# The Diocese of Long Island

Combined Financial Statements
and Supplementary Information

December 31, 2019 and 2018

## Independent Auditors' Report

To the Boards of Directors of Episcopal Ministries of Long Island,
Board of Managers of Camp DeWolfe, The George Mercer Jr. Memorial School of Theology,
the Trustees of the Estate Belonging to the Diocese of Long Island,
the Cathedral of the Incarnation and the Diocesan Council

### Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of the Diocese of Long Island (the Diocese), which comprise the combined statement of financial position as of December 31, 2019, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the year then ended.

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

Management is responsible for the preparation and fair presentation of the combined 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 combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

### *Basis for Qualified Opinion*

As discussed in Note 2 to the combined financial statements, the Diocese records certain land, buildings and improvements on a basis other than the cost basis and the Diocese does not provide for depreciation on any fixed assets. In addition, it is the policy of the Diocese to expense the purchase of certain fixed assets. Accounting principles generally accepted in the United States of America require that fixed assets be capitalized at cost and that depreciation expense be recorded over the useful lives of the assets. The cumulative effect of these policies on the combined financial statements is not practically determinable.

***Qualified Opinion***

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of Long Island as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

**Report on Comparative Information**

We have previously audited the Diocese's 2018 combined financial statements, and we expressed a qualified audit opinion on those audited combined financial statements in our report dated January 7, 2020. In our opinion, the comparative information on the combined and combining statements of financial position and the combined and combining statements of activities and changes in net assets presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited combined financial statements and combining supplementary information from which it has been derived.

**Report on Combining Information**

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on pages 3, 4 and 21 through 26 is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and changes in net assets of the individual organizations, and it is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect on the combining information of the matter noted in the Basis for Qualified Opinion paragraph, the combining information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Baker Tilly US, LLP

Melville, New York
December 22, 2020

## The Diocese of Long Island

Combined Statement of Financial Position With Supplementary Combining Information
December 31, 2019 (With Comparative Totals for 2018)

| | Trustees of the Estate | The Diocese of Long Island | Other Diocesan Entities | Eliminations | Combined Total All Funds 2019 | Combined Total All Funds 2018 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | $ 5,660,260 | $ - | $ 466,640 | $ - | $ 6,126,900 | $ 2,623,936 |
| Investments, at fair value | 166,739,781 | - | - | - | 166,739,781 | 142,438,854 |
| Investments in Investment Fund of the Diocese | - | 1,072,529 | 29,508,789 | (30,581,318) | - | - |
| Loans receivable | 107,163 | 146,261 | - | - | 253,424 | 499,448 |
| Mortgages receivable | 188,295 | - | - | - | 188,295 | 197,831 |
| Other assets | 1,002,500 | 251,512 | 43,824 | - | 1,297,836 | 225,155 |
| Due from other funds | - | 2,152 | 78,297 | (80,449) | - | - |
| Land, buildings and improvements | 10,964,504 | - | 20,318,101 | - | 31,282,605 | 31,282,605 |
| Total assets | $ 184,662,503 | $ 1,472,454 | $ 50,415,651 | $ (30,661,767) | $ 205,888,841 | $ 177,267,829 |
| **Liabilities and Net Assets** | | | | | | |
| **Liabilities** | | | | | | |
| Cash overdraft payable | $ 1,848,948 | $ 877,503 | $ - | $ - | $ 2,726,451 | $ - |
| Accounts payable and accrued expenses | 1,376,345 | 114,811 | 253,171 | - | 1,744,327 | 2,143,356 |
| Due to other funds | 80,449 | - | - | (80,449) | - | - |
| Custodial "C" funds | 72,932,973 | - | - | (30,581,318) | 42,351,655 | 27,540,445 |
| Total liabilities | 76,238,715 | 992,314 | 253,171 | (30,661,767) | 46,822,433 | 29,683,801 |
| **Net Assets** | | | | | | |
| Without donor restrictions | 50,933,128 | 480,140 | 13,965,205 | - | 65,378,473 | 62,101,314 |
| With donor restrictions | 57,490,660 | - | 36,197,275 | - | 93,687,935 | 85,482,714 |
| Total net assets | 108,423,788 | 480,140 | 50,162,480 | - | 159,066,408 | 147,584,028 |
| Total liabilities and net assets | $ 184,662,503 | $ 1,472,454 | $ 50,415,651 | $ (30,661,767) | $ 205,888,841 | $ 177,267,829 |

*See notes to combined financial statements*

## The Diocese of Long Island

Combined Statement of Activities and Changes in Net Assets With Supplementary Combining Information
Year Ended December 31, 2019 (With Comparative Totals for 2018)

| | Trustees of the Estate | The Diocese of Long Island | Other Diocesan Entities | Eliminations | Combined Total All Funds 2019 | Combined Total All Funds 2018 |
|---|---|---|---|---|---|---|
| **Changes in Net Assets Without Donor Restrictions** | | | | | | |
| Revenues: | | | | | | |
| Return on investments, net | $ 7,355,035 | $ 518,276 | $ 3,043,668 | $ - | $ 10,916,979 | $ (3,097,790) |
| Parish, mission and other support | 4,346,142 | 4,609,400 | 2,156,525 | (3,478,824) | 7,633,243 | 4,964,396 |
| Other income | 1,334,231 | 1,036,847 | 888,082 | (603,322) | 2,655,838 | (156,356) |
| Net assets released from restrictions | 1,943,760 | - | 128,883 | - | 2,072,643 | 2,592,418 |
| Total revenues | 14,979,168 | 6,164,523 | 6,217,158 | (4,082,146) | 23,278,703 | 4,302,668 |
| Expenses: | | | | | | |
| Program | 9,960,793 | 3,611,901 | 1,470,172 | (2,968,224) | 12,074,642 | 10,693,451 |
| Administrative | 3,265,026 | 3,005,709 | 2,770,089 | (1,113,922) | 7,926,902 | 6,222,936 |
| Total expenses | 13,225,819 | 6,617,610 | 4,240,261 | (4,082,146) | 20,001,544 | 16,916,387 |
| Changes in net assets without donor restrictions | 1,753,349 | (453,087) | 1,976,897 | - | 3,277,159 | (12,613,719) |
| **Changes in Net Assets With Donor Restrictions** | | | | | | |
| Return on investments, net | 8,044,960 | - | 2,210,891 | - | 10,255,851 | (4,534,421) |
| Parish, mission and other support | - | - | - | - | - | 521,738 |
| Other income | 2,415 | - | 19,598 | - | 22,013 | 28,308 |
| Net assets released from restrictions | (1,943,760) | - | (128,883) | - | (2,072,643) | (2,592,418) |
| Changes in net assets with donor restrictions | 6,103,615 | - | 2,101,606 | - | 8,205,221 | (6,576,793) |
| Changes in net assets | 7,856,964 | (453,087) | 4,078,503 | - | 11,482,380 | (19,190,512) |
| **Net Assets, Beginning** | 100,566,824 | 933,227 | 46,083,977 | - | 147,584,028 | 166,774,540 |
| **Net Assets, Ending** | $ 108,423,788 | $ 480,140 | $ 50,162,480 | $ - | $ 159,066,408 | $ 147,584,028 |

*See notes to combined financial statements*

**The Diocese of Long Island**

Combined Statement of Functional Expenses
Year Ended December 31, 2019 (With Comparative Totals for 2018)

| | Trustees of the Estate | | | | The Diocese of Long Island | | | Other Diocesan Entities | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Operating Funds | Trust Funds | Messiah and Incarnation Trust | Mercer Scholarship | Bishop's Call | Diocese of Long Island | Bishop's Fund for Theological Education | Episcopal Ministries | School of Theology | Cathedral of the Incarnation | Camp De Wolfe | Total Program Expenses | Administrative | 2019 Total | 2018 Total |
| Salaries | $ 263,891 | $ - | $ - | $ - | $ - | $ 721,646 | $ - | $ - | $ 82,004 | $ 167,660 | $ 155,978 | $ 1,391,179 | $ 2,479,395 | $ 3,870,574 | $ 3,701,728 |
| Fringe | 365,374 | - | - | - | - | 500,694 | - | - | 37,695 | 87,529 | 9,786 | 1,001,078 | 1,248,312 | 2,249,390 | 1,745,624 |
| Professional fees | 99,717 | - | - | - | - | - | - | - | - | - | - | 99,717 | 127,034 | 226,751 | 181,875 |
| Contracted services | 4,150,219 | - | - | - | - | 46,054 | - | - | 36,939 | 8,257 | 37,543 | 4,279,012 | 2,773,531 | 7,052,543 | 5,421,228 |
| Grants and support | 1,155,245 | 28,000 | 35,409 | 235,244 | 94,852 | 1,557,530 | 19,073 | 148,024 | 10,532 | 1,750 | 1,700 | 3,287,359 | 166,424 | 3,453,783 | 2,788,591 |
| Conferences/meetings | 2,428 | - | - | - | 5,000 | 342,552 | - | - | 189 | 5,115 | - | 355,284 | 77,200 | 432,484 | 323,012 |
| Dues and subscriptions | - | - | - | - | - | 11,332 | - | - | 2,842 | 336 | - | 14,510 | 11,556 | 26,066 | 15,356 |
| Honoraria | - | - | - | - | - | - | - | - | - | 57,805 | - | 57,805 | - | 57,805 | 49,890 |
| Equipment | - | - | - | - | - | 2,269 | - | - | - | - | 3,000 | 5,269 | 65,668 | 70,937 | 54,865 |
| Computer expense | 1,754 | - | - | - | - | 22,261 | - | - | 168 | - | - | 24,183 | 29,896 | 54,079 | 46,269 |
| Publicity/public relations | - | - | - | - | - | 272 | - | 6,549 | 9,173 | 63,937 | - | 79,931 | - | 79,931 | 36,288 |
| Diocesan publications | - | - | - | - | - | 1,398 | - | - | 53,406 | 34,568 | - | 89,372 | 595 | 89,967 | 41,506 |
| Rent expense | - | - | - | - | - | 33,695 | - | - | - | - | - | 33,695 | 247 | 33,942 | 55,204 |
| Real estate taxes | 77,483 | - | - | - | - | - | - | - | - | 18,867 | - | 96,350 | 31,404 | 127,754 | 117,396 |
| Utilities | 56,869 | - | - | - | - | 5,039 | - | - | - | - | - | 61,908 | 252,088 | 313,996 | 346,137 |
| Maintenance | - | - | - | - | - | - | - | - | - | - | - | - | 2,003 | 2,003 | 4,833 |
| Telephone/internet/cable | 1,230 | - | - | - | - | 1,092 | - | - | 171 | - | - | 2,493 | 47,959 | 50,452 | 49,391 |
| Travel and auto expenses | 3,041 | - | - | - | - | 44,862 | - | - | 275 | 126 | - | 48,304 | 88,382 | 136,686 | 140,362 |
| Insurance | 265,014 | 5,517 | - | - | - | 1,070 | - | - | - | - | - | 271,601 | 337,830 | 609,431 | 557,396 |
| Processing fees | - | - | - | - | - | 1,216 | - | - | - | - | 9,222 | 10,438 | 23,205 | 33,643 | 44,359 |
| Supplies and office expenses | 11,384 | - | - | - | - | 12,211 | - | 17,996 | 9,032 | 32,331 | 72,211 | 155,165 | 132,082 | 287,247 | 206,132 |
| Meals | 52 | - | - | - | - | 2,280 | - | - | 261 | - | - | 2,593 | 23,754 | 26,347 | 25,527 |
| Dividend expense | 294,918 | 410,663 | - | - | - | - | - | - | - | - | - | 705,581 | - | 705,581 | 955,141 |
| Other expense | - | - | - | - | - | 160 | - | - | - | 1,655 | - | 1,815 | 8,337 | 10,152 | 8,277 |
| Total expenses | $ 6,748,619 | $ 444,180 | $ 35,409 | $ 235,244 | $ 99,852 | $ 3,307,633 | $ 19,073 | $ 172,569 | $ 242,687 | $ 479,936 | $ 289,440 | $ 12,074,642 | $ 7,926,902 | $ 20,001,544 | $ 16,916,387 |

*See notes to combined financial statements*

# The Diocese of Long Island

Combined Statements of Cash Flows
Year Ended December 31, 2019 (With Comparative Totals for 2018)

| | 2019 | 2018 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Changes in net assets | $ 11,482,380 | $ (19,190,512) |
| Adjustments to reconcile changes in net assets to net cash flows from operating activities: | | |
| Net realized (gain) on investments | (931,745) | (684,959) |
| Net unrealized (gain) loss on investments | (25,081,858) | 15,309,795 |
| Loss on sale of building | - | 148,896 |
| Contributions restricted in perpetuity | - | (446,067) |
| Changes in assets and liabilities: | | |
| Loans and mortgages receivable | 255,560 | 755,322 |
| Other assets | (1,072,681) | 40,245 |
| Cash overdraft payable | 2,726,451 | - |
| Accounts payable and accrued expenses | (399,029) | (730,854) |
| Custodial "C" funds | 14,811,210 | (311,618) |
| Net cash flows from operating activities | 1,790,288 | (5,109,752) |
| **Cash Flows From Investing Activities** | | |
| Purchase of investments by Investment Fund | (18,845,520) | (5,036,335) |
| Proceeds from the sale of investments by Investment Fund | 20,558,196 | 5,882,652 |
| Proceeds from sale of land, buildings and improvements | - | 1,131,700 |
| Purchase of land, buildings and improvements | - | (561,529) |
| Net cash flows from investing activities | 1,712,676 | 1,416,488 |
| **Cash Flows From Financing Activities** | | |
| Proceeds from contributions restricted in perpetuity | - | 446,067 |
| Net cash flows from financing activities | - | 446,067 |
| Net change in cash and cash equivalents | 3,502,964 | (3,247,197) |
| **Cash and Cash Equivalents, Beginning** | 2,623,936 | 5,871,133 |
| **Cash and Cash Equivalents, Ending** | $ 6,126,900 | $ 2,623,936 |

*See notes to combined financial statements*

### 1. Organization and Nature of Operations

The Diocese of Long Island (the Diocese) is one of 110 autonomous dioceses of The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America (the Episcopal Church). It is comprised of 132 parish and mission congregations within Kings (Brooklyn), Queens, Nassau and Suffolk Counties, all of which are in canonical union with the Diocese.

The Diocese's governing body is the Diocesan convention which convenes annually to determine Diocesan policy related to the doctrine, discipline and ministries of the Episcopal Church. The accompanying combined financial statements include the net assets of Diocesan entities (as defined by Diocesan Canons) set forth below under the caption "*Basis of Combination*".

### 2. Summary of Significant Accounting Policies

#### Basis of Combination

The accompanying combined statement of financial position combines the net assets of all of the activities under the control of the Diocesan convention and does not include the assets, liabilities or operating transactions of the individual parishes or missions. The combined financial statements consist of 13 funds which have been combined into three major groups having similar characteristics, the Trustees of the Estate Belonging to the Diocese of Long Island (Trustees of the Estate), the Diocese of Long Island and Other Diocesan Entities. The Trustees of the Estate includes the Investment Fund of the Diocese of Long Island Balanced Fund (Investment Fund).

The three major groups are comprised of five legally, incorporated entities, namely, the Trustees of the Estate, Episcopal Ministries of Long Island, the Cathedral of the Incarnation (Cathedral), The Board of Managers of Camp DeWolfe, and The George Mercer Jr. Memorial School of Theology.

All interfund balances and transactions have been eliminated in combination.

#### Basis of Presentation

The accompanying combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) using the accrual basis of accounting. The Diocese's combined financial statements distinguish between net assets without donor restrictions and net assets with donor restrictions, based upon the existence or absence of donor-imposed restrictions, as follows:

**Net Assets Without Donor Restrictions -** include amounts that have not been donor restricted and are available for use in carrying out the general operations of the Diocese.

**Net Assets With Donor Restrictions** - includes amounts that have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the Diocese pursuant to those stipulations, and amounts whereby donors have stipulated that the principal contributed be maintained in perpetuity.

#### Presentation of Certain Prior Year Information

The accompanying comparative information on the combined and combining statements of financial position and the combined and combining statements of activities and changes in net assets include prior year totals for comparative purposes only. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Diocese's combined financial statements and combining supplementary information, as of and for the year ended December 31, 2018, from which the comparative information was derived.

### Use of Estimates

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and reported amounts of revenues and expenses during the reporting period. Significant estimates relate to the realizability of loans and mortgages receivable, the valuation of investments and the valuation of certain socially responsible investments. Actual results could differ from those estimates.

### Tax-Exempt Status

The Diocese and its parish and mission congregations are exempt from Federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code) pursuant to a group exemption letter issued to the Protestant Episcopal Church in the United States of America in the Diocese of Long Island in the State of New York dated June 20, 1972.

### Uncertain Tax Positions

Management evaluated the Diocese's tax positions and concluded that the Diocese had taken no uncertain tax provisions that require adjustment to the combined financial statements to comply with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740.

### Revenues

Revenues include return on investment (including interest, dividends, realized gains and losses, and unrealized appreciation and depreciation), and parish, mission and other support. Other income includes trust fund income, registration and other fees for services rendered. Parish, mission and other support is recorded in the period the unconditional promise is given. Other income is recorded when earned.

### Contributions

Contribution revenue is recorded when an unconditional promise to give is received. Conditional promises to give contain donor-imposed conditions that represent a barrier that must be overcome as well as a right of release from obligation and are recognized when they become unconditional, that is, when the conditions on which they depend are substantially met.

The Diocese reports gifts of cash or other assets as net assets without donor restrictions, unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities and changes in net assets as net assets released from restrictions.

The Diocese reports gifts of land, buildings and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Diocese reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions are recorded at fair value, net of estimated uncollectible amounts.

### Cash and Cash Equivalents

The Diocese considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, except for those short-term investments managed by the Diocese's investment managers as part of their long-term investment.

The Diocese maintains a majority of its cash and cash equivalents with one financial institution, and generally, such cash and cash equivalents are in excess of federal insurance limits. There have been no historical losses with respect to balances held in excess of federal insurance limits.

### Investment Valuation

Investments are reported at fair value and are recorded on a trade date basis. Securities listed on national exchanges are valued at closing sales prices or, in the absence of recorded sales, at the mean of the closing bid and asked prices on such exchanges. Over-the-counter securities are valued at the mean of the closing bid prices on December 31. Other investments, consisting primarily of mortgages and loans, are stated at cost which approximates estimated fair value.

Alternative investments include investments in limited partnerships and hedge funds and are carried at fair value using the net asset value (NAV) per share practical expedient. In accordance with Accounting Standards Update (ASU) 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)*, these investments are not categorized within the fair value hierarchy. Fair value is estimated by management of the alternative investment partnership or fund. Because alternative investments may not be readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed. Such differences could be material. Certain of the partnerships enter into contractual commitments, including futures and option contracts and other derivative financial instruments. These contracts are valued by the partnerships at the last reported sales price and involve elements of market risk in excess of the amounts recognized on the partnership statement of financial condition. Risks arise from the potential changes in securities values and interest rates.

The Diocese records its share of the net income or loss for the accounting period in proportion to its participating percentage in each partnership.

Some of the Diocese's investments are pooled to facilitate their management. Investment income is allocated among the individual components of net assets based on donor restrictions or the absence thereof, using percentage of participation based on their carrying value or fair value.

Purchases and sales of securities are reflected on a trade date basis. Dividend income is recorded on the ex-dividend date and interest income is recorded as earned on an accrual basis. Unrealized gains and losses are determined by comparison of specific costs of acquisition to market values at the last day of the fiscal year.

### Calculation of Gains or Losses on Investments

Net realized gains or losses on sales of investments are recorded on the trade date and are determined on the basis of average cost.

### Fair Value Measurements

In assessing the fair value of financial instruments, the Diocese has used a variety of methods and assumptions, which were based on estimates of market conditions and risks existing at the time. The fair value of financial instruments approximates their carrying value because of the current nature of these instruments. The carrying value of investments has been measured at fair value.

Assets and liabilities recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are as follows:

Level 1 - Unadjusted, quoted market prices in active markets for identical assets.

Level 2 - Inputs other than quoted market prices included in Level 1 that are observable for the asset through corroboration with market data at the measurement date, including similar assets in less active markets.

Level 3 - Unobservable inputs that are supported by little or no market activity that reflect management's best estimate of what market participants would use in pricing the asset at the measurement date.

The fair value of actively traded debt and equity securities is based on quoted market prices. Privately held debt and equity securities are estimated using a variety of valuation methodologies, including both market and income approaches, where an observable quoted market does not exist and are generally classified as Level 3.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

Fair value estimates are made at a point in time, based on relevant market data, as well as the best information available about the financial instrument. Fair value estimates for financial instruments for which no or limited observable market data is available are based on judgments regarding current economic conditions, liquidity discounts, currency, credit and interest rate risks, loss experience and other factors. These estimates involve significant uncertainties and judgments and cannot be determined with precision. As a result, such calculated fair value estimates may not be realizable in a current sale or immediate settlement of the instrument. In addition, changes in the underlying assumptions used in the fair value measurement technique, including discount rates, liquidity risks and estimates of future cash flows, could significantly affect these fair value estimates. Because of the inherent uncertainty of valuation, this estimated value may differ from the value that would have been used had a ready market for these investments existed, and the differences could be material.

The Diocese's alternative investments consist of a variety of limited liability investment entities, with a variety of investment strategies. These investment funds primarily invest in marketable securities and derivative financial instruments. These investment funds are carried at estimated fair value as determined by the Investment Manager. The Investment Manager bases the estimated fair value of these investment funds on the underlying fund's NAV, an analysis of the underlying investments and financial information of the entities.

The Diocese assessed the fair value of its loans and mortgages receivable based on historical experience with such parties and the underlying interest rates of such agreements.

### Land, Buildings and Improvements

The Diocese carries its donor restricted land, buildings and improvements at replacement and other values. Land, buildings and improvements, without donor restrictions, are recorded at historical cost. The Diocese does not record periodic depreciation charges on any of its fixed assets. Further, the Diocese does not capitalize purchases of capital assets with the exception of certain land and buildings. U.S. GAAP requires that fixed assets be capitalized at cost and that depreciation expense be recorded over the useful lives of the assets. Because the Diocese does not maintain complete records of its fixed asset purchases, it is not practical to determine the cumulative dollar effect of the foregoing on the combined financial statements in accordance with U.S. GAAP.

While the Diocese holds the title to many of the properties of the congregations it serves, because the Diocese has no control over the property and the congregations maintain beneficial use of the properties, the Diocese does not record these assets in the combined financial statements. In the event that a mission or parish dissolves, beneficial ownership of the property held by the congregation reverts to the Diocese, which normally sells it. Revenue from these sales is included in Parish, Mission and Other Support in the combined statement of activities and changes in net assets. During 2019 and 2018, properties excluded from the combined statement of financial position were sold for a total of approximately $4,275,000 and $1,040,000, respectively.

### Trustees of the Estate

The net asset balance without donor restrictions of $50,933,128 and $49,179,779 as of December 31, 2019 and 2018, respectively, represents funds owned and controlled by the Trustees of the Estate. The net asset balance in trust funds of $57,490,660 and $51,387,045 as of December 31, 2019 and 2018, respectively, represents primarily funds held in trust by and legally invested with the Trustees of the Estate, with income payable to others. Custodial funds (C funds) represent monies held by the Trustees of the Estate (including interest, dividends, realized gains and losses, and unrealized appreciation and depreciation), as custodian, for various parishes and other organizations and are recorded as a liability.

### Due to/Due From Other Funds

Due to/due from other funds arise from advances to other funds for working capital and charges to other funds by the Diocese for their proportionate share of operating expenses. Interest expense/income has not been allocated to the funds on the amounts due to/from other funds.

### Risks and Uncertainties

The Diocese attempts to diversify its investment portfolio. Investment securities are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in value of investment securities, it is at least possible that changes in risks in the near term could materially affect investment balances as reported in the combined statement of financial position and the combined statement of activities and changes in net assets.

Credit risk is the possibility that loss may occur from a failure of a counterparty to a financial instrument to perform according to the terms of a contract. Collateral or other security is not required by the Diocese to support financial instruments with credit risk, primarily investments in the Revolving Loan Fund. The maximum loss from such investments is limited to amounts recorded in the combined financial statements.

### New Accounting Pronouncements

In 2019, the Diocese adopted ASU 2018-08, *Contributions - Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in ASU 2018-08 assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The adoption of ASU 2018-08 did not impact the Diocese's combined financial statements.

In 2018, the Diocese adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard changed the following aspects of the combined financial statements:

- The unrestricted net assets class has been remained Net Assets Without Donor Restrictions;
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called Net Assets With Donor Restrictions;
- The combined financial statements include a disclosure about liquidity and availability of resources as of December 31, 2019 (Note 11);
- A combined statement of functional expenses is included;
- The combined financial statements include a disclosure regarding specific methodologies used to allocate costs among program and supporting functions (Note 1);
- The endowment disclosure has been revised to conform with ASU 2016-14 (Note 6);
- Disclosure of Board designations has been enhanced (Note 6).

In May 2014, the FASB issued ASU 2014-09, *Revenue From Contracts With Customers (Topic 606)*. The core principle of ASU 2014-09 requires recognition of revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration for what an organization expects it will receive in association with this exchange. ASU 2014-09 is effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the impact of ASU 2014-09 on the Diocese's combined financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The amendments in this ASU should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021. Early adoption is permitted. Management is currently evaluating the impact of ASU 2020-07 on the Diocese's combined financial statements.

### Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the combined statements of activities and changes in net assets and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are directly charged to their appropriate natural and functional classifications. Expenses not directly charged which are allocated based on time and effort include salaries, fringe benefits and payroll taxes. Expenses not directly charged which are allocated based on square footage include utilities, real estate taxes and property/liability insurance.

### Subsequent Events

The Diocese evaluated all subsequent events or transactions that occurred through December 22, 2020, which is the date the combined financial statements are available for issuance, for inclusion or disclosure in the combined financial statements. During this period, the Diocese did not have any subsequent events that required recognition or disclosure in the combined financial statements.

In the first quarter of 2020, the outbreak of the coronavirus (COVID-19) pandemic began in the United States. The Diocese has followed all guidance on continuing its operations. In the opinion of management, no significant impact on the combined financial statements is expected.

## 3. Investments

Investments are held in the Investment Fund, which is managed by the Trustees of the Estate in accordance with the terms of the Declaration of Trust.

The Investment Funds' investment portfolio as of December 31, 2019 and 2018 is comprised of the following:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Fair Value | Cost | Fair Value | Cost |
| Mutual fund equity securities | $ 56,902,196 | $ 41,957,102 | $ 47,242,035 | $ 44,012,284 |
| Mutual fund debt securities | 22,375,332 | 22,040,513 | 13,579,868 | 14,052,996 |
| REITS | 8,849,324 | 8,164,535 | 7,424,190 | 7,915,940 |
| Alternative investments | 78,612,929 | 53,827,419 | 74,192,761 | 60,789,280 |
| Total | $ 166,739,781 | $ 125,989,569 | $ 142,438,854 | $ 126,770,500 |

In 2019 and 2018, the change in net assets generated by the investments was $28,476,557 and $(9,792,824), respectively. Of this amount, $21,172,830 and $(7,632,211) related to the Diocese in 2019 and 2018, respectively. The balance was allocated to various parishes and other organizations whose funds are held by the Trustees of the Estate, as custodian. The investment return earned by the Diocese is recorded in the combined statement of activities and changes in net assets as follows:

| | December 31, 2019 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Investment income: | | | |
| Dividends and interest | $ 1,244,507 | $ 1,169,140 | $ 2,413,647 |
| Net realized gains | 357,200 | 335,567 | 692,767 |
| Net unrealized gains | 9,615,562 | 9,033,250 | 18,648,812 |
| Expenses | (300,290) | (282,106) | (582,396) |
| Total return on investments, net | $ 10,916,979 | $ 10,255,851 | $ 21,172,830 |

| | December 31, 2018 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Investment income: | | | |
| Dividends and interest | $ 962,488 | $ 2,219,352 | $ 3,181,840 |
| Net realized gains | 421,076 | 700,408 | 1,121,484 |
| Net unrealized losses | (4,261,795) | (7,088,971) | (11,350,766) |
| Expenses | (219,559) | (365,210) | (584,769) |
| Total return on investments, net | $ (3,097,790) | $ (4,534,421) | $ (7,632,211) |

The Investment Fund pays a monthly dividend based on a rolling 36 month average fair value per share of beneficial interest, regardless of the actual return on investments. The rate is determined by subtracting from the expected total return a factor for inflation and administrative expense. In 2019 and 2018, the dividend rate was 4.50 percent. The rate is subject to review as conditions warrant.

The following tables summarize fair value measurements of investments as of December 31, 2019 and 2018:

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Fair Value | Level 1 | Level 2 | Level 3 | Investments Measured at Net Asset Value |
| Investment Fund Investments: | | | | | |
| Mutual fund equity securities | $ 56,902,196 | $ 56,902,196 | $ - | $ - | $ - |
| Mutual fund debt securities | 22,375,332 | 22,375,332 | - | - | - |
| REITS | 8,849,324 | 8,849,324 | - | - | - |
| Alternative investments | 78,612,929 | - | - | - | 78,612,929 |
| Total investments | $ 166,739,781 | $ 88,126,852 | $ - | $ - | $ 78,612,929 |

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Fair Value | Level 1 | Level 2 | Level 3 | Investments Measured at Net Asset Value |
| Investment Fund Investments: | | | | | |
| Mutual fund equity securities | $ 47,242,035 | $ 47,242,035 | $ - | $ - | $ - |
| Mutual fund debt securities | 13,579,868 | 13,579,868 | - | - | - |
| REITS | 7,424,190 | 7,424,190 | - | - | - |
| Alternative investments | 74,192,761 | - | - | - | 74,192,761 |
| Total investments | $ 142,438,854 | $ 68,246,093 | $ - | $ - | $ 74,192,761 |

The following tables present a summary of alternative investments measured at fair value using the NAV per share (or its equivalent) of such investments as a practical expedient for fair value as of December 31, 2019 and 2018:

| | 2019 | | | | |
|---|---|---|---|---|---|
| | BlackRock Russell 1000 Growth Fund B | Blue Mountain Credit Alternative Fund Ltd. | Blackstone Partners Offshore Fund Ltd. | GlobeFlex International All-Cap Commingled Trust | Hall Capital Partners Absolute Return Fund |
| Fair Value as of December 31, 2019 | $ 37,144,556 | $ 4,275,814 | $ 9,536,463 | $ 20,164,897 | $ 7,491,199 |
| Significant investment strategy | Equities | Alternative credit | Multi-strategy | Capital appreciation of international equities | Multi-strategy |
| Remaining life | N/A | N/A | N/A | N/A | N/A |
| Unfunded commitments | None | None | None | None | None |
| Timing to draw down commitments | N/A | N/A | N/A | N/A | N/A |
| Redemption terms | Daily | (b) | Quarterly | Monthly | Annual |
| Redemption restrictions | (a) | (b) | (a) | (a) | (a) |

| | 2018 | | | | |
|---|---|---|---|---|---|
| | **BlackRock Russell 1000 Growth Fund B** | **Blue Mountain Credit Alternative Fund Ltd.** | **Blackstone Partners Offshore Fund Ltd.** | **GlobeFlex International All-Cap Commingled Trust** | **Hall Capital Partners Absolute Return Fund** |
| Fair Value as of December 31, 2018 | $ 30,257,323 | $ 6,962,234 | $ 8,895,059 | $ 21,167,407 | $ 6,910,738 |
| Significant investment strategy | Equities | Alternative credit | Multi-strategy | Capital appreciation of international equities | Multi-strategy |
| Remaining life | N/A | N/A | N/A | N/A | N/A |
| Unfunded commitments | None | None | None | None | None |
| Timing to draw down commitments | N/A | N/A | N/A | N/A | N/A |
| Redemption terms | Daily | Quarterly | Quarterly | Monthly | Annual |
| Redemption restrictions | (a) | (a) | (a) | (a) | (a) |

(a) All redemptions may be gated based on the volume of redemption requests.

(b) Fund is a liquidating partnership. Liquidation is expected to occur by December 31, 2020.

As of December 31, 2019 and 2018, investments at fair value include $53,611,116 and $46,643,510, respectively, of Trust Funds and $74,471,889 and $53,607,664, respectively, of Custodial Funds. Other Investments also represent restricted investments. See Note 6 for additional information on endowments.

## 4. Loans and Mortgages Receivable

Loans receivable are as follows as of December 31, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| St. Alban (interest free, due immediately) | $ - | $ 300,000 |
| Loan to individual (interest free, due August 1, 2036) | 60,400 | - |
| Canaan Yipsung Church (interest free; due immediately) | 36,492 | 79,492 |
| St. Augustine, Brooklyn (2.5% interest, due immediately) | 23,954 | 45,000 |
| Loan to individual (4.5% interest, due April 1, 2021) | 28,377 | 32,548 |
| St. James (5.5%, due April 1, 2021) | 22,049 | - |
| St. Mary (5.5%, due June 1, 2024) | 18,906 | - |
| St. John's Lynbrook (interest free, due November 5, 2022) | 14,641 | - |
| Other loans | 48,605 | 42,408 |
| Total | $ 253,424 | $ 499,448 |

Mortgages receivable are as follows as of December 31, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| St. Joseph Anglican Church, Brooklyn (6.8% interest, due October 1, 2028) | $ 188,295 | $ 197,831 |
| Total | $ 188,295 | $ 197,831 |

Each mortgage requires monthly repayments of principal and interest.

The Diocese assesses the collectability of loans and mortgages and establishes reserves, if needed, for those that are unlikely to be collected.

## 5. Land, Buildings and Improvements

Diocesan real estate is as follows as of December 31, 2019 and 2018:

| | 2019 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions - Perpetuity | Total |
| Land and buildings | | | |
| Cathedral of the Incarnation, Garden City, New York | $ - | $ 20,318,101 | $ 20,318,101 |
| Trustees of the Estate Camp DeWolfe, Wading River, New York | 1,739,000 | - | 1,739,000 |
| Residence, 191 Kensington Road, Garden City, New York | 347,880 | - | 347,880 |
| School of Theology Building, Garden City, New York | - | 4,045,800 | 4,045,800 |
| Residence, 43 Euston Road, Garden City, New York | 1,927,777 | - | 1,927,777 |
| Residence, 59 Third Street, Garden City, New York | 2,342,518 | - | 2,342,518 |
| 301 North Side Road, Wading River, New York | 561,529 | - | 561,529 |
| Total | $ 6,918,704 | $ 24,363,901 | $ 31,282,605 |

| | 2018 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions - Perpetuity | Total |
| Land and buildings | | | |
| Cathedral of the Incarnation, Garden City, New York | $ - | $ 20,318,101 | $ 20,318,101 |
| Trustees of the Estate Camp DeWolfe, Wading River, New York | 1,739,000 | - | 1,739,000 |
| Residence, 191 Kensington Road, Garden City, New York | 347,880 | - | 347,880 |
| School of Theology Building, Garden City, New York | - | 4,045,800 | 4,045,800 |
| Residence, 43 Euston Road, Garden City, New York | 1,927,777 | - | 1,927,777 |
| Residence, 59 Third Street, Garden City, New York | 2,342,518 | - | 2,342,518 |
| 301 North Side Road, Wading River, New York | 561,529 | - | 561,529 |
| Total | $ 6,918,704 | $ 24,363,901 | $ 31,282,605 |

## 6. Net Assets

The Diocese has donor restricted endowment funds that are subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA). New York State adopted NYPMIFA in September 2010. A Board designated endowment also exists for Episcopal Ministries.

The Diocese has interpreted NYPMIFA as requiring the presentation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, absent explicit donor stipulation to the contrary. As a result of this interpretation, the Diocese classifies net assets restricted in perpetuity (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment fund. Unless otherwise stated in the gift instrument, the assets in an endowment fund shall be donor restricted assets and net assets until appropriated for expenditure by the Diocese.

The Diocese has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Diocese has to hold in perpetuity or for a donor-specific period(s). Under this policy, the endowment assets are invested in a manner that is intended to produce a return, net of inflation and investment management costs, of at least 4.5 percent per year. Actual returns in any given year may vary from this amount. The Diocese has interpreted NYPMIFA as permitting spending from underwater endowment funds received after the enactment of NYPMIFA. Spending of endowment funds, including underwater endowment funds, is subject to approval of Trustees.

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

Changes in endowment and Board designated net assets for the years ended December 31, 2019 and 2018 consisted of the following:

| | Donor Restricted | | | |
|---|---|---|---|---|
| | Original Gifts | Unappropriated Earnings | Total | Board Designated |
| Balance, December 31, 2017 | $ 47,284,258 | $ 37,737,803 | $ 85,022,061 | $ 12,222,951 |
| Return on investments, net | - | (4,107,119) | (4,107,119) | 1,796,419 |
| Support and contributions | 446,067 | 298,148 | 744,215 | 150,783 |
| Appropriation of endowment assets for expenditure | - | (2,409,215) | (2,409,215) | (829,880) |
| Balance, December 31, 2018 | 47,730,325 | 31,519,617 | 79,249,942 | 13,340,273 |
| Return on investments, net | - | 10,249,951 | 10,249,951 | (565,203) |
| Support and contributions | - | 2,415 | 2,415 | 171,537 |
| Appropriation of endowment assets for expenditure | - | (2,090,776) | (2,090,776) | (974,750) |
| Balance, December 31, 2019 | $ 47,730,325 | $ 39,681,207 | $ 87,411,532 | $ 11,971,857 |

Net assets without donor restrictions as of December 31, 2019 and 2018 are comprised of the following:

| | 2019 | 2018 |
|---|---|---|
| **Without Donor Restrictions** | | |
| Undesignated | $ 53,406,616 | $ 48,761,041 |
| Board designated for long-term investment | 11,971,857 | 13,340,273 |
| Total net assets without donor restrictions | $ 65,378,473 | $ 62,101,314 |

Board designated net assets have been designated by the Board of Directors of the Episcopal Ministries of Long Island/Episcopal Community Services of Long Island and the Board of Trustees of the Trustees of the Estate for the purpose of long-term investment.

Net assets with donor restrictions as of December 31, 2019 and 2018 are comprised of the following:

| | 2019 | 2018 |
|---|---|---|
| **With Donor Restrictions** | | |
| Purpose restrictions: | | |
| Trustees: | | |
| Trust Funds for Parishes, Missions and Other Institutions | $ 17,853,192 | $ 15,543,140 |
| Mercer Scholarship Fund for Episcopal Seminaries | 20,709,502 | 16,952,310 |
| Mercer Maintenance Fund for Maintenance of School of Theology | 956,991 | 920,619 |
| Purpose restrictions: | | |
| Other Diocesan entities: | | |
| Trust Funds for Cathedral | 6,395,634 | 4,299,929 |
| Trust Funds for programs - Camp DeWolfe | 42,291 | 36,391 |
| | 45,957,610 | 37,752,389 |
| Restricted in perpetuity: | | |
| Trustees: | | |
| School of Theology Building | 4,045,800 | 4,045,800 |
| Endowment funds for parishes, missions and other institutions | 5,549,967 | 5,549,967 |
| Mercer Scholarship Fund Endowment | 7,575,209 | 7,575,209 |
| Mercer Maintenance Fund Endowment | 800,000 | 800,000 |
| Other Diocesan entities: | | |
| Cathedral of the Incarnation Church Building | 20,318,101 | 20,318,101 |
| Endowment funds for Cathedral | 9,039,585 | 9,039,585 |
| Endowment fund for programs, Episcopal Ministries | 401,663 | 401,663 |
| | 47,730,325 | 47,730,325 |
| Total net assets with donor restrictions | $ 93,687,935 | $ 85,482,714 |

During the years ended December 31, 2019 and 2018, net assets with donor restrictions of $2,072,643 and $2,592,418, respectively, were released from restrictions by incurring expenses satisfying the restricted purposes as stipulated by the donors.

## 7. Commitments and Contingencies

### Guarantees

The Diocese is the guarantor of loans taken by individual churches from the Episcopal Church Building Fund, in the amount of $1,764,713 and $1,009,656 as of December 31, 2019 and 2018, respectively.

### Litigation

In the opinion of management, the Diocese is not subject to litigation for which the effect, if any, of an unfavorable settlement of such litigation would have a material adverse effect on the Diocese's combined financial position, results of activities or cash flows.

## 8. Pension Plans

The Diocesan Council, in accordance with the 1991 General Convention Resolution #D165a (Lay Pension Plan), currently participates in The Episcopal Church Lay Employees Defined Contribution Retirement Plan (ECLERP) to provide retirement income benefits to full time retired lay employees in the Episcopal Church. ECLERP, established as a plan described in Section 401(a) of the Code in relation to employer contributions and in Section 403(b) of the Code in relation to employee contributions, is sponsored by The Church Pension Fund and administered by Fidelity. ECLERP is not subject to the terms of the Employee Retirement Income Security Act of 1974 (ERISA).

Under the plan, lay employees who are at least 21 years of age, who have completed 12 months of service and who work a minimum of 500 hours per year, are eligible to participate on the first of the month following employment. Employer contributions equal 12 percent of base pay with a 3 percent matching of voluntary contributions made by employees. Vesting in the employer base, matching contributions and any investment earnings on these amounts is immediate. Total lay employee's pension expense for the years ended December 31, 2019 and 2018 was $308,368 and $325,439, respectively.

Through December 31, 1995, lay employees of the Diocese were provided pension benefits under a noncontributory defined benefit plan which was guaranteed under a group annuity contract. The contract provided protection in the event that actual experience should be unfavorable, and to the extent that the plan had favorable experience a rate credit was realized. The credit has since been dissolved. The Plan continues to pay benefits to twenty four former and two current eligible lay employees. Contributions to the plan for the years ended December 31, 2019 and 2018 was $250,000 and $0, respectively.

## 9. Multiemployer Pension Plan

The Diocese participates in a noncontributory multiemployer defined benefit pension plan maintained by the Church Pension Fund (the Fund) which administers the clergy pension system for Episcopal churches throughout the United States. The risks of participating in a multiemployer plan differ from those of single-employer plans in the following respects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

- If a participating employer stops contributing to the plan, then the unfunded obligations of the plan may be borne by the remaining participating employers.

- If the Diocese chooses to stop participating in its multiemployer plan, then it may be required to pay an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

As of March 31, 2020, the actuarial present value of accumulated plan benefit obligations of the plan total $7,345,848, and the fair value of plan assets total $8,823,484. Based on its audited financial statements as of March 31, 2020, the plan is more than 100 percent funded. The plan was not subject to a financial improvement plan or rehabilitation plan.

The Fund currently levies assessments at the rate of 18 percent of participants compensation, which includes salaries and housing and utility allowances. The amount charged to operations for clergy pensions was $452,691 and $281,497 for the years ended December 31, 2019 and 2018, respectively. The Diocese's contributions did not make up more than 5 percent of total contributions to the plan.

## 10. School of Theology

The School of Theology's principal revenue source for operations is support from the George Mercer Jr. Memorial Scholarship Fund (the Scholarship Fund). The Scholarship Fund is administered in accordance with the donor's stipulations providing student scholarships at Episcopal seminaries throughout the United States. The School of Theology received $570,000 from the fund during the years ended December 31, 2019 and 2018.

Support for maintenance of the School of Theology's facility (which is owned by the Trustees of the Estate) and grounds is provided through the George Mercer Jr. Memorial Maintenance Fund. The income of the fund is donor restricted for the maintenance of the school building and grounds and is disbursed by the Trustees of the Estate. The Trustees of the Estate disbursed approximately $337,000 and $232,000 for maintenance during the years ended December 31, 2019 and 2018, respectively.

The principal of the Scholarship and Maintenance Funds are part of donor restricted endowments which are administered by the Trustees of the Estate and are invested in the Investment Fund, which is also administered by the Trustees of the Estate.

The Board of Directors of the George Mercer Jr. Memorial School of Theology leases the land used by the School of Theology from the Cathedral of the Incarnation. The original lease agreement expired in June 2016 and was extended through December 31, 2018. On January 1, 2019, the lease was converted to a month to month basis. Rent expense for the years ended December 31, 2019 and 2018 was $24,652. The lease agreement provides for rent escalations based on the consumer price index increase, with a maximum annual amount of $1,000. These balances have been eliminated upon combination.

## 11. Liquidity and Availability of Resources

The Diocese's financial assets available within one year of the combined statements of financial position date for general expenditures such as operating expenses and fixed asset purchases are as follows:

| | 2019 | 2018 |
|---|---|---|
| Cash and cash equivalents | $ 6,126,900 | $ 2,623,936 |
| Investments | 166,739,781 | 142,438,854 |
| Loans receivable | 253,424 | 466,900 |
| Accounts receivable, net | 149,546 | 68,888 |
| Less: | | |
| Custodial "C" funds | (42,351,655) | (27,540,445) |
| Amounts with donor restrictions | (93,687,935) | (85,482,714) |
| Board designated amounts | (11,971,857) | (13,340,273) |
| Total | $ 25,258,204 | $ 19,235,146 |

As part of the Diocese's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.