

EPISCOPAL DIOCESE OF ALBANY

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EPISCOPAL DIOCESE OF ALBANY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		2017		TOTAL
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	
REVENUES					
Investment return	\$ 78,871	\$ (37,674)	\$ 129,356	\$ 445,658	\$ 575,014
Fees and related income	1,250,532	-	1,275,646	-	1,275,646
Contributions and bequests	735,469	59,350	423,171	-	423,171
Fitch gilbert trust distributions	108,023	-	82,404	-	82,404
Parish assessments	1,236,669	7,738	1,322,022	11,785	1,333,807
Releases from restrictions	133,383	(133,383)	102,691	(102,691)	-
TOTAL REVENUES	3,542,947	(103,969)	3,335,290	354,752	3,690,042
EXPENSES					
Program					
Ministries and Initiatives	487,345	-	400,472	-	400,472
Clergy Benefits and Education	23,371	-	25,130	-	25,130
Healing Ministries	166,132	-	164,157	-	164,157
Youth Ministries	59,340	-	46,427	-	46,427
Day Care and Camps	481,814	-	504,810	-	504,810
Facility Operations	837,130	-	746,758	-	746,758
Supporting Services					
Management and General	1,652,506	-	1,553,705	-	1,553,705
TOTAL EXPENSES	3,707,638	-	3,441,459	-	3,441,459
INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER ITEMS	(164,691)	(103,969)	(106,169)	354,752	248,583
OTHER ITEMS					
Gain on sale of property	-	-	6,293	-	6,293
TOTAL OTHER ITEMS	-	-	6,293	-	6,293
INCREASE (DECREASE) IN NET ASSETS	(164,691)	(103,969)	(99,876)	354,752	254,876
NET ASSETS					
Beginning of Year	10,947,839	5,866,781	11,047,715	5,512,029	16,559,744
End of Year	\$ 10,783,148	\$ 5,762,812	\$ 10,947,839	\$ 5,866,781	\$ 16,814,620

See accompanying notes to financial statements.

**EPISCOPAL DIOCESE OF ALBANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Ministries and Initiatives	Clergy Benefits and Education	Healing Ministries	Youth Ministries	Day Care and Camps	Facility Operations	Management and General	TOTAL
EXPENSES								
Grants	\$ 284,740	\$ 6,700	-	-	\$ -	\$ 3,277	\$ 18,102	\$ 312,819
Travel	978	-	-	1,723	187	139	23,773	26,800
Office	4,004	-	598	4,041	3,159	2,573	26,209	40,584
Retreats, conferences and meetings	49,614	14,250	6,997	2,093	-	-	6,784	79,738
Apportionment	-	-	-	-	-	-	-	-
and assessments	101,935	-	-	-	-	-	-	101,935
Printing and postage	40,883	-	8	175	-	816	13,800	56,209
Advertising	730	-	3,862	296	3,131	1,811	588	10,418
Professional fees	4,002	-	-	-	-	-	76,428	80,430
Housing allowance	-	-	-	-	-	-	192,353	192,353
Fringe benefits	-	2,208	2,155	103	51,114	86,373	169,768	314,721
Pension	-	-	15,797	2,237	14,380	24,651	40,744	97,809
Salaries	-	-	84,807	25,550	259,433	353,146	532,645	1,255,581
Payroll taxes	-	-	3,841	5,199	29,023	39,118	53,017	130,198
Staff training	-	-	-	340	1,079	1,176	3,293	5,888
Telephone and utilities	-	-	16,200	3,465	5,778	106,232	37,152	168,827
Insurance	-	-	9,292	7,324	36,546	24,692	28,528	106,382
Food and beverages	-	-	3,592	413	41,792	52,960	-	98,757
Maintenance and repairs	-	-	1,385	588	5,621	104,949	34,586	147,129
Program expenses	459	213	16,715	2,896	26,592	8,630	25,412	80,917
Small equipment	-	-	-	-	50	14,218	764	15,032
Information technology	-	-	926	2,897	3,402	9,206	17,449	33,880
Taxes	-	-	-	-	-	163	-	163
Lease	-	-	-	-	-	-	6,956	6,956
Development	-	-	-	-	-	-	11,933	11,933
Depreciation	-	-	-	-	-	-	332,222	332,222
	\$ 487,345	\$ 23,371	\$ 166,132	\$ 59,340	\$ 481,814	\$ 837,130	\$ 1,652,506	\$ 3,707,638

See accompanying notes to financial statements.

**EPISCOPAL DIOCESE OF ALBANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Ministries and Initiatives	Clergy Benefits and Education	Healing Ministries	Youth Ministries	Day Care and Camps	Facility Operations	Management and General	TOTAL
EXPENSES								
Grants	\$ 197,086	\$ 5,500	-	-	\$ -	\$ 3,297	\$ 10,909	\$ 216,792
Travel	144	-	855	428	908	2,491	17,195	22,021
Office	1,856	-	1,820	4,462	7,454	3,272	22,781	41,645
Retreats, conferences and meetings	16,719	17,254	3,119	4,398	25	-	5,526	47,041
Apportionment	-	-	-	-	-	-	-	-
and assessments	125,882	-	-	-	-	-	-	125,882
Printing and postage	52,671	-	-	-	1,141	397	5,843	60,052
Advertising	680	-	1,291	242	4,531	1,515	1,826	10,085
Professional fees	5,236	-	-	-	-	-	85,326	90,562
Housing allowance	-	-	-	-	-	-	159,208	159,208
Fringe benefits	-	2,376	-	1,805	22,318	52,587	155,342	234,428
Pension	-	-	10,980	779	11,390	17,698	45,232	86,079
Salaries	-	-	81,140	12,457	296,522	301,963	535,263	1,227,345
Payroll taxes	-	-	4,354	4,687	34,955	39,112	51,973	135,081
Staff training	-	-	180	-	5,182	3,136	2,515	11,013
Telephone and utilities	-	-	14,206	5,002	7,172	91,018	31,024	148,422
Insurance	-	-	8,467	6,705	33,236	32,221	26,000	106,629
Food and beverages	-	-	3,260	2,676	33,311	66,533	-	105,780
Maintenance and repairs	-	-	6,185	521	9,089	100,695	30,657	147,147
Program expenses	198	-	27,644	194	33,822	6,574	16,841	85,273
Small equipment	-	-	-	-	33	17,634	6,475	24,342
Information technology	-	-	656	2,071	3,721	6,082	17,644	30,174
Taxes	-	-	-	-	-	333	-	333
Lease	-	-	-	-	-	-	7,065	7,065
Bad debts	-	-	-	-	-	-	310	310
Development	-	-	-	-	-	-	8,194	8,194
Depreciation	-	-	-	-	-	-	-	-
	<u>\$ 400,472</u>	<u>\$ 25,130</u>	<u>\$ 164,157</u>	<u>\$ 46,427</u>	<u>\$ 504,810</u>	<u>\$ 746,758</u>	<u>\$ 1,553,705</u>	<u>\$ 3,441,469</u>

See accompanying notes to financial statements.

EPISCOPAL DIOCESE OF ALBANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (268,660)	\$ 254,876
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	332,222	310,556
Realized and unrealized (gain) loss on investments	223,612	(312,207)
Gain on disposition of property and equipment	-	(600)
Changes In		
Accounts receivable	(3,493)	9,361
Other receivables	24,475	(14,903)
Prepaid expenses	(8,807)	11,384
Other assets	3,249	5,193
Accounts payable and accrued liabilities	(20,675)	(4,856)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>281,923</u>	<u>258,804</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(227,623)	(256,343)
Proceeds from sale of property and equipment	-	600
Proceeds from sale of investments	285,025	175,388
Purchase of investments	(369,576)	(240,593)
Change in shareholder deposits	1,265	(27,752)
NET CASH USED BY INVESTING ACTIVITIES	<u>(310,909)</u>	<u>(348,700)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Loans to parishes	(146,690)	(24,000)
Parish loan repayments	35,162	92,796
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(111,528)</u>	<u>68,796</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (140,514)	 (21,100)
 CASH AND CASH EQUIVALENTS		
Beginning of Year	<u>1,319,376</u>	<u>1,340,476</u>
End of Year	<u>\$ 1,178,862</u>	<u>\$ 1,319,376</u>
 SCHEDULE OF NONCASH INVESTING TRANSACTIONS		
Gain on trade in of vehicle	<u>\$ -</u>	<u>\$ 5,693</u>

See accompanying notes to financial statements.

**EPISCOPAL DIOCESE OF ALBANY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Episcopal Diocese of Albany (the "Diocese") is presented to assist in understanding the Diocese's financial statements. The Episcopal Diocese of Albany is the governing entity of the Episcopal Church in Northeast New York State. The financial operations of the Diocese are directed by the Bishop and the Diocesan Convention. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Programs and Funds

The financial statements include all programs, funds and activities under the management of the Diocese. The following is a brief description of the various activities of the Diocese.

Trust Funds – These funds are comprised of trusts, legacies and certain other accounts, some of which are restricted to a specific use. The trust funds are managed by the Trustees of the Diocese.

Diocesan Development – This fund is used principally to make loans to parishes within the Diocese. The interest rate on these loans is 5.5%. The fund is managed by the Diocesan Development Fund Committee.

Diocesan Operations – Revenues are received from Parishes in the form of annual apportionments and contributions. Funds are disbursed primarily for administrative costs and to support various ministries of the Diocese. The net cost of real property and equipment owned by the Diocese (see Note 4), are also included in Diocesan operations. The operations of the Diocese are managed by the Bishop, the Diocesan Council and the Standing Committee of the Diocese.

Spiritual Life Center – Revenues are derived primarily from fees related to services provided at the Spiritual Life Center and donations. Expenses related to the operations and providing services by the Spiritual Life Center are included in facility operations. The operations of the Spiritual Life Center are managed by the Bishop and management of the Spiritual Life Center and Diocese.

All interfund transactions have been eliminated.

Financial Statement Presentation

For the year ended December 31, 2018, the Diocese adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities* which amends the requirements for financial statements and notes required by a not-for-profit. ASU 2016-14 requires a not-for-profit to:

- Present on the statement of financial position amounts for two classes of net assets, *net assets with donor restrictions* and *net assets without donor restrictions*, as well as the currently required total amount of net assets.
- Present on the face of the statement of activities the amount of the change in each of the two classes of net assets, as well as the currently required amount of the change in total net assets.
- Provide enhanced disclosures for:
 - Amounts and purposes of governing board designations that result in self-imposed limits of the use of resources without donor-imposed restrictions.
 - Composition of net assets with donor restrictions and how the restrictions affect the use of the resources.

**EPISCOPAL DIOCESE OF ALBANY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

- Qualitative information that communicates management of liquid resources available to meet cash needs for general expenditures within one year.
- Quantitative information that communicates availability of financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date.
- Amounts of expenses by both their natural classification and their functional classification.
- Method(s) used to allocate costs among program and support functions.
- Underwater endowment funds.
- Report investment return net of external and direct internal investment expenses and no longer require disclosure of those netted expenses.

Net Asset Classifications

In the accompanying financial statements, net assets are reported under the following two classes:

- Without donor restrictions – represents resources over which the Trustees of the Diocese have full discretion with respect to use.
- With donor restrictions – represents resources with donor-imposed restrictions that may or will be met either by the actions of the Diocese and/or the passage of time and resources subject to donor-imposed stipulations that they be maintained in perpetuity by the Diocese.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Diocese considers all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are comprised of shares in Albany Diocesan Investment Trust and are valued at net asset value in the statement of financial position. See Note 2 for further discussion. Unrealized gains and losses are included in the change in net assets.

Loans Receivable from Parishes

Loans receivable from parishes represents funds advanced to parishes of the Episcopal Diocese of Albany. Loans are stated at unpaid principal balances and carry a rate of interest of 5.5%. The Diocese accounts for uncollectible loans using the direct charge-off method which Management believes estimates the allowance method. Loans receivable from parishes outstanding at December 31, 2018 and 2017 were \$327,030 and \$215,502, respectively.

Property and Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are expensed as incurred. The cost and related accumulated depreciation of property and equipment sold or otherwise disposed of are removed from the accounts and any gain or loss is reported as current year revenue or expense. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets ranging from three to forty years.

**EPISCOPAL DIOCESE OF ALBANY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions

Contributions, including legally enforceable promises to give, are recognized as revenue when received and are considered to be available for use unless specifically restricted by the donor. Conditional contributions, when applicable, are recognized as revenue when the conditions on which they depend have been substantially met. Contributions receivable are recorded at their net realizable value. At December 31, 2018 and 2017, there were no contributions due in more than one year.

The Diocese records contributions as increases in net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor time restriction ends or a purpose restriction is fulfilled, the net assets are reported in the statement of activities as net assets released from restrictions.

Contributed Services and Facilities

When applicable, contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically would need to be purchased if not provided by donation. Contributed services that do not meet the above criteria or are not quantifiable are not recognized as revenue and are not reported in the accompanying financial statements. During the years ended December 31, 2018 and 2017, there were no contributed services recognized as revenue.

Related Parties

The Diocese provides certain office facilities under an arrangement with two affiliates: Episcopal Charities of Albany, Inc. ("Charities") and Albany Diocesan Investment Trust ("ADIT"). These affiliates share some board members in common. During 2018 and 2017, Charities and ADIT provided the Diocese with reimbursement for certain allocated administrative costs of \$183,197 and \$178,256, respectively, shown on the statement of activities as part of fees and related income.

Functional Allocation of Expenses

The cost of providing the Diocese's programs and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Expenses that can be identified with a program or support service are considered program expenses. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Diocese. No costs have been allocated between the program and supporting services benefited.

Income Taxes

No provision is made for income taxes as the Diocese is exempt from taxes under the Internal Revenue Code.

**EPISCOPAL DIOCESE OF ALBANY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Buildings and Improvements	\$ 10,759,820	\$ 10,671,730
Furniture, Equipment and Other	225,603	201,837
Land	2,018,658	2,018,658
Construction In Progress	115,767	-
Total Property and Equipment	13,119,848	12,892,225
Less: Accumulated Depreciation	4,368,356	4,036,134
Net Property and Equipment	\$ 8,751,492	\$ 8,856,091

Construction in progress is related to the Spiritual Life Center audio infrastructure, which began in 2018, and will be completed in 2019.

Depreciation expense was \$332,222 and \$310,556 for the years ended December 31, 2018 and 2017, respectively.

4. AGENCY FUNDS

Agency funds are contributions held by the Diocese for unrelated ministries and are only used for their benefit.

Agency funds at December 31, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Oaks of Righteousness Ministry	\$ 45,881	\$ 51,975
Foreign Ministries	2,475	1,269
Total Agency Funds	\$ 48,356	\$ 53,244

5. CLERGY DISCRETIONARY FUNDS

Included in cash are certain amounts designated by the Diocese to be spent at the direction of specific Clergy. These amounts may be spent for charitable purposes by the designated Clergy and total \$32,640 and \$34,314 at December 31, 2018 and 2017, respectively.

6. SPECIAL FACILITIES

The Diocese owns and operates certain special facilities which are primarily included under Spiritual Life Center on the supplementary schedule of activities and changes in net assets by fund on pages 22 and 23. The Spiritual Life Center, located in the Adirondack region of upstate New York, is a conference and meeting facility which began operations in 2004. A schedule of special facilities operating revenues and expenses, the substantial portion of which relates to the Spiritual Life Center, follows:

**EPISCOPAL DIOCESE OF ALBANY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

6. SPECIAL FACILITIES

	<u>2018</u>	<u>2017</u>
<u>Revenues</u>		
Dividends and Interest	\$ 14,329	\$ 14,192
Fees and Related Income	890,202	974,949
Contributions	461,489	373,174
Interfund Revenue	299,971	274,000
Total Revenues	1,665,991	1,636,315
<u>Expenses</u>		
Program Expenses:		
Beaver Cross Camp	175,306	223,397
Healing Ministry	166,639	164,709
Youth Ministry	59,340	46,424
Daycare	268,334	233,102
Activities	38,174	48,313
Facility Operations	754,228	682,313
Total Program Expenses	1,462,021	1,398,258
Management and General Expenses:		
Administration	249,137	218,462
Total Expenses	1,711,158	1,616,720
Net Increase (Decrease) in Net Assets From Operations	\$ (45,167)	\$ 19,595

The interfund revenue of \$299,971 and \$274,000 for the years ended December 31, 2018 and 2017, respectively, is eliminated in the statement of activities.

7. PENSION PLAN

The Diocese maintains a defined contribution pension plan (the "Plan"), which covers substantially all clergy and lay employees of Diocesan Headquarters, which allows employee contributions. The fiduciary of the Plan is The Church Pension Fund. Total pension plan expense for 2018 and 2017 was \$97,809 and \$86,079, respectively.

The Diocese had one employee covered through October 31, 2017 by, "The Episcopal Church Lay Employees' Retirement Plan", which is a defined benefit plan, which is the date the employee retired and the Diocese opted out of this plan. This plan is a multiemployer plan and provides retirement benefits to employees based on years of service to the Diocese. This plan is managed by a board of trustees and is audited annually. Contributions of approximately \$-0- and \$3,150 were charged to expense for the participation in this pension plan for the years ended December 31, 2018 and 2017, respectively.

**EPISCOPAL DIOCESE OF ALBANY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

7. PENSION PLAN

The risks of participating in multiemployer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (c) if an organization chooses to stop participating in one of its multiemployer plans, it may be required to pay a withdrawal liability to the plan. In connection with ongoing renegotiation of participation agreements, the organization may discuss and negotiate for the complete or partial withdrawal from one or more multiemployer pension plan. As discussed in the previous paragraph, the Diocese terminated this plan at October 31, 2017 and had no resulting withdrawal liability at December 31, 2017.

8. FAIR VALUE MEASUREMENTS

An asset's or liability's fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are described as follows:

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodologies used for the years ended December 31, 2018 and 2017.

The Diocese has adopted the provisions of Accounting Standards Update (ASU) 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. ASU 2009-12 allows for the estimation of fair value of certain investments which do not have readily determinable value by using net asset value (NAV) per share or its equivalent as a practical expedient.

All of the Diocese's investments are shares of the Albany Diocesan Investment Trust (See Note 2), the net asset value of which is the total fair value of ADIT's assets, less liabilities, divided by outstanding shares as of the balance sheet date. This method of valuation uses observable inputs such as fair value of underlying investments and shares outstanding. Assets valued using the NAV method described are not recognized within the fair value hierarchy. Since all of the Diocese's investments are investments in ADIT, there are no assets to report within the three levels of the fair value hierarchy.

**EPISCOPAL DIOCESE OF ALBANY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

8. FAIR VALUE MEASUREMENTS

The following table sets forth a summary of the Diocese's investments with a reported estimated fair value using net asset per share as of December 31, 2018 and 2017.

	<u>Fair Value At December 31,</u>		<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Period Notice</u>
	<u>2018</u>	<u>2017</u>			
Investment in ADIT	<u>\$ 6,335,903</u>	<u>\$ 6,474,964</u>	None	Monthly	3 Days Prior to Month End

9. UNCERTAIN INCOME TAX POSITIONS

The Diocese is a religious organization exempt from income tax filing requirements.

Under ASC Section 740, *Income Taxes*, the tax status of tax-exempt entities is an uncertain tax position, since events could potentially occur that jeopardize tax-exempt status. Management of the Diocese is not aware of any events that could jeopardize the tax-exempt status. Therefore, no liability or provision for income tax has been reflected in the financial statements.

10. EXTINCT PARISHES

Upon the closure of a parish, the assets and liabilities of that extinct parish revert to the stewardship of the Trustees of the Diocese and are maintained in a reserve account until sold or otherwise disposed. When the property of the extinct parish is disposed the Diocese reports the proceeds, net of expenses, as revenue on the statements of activities. A summary of proceeds, net of expenses from the disposal of extinct parishes is as follows:

	<u>2018</u>	<u>2017</u>
Proceeds from sale of building and property	<u>\$ 233,390</u>	<u>\$ -</u>

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
New parish development	\$ 45,040	\$ 45,040
Missions	17,294	20,706
Capital reserve	117,676	71,142
Restricted in perpetuity	3,531,568	3,522,268
Earnings on perpetual endowments	2,051,234	2,207,625
TOTAL	<u>\$ 5,762,812</u>	<u>\$ 5,866,781</u>

**EPISCOPAL DIOCESE OF ALBANY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions released during the years ended December 31, 2018 and 2017 by incurring expenses satisfying the restricted purposes, or by Board action for the release of accumulated earnings on perpetual endowments are as follows:

	<u>2018</u>	<u>2017</u>
Missions	\$ 11,200	\$ 9,700
Capital reserve	3,466	28,883
SLC director search	-	5,000
Appropriation of accumulated earnings	<u>118,717</u>	<u>59,108</u>
Release of net assets with donor restrictions	<u>\$ 133,383</u>	<u>\$ 102,691</u>

12. DONOR RESTRICTED ENDOWMENT FUNDS

The Diocese's endowment consists of individual funds established for a variety of purposes and includes funds that, under the terms of the relevant donor gift instruments, are restricted (i.e. not wholly expendable by the Organization on a current basis) and funds that are not restricted under donor gift instruments.

As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported by the Diocese as net assets with donor restrictions based on the existence of donor-imposed restrictions.

Within the net assets with donor restrictions, the Diocese classifies restricted in perpetuity the original value of gifts donated to the endowment.

The New York Prudent Management of Institutional Funds Act (NYPMIFA), effective September 17, 2010, applies to the Diocese and sets forth, among other things, rules governing appropriation for expenditure or accumulation of donor-restricted endowment funds. Under those rules (a) the Diocese may, subject to the intent of the donor expressed in the gift instrument, appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established and (b) in making a decision to appropriate or accumulate, the Diocese must act prudently and in good faith and must consider, if relevant, the following factors:

- (1) the duration and preservation of the endowment fund;
- (2) the purposes of the Diocese and the endowment fund;
- (3) general economic conditions;
- (4) the possible effect of inflation or deflation;
- (5) the expected total return from income and the appreciation of investments;
- (6) other resources of the Diocese;
- (7) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives have on the Diocese; and
- (8) the investment policy of the Diocese.

**EPISCOPAL DIOCESE OF ALBANY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

12. DONOR RESTRICTED ENDOWMENT FUNDS

The Diocese has investment and spending practices for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The income from the donor restricted endowments include, among other things, restrictions for the funding of clergy sabbaticals, educational programs, certain parish operations, and other Diocesan programs and expenditures.

The Diocese has invested all of its endowment assets in shares of ADIT (described in Note 2), and therefore, has effectively adopted the investment policy of ADIT. ADIT's investment policy seeks to generate a sustainable level of quarterly income, achieve long-term growth of principal, and achieve a long-term average annualized rate of total return that exceeds inflation by 5%.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or law (underwater endowments). The board members of the Diocese has interpreted NYPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law. During the years ended December 31, 2018 and 2017, the Diocese appropriated \$1,842 and \$1,768 respectively, from underwater endowment funds.

As of December 31, 2018 and 2017, underwater endowments were as follows:

	<u>2018</u>	<u>2017</u>
Number of endowments underwater	11	9
Original value	\$ 1,177,285	\$ 1,157,388
Market value	<u>993,513</u>	<u>1,008,252</u>
Endowment deficiency	<u>\$ 183,772</u>	<u>\$ 149,136</u>

As of the date of the financial statements, market conditions improved and there were 6 endowments underwater which together approximately have an original value of \$1,132,000, a market value of \$1,038,000 and a deficiency of \$94,000.

Changes in donor restricted endowment funds for the years ended December 31, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity, beginning of year	\$ 3,522,268	\$ 3,522,268
Contributions	9,300	-
Accumulated investment earnings	2,169,951	2,266,733
Amounts appropriated for expenditure	<u>(118,717)</u>	<u>(59,108)</u>
Endowment with donor restrictions, end of year	<u>\$ 5,582,802</u>	<u>\$ 5,729,893</u>

**EPISCOPAL DIOCESE OF ALBANY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

13. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

The board designated net assets without donor restrictions are designated for costs related to the Bishop's residence. The composition of and changes in board-designated net assets without donor restrictions for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Board-designated funds, beginning of year	\$ 141,919	\$ 130,008
Dividends	5,375	5,108
Net appreciation (depreciation)	<u>(4,647)</u>	<u>6,803</u>
Board-designated funds, end of year	<u>\$ 142,647</u>	<u>\$ 141,919</u>

14. CONCENTRATIONS OF RISK

The Diocese's investments consist solely of shares in ADIT, which are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the Diocese's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that ADIT's diversified portfolio should mitigate the impact of changes.

At times the Diocese maintains deposits in excess of federally insured limits. ASC 825, *Financial Instruments*, identifies these items as a concentration of credit risk requiring disclosure, regardless of degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions at, or close to, the Federal Deposit Insurance Corporation insured limit.

15. RECLASSIFICATION OF PRIOR YEAR'S FINANCIAL STATEMENTS

Certain items in the prior year financial statements have been reclassified to conform to the current year's presentation. The reclassifications have no effect on previously reported net assets or changes in net assets.

16. LIQUIDITY

The Diocese regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize its available funds. For purposes of analyzing resources available to meet general expenditures over the annual 12-month period, the Diocese considers all expenditures related to its ongoing program activities as well as the services undertaken to support these activities to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Diocese operates with a budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the Diocese's cash and shows positive cash generated by operations for the years ended December 31, 2018 and 2017.

**EPISCOPAL DIOCESE OF ALBANY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

16. LIQUIDITY

The following reflects the Diocese's financial assets as of the balance sheet date, including amounts not available within one year of the balance sheet date:

	<u>2018</u>	<u>2017</u>
Financial assets as of December 31	\$ 7,622,488	\$ 7,929,606
Less those unavailable for general expenditures within one year, due to:		
Board-imposed purpose restrictions	142,647	141,919
Donor-imposed purpose restrictions	<u>5,762,812</u>	<u>5,866,781</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u>\$ 1,717,029</u>	<u>\$ 1,920,906</u>

17. SUBSEQUENT EVENTS

The Diocese has evaluated events and transactions that occurred between December 31, 2018 and May 14, 2019, which is the date the financial statements were available to be issued, for possible recording or disclosure in the financial statements.

EPISCOPAL DIOCESE OF ALBANY
SCHEDULE OF FINANCIAL POSITION BY FUND
DECEMBER 31, 2018

ASSETS	TRUST FUNDS	DIOCESAN DEVELOPMENT	DIOCESAN OPERATIONS	SPIRITUAL LIFE	INTERFUND ELIMINATION	TOTAL
ASSETS						
Cash	\$ 140,566	\$ 262,775	\$ 658,363	\$ 117,158	\$ -	\$ 1,178,862
Accounts receivable	-	-	-	9,289	-	9,289
Other receivables	48,312	2,484	13,858	5,214	(35)	69,833
Prepaid expenses	-	-	16,937	3,189	-	20,126
Investments	6,198,219	137,684	-	-	-	6,335,903
Loans receivable from parishes	-	769,529	-	-	(442,499)	327,030
Net property and equipment	-	-	8,751,492	-	-	8,751,492
Cash - agency funds	-	-	48,356	-	-	48,356
Other assets	-	-	5,517	9,428	(8,143)	6,802
TOTAL ASSETS	\$ 6,387,097	\$ 1,172,472	\$ 9,494,523	\$ 144,278	\$ (450,677)	\$ 16,747,693
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable and accrued liabilities	-	-	\$ 245,453	\$ 355,957	\$ (450,677)	\$ 150,733
Shareholder deposits	2,644	-	-	-	-	2,644
Agency funds payable	-	-	48,356	-	-	48,356
TOTAL LIABILITIES	2,644	-	293,809	355,957	(450,677)	201,733
NET ASSETS						
Without donor restriction	801,651	1,172,472	9,088,380	(279,355)	-	10,783,148
With donor restriction	5,582,802	-	112,334	67,676	-	5,762,812
TOTAL NET ASSETS	6,384,453	1,172,472	9,200,714	(211,679)	-	16,545,960
TOTAL LIABILITIES AND NET ASSETS	\$ 6,387,097	\$ 1,172,472	\$ 9,494,523	\$ 144,278	\$ (450,677)	\$ 16,747,693

EPISCOPAL DIOCESE OF ALBANY
SCHEDULE OF FINANCIAL POSITION BY FUND
DECEMBER 31, 2017

ASSETS	TRUST FUNDS	DIOCESAN DEVELOPMENT	DIOCESAN OPERATIONS	SPIRITUAL LIFE	INTERFUND ELIMINATION	TOTAL
ASSETS						
Cash	\$ 186,994	\$ 272,270	\$ 724,904	\$ 135,208	\$ -	\$ 1,319,376
Accounts receivable	-	-	-	5,796	-	5,796
Other receivables	45,888	3,163	41,081	4,219	(43)	94,308
Prepaid expenses	-	-	10,018	1,301	-	11,319
Investments	6,186,520	288,444	-	-	-	6,474,964
Loans receivable from parishes	-	579,275	-	-	(363,773)	215,502
Net property and equipment	-	-	8,856,091	-	-	8,856,091
Cash - agency funds	-	-	53,244	-	-	53,244
Other assets	-	-	61,454	39,342	(90,745)	10,051
TOTAL ASSETS	\$ 6,419,402	\$ 1,143,152	\$ 9,746,792	\$ 185,866	\$ (454,561)	\$ 17,040,651
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable and accrued liabilities	-	-	\$ 292,712	\$ 333,257	\$ (454,561)	\$ 171,408
Shareholder deposits	1,379	-	-	-	-	1,379
Agency funds payable	-	-	53,244	-	-	53,244
TOTAL LIABILITIES	1,379	-	345,956	333,257	(454,561)	226,031
NET ASSETS						
Without donor restriction	688,130	1,143,152	9,331,624	(215,067)	-	10,947,839
With donor restriction	5,729,893	-	69,212	67,876	-	5,866,781
TOTAL NET ASSETS	6,418,023	1,143,152	9,400,836	(147,391)	-	16,814,620
TOTAL LIABILITIES AND NET ASSETS	\$ 6,419,402	\$ 1,143,152	\$ 9,746,792	\$ 185,866	\$ (454,561)	\$ 17,040,651

EPISCOPAL DIOCESE OF ALBANY
SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Trust Funds		Diocesan Development		Diocesan Operations		Spiritual Life Center		Interfund Elimination	TOTAL
	Without Restriction	With Donor Restriction	Without Donor Restriction	With Donor Restriction	Without Donor Restriction	With Donor Restriction	Without Donor Restriction	With Donor Restriction		
REVENUES										
Investment return	\$ (3,210)	\$ (37,674)	\$ 29,320	\$ 38,939	\$ -	\$ 14,329	\$ -	\$ (507)	\$	\$ 41,187
Fees and related income	7,660	-	-	352,870	-	916,173	-	(25,971)		1,250,532
Contributions and bequests	235,550	9,300	-	88,629	50,050	735,489	-	(304,199)		794,819
Fitch gilbert trust distributions	-	-	-	108,023	-	-	-	-		108,023
Parish assessments	-	-	-	1,265,231	7,738	-	-	(28,562)		1,244,407
Releases from restrictions	118,717	(118,717)	-	14,666	(14,666)	-	-			-
TOTAL REVENUES	358,717	(147,091)	29,320	1,848,158	43,122	1,665,991	-	(359,239)		3,438,978
EXPENSES										
Program										
Ministries and Initiatives	115,523	-	-	674,384	-	-	-	(302,562)		487,345
Clergy Benefits and Education	6,700	-	-	42,642	-	-	-	(25,971)		23,371
Healing Ministries	-	-	-	-	-	166,639	-	(507)		166,132
Youth Ministries	-	-	-	-	-	59,340	-	-		59,340
Day Care and Camps	-	-	-	-	-	481,814	-	-		481,814
Facility Operations	113,101	-	-	-	-	754,228	-	(30,199)		837,130
Supporting Services										
Management and General	9,872	-	-	1,393,487	-	249,137	-	-		1,652,506
TOTAL EXPENSES	245,196	-	-	2,110,523	-	1,711,158	-	(359,239)		3,707,638
INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER ITEMS	113,521	(147,091)	29,320	(262,365)	43,122	(45,167)	-	-		(268,660)
OTHER ITEMS										
Interfund transfer	-	-	-	19,121	-	(19,121)	-	-		-
TOTAL OTHER ITEMS	-	-	-	19,121	-	(19,121)	-	-		-
INCREASE (DECREASE) IN NET ASSETS	113,521	(147,091)	29,320	(243,244)	43,122	(64,288)	-	-		(268,660)
NET ASSETS										
Beginning of Year	688,130	5,729,893	1,143,152	9,331,624	69,212	(215,067)	67,676	-		16,814,620
End of Year	\$ 801,651	\$ 5,582,802	\$ 1,172,472	\$ 9,088,380	\$ 112,334	\$ (279,355)	\$ 67,676	-		\$ 16,545,960

EPISCOPAL DIOCESE OF ALBANY
SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Trust Funds		Diocesan Development		Diocesan Operations		Spiritual Life Center		Interfund Elimination	TOTAL
	Without Donor Restriction	With Donor Restriction	Without Donor Restriction	With Donor Restriction	Without Donor Restriction	With Donor Restriction	Without Donor Restriction	With Donor Restriction		
REVENUES										
Dividends and interest	\$ 37,615	\$ 445,658	\$ 39,371	\$ 38,730	\$ -	\$ 14,192	\$ -	\$ (552)	\$	\$ 575,014
Fees and related income	11,808	-	-	288,889	-	974,949	-	-	-	1,275,646
Contributions and bequests	9,110	-	-	109,601	-	647,174	-	(342,714)	-	423,171
Fitch gilbert trust distributions	-	-	-	82,404	-	-	-	-	-	82,404
Parish assessments	-	-	-	1,350,252	11,785	-	-	-	(28,230)	1,333,807
Releases from restrictions	59,108	(59,108)	-	31,234	(31,234)	12,349	(12,349)	-	-	-
TOTAL REVENUES	<u>117,641</u>	<u>386,550</u>	<u>39,371</u>	<u>1,901,110</u>	<u>(19,449)</u>	<u>1,848,664</u>	<u>(12,349)</u>	<u>(371,496)</u>	<u>-</u>	<u>3,690,042</u>
EXPENSES										
Program										
Ministries and Initiatives	57,080	-	-	645,622	-	-	-	(302,230)	-	400,472
Clergy Benefits and Education	5,500	-	-	19,630	-	-	-	-	-	25,130
Healing Ministries	-	-	-	-	-	164,709	-	(552)	-	164,157
Youth Ministries	-	-	-	-	-	46,427	-	-	-	46,427
Day Care and Camps	-	-	-	-	-	504,810	-	-	-	504,810
Facility Operations	133,159	-	-	-	-	682,313	-	(66,714)	-	746,758
Supporting Services										
Management and General	1,196	-	-	1,534,048	-	218,461	-	-	-	1,533,705
TOTAL EXPENSES	<u>196,935</u>	<u>-</u>	<u>-</u>	<u>1,999,300</u>	<u>-</u>	<u>1,616,720</u>	<u>-</u>	<u>(371,496)</u>	<u>-</u>	<u>3,441,459</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER ITEMS	<u>(79,294)</u>	<u>386,550</u>	<u>39,371</u>	<u>(98,190)</u>	<u>(19,449)</u>	<u>31,944</u>	<u>(12,349)</u>	<u>-</u>	<u>-</u>	<u>248,583</u>
OTHER ITEMS										
Gain on sale of property	-	-	-	6,293	-	-	-	-	-	6,293
Interfund transfer	-	-	-	8,425,811	-	(8,425,811)	-	-	-	-
TOTAL OTHER ITEMS	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,432,104</u>	<u>-</u>	<u>(8,425,811)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,293</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(79,294)</u>	<u>386,550</u>	<u>39,371</u>	<u>8,333,914</u>	<u>(19,449)</u>	<u>(8,393,867)</u>	<u>(12,349)</u>	<u>-</u>	<u>-</u>	<u>254,876</u>
NET ASSETS:										
Beginning of Year	767,424	5,343,343	1,103,781	997,710	88,661	8,178,800	80,025	-	-	16,556,744
End of Year	<u>\$ 688,130</u>	<u>\$ 5,729,893</u>	<u>\$ 1,143,152</u>	<u>\$ 9,331,624</u>	<u>\$ 69,212</u>	<u>\$ (215,067)</u>	<u>\$ 67,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,814,620</u>

