



**ARMENIAN CHURCH ENDOWMENT FUND, INC.**

**Financial Statements**

**December 31, 2014 and 2013**

**With Independent Auditors' Report**

**Armenian Church Endowment Fund, Inc.**  
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**December 31, 2014 and 2013**

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## **Independent Auditors' Report**

His Eminence Archbishop Khajag Barsamian, Primate  
and the Board of Directors of the Armenian Church Endowment Fund, Inc.:

We have audited the accompanying financial statements of Armenian Church Endowment Fund, Inc., which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Armenian Church Endowment Fund, Inc. as of December 31, 2014 and 2013, and the changes in its net assets (deficit) and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



March 31, 2015

**Armenian Church Endowment Fund, Inc.**  
**Statements of Financial Position**  
**December 31, 2014 and 2013**

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	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 984,272	\$ 884,176
Investments	93,282,189	93,672,776
Contributions receivable	34,777	412,327
Accrued interest receivable	72,404	63,789
Loan receivable	<u>358,750</u>	<u>363,750</u>
	<u>\$ 94,732,392</u>	<u>\$ 95,396,818</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Custodial funds	\$ 29,984,273	\$ 30,183,491
Future obligations of charitable remainder annuities	80,925	84,521
Accounts payable and accrued expenses	<u>11,591</u>	<u>15,460</u>
Total liabilities	30,076,789	30,283,472
<b>Net assets (deficit)</b>		
Unrestricted	(54,150)	(204,678)
Temporarily restricted	9,530,269	10,527,021
Permanently restricted	<u>55,179,484</u>	<u>54,791,003</u>
Total net assets	<u>64,655,603</u>	<u>65,113,346</u>
	<u>\$ 94,732,392</u>	<u>\$ 95,396,818</u>

The Notes to Financial Statements are an integral part of these statements.

**Armenian Church Endowment Fund, Inc.**  
**Statements of Activities and Changes in Net Assets (Deficit)**  
**Year Ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenues				
Investment income				
Interest, dividends and capital gain distributions	\$ 6,300	\$ 3,331,260	\$ --	\$ 3,337,560
Realized loss	--	(85,455)	--	(85,455)
Unrealized loss	(111,936)	(541,675)	--	(653,611)
Administrative fee charged to custodial funds	126,946	--	--	126,946
Allocation of investment income to custodial funds	--	(826,026)	--	(826,026)
	<u>21,310</u>	<u>1,878,104</u>	<u>--</u>	<u>1,899,414</u>
Contributions and custodial funds invested with ACEF	1,009,185	--	388,481	1,397,666
Transfer to custodial funds	<u>(789,185)</u>	<u>--</u>	<u>--</u>	<u>(789,185)</u>
	<u>220,000</u>	<u>--</u>	<u>388,481</u>	<u>608,481</u>
Net present value adjustment to annuities	<u>3,596</u>	<u>--</u>	<u>--</u>	<u>3,596</u>
	<u>244,906</u>	<u>1,878,104</u>	<u>388,481</u>	<u>2,511,491</u>
Net assets released due to satisfaction of purpose restrictions	<u>2,874,856</u>	<u>(2,874,856)</u>	<u>--</u>	<u>--</u>
Total support and revenues	<u>3,119,762</u>	<u>(996,752)</u>	<u>388,481</u>	<u>2,511,491</u>
Expenses and distributions				
Total distributions	3,630,161	--	--	3,630,161
Distributions applicable to custodial funds	<u>(1,222,550)</u>	<u>--</u>	<u>--</u>	<u>(1,222,550)</u>
	<u>2,407,611</u>	<u>--</u>	<u>--</u>	<u>2,407,611</u>
Investment expenses	239,977	--	--	239,977
Investment expenses allocated to custodial funds	<u>(76,697)</u>	<u>--</u>	<u>--</u>	<u>(76,697)</u>
	<u>163,280</u>	<u>--</u>	<u>--</u>	<u>163,280</u>
Management and general expenses	<u>398,343</u>	<u>--</u>	<u>--</u>	<u>398,343</u>
Total expenses	<u>2,969,234</u>	<u>--</u>	<u>--</u>	<u>2,969,234</u>
Changes in net assets	150,528	(996,752)	388,481	(457,743)
Net assets (deficit), beginning of year	<u>(204,678)</u>	<u>10,527,021</u>	<u>54,791,003</u>	<u>65,113,346</u>
Net assets (deficit), end of year	<u>\$ (54,150)</u>	<u>\$ 9,530,269</u>	<u>\$ 55,179,484</u>	<u>\$ 64,655,603</u>

The Notes to Financial Statements are an integral part of this statement.

**Armenian Church Endowment Fund, Inc.**  
**Statements of Activities and Changes in Net Assets (Deficit)**  
**Year Ended December 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenues				
Investment income				
Interest, dividends and capital gain distributions	\$ 3,695	\$ 2,798,877	\$ --	\$ 2,802,572
Realized gains	--	135,437	--	135,437
Unrealized gains	225,110	6,173,400	--	6,398,510
Administrative fee charged to custodial funds	129,576	--	--	129,576
Allocation of net investment income to custodial funds	--	(2,967,850)	--	(2,967,850)
	<u>358,381</u>	<u>6,139,864</u>	<u>--</u>	<u>6,498,245</u>
Contributions and custodial funds invested with ACEF	665,526	--	924,600	1,590,126
Transfer to custodial funds	<u>(665,526)</u>	<u>--</u>	<u>--</u>	<u>(665,526)</u>
	--	--	924,600	924,600
Net present value adjustment to annuities	<u>21,246</u>	<u>--</u>	<u>--</u>	<u>21,246</u>
	379,627	6,139,864	924,600	7,444,091
Net assets released due to satisfaction of purpose restrictions	<u>2,524,686</u>	<u>(2,536,207)</u>	<u>11,521</u>	<u>--</u>
Total support and revenues	2,904,313	3,603,657	936,121	7,444,091
Expenses and distributions				
Total distributions	3,286,844	--	--	3,286,844
Distributions applicable to custodial funds	<u>(1,155,750)</u>	<u>--</u>	<u>--</u>	<u>(1,155,750)</u>
	2,131,094	--	--	2,131,094
Investment expenses	186,635	--	--	186,635
Investment expenses allocated to custodial funds	<u>(59,448)</u>	<u>--</u>	<u>--</u>	<u>(59,448)</u>
	127,187	--	--	127,187
Management and general expenses	<u>407,502</u>	<u>--</u>	<u>--</u>	<u>407,502</u>
Total expenses	<u>2,665,783</u>	<u>--</u>	<u>--</u>	<u>2,665,783</u>
Changes in net assets	238,530	3,603,657	936,121	4,778,308
Net assets (deficit), beginning of year	<u>(443,208)</u>	<u>6,923,364</u>	<u>53,854,882</u>	<u>60,335,038</u>
Net assets (deficit), end of year	<u>\$ (204,678)</u>	<u>\$ 10,527,021</u>	<u>\$ 54,791,003</u>	<u>\$ 65,113,346</u>

The Notes to Financial Statements are an integral part of this statement.

**Armenian Church Endowment Fund, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ (457,743)	\$ 4,778,308
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Net realized and unrealized loss (gains)	739,066	(6,533,947)
Permanently restricted contributions	(388,481)	(924,600)
Changes in net present value of annuities	(3,596)	(21,246)
Net present value adjustment on pledges	--	(3,571)
Changes in assets and liabilities		
Contributions receivable	377,550	61,608
Accrued interest receivable	(8,615)	(2,815)
Custodial funds	(199,218)	2,253,304
Accounts payable and accrued expenses	(3,869)	4,810
Net cash provided (used) by operating activities	55,094	(388,149)
<b>Cash flows from investing activities</b>		
Permanently restricted contributions invested	388,481	924,600
Principal payment on loan receivable	5,000	5,000
Purchase of investments	(5,241,939)	(24,380,718)
Proceeds on sale of investments	4,893,460	19,928,210
Net cash provided (used) by investing activities	45,002	(3,522,908)
Net change in cash and cash equivalents	100,096	(3,911,057)
<b>Cash and cash equivalents</b>		
Beginning of year	884,176	4,795,233
End of year	\$ 984,272	\$ 884,176
<b>Supplemental disclosure of cash flow information</b>		
No amounts were paid for interest or taxes during the years ended December 31, 2014 and 2013.		

The Notes to Financial Statements are an integral part of these statements.

**Armenian Church Endowment Fund, Inc.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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**1. Nature of Activities**

Armenian Church Endowment Fund, Inc. ("ACEF") is a private, Delaware not-for-profit corporation incorporated in 2005. Prior to the date of incorporation, ACEF operated as an unincorporated component of the Diocese of the Armenian Church of America (Eastern) (the "Diocese"), a non-profit religious organization established in 1934. ACEF functions as the custodian of certain funds delivered to it by the Diocese and other affiliated churches and organizations of the Diocese. ACEF's primary purpose is to make investment decisions regarding the funds it holds, to maintain in perpetuity the permanently restricted funds received from contributors and to administer and distribute a consistent annual level of income to all beneficiaries named by the contributors. ACEF also holds custodial funds in a management capacity for the Diocese and other churches and organizations, where the funds are managed and held for their benefit.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

Standards for external financial reporting by not-for-profit organizations require that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. The unrestricted net asset category represents net assets that are not subject to donor imposed restrictions, the temporarily restricted net asset category represents net assets subject to donor-imposed restrictions that will be met by the passage of time or which will be fulfilled by actions of ACEF and the permanently restricted net asset category represents net assets that are subject to donor-imposed restrictions that will not expire by the passage of time nor be fulfilled or otherwise resolved by actions of ACEF. For the years ended December 31, 2014 and 2013, ACEF has recorded accounting transactions in all three net asset categories.

**Revenue and Support Recognition**

ACEF reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets (deficit) as net assets released from restrictions.

Earnings on permanently restricted net assets are recorded as temporarily restricted revenues and follow the restrictions set forth by the donor.

**Cash and Cash Equivalents**

Cash and cash equivalents include funds held in money market account investments and certificates of deposit with a maturity of three months or less at the time of acquisition.

**Investments**

Investments in equity securities with readily determinable values and all investments in debt securities are measured at fair value in the statements of financial position. ACEF has invested funds in certain investments that are considered alternative investments. These investments have been established as corporations, limited partnerships and trusts but are not traded on any public exchange or market. The alternative investments invest in various investment vehicles, including U.S. and global publicly traded equities and bonds, privately held companies, and global currencies. Those investments that are traded in the U.S. or on foreign exchanges are valued based on current traded value. Investments in privately held companies are valued at the net value based on audited or unaudited financial statements. Estimates of fair value for certain investments have been used for valuing those underlying investments that are not readily traded. Income or loss, including realized and unrealized gains and losses on investments, interest and dividends is included in unrestricted net assets unless the income or loss is restricted by donor or law.



**Armenian Church Endowment Fund, Inc.**  
**Notes to Financial Statements**  
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**Distributions of Investment Returns**

Distributions are made annually from investment returns to affiliated beneficiary organizations that were selected by the donors at the time the endowment fund was established. Custodial funds receive an annual distribution, which is paid to the organization that established the custodial account. The ACEF policy for annual distributions is calculated at an annual amount equal to approximately 4.5 percent of the average trailing twelve-quarter market values of each fund. In accordance with this policy, \$3,630,161 and \$3,286,844 was distributed from all funds, including custodial funds, for the years ended December 31, 2014 and 2013, respectively. The total net return, which includes interest and dividend payments plus net capital appreciation earned by the pooled investments, net of the operating expenses and distributions, is applied to each fund at year end.

New accounts or additional contributions to an existing account that have been in ACEF for less than one year will not receive a full 4.5 percent distribution. A prorata calculation is used based on the date of receipt of the contribution. The calculation for the distributions for accounts that have been in ACEF for more than one year but less than three years is based on the dates the contribution was received and the ending market values for each quarter.

**Administrative Fee**

An administrative fee is charged annually to all funds, including custodial funds, based on the actual expenses incurred each year to invest and manage the funds. This fee is charged to each fund based on the weighted average market share held by a fund to the total of all market values and is based on the costs incurred each year shown as management and general expenses in the statements of activities and changed in net assets (deficit). Administrative fees of \$398,343, and \$407,502 were charged to all funds for the years ended December 31, 2014 and 2013, respectively.

**Concentration of Credit Risk**

Financial instruments which potentially subject ACEF to concentrations of credit risk are cash and cash equivalents and investments. ACEF places cash and its investments in high quality securities with several financial and investment institutions which helps limit ACEF's exposure to concentrations of credit risk. However, ACEF is subject to the inherent risks associated with market fluctuations which it attempts to minimize by holding a diversified portfolio. Periodically, cash balances at financial institutions may exceed amounts insured by the Federal Deposit Insurance Corporation.

**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 assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements include the valuation of investments classified as Level III investments (Note 6).

**Income Taxes**

ACEF is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal income tax has been recorded in the statements of activities and changes in net assets (deficit). There are no uncertain tax positions at December 31, 2014 and 2013. There are no open tax years prior to 2011. ACEF did not have any income tax related penalties or interest included in the financial statements presented.

**Fair Value of Financial Instruments**

The carrying amounts of financial instruments including cash equivalents, short term contributions, accrued interest and accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments.

**Armenian Church Endowment Fund, Inc.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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**3. Loans Receivable**

Loans receivable of \$358,750 and \$363,750 were outstanding as of the years ended December 31, 2014 and 2013, respectively and represent unsecured loans made to various parishes. No specific repayment terms have been established; however, final repayment dates range over a five year period through 2015 as outlined in the loan documents. Accrued interest receivable was \$72,404 and \$63,789 at December 31, 2014 and 2013, respectively and is accrued on the outstanding balances at rates of 2.25 percent to 7.68 percent per annum for each year. The rates of interest are subject to change on an annual basis at the discretion of the Board of Directors. No allowance has been recorded for the years ended December 31, 2014 and 2013. Future maturities as of December 31, 2014: 2015 - \$358,750.

**4. Contributions Receivable**

Contributions receivables at December 31 consisted of the following:

	<b>2014</b>	<b>2013</b>
Total contributions receivable	\$ 34,777	\$ 412,327
Less: Discount to net present value	--	--
Net contributions receivable	34,777	412,327
Less: Current portion	34,777	412,327
Contributions receivable, long term	<u>\$ --</u>	<u>\$ --</u>

**5. Investment Income**

Investment income, including investment income allocable to custodial funds for the years ended December 31, was:

	<b>2014</b>	<b>2013</b>
Interest, dividend income and capital gains distributions	\$ 3,337,560	\$ 2,802,572
Unrealized (loss) gain	(653,611)	6,398,510
Realized (loss) gains	(85,455)	135,437
Investment expenses	(239,977)	(186,635)
	<u>\$ 2,358,517</u>	<u>\$ 9,149,884</u>

**6. Fair Value Measurements**

ACEF has provided fair value disclosure information for relevant assets and liabilities in these financial statements. ACEF values applicable assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible (Level I). To the extent that such market prices are not available, ACEF will next attempt to value such assets and liabilities using observable measurement criteria, including quoted market prices of similar assets and liabilities in active and inactive markets, utilizing net asset values for funds that can be redeemed in the near term and other corroborated factors (Level II). In the event that quoted market prices in active markets and other observable measurement criteria are not available, ACEF will develop measurement criteria based on the best information available (Level III). Investments that have been included in Level III were measured using the cost approach and the information that was provided by the fund managers. For investments in partnerships, the fair value of these investments has been estimated using the net asset value of ACEF's ownership interest in partners' capital. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying assets of the fund are liquidated. However, the time of sale of these underlying assets is unknown.

**Armenian Church Endowment Fund, Inc.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

The following table summarizes assets (liabilities) which have been accounted for at fair value on a recurring basis as of December 31, 2014, along with the basis for the determination of fair value:

2014				
Asset Class	Total	Quoted Prices in Active Markets (Level I)	Observable Measurement Criteria (Level II)	Unobservable Measurement Criteria (Level III)
U.S. Equity				
Mutual fund - large cap	\$ 16,159,832	\$ 16,159,832	\$ --	\$ --
Developed ex U.S. Equity				
Large cap fund	8,334,479	--	8,334,479	--
Global equity fund	4,969,552	--	4,969,552	--
Emerging Markets Equity fund	12,974,706	10,729,599	2,245,107	--
Hedge Funds				
Multi-strategy	9,818,153	--	--	9,818,153
Long/short equity strategies	13,676,820	5,305,729	--	8,371,091
Diversified	6,753,643	--	--	6,753,643
Real Estate	492,876	--	--	492,876
Natural Resources funds				
Commingled index fund	4,299,459	--	4,299,459	--
Mutual fund - non diversified	1,190,732	1,190,732	--	--
Publicly traded commodity futures	2,267,262	--	2,267,262	--
Private Investments				
Private equity strategies	2,562,437	--	--	2,562,437
Fixed Income				
Mutual fund - corporate bonds	9,782,238	9,782,238	--	--
	<u>\$ 93,282,189</u>	<u>\$ 43,168,130</u>	<u>\$ 22,115,859</u>	<u>\$ 27,998,200</u>

ACEF uses Net Asset Value ("NAV") to determine the fair value of underlying investments in funds that do not have a readily determinable value. The following table lists Level III investments by class and investment strategy as of December 31, 2014:

Strategies	# of Funds	Valuation	Unfunded Commitment	Redemption Commitment	Redemption Notice Period
Hedge Funds					
Multi-strategy (a)	1	\$ 9,818,153	\$ --	None	90 days* - see below
Long/short strategy (b)	1	5,143,589	--	None	75 days - see below
Long/short strategy (c)	1	3,227,502	--	None	75 days * - see below
Diversified strategy (d)	1	2,389,805	--	None	90 days* - see below
Diversified strategy (e)	1	4,363,838	--	None	33 days* - see below
Private Investments					
Private equity strategies (f)	1	1,578,229	358,000	None	N/A
Private equity strategies (g)	1	984,208	1,120,000	None	N/A
Developed ex U.S. equity (h)	1	8,334,479	--	None	Monthly
Global equity fund (i)	1	4,969,552	--	None	Semi-monthly
Emerging markets equity fund (j)	1	2,245,107	--	None	Monthly
Natural resources funds					
Commingled index fund (k)	1	4,299,459	--	None	Daily
Publicly traded commodity futures fund (l)	1	2,267,262	--	None	Monthly
Private real estate (m)	1	492,876	2,507,124	None	N/A
		<u>\$ 50,114,059</u>	<u>\$ 3,985,124</u>		

**Armenian Church Endowment Fund, Inc.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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- a) This investment is a multi-strategy fund of funds that invests in hedge funds that pursue arbitrage and event driven strategies globally. Redemptions may be made semi-annually at June 30 and December 31 with 90-day notice following a one year lockup.
- b) This investment is a fund of funds that invests in hedge funds that pursue long/short equity strategies globally. Redemptions may be made annually at December 31 with 75-day notice. Redemptions may be made on other dates subject to a 2 percent redemption fee.
- c) This investment is a fund of funds that invest in hedge funds that pursues global long/short equity strategies. Redemptions may be made annually at December 31 with 75-day notice following a one year lockup. After the lockup, investors may also redeem at June 30 subject to a 5 percent redemption fee.
- d) This investment is a diversified fund of funds that invests in hedge funds that pursue long/short equity, arbitrage, and event driven strategies globally. Redemptions may be made annually on December 31, beginning December 31, 2012 with 90-day notice.
- e) This single manager fund of funds offers a blend of systematic and discretionary global macro strategies by investing in multiple equity and fixed income hedge funds. Redemptions may be made quarterly on the first business day with 33 days written notice, subject to a ten percent gate at the class share level.
- f) This investment is a limited partnership that invests in other limited partnerships that pursue private equity strategies primarily in U.S. companies.
- g) This investment is a limited partnership that purchases secondary interests in buyout and venture capital funds globally.
- h) This investment is a commingled fund that invests in non-US equity securities of companies worldwide. Redemptions are made on the last business day of the month.
- i) This investment is a commingled fund that invests in worldwide equity securities. Redemptions are made on the 15<sup>th</sup> and last business day of each month.
- j) This investment is a commingled fund that invests in a diversified portfolio of equity securities of companies incorporated in the Asia-Pacific region, excluding Japan. Redemptions occur on the first business day of the month.
- k) This asset is a commingled fund invested in a diversified mix of liquid real assets including commodities, futures, natural resource equities, U.S. Real Estate Investment Trusts (REITs) and U.S. Treasury Inflation Protected Securities (TIPS). Redemptions occur daily.
- l) This asset is a commingled fund invested significantly in U.S. Treasury bills and commodity futures. Redemptions occur monthly.
- m) This investment is a limited partnership that invests in private global real estate purchased in the secondary market.

**Armenian Church Endowment Fund, Inc.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

The following is a summary of activity for the year ended December 31, 2014 for assets (liabilities) measured at fair value based on unobservable measure criteria:

	<b>Hedge Funds</b>	<b>Real Estate</b>	<b>Private Investments</b>	<b>Total</b>
Balance, beginning of year	\$ 24,357,399	\$ --	\$ 1,892,695	\$ 26,250,094
Realized and unrealized gains	595,213	--	417,728	1,012,941
Purchases	--	492,876	650,000	1,142,876
Sales	--	--	(467,921)	(467,921)
(Loss) income	(9,725)	--	69,935	60,210
Balance, end of year	<u>\$ 24,942,887</u>	<u>\$ 492,876</u>	<u>\$ 2,562,437</u>	<u>\$ 27,998,200</u>

The following table summarizes assets (liabilities) which have been accounted for at fair value on a recurring basis as of December 31, 2013, along with the basis for the determination of fair value:

<b>2013</b>				
<b>Asset Class</b>	<b>Total</b>	<b>Quoted Prices in Active Markets (Level I)</b>	<b>Observable Measurement Criteria (Level II)</b>	<b>Unobservable Measurement Criteria (Level III)</b>
U.S. Equity				
Mutual fund - large cap	\$ 14,934,815	\$ 14,934,815	\$ --	\$ --
Developed ex U.S. Equity				
Large cap fund	8,509,325	--	8,509,325	--
Global equity fund	5,626,872	--	5,626,872	--
Emerging Markets Equity fund	13,340,104	11,240,104	2,100,000	--
Hedge Funds				
Multi-strategy	9,821,893	--	--	9,821,893
Long/short equity strategies	12,207,249	4,133,656	--	8,073,593
Diversified	6,461,913	--	--	6,461,913
Natural Resources funds				
Commingled index fund	4,352,110	--	4,352,110	--
Mutual fund - non diversified	2,394,825	2,394,825	--	--
Publicly traded commodity futures	2,754,413	--	2,754,413	--
Private Investments				
Private equity strategies	1,892,695	--	--	1,892,695
Fixed Income				
Mutual fund - corporate bonds	11,376,562	11,376,562	--	--
	<u>\$ 93,672,776</u>	<u>\$ 44,079,962</u>	<u>\$ 23,342,720</u>	<u>\$ 26,250,094</u>

The following is a summary of activity for the year ended December 31, 2013 for assets (liabilities) measured at fair value based on unobservable measure criteria:

	<b>Hedge Funds</b>	<b>Real Estate</b>	<b>Private Investments</b>	<b>Total</b>
Balance, beginning of year	\$ 17,649,334	\$ 1,660,279	\$ 1,438,645	\$ 20,748,258
Realized and unrealized gains	2,425,058	55,767	157,638	2,638,463
Purchases	4,000,000	--	450,000	4,450,000
Sales	--	(1,786,571)	(174,968)	(1,961,539)
Income	283,007	70,525	21,380	374,912
Balance, end of year	<u>\$ 24,357,399</u>	<u>\$ --</u>	<u>\$ 1,892,695</u>	<u>\$ 26,250,094</u>

**Armenian Church Endowment Fund, Inc.**  
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**7. Custodial Funds**

Custodial funds are managed by ACEF and have been included in the investment pool. Each fund shares, on a pro rata basis based on their fund balances, in the investment earnings, expenses and the allocated undistributed earnings of the investment pool as determined by the allocation and distribution policies of ACEF. The custodial funds remain the property of the investing entity and are fully refundable at the investors' request and subject to the return of funds policy of ACEF which allows for a ninety day timeframe for repayment of funds. Custodial funds were comprised of the following as of December 31:

	<b>2014</b>	<b>2013</b>
Diocese of the Armenian Church	\$ 14,275,216	\$ 14,588,907
Other organizations	<u>15,709,057</u>	<u>15,594,584</u>
Total custodial funds	<u>\$ 29,984,273</u>	<u>\$ 30,183,491</u>

**8. Net Assets**

Temporarily restricted net assets primarily include the net earnings or allocated unrealized appreciation on permanently restricted net assets that are restricted by the donor as to the purpose of use. Restricted purposes have been summarized as follows at December 31:

	<b>2014</b>	<b>2013</b>
<b>Purpose of Restriction</b>		
United States Armenian churches and schools	\$ 2,052,377	\$ 2,385,909
Overseas Armenian churches and schools	1,087,265	1,250,675
Christian education	1,097,757	1,230,465
Diocesan programs	984,144	1,279,346
Spiritual leadership fund	286,627	326,010
Cultural programs	45,813	52,136
Clergy support	2,515,917	2,441,753
Seniors programs and social services	90,163	102,981
ACYOA	55,837	62,561
Camp and youth programs	39,031	46,651
Life income funds	94,046	105,221
Information and publication activities	369,134	414,742
Scholarship programs	5,510	6,143
Cathedral	177,695	212,416
Choir	2,935	3,230
Alumni fund	26,138	30,835
CASP	4,166	5,306
ARSHO Foundation	953	835
Mission parishes	<u>594,761</u>	<u>569,806</u>
	<u>\$ 9,530,269</u>	<u>\$ 10,527,021</u>

**Armenian Church Endowment Fund, Inc.**  
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Net assets were released from donor restrictions by incurring expenses to satisfy the purpose restrictions specified by donors as follows:

	<b>2014</b>	<b>2013</b>
United States Armenian churches and schools	\$ 844,304	\$ 751,215
Overseas Armenian churches and schools	475,387	430,658
Christian education	302,731	273,382
Diocesan programs	663,528	598,537
Spiritual leadership fund	88,966	80,478
Cultural programs	14,293	12,929
Clergy support	163,211	130,212
Seniors programs and social services	29,915	26,939
ACYOA	16,829	14,584
Camp and youth programs	17,250	15,590
Life income funds	4,564	4,521
Information and publication activities	102,795	92,990
Scholarship programs	15,659	14,125
Cathedral	78,528	71,033
Choir	666	603
Alumni fund	10,595	9,572
CASP	2,576	2,329
ARSHO Foundation	1,671	1,002
Mission parishes	41,388	5,508
	<u>\$ 2,874,856</u>	<u>\$ 2,536,207</u>

**Endowment Funds**

Permanently restricted net assets consist of approximately 129 donor-restricted endowment funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

	<b>2014</b>	<b>2013</b>
Permanently restricted - principal amount required to be held in perpetuity by the donor	<u>\$ 55,179,484</u>	<u>\$ 54,791,003</u>

**Interpretation of Relevant Law**

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") provides guidance on the maintenance and spending of endowment funds when the intent of the donors is not clear. UPMIFA provides guidelines for the expenditure of a permanently or temporarily donor restricted endowment fund, absent explicit donor stipulations. UPMIFA eliminates the requirement for a permanent endowment to be maintained at its historic dollar value amount and instead allows not-for-profits to adopt prudent spending policies which can allow for the temporary invasion of corpus. The permanent endowments of ACEF are subject to written instruments in which the donor's intent as to purpose and spending policies are explicitly indicated. As a result, ACEF classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. 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 designated for expenditure by ACEF in a manner consistent with the standard of prudence prescribed by state law.

**Armenian Church Endowment Fund, Inc.**  
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ACEF considers the following factors in making a determination to distribute or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of ACEF 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 organization
- (7) The investment policies of the organization.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires ACEF to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were approximately \$441,000 and \$329,000 at December 31, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred during the last fiscal year and continued distributions for certain programs that were deemed prudent by the Board of Directors. The following tables provide information regarding the change in endowment net assets for the years ended December 31:

<b>2014</b>				
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning	\$ (328,773)	\$ 10,091,244	\$ 54,791,002	\$ 64,553,473
Investment income	--	2,271,714	--	2,271,714
Realized loss	--	(58,144)	--	(58,144)
Unrealized loss	(111,936)	(332,781)	--	(444,717)
	(111,936)	1,880,789	--	1,768,853
Contributions received	--	--	388,481	388,481
Other	--	--	--	--
Appropriated for expenditure	--	(2,839,352)	--	(2,839,352)
Endowment net assets, ending	\$ (440,709)	\$ 9,132,681	\$ 55,179,483	\$ 63,871,455

  

<b>2013</b>				
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning	\$ (553,883)	\$ 6,493,527	\$ 53,854,881	\$ 59,794,525
Investment income	--	1,906,324	--	1,906,324
Realized gain	--	92,297	--	92,297
Unrealized gain	225,110	4,135,303	--	4,360,413
	225,110	6,133,924	--	6,359,034
Contributions received	--	--	924,600	924,600
Other	--	--	11,521	11,521
Appropriated for expenditure	--	(2,536,207)	--	(2,536,207)
Endowment net assets, ending	\$ (328,773)	\$ 10,091,244	\$ 54,791,002	\$ 64,553,473



**Armenian Church Endowment Fund, Inc.**  
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**9. Related Party Transactions**

ACEF rents space on under an annual lease agreement from the Diocese. Total rent expense under this agreement was \$36,000 for each of the years ended December 31, 2014 and 2013. The future commitment under the lease agreement at December 31, 2014 was for \$36,000 for the year ending December 31, 2015.

The Diocese provides an employee directed tax-deferred savings plan, which is available to all full-time employees after sixty days of employment. The savings plan is non-contributory by ACEF. All ACEF employees are eligible to participate in the Diocese plan.

**10. Commitments**

ACEF has commitments of approximately \$3,985,000 under subscription agreements to fund capital calls of private equity limited partnerships as of December 31, 2014.

**11. Subsequent Events**

The 2014 annual distribution of approximately \$4,073,000 was approved in March 2015.

ACEF has evaluated subsequent events occurring after the statement of financial position date through the date of March 31, 2015 which is the date the financial statements were available to be issued. Based on this evaluation, ACEF has determined that no other subsequent events have occurred which require disclosure in or adjustment to the financial statements.