FUND, INC.

STATEMENT OF CASH FLOWS

	Years ended December 31,		
	2013	2012	2011
Cash flows from operating activities			
Change in net assets	\$ 933,771	\$ 674,222	\$ (429,736)
Adjustments to reconcile change in the net assets to net cash from operating activities:			
Net realized and unrealized investment (gains) losses	(983,228)	(896,483)	292,276
Change in accrued expenses	<u>(62,062)</u>	<u>68,378</u>	<u>3,597</u>
Net cash used for operating activities	<u>(111,519)</u>	<u>(153,883)</u>	<u>(133,863)</u>
Cash flows from investing activities			
Proceeds from sale of investments	2,122,823	1,554,233	1,725,476
Decrease (Increase) in redemption receivable	740,802	(750,000)	-
Purchase of investments	<u>(2,743,800)</u>	<u>(663,600)</u>	<u>(1,591,642)</u>
Net cash provided by investing activities	<u>119,825</u>	<u>140,633</u>	<u>133,834</u>
Net change in cash	8,306	(13,250)	(29)
Cash, beginning of year	<u>144,611</u>	<u>157,861</u>	<u>157,890</u>
Cash, end of year	<u>\$ 152,917</u>	<u>\$ 144,611</u>	<u>\$ 157,861</u>

The notes to financial statements are an integral part of these financial statements.

THE BRUTON PARISH CHURCH ENDOWMENT FUND, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

The Bruton Parish Church Endowment Fund, Inc. (the "Endowment Fund") is a not-for-profit, non-stock corporation organized under the laws of the Commonwealth of Virginia to manage endowments made for the purpose of supporting Bruton Parish Church (the "Church") in Williamsburg, Virginia. The Endowment Fund is managed by a self-perpetuating Board of Directors. Support is provided to the Church only if and when authorized by the Endowment Fund's Board of Directors.

Basis of presentation

The Endowment Fund follows the Financial Accounting Standards Board ("FASB") guidance on financial statements of not-for-profit organizations. Under this guidance, the Endowment Fund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets — Unrestricted net assets result from unrestricted contributions, investment gains and losses, and dividends, less expenses incurred for support of the Church and administrative functions.

Temporarily restricted net assets — Temporarily restricted net assets result from contributions and other inflows of assets whose use by the Endowment Fund is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Endowment Fund pursuant to those stipulations. The Endowment Fund currently has no temporarily restricted net assets.

Permanently restricted net assets — permanently restricted net assets represent contributions and other inflows of assets whose use by the Endowment Fund is limited by donor imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Fund. The Endowment Fund currently has no permanently restricted net assets.

Cash

The Fund considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents.

Investments

Investments in short-term, fixed income and equity funds are carried at quoted market prices (fair value), if available.

Investments in equity substitutes are stated at fair value as determined by the underlying investment fund management. Such valuations are based upon judgments by fund management that reflect various factors including, but not limited to, market values when available, restrictions affecting marketability, operating results and financial condition of the investees and the price of recent transactions. The investees provide the Endowment Fund with monthly or quarterly updates on the estimated values of such funds and on an annual basis the Endowment Fund compares the manager values to its proportionate share of the funds' audited net assets, when available. Due to the inherent uncertainty of such investment valuations, the fair values may differ significantly from the values that would have been used had a ready market for such investments existed, and the differences could be material.

The Endowment Fund manages its investments on a total return basis in order to provide portfolio management flexibility, preserve the purchasing power (real value) of the Endowment Fund's assets and aid its distribution process. Under the total return concept, the Endowment Fund establishes a realistic return objective, including interest, dividends and net investment appreciation, balancing return and risk through diversification of asset classes. The Endowment Fund then uses a spending-rate formula, applied to a three year moving average of the fund's fair value, to establish a limit on how much of the targeted return will be used for annual expenses and distributions. Accordingly, while actual returns in any given year will vary from the objective, distributions remain relatively stable and income in excess of distributions is available to maintain or increase the real value of the Endowment Fund's assets.

Income taxes

The Endowment Fund is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In any given year, however, the Endowment Fund could have exposure to income taxes based on unrelated business income that could pass through to the Endowment Fund from its investments in partnerships or entities that are taxed like partnerships.

The Endowment Fund follows FASB guidance for how uncertain tax positions should be recognized, measured and disclosed in the financial statements. Management has evaluated the Endowment Fund's tax situation and is not aware of the existence of any uncertain tax positions.

The Endowment Fund is not currently under audit by any tax jurisdictions; however, the Endowment Fund's tax returns for 2012, 2011 and 2010 remain subject to examination by tax authorities.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues-and expenses. Actual results could differ from those estimates.

Reclassifications

Certain prior year account balances have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on previously reported net assets or the change in net assets.

Subsequent Events

Management has evaluated subsequent events through September 12, 2014, the date the financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying financial statements.

NOTE 2 – INVESTMENTS

Concentrations

In order to diversify investment risk the Endowment Fund's investments and cash equivalents were allocated among the following asset classes at December 31 (investment fund positions greater than 1.0% are disclosed separately):

	Percent of total investments	
	2013	2012
Balanced managers:		
GMO Global Asset Allocation Fund III	27.6%	40.1%
TIFF Multi-Asset Fund	30.0%	31.2%
MA Endowment Partners, L.P.	<u>17.1%</u>	<u>0.0%</u>
Total balanced managers	<u>74.7%</u>	<u>71.3%</u>
Hedging strategies:		
TIFF Absolute Return Pool	7.2%	6.7%
Redemption receivable	0.1%	6.3%
PA Distressed Opportunities Fund (closed in 2013)	<u>0.0%</u>	<u>0.5%</u>
Total hedging strategies	<u>7.3%</u>	<u>13.5%</u>
Real assets:		
iShares S&P Global Materials Index Fund	1.6%	1.7%
TIFF Real Estate Partners I, LLC	1.2%	1.5%
TIFF Realty and Resources 2008, LLC	2.7%	3.1%
Vanguard Energy Fund	<u>1.3%</u>	<u>1.2%</u>
Total real assets	<u>6.8%</u>	<u>7.5%</u>
Private equity:		
TIFF Partners V-International	0.9%	1.1%
TIFF Partners V-US	1.1%	1.2%
TIFF Private Equity Partners 2007	<u>2.8%</u>	<u>2.9%</u>
Total private equity	<u>4.8%</u>	<u>5.2%</u>
Cash equivalents:		
TIFF Short-Term Fund	5.8%	1.9%
Vanguard Prime Money Market Fund	<u>0.6%</u>	<u>0.6%</u>
Total cash equivalents	<u>6.4%</u>	<u>2.5%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

No individual position included in the above funds in the aggregate exceeded 2.0% of the Endowment Fund's total equity investments.

The Endowment's proportionate interests in components of the above assets aggregated by type of investment are as follows:

	Percent of total investments	
	2013	2012
Developed markets:		
Domestic equities	17.7%	16.9%
Foreign equities	16.6%	20.7%
Equity substitutes:		
Emerging markets	6.0%	6.3%
Hedging strategies	25.1%	17.5%
Private equity	4.6%	5.3%
Real assets	<u>6.7%</u>	<u>6.9%</u>
Total equity type investments	76.7%	73.6%
Bonds	12.2%	11.4%
Cash equivalents	11.0%	8.7%
Redemption receivable	<u>0.1%</u>	<u>6.3%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

Fair values

GAAP requires disclosures about the fair value of assets and liabilities recognized in the statement of net assets in periods subsequent to initial recognition. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a three level fair value hierarchy and describes the inputs that are used to measure assets and liabilities as follows:

Level I: The asset and liability fair values are based on quoted prices in active markets for identical assets or liabilities.

Level II: The asset and liability fair values are based on observable inputs that include quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable and can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level II assets include debt securities with quoted prices that are traded less frequently than exchange traded instruments.

Level III: The asset and liability fair values are based on unobservable inputs that are supported by little or no market activity. Level III assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Most alternative fund investments are classified as Level III investments.

The following table presents the Endowment Fund's assets that are measured at fair value on a recurring basis for each hierarchy level at December 31, 2013 and 2012:

	Level I	Level II	Level III	Total
Investment securities				
December 31, 2013:				
Balanced managers	\$ 7,347,332	\$ -	\$ 2,187,909	\$ 9,535,241
Hedging investments	-	-	919,353	919,353
Real assets	359,356	-	507,179	866,535
Private equity	-	-	606,646	606,646
Cash equivalents	821,730	-	-	821,730
Redemption receivable	-	-	9,198	9,198
Total	<u>\$ 8,528,418</u>	<u>\$ -</u>	<u>\$ 4,230,285</u>	<u>\$ 12,758,703</u>
December 31, 2012:				
Balanced managers	\$ 8,487,366	\$ -	\$ -	\$ 8,487,366
Hedging investments	-	-	850,679	850,679
Real assets	340,658	-	549,708	890,366
Private equity	-	-	622,847	622,847
Cash equivalents	294,042	-	-	294,042
Redemption receivable	-	-	750,000	750,000
Total	<u>\$ 9,122,066</u>	<u>\$ -</u>	<u>\$ 2,773,234</u>	<u>\$ 11,895,300</u>

The following table provides a reconciliation of the beginning and ending balances of investment securities that used significant unobservable inputs (Level III) in the estimation of fair value.

	Balanced Managers	Hedging Investments	Real Assets	Private Equity	Total
Balance at January 1, 2012	\$ -	\$ 1,443,817	\$ 482,614	\$ 615,449	\$ 2,541,880
Purchases and sales of investments, net	-	-	16,086	(26,789)	(10,703)
Net transfers	-	(750,000)	-	-	(750,000)
Net realized and unrealized gains	-	156,862	51,008	34,187	242,057
Balance at December 31, 2012	-	850,679	549,708	622,847	2,023,234
Purchases and sales of investments, net	2,000,000	(57,855)	(69,804)	(72,348)	1,799,993
Net realized and unrealized gains	187,909	126,529	27,275	56,147	397,860
Balance at December 31, 2013	<u>\$ 2,187,909</u>	<u>\$ 919,353</u>	<u>\$ 507,179</u>	<u>\$ 606,646</u>	<u>\$ 4,221,087</u>

Liquidity

The Endowment Fund's investments in hedging investments and certain real assets and private equity investments are subject to restrictions on the frequency of redemptions. At December 31, 2013, \$4,221,087 of investments were subject to redemption limits as follows:

Redemption Limit	Amount
After December 31, 2014	\$ 3,107,262
After December 31, 2015	245,786
After December 31, 2016	156,840
After December 31, 2018	360,860
After December 31, 2022	<u>350,339</u>
Total	<u>\$ 4,221,087</u>

Investment turnover

Investment turnover during the year ended December 31, 2013 consisted primarily of the following:

Positions reduced:

GMO Global Asset Allocation Fund III	\$ 1,735,036
TIFF Multi - Asset Fund	\$ 405,374
TIFF Short-Term Fund	\$ 232,291
TIFF Partners V-International	\$ 29,478
TIFF Partners V-US	\$ 17,836
TIFF Private Equity Partners 2007	\$ 25,034
TIFF Real Estate Partners I	\$ 33,206
TIFF Realty and Resources 2008	\$ 32,481
GMO Forestry Fund 6	\$ 4,117
PA Distressed Opportunities Fund	\$ 57,855
Vanguard – iShares Trust	\$ 4,288
TIFF Energy Fund Admiral	\$ 6,053

Positions increased:

MA Equity Opportunity Fund	\$ 2,000,000
Vanguard Prime Money Market Fund	\$ 10,341

NOTE 3 – COMMITMENTS AND SUBSEQUENT EVENTS

Investees

At December 31, 2013 the Endowment Fund had commitments to invest an additional \$333,391 in certain investment vehicles as follows:

TIFF Realty and Resources 2008, LLC	\$ 115,000
TIFF Private Equity Partners 2007, LLC	80,000
TIFF Real Estate Partners I, LLC	70,891
TIFF Partners V – International, LLC	47,500
TIFF Partners V – U.S., LLC	<u>20,000</u>
	<u>\$ 333,391</u>

Subsequent to year end, \$27,500 was paid to investees related to the above.

Church

At December 31, 2013, the Endowment's commitment to the Bruton Parish Episcopal Church (to be disbursed in 2014) was \$450,000. Subsequent to year end, the Endowment paid \$418,000 to Bruton Parish Church related to the above commitment.

