

The Diocese of Long Island

Combined Financial Statements
and Supplementary Information

December 31, 2021 and 2020

The Diocese of Long Island

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Independent Auditors' Report

To the Board of Trustees of
The Diocese of Long Island

Qualified Opinion

We have audited the combined financial statements of The Diocese of Long Island (the Diocese), which comprise the combined statement of financial position as of December 31, 2021, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Diocese as of December 31, 2021, 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 (GAAP).

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. GAAP requires 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Diocese and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other Matter

We have previously audited the Diocese's 2020 combined financial statements, and we expressed a qualified audit opinion on those audited combined financial statements in our report dated February 9, 2022. 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, 2020 is consistent, in all material respects, with the audited combined financial statements and combining supplementary information from which it has been derived.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with GAAP, and for 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Diocese's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary 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 4, 5 and 22 to 27 is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, changes in net assets and cash flows 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 GAAS. In our opinion, the combining information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Baker Tilly US, LLP

Uniondale, NY
October 11, 2022

The Diocese of Long Island

Combined Statement of Financial Position With Supplementary Combining Information
December 31, 2021 (With Comparative Totals for 2020)

	Trustees of the Estate	The Diocese of Long Island	Other Diocesan Entities	Eliminations	Combined Total All Funds	
					2021	2020
Assets						
Cash and cash equivalents	\$ 10,423,298	\$ 2,713,022	\$ 728,309	\$ -	\$ 13,864,629	\$ 8,624,763
Investments, at fair value	156,600,511	-	-	-	156,600,511	169,419,637
Investments in Investment Fund of the Diocese	-	1,033,720	31,630,065	(32,663,785)	-	-
Loans receivable	332,433	166,978	-	-	499,411	389,252
Mortgages receivable	184,605	-	-	-	184,605	184,605
Receivable from investments sold	7,961,848	-	-	-	7,961,848	-
Other assets	1,069,263	21,024	2,836	-	1,093,123	1,392,206
Due from other funds	-	3,374,743	38,426	(3,413,169)	-	-
Land, buildings and improvements	10,964,504	-	20,318,101	-	31,282,605	31,282,605
Total assets	<u>\$ 187,536,462</u>	<u>\$ 7,309,487</u>	<u>\$ 52,717,737</u>	<u>\$ (36,076,954)</u>	<u>\$ 211,486,732</u>	<u>\$ 211,293,068</u>
Liabilities and Net Assets						
Liabilities						
Cash overdraft payable	\$ -	\$ 112,818	\$ 2,009,653	\$ -	\$ 2,122,471	\$ 3,538,540
Accounts payable and accrued expenses	1,318,845	302,483	511,051	-	2,132,379	2,157,598
Due to other funds	3,161,999	38,426	212,744	(3,413,169)	-	-
Custodial "C" funds	79,998,031	-	-	(32,663,785)	47,334,246	46,224,533
Total liabilities	<u>84,478,875</u>	<u>453,727</u>	<u>2,733,448</u>	<u>(36,076,954)</u>	<u>51,589,096</u>	<u>51,920,671</u>
Net Assets						
Without donor restrictions	32,942,152	6,855,760	13,623,728	-	53,421,640	60,113,713
With donor restrictions	70,115,435	-	36,360,561	-	106,475,996	99,258,684
Total net assets	<u>103,057,587</u>	<u>6,855,760</u>	<u>49,984,289</u>	<u>-</u>	<u>159,897,636</u>	<u>159,372,397</u>
Total liabilities and net assets	<u>\$ 187,536,462</u>	<u>\$ 7,309,487</u>	<u>\$ 52,717,737</u>	<u>\$ (36,076,954)</u>	<u>\$ 211,486,732</u>	<u>\$ 211,293,068</u>

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, 2021 (With Comparative Totals for 2020)

	Trustees of the Estate	The Diocese of Long Island	Other Diocesan Entities	Eliminations	Combined Total All Funds	
					2021	2020
Changes in Net Assets Without Donor Restrictions						
Revenues:						
Return on investments, net	\$ 3,374,717	\$ 296,042	\$ 2,291,813	\$ (424,155)	\$ 5,538,417	\$ 5,025,084
Parish, mission and other support	978,910	8,490,939	1,995,414	(7,129,105)	4,336,158	3,972,512
Other income	1,735,714	1,845,954	729,062	(481,123)	3,829,607	201,601
Net assets released from restrictions	3,257,159	-	-	-	3,257,159	2,176,276
Total revenues	9,346,500	10,632,935	5,016,289	(8,034,383)	16,961,341	11,375,473
Expenses:						
Program	16,174,736	4,428,596	1,402,523	(6,912,465)	15,093,390	10,518,021
Administrative	1,483,788	2,960,106	5,238,048	(1,121,918)	8,560,024	6,122,212
Total expenses	17,658,524	7,388,702	6,640,571	(8,034,383)	23,653,414	16,640,233
Changes in net assets without donor restrictions	(8,312,024)	3,244,233	(1,624,282)	-	(6,692,073)	(5,264,760)
Changes in Net Assets With Donor Restrictions						
Return on investments, net	11,434,899	-	(960,428)	-	10,474,471	7,746,950
Other income	-	-	-	-	-	75
Net assets released from restrictions	(3,257,159)	-	-	-	(3,257,159)	(2,176,276)
Changes in net assets with donor restrictions	8,177,740	-	(960,428)	-	7,217,312	5,570,749
Changes in net assets	(134,284)	3,244,233	(2,584,710)	-	525,239	305,989
Net Assets, Beginning	103,191,871	3,611,527	52,568,999	-	159,372,397	159,066,408
Net Assets, Ending	\$ 103,057,587	\$ 6,855,760	\$ 49,984,289	\$ -	\$ 159,897,636	\$ 159,372,397

See notes to combined financial statements

The Diocese of Long Island

Combined Statement of Functional Expenses
 Year Ended December 31, 2021 (With Comparative Totals for 2020)

	Trustees of the Estate				The Diocese of Long Island			Other Diocesan Entities					Total Program Expenses	Administrative	2021 Total	2020 Total
	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	Episcopal Real Estate Long Island				
Salaries	\$ 515,700	\$ -	\$ -	\$ -	\$ -	\$ 1,516,094	\$ -	\$ -	\$ 37,560	\$ 151,720	\$ 22,313	\$ -	\$ 2,243,387	\$ 2,391,251	\$ 4,634,638	\$ 4,176,764
Fringe	228,681	-	-	-	-	662,289	-	-	9,240	108,900	1,551	-	1,010,661	1,536,892	2,547,553	2,245,604
Professional fees	120,153	-	-	-	-	62,868	-	-	-	-	-	-	183,021	237,608	420,629	419,135
Contracted services	5,803,650	1,278,903	-	-	1,470	149,964	1,875	26,333	60,664	268,336	60,140	37,150	7,688,485	3,195,845	10,884,330	3,803,112
Grants and support	386,731	81,800	35,820	176,702	187,430	1,362,071	27,644	91,013	3,063	-	810	-	2,353,084	79,855	2,432,939	2,825,330
Conferences/meetings	-	-	-	-	10,944	172,613	-	-	-	1,346	-	-	184,903	49,534	234,437	187,083
Dues and subscriptions	780	-	-	-	-	2,658	-	-	4,628	421	-	-	8,487	17,771	26,258	45,262
Honoraria	-	-	-	-	-	-	-	-	-	82,755	-	-	82,755	-	82,755	68,765
Equipment	6,810	-	-	-	-	3,923	-	-	-	1,114	-	-	11,847	44,041	55,888	77,555
Computer expense	2,646	-	-	-	-	31,254	-	-	-	-	-	-	33,900	27,465	61,365	69,266
Publicity/public relations	-	-	-	-	-	295	-	-	-	1,709	500	-	2,504	53,390	55,894	79,472
Diocesan publications	-	-	-	-	-	-	-	-	-	-	-	-	-	15,781	15,781	279
Rent expense	4,500	-	-	-	-	38,556	-	-	-	-	-	-	43,056	247	43,303	32,599
Real estate taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,241
Utilities	84,067	-	-	-	-	72	-	-	-	18,348	-	-	102,487	221,635	324,122	711,682
Maintenance	7,364	-	-	-	-	-	-	-	-	740	-	-	8,104	7,609	15,713	1,012
Telephone/internet/cable	5,503	-	-	-	-	3,893	-	-	35	-	-	-	9,431	78,330	87,761	73,803
Travel and auto expenses	8,842	-	-	-	-	34,005	-	-	-	840	266	-	43,973	208,678	252,651	94,137
Insurance	149,466	-	-	-	-	750	-	-	-	-	-	-	150,216	212,713	362,929	498,447
Processing fees	-	-	-	-	74	50	-	-	-	-	4,501	-	4,625	22,255	26,880	25,016
Supplies and office expenses	4,209	-	-	-	-	17,315	-	821	4,335	45,849	14,905	-	87,434	110,778	198,212	143,538
Meals	-	550,537	-	-	-	1,968	-	-	-	43	-	-	552,548	24,077	576,625	7,456
Dividend expense	280,949	-	-	-	-	-	-	-	-	-	-	-	280,949	518	281,467	1,000,578
Other expense	2,829	-	-	-	2,500	683	-	-	-	1,521	-	-	7,533	23,751	31,284	35,097
Total expenses	\$ 7,612,880	\$ 1,911,240	\$ 35,820	\$ 176,702	\$ 202,418	\$ 4,061,321	\$ 29,519	\$ 118,167	\$ 119,525	\$ 683,642	\$ 105,006	\$ 37,150	\$ 15,093,390	\$ 8,560,024	\$ 23,653,414	\$ 16,640,233

See notes to combined financial statements

The Diocese of Long Island

Combined Statement of Cash Flows

Year Ended December 31, 2021 (With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Changes in net assets	\$ 525,239	\$ 305,989
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Net realized gain on investments	(12,418,110)	(29,438,950)
Net unrealized (gain) loss on investments	(5,737,170)	14,389,473
Changes in assets and liabilities:		
Loans and mortgages receivable	(110,159)	(132,138)
Receivable from investments sold	(7,961,848)	-
Other assets	299,083	(94,370)
Cash overdraft payable	(1,416,069)	812,089
Accounts payable and accrued expenses	(25,219)	413,271
Custodial "C" funds	1,109,713	3,872,878
	<u>(25,734,540)</u>	<u>(9,871,758)</u>
Net cash flows from operating activities		
Cash Flows From Investing Activities		
Purchase of investments by Investment Fund	(48,641,025)	(157,338,297)
Proceeds from the sale of investments by Investment Fund	79,615,431	169,707,918
	<u>30,974,406</u>	<u>12,369,621</u>
Net cash flows from investing activities		
Net change in cash and cash equivalents	5,239,866	2,497,863
Cash and Cash Equivalents, Beginning	<u>8,624,763</u>	<u>6,126,900</u>
Cash and Cash Equivalents, Ending	<u>\$ 13,864,629</u>	<u>\$ 8,624,763</u>

See notes to combined financial statements

The Diocese of Long Island

Notes to Combined Financial Statements

December 31, 2021 and 2020

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 129 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 14 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 six 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, The George Mercer Jr. Memorial School of Theology and Episcopal Real Estate of Long Island, LLC.

All interfund and intercompany 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 - Include 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, 2020, from which the comparative information was derived.

The Diocese of Long Island

Notes to Combined Financial Statements
December 31, 2021 and 2020

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.

Contributions

Contribution revenue is recorded when an unconditional promise to give is received.

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.

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 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.

Revenue From Contracts With Customers

Revenues from contracts with customers include trust fund income, registration fees and other fees for services rendered. Such revenue is recorded at estimated net realizable value as the performance obligations for the service are met and is recorded in other income.

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.

The Diocese of Long Island

Notes to Combined Financial Statements

December 31, 2021 and 2020

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 fair values at the last day of the fiscal year. 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 Diocese of Long Island

Notes to Combined Financial Statements
December 31, 2021 and 2020

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 2021 and 2020, properties excluded from the combined statement of financial position were sold for a total of approximately \$976,000 and \$794,000, respectively. Proceeds from these sales are recorded in other income in the combined statement of activities and changes in net assets with supplementary combining information.

The Diocese of Long Island

Notes to Combined Financial Statements

December 31, 2021 and 2020

Trustees of the Estate

The net asset balance without donor restrictions of \$32,942,152 and \$41,254,176 as of December 31, 2021 and 2020, respectively, represents funds owned and controlled by the Trustees of the Estate. The net asset balance in trust funds of \$70,115,435 and \$61,937,695 as of December 31, 2021 and 2020, 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.

Recent Accounting Pronouncement

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. 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 October 11, 2022, 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.

The Diocese of Long Island

Notes to Combined Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020 is comprised of the following:

	2021	
	Fair Value	Cost
Mutual funds	\$ 136,874,604	\$ 108,292,447
Alternative investments	19,725,907	16,210,155
Total	<u>\$ 156,600,511</u>	<u>\$ 124,502,602</u>
	2020	
	Fair Value	Cost
Mutual funds	\$ 149,707,071	\$ 128,594,423
Alternative investments	19,712,566	14,464,475
Total	<u>\$ 169,419,637</u>	<u>\$ 143,058,898</u>

In 2021 and 2020, the change in net assets generated by the investments was \$21,831,073 and \$17,704,829, respectively. Of this amount, \$16,012,888 and \$12,772,034 related to the Diocese in 2021 and 2020, 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, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income:			
Dividends and interest	\$ 1,061,448	\$ 2,007,453	\$ 3,068,901
Net realized gains	3,150,402	5,958,164	9,108,566
Net unrealized gains	1,455,487	2,752,674	4,208,161
Expenses	(128,920)	(243,820)	(372,740)
Total return on investments, net	<u>\$ 5,538,417</u>	<u>\$ 10,474,471</u>	<u>\$ 16,012,888</u>
	December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income:			
Dividends and interest	\$ 914,358	\$ 1,409,625	\$ 2,323,983
Net realized gains	8,355,528	12,881,348	21,236,876
Net unrealized losses	(4,084,101)	(6,296,277)	(10,380,378)
Expenses	(160,701)	(247,746)	(408,447)
Total return on investments, net	<u>\$ 5,025,084</u>	<u>\$ 7,746,950</u>	<u>\$ 12,772,034</u>

The Diocese of Long Island

Notes to Combined Financial Statements

December 31, 2021 and 2020

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 2021 and 2020, the dividend rate was 4.5%. The rate is subject to review as conditions warrant.

The following tables summarize fair value measurements of investments as of December 31, 2021 and 2020:

	2021				Investments Measured at Net Asset Value
	Fair Value	Level 1	Level 2	Level 3	
Investment Fund Investments:					
Mutual funds	\$ 136,874,604	\$ 136,874,604	\$ -	\$ -	\$ -
Alternative investments	19,725,907	-	-	-	19,725,907
Total investments	<u>\$ 156,600,511</u>	<u>\$ 136,874,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,725,907</u>

	2020				Investments Measured at Net Asset Value
	Fair Value	Level 1	Level 2	Level 3	
Investment Fund Investments:					
Mutual funds	\$ 149,707,071	\$ 149,707,071	\$ -	\$ -	\$ -
Alternative investments	19,712,566	-	-	-	19,712,566
Total investments	<u>\$ 169,419,637</u>	<u>\$ 149,707,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,712,566</u>

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, 2021 and 2020:

	2021			
	Blackstone Partners Offshore Fund - CC2 Shares	Blue Mountain Credit Alternative Fund Ltd.	PEG Global Private Equity IX Offshore Special	Grosvenor Alternative Fund
Fair Value as of December 31, 2021	\$ 10,707,955	\$ 600,562	\$ 3,917,390	\$ 4,500,000
Significant investment strategy	Multi-strategy (a)	Alternative credit	Corporate Finance and Venture Capital	Multi-strategy
Remaining life	N/A	N/A	N/A	N/A
Unfunded commitments	None	None	6,632,095	None
Timing to draw down commitments	N/A	N/A	N/A	N/A
Redemption terms	95 days' notice	(b)	(c)	70 days' notice
Redemption restrictions	None	(b)	(c)	(e)

The Diocese of Long Island

Notes to Combined Financial Statements

December 31, 2021 and 2020

	2020			
	Blackstone Partners Offshore Fund - CC2 Shares	Blue Mountain Credit Alternative Fund Ltd.	PEG Global Private Equity IX Offshore Special	Hall Capital Partners Absolute Return Fund
Fair Value as of December 31, 2020	\$ 9,792,243	\$ 997,598	\$ 883,980	\$ 8,038,745
Significant investment strategy	Multi-strategy (a)	Alternative credit	Corporate Finance and Venture Capital	Multi-strategy
Remaining life	N/A	N/A	N/A	N/A
Unfunded commitments	None	None	9,116,022	None
Timing to draw down commitments	N/A	N/A	N/A	N/A
Redemption terms	95 days' notice	(b)	(c)	(d)
Redemption restrictions	None	(b)	(c)	(d)

(a) This fund invests primarily in nontraditional investment funds, including, but not limited to, multi-category, credit-driven, equity and relative value.

(b) Fund is a liquidating partnership. Liquidation is expected to occur.

(c) This fund has no redemption rights; all distributions will occur at the general partner discretion.

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

(e) Redemptions are subject to certain restrictions, including minimum or maximum ranges of redemption amounts and/or suspension or deferment of redemptions at the directors discretion.

As of December 31, 2021 and 2020, investments at fair value include \$62,355,699 and \$58,386,547, respectively, of Trust Funds and \$73,223,729 and \$81,185,106, respectively, of Custodial Funds. Other Investments also represent restricted investments. See Note 6 for additional information on endowments.

As of December 31, 2021, the Diocese has recognized a receivable for investments sold of \$7,961,848 related to the net liquidation value of an alternative investment that was requested for redemption by the Diocese as of December 31, 2021. This receivable was recovered in 2022.

4. Loans and Mortgages Receivable

Loans receivable are as follows as of December 31, 2021 and 2020:

	2021	2020
Loan to individual (interest free, due August 1, 2036)	\$ 56,000	\$ 58,900
Canaan Yipsung Church (interest free, due immediately)	24,492	36,492
St. Augustine, Brooklyn (2.5% interest, due immediately)	-	21,347
Loan to individual (4.5% interest, due March 17, 2023)	11,039	20,139
St. James (5.5%, due April 1, 2024)	12,101	17,108
St. Mary (5.5%, due August 1, 2023)	7,909	15,812
St. John's Lynbrook (interest free, due August 5, 2037)	83,942	10,040
St. Gabriel (interest free, due September 1, 2025)	63,664	-
Other loans (interest free, due dates ranging from March 3, 2023 to June 15, 2029)	240,264	209,414
Total	\$ 499,411	\$ 389,252

The Diocese of Long Island

Notes to Combined Financial Statements
December 31, 2021 and 2020

Mortgages receivable are as follows as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
St. Joseph Anglican Church, Brooklyn (6.8% interest, due October 1, 2028)	\$ 184,605	\$ 184,605

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, 2021 and 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions, Perpetuity</u>	<u>Total</u>
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	<u>\$ 6,918,704</u>	<u>\$ 24,363,901</u>	<u>\$ 31,282,605</u>

In December 2021, the Diocese entered into a 20 month term lease arrangement for use of certain of its land in Garden City. Minimum lease rentals to be received in the future under the lease are approximately \$1,737,000 for the year ending December 31, 2022 and \$463,000 for the year ending December 31, 2023.

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 of Long Island

Notes to Combined Financial Statements

December 31, 2021 and 2020

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% 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, 2021 and 2020 consisted of the following:

	Donor Restricted			Board Designated
	Original Gifts	Unappropriated Earnings	Total	
Balance, December 31, 2019	\$ 47,730,325	\$ 39,681,207	\$ 87,411,532	\$ 11,971,857
Return on investments, net	-	7,742,478	7,742,478	2,591,687
Support and contributions	-	75	75	132,056
Appropriation of endowment assets for expenditure	-	(2,176,276)	(2,176,276)	(928,353)
Balance, December 31, 2020	47,730,325	45,247,484	92,977,809	13,767,247
Return on investments, net	-	10,472,570	10,472,570	2,204,366
Support and contributions	-	-	-	108,071
Appropriation of endowment assets for expenditure	-	(3,257,159)	(3,257,159)	(937,954)
Balance, December 31, 2021	<u>\$ 47,730,325</u>	<u>\$ 52,462,895</u>	<u>\$ 100,193,220</u>	<u>\$ 15,141,730</u>

Net assets without donor restrictions as of December 31, 2021 and 2020 are comprised of the following:

	2021	2020
Without donor restrictions:		
Undesignated	\$ 38,279,910	\$ 46,346,466
Board designated for long-term investment	15,141,730	13,767,247
Total net assets without donor restrictions	<u>\$ 53,421,640</u>	<u>\$ 60,113,713</u>

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.

The Diocese of Long Island

Notes to Combined Financial Statements

December 31, 2021 and 2020

Net assets with donor restrictions as of December 31, 2021 and 2020 are comprised of the following:

	<u>2021</u>	<u>2020</u>
With donor restrictions:		
Purpose restrictions:		
Trustees:		
Trust Funds for Parishes, Missions and Other Institutions	\$ 24,540,297	\$ 18,040,170
Mercer Scholarship Fund for Episcopal Seminaries	26,061,044	24,519,891
Mercer Maintenance Fund for Maintenance of School of Theology	1,543,118	1,406,658
Purpose restrictions:		
Other Diocesan entities:		
Trust Funds for Cathedral	6,552,548	7,514,877
Trust Funds for programs, Camp DeWolfe	48,664	46,763
	<u>58,745,671</u>	<u>51,528,359</u>
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
	<u>47,730,325</u>	<u>47,730,325</u>
Total net assets with donor restrictions	<u>\$ 58,745,671</u>	<u>\$ 51,528,359</u>

During the years ended December 31, 2021 and 2020, net assets with donor restrictions of \$3,257,159 and \$2,176,276, 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 \$1,009,656 as of December 31, 2021 and 2020.

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.

The Diocese of Long Island

Notes to Combined Financial Statements

December 31, 2021 and 2020

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% of base pay with a 3% 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, 2021 and 2020 was \$352,835 and \$246,377, 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, 2021 and 2020 was \$30,000 and \$79,630, 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, 2021, the actuarial present value of accumulated plan benefit obligations of the plan total \$6,683,016, and the fair value of plan assets total \$14,822,517. Based on its audited financial statements as of March 31, 2022, the plan is more than 100% funded. The plan was not subject to a financial improvement plan or rehabilitation plan.

The Fund currently levies assessments at the rate of 18% of participants compensation, which includes salaries and housing and utility allowances. The amount charged to operations for clergy pensions was \$551,128 and \$567,544 for the years ended December 31, 2021 and 2020, respectively. The Diocese's contributions did not make up more than 5% of total contributions to the plan.

The Diocese of Long Island

Notes to Combined Financial Statements
December 31, 2021 and 2020

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 \$540,200, from the fund during each of the years ended December 31, 2021 and 2020.

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 \$259,000 and \$257,000 for maintenance during the years ended December 31, 2021 and 2020, 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, 2021 and 2020 was approximately \$25,000. 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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 13,864,629	\$ 8,624,763
Investments	156,600,511	169,419,637
Receivable from investments sold	7,961,848	-
Accounts receivable	111,399	117,895
Less:		
Custodial "C" funds	(47,334,246)	(46,224,533)
Amounts with donor restrictions	(106,475,996)	(99,258,684)
Board designated amounts	(15,141,730)	(13,767,247)
Total	<u>\$ 9,586,415</u>	<u>\$ 18,911,831</u>

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.

The Diocese of Long Island

Notes to Combined Financial Statements
December 31, 2021 and 2020

12. COVID Funding

Employee Retention Credit

The Employee Retention Credit (ERC), which was included as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and amended by the Consolidated Appropriations Act (CAA), the American Rescue Plan Act (ARPA) and the Infrastructure Investment and Jobs Act (IIJA), incentivizes employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before October 1, 2021. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer.

The Diocese accounts for this federal funding in accordance with FASB ASC 958-605 guidance for conditional contributions and, accordingly, revenues are measured and recognized when barriers are substantially met. The Diocese claimed credits of \$655,005 on timely filed Forms 941 which are included in other income in the combined statement of activities and changes in net assets with supplementary combining information for the year ended December 31, 2021.

Paycheck Protection Program

In February 2021, the Diocese received proceeds in the amount of \$597,783 under the Paycheck Protection Program (PPP) which was established as part of the CARES Act (as amended by the Economic Aid Act (EAA) on December 27, 2020) and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying nonprofit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying nonprofit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (of eight weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. The Diocese recorded the funds in accordance with guidance for conditional contributions.

In December 2021, the Diocese received notice from the SBA that it has forgiven \$597,783 of the PPP proceeds. Therefore, as the Diocese had expended all of the PPP funds received on qualified expenses and believes that it met all of the conditions attached to the PPP, the Diocese has recorded other income of \$597,783 within the combined statement of activities and changes in net assets with supplementary combining information for the year ended December 31, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act (as amended by the EAA), the Diocese is required to maintain its PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request. The Diocese does not believe the results of any audits or reviews by the SBA would have a material impact on the combined financial statements.

The Diocese of Long Island

Combining Statement of Financial Position - Trustees of the Estate
December 31, 2021 (With Comparative Totals for 2020)

	Operating Funds	Trust Funds	Custodial Funds	Mercer Scholarship	Mercer Maintenance	Messiah and Incarnation Trust	Eliminations	Total All Funds	
								2021	2020
Assets									
Cash and cash equivalents	\$ 4,269,904	\$ 507,750	\$ 3,187,464	\$ 1,952,892	\$ 128,675	\$ 376,613	\$ -	\$ 10,423,298	\$ 4,989,614
Investments, at fair value	21,021,083	62,355,699	73,223,729	-	-	-	-	156,600,511	169,419,637
Investments in Investment Fund of the Diocese	-	-	-	32,611,490	2,161,371	5,722,794	(40,495,655)	-	-
Loans receivable	332,433	-	-	-	-	-	-	332,433	191,116
Mortgages receivable	184,605	-	-	-	-	-	-	184,605	184,605
Receivable for investments sold	1,221,347	3,044,611	3,695,890	-	-	-	-	7,961,848	-
Other assets	1,069,263	-	-	-	-	-	-	1,069,263	1,034,000
Due from other funds	6,873,124	2,446,628	-	-	58,658	-	(9,378,410)	-	-
Land, buildings and improvements	6,918,704	4,045,800	-	-	-	-	-	10,964,504	10,964,504
Total assets	\$ 41,890,463	\$ 72,400,488	\$ 80,107,083	\$ 34,564,382	\$ 2,348,704	\$ 6,099,407	\$ (49,874,065)	\$ 187,536,462	\$ 186,783,476
Liabilities and Net Assets									
Liabilities									
Cash overdraft payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,376,639
Accounts payable and accrued expenses	1,303,878	5,103	-	4,278	5,586	-	-	1,318,845	1,211,719
Due to other funds	7,644,220	3,620,787	109,359	923,851	-	242,192	(9,378,410)	3,161,999	80,449
Custodial "C" funds	213	94	79,997,724	-	-	-	-	79,998,031	78,922,798
Total liabilities	8,948,311	3,625,984	80,107,083	928,129	5,586	242,192	(9,378,410)	84,478,875	83,591,605
Net Assets									
Without donor restrictions	32,942,152	-	-	-	-	-	-	32,942,152	41,254,176
With donor restrictions	-	68,774,504	-	33,636,253	2,343,118	5,857,215	(40,495,655)	70,115,435	61,937,695
Total net assets	32,942,152	68,774,504	-	33,636,253	2,343,118	5,857,215	(40,495,655)	103,057,587	103,191,871
Total liabilities and net assets	\$ 41,890,463	\$ 72,400,488	\$ 80,107,083	\$ 34,564,382	\$ 2,348,704	\$ 6,099,407	\$ (49,874,065)	\$ 187,536,462	\$ 186,783,476

The Diocese of Long Island

Combining Statement of Financial Position - Diocese of Long Island
December 31, 2021 (With Comparative Totals for 2020)

	The Diocese of Long Island	Bishop's Call	Bishop's Fund for Theological Education	Total All Funds	
				2021	2020
Assets					
Cash and cash equivalents	\$ 2,713,022	\$ -	\$ -	\$ 2,713,022	\$ 2,486,109
Investments in Investment Fund of the Diocese	1,033,720	-	-	1,033,720	1,192,992
Loans receivable	22,834	144,144	-	166,978	198,136
Other assets	21,024	-	-	21,024	159,017
Due from other funds	3,374,743	-	-	3,374,743	2,152
Total assets	<u>\$ 7,165,343</u>	<u>\$ 144,144</u>	<u>\$ -</u>	<u>\$ 7,309,487</u>	<u>\$ 4,038,406</u>
Liabilities and Net Assets (Deficit)					
Liabilities					
Cash overdraft payable	\$ -	\$ 90,482	\$ 22,336	\$ 112,818	\$ 113,580
Accounts payable and accrued expenses	271,231	31,252	-	302,483	313,299
Due to other funds	38,426	-	-	38,426	-
Total liabilities	<u>309,657</u>	<u>121,734</u>	<u>22,336</u>	<u>453,727</u>	<u>426,879</u>
Net Assets (Deficit)					
Without donor restrictions	<u>6,855,686</u>	<u>22,410</u>	<u>(22,336)</u>	<u>6,855,760</u>	<u>3,611,527</u>
Total net assets (deficit)	<u>6,855,686</u>	<u>22,410</u>	<u>(22,336)</u>	<u>6,855,760</u>	<u>3,611,527</u>
Total liabilities and net assets (deficit)	<u>\$ 7,165,343</u>	<u>\$ 144,144</u>	<u>\$ -</u>	<u>\$ 7,309,487</u>	<u>\$ 4,038,406</u>

The Diocese of Long Island

Combining Statement of Financial Position - Other Diocesan Entities

December 31, 2021 (With Comparative Totals for 2020)

	Cathedral of the Incarnation	Episcopal Ministries	Camp DeWolfe	School of Theology	Episcopal Real Estate of Long Island	Total All Funds	
						2021	2020
Assets							
Cash and cash equivalents	\$ -	\$ 262,487	\$ 51,526	\$ 331,446	\$ 82,850	\$ 728,309	\$ 1,149,040
Investments in Investment Fund of the Diocese	17,294,745	14,286,658	48,662	-	-	31,630,065	31,505,273
Other assets	-	-	2,679	157	-	2,836	199,189
Due from other funds	-	-	-	38,426	-	38,426	78,297
Land, building and improvements	20,318,101	-	-	-	-	20,318,101	20,318,101
Total assets	<u>\$ 37,612,846</u>	<u>\$ 14,549,145</u>	<u>\$ 102,867</u>	<u>\$ 370,029</u>	<u>\$ 82,850</u>	<u>\$ 52,717,737</u>	<u>\$ 53,249,900</u>
Liabilities and Net Assets (Deficit)							
Liabilities							
Cash overdraft payable	\$ 2,009,653	\$ -	\$ -	\$ -	\$ -	\$ 2,009,653	\$ 48,321
Accounts payable and accrued expenses	372,328	31,811	38,752	48,160	20,000	511,051	632,580
Due to other funds	67,051	37,678	108,015	-	-	212,744	-
Total liabilities	<u>2,449,032</u>	<u>69,489</u>	<u>146,767</u>	<u>48,160</u>	<u>20,000</u>	<u>2,733,448</u>	<u>680,901</u>
Net Assets (Deficit)							
Without donor restrictions	(746,420)	14,077,993	(92,564)	321,869	62,850	13,623,728	15,248,010
With donor restrictions	<u>35,910,234</u>	<u>401,663</u>	<u>48,664</u>	<u>-</u>	<u>-</u>	<u>36,360,561</u>	<u>37,320,989</u>
Total net assets (deficit)	<u>35,163,814</u>	<u>14,479,656</u>	<u>(43,900)</u>	<u>321,869</u>	<u>62,850</u>	<u>49,984,289</u>	<u>52,568,999</u>
Total liabilities and net assets (deficit)	<u>\$ 37,612,846</u>	<u>\$ 14,549,145</u>	<u>\$ 102,867</u>	<u>\$ 370,029</u>	<u>\$ 82,850</u>	<u>\$ 52,717,737</u>	<u>\$ 53,249,900</u>

The Diocese of Long Island

Combining Statement of Activities - Trustees of the Estate
Year Ended December 31, 2021 (With Comparative Totals for 2020)

	Operating Funds	Trust Funds	Mercer Scholarship	Mercer Maintenance	Messiah and Incarnation Trust	Eliminations	Total All Funds	
							2021	2020
Changes in Net Assets Without Donor Restrictions								
Revenues:								
Return on investments, net	\$ 3,374,717	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,374,717	\$ 2,216,605
Parish, mission and other support	978,910	-	-	-	-	-	978,910	1,095,588
Other income	1,735,714	-	-	-	-	-	1,735,714	169,584
Net assets released from restrictions	-	2,044,197	957,967	256,212	225,822	(227,039)	3,257,159	2,137,028
Total revenues	6,089,341	2,044,197	957,967	256,212	225,822	(227,039)	9,346,500	5,618,805
Expenses:								
Program	13,191,245	2,040,763	716,906	-	225,822	-	16,174,736	13,478,118
Administrative	1,210,120	3,434	241,061	256,212	-	(227,039)	1,483,788	1,819,639
Total expenses	14,401,365	2,044,197	957,967	256,212	225,822	(227,039)	17,658,524	15,297,757
Changes in net assets without donor restrictions	(8,312,024)	-	-	-	-	-	(8,312,024)	(9,678,952)
Changes in Net Assets With Donor Restrictions								
Return on investments, net	-	9,913,538	2,499,120	165,633	438,683	(1,582,075)	11,434,899	6,584,063
Contributions	-	-	-	227,039	-	(227,039)	-	-
Net assets released from restrictions	-	(2,044,197)	(957,967)	(256,212)	(225,822)	227,039	(3,257,159)	(2,137,028)
Changes in net assets with donor restrictions	-	7,869,341	1,541,153	136,460	212,861	(1,582,075)	8,177,740	4,447,035
Changes in net assets	(8,312,024)	7,869,341	1,541,153	136,460	212,861	(1,582,075)	(134,284)	(5,231,917)
Net Assets, Beginning	41,254,176	60,905,163	32,095,100	2,206,658	5,644,354	(38,913,580)	103,191,871	108,423,788
Net Assets, Ending	\$ 32,942,152	\$ 68,774,504	\$ 33,636,253	\$ 2,343,118	\$ 5,857,215	\$ (40,495,655)	\$ 103,057,587	\$ 103,191,871

The Diocese of Long Island

Combining Statement of Activities - Diocese of Long Island
Year Ended December 31, 2021 (With Comparative Totals for 2020)

	The Diocese of Long Island	Bishop's Call	Bishop's Fund for Theological Education	Eliminations	Total All Funds	
					2021	2020
Changes in Net Assets Without Donor Restrictions						
Revenues:						
Return on investments, net	\$ 263,591	\$ 14,809	\$ 17,642	\$ -	\$ 296,042	\$ 537,766
Parish, mission and other support	8,317,414	170,000	3,525	-	8,490,939	8,596,910
Other income	1,850,801	5,153	-	(10,000)	1,845,954	397,144
Total revenues	10,431,806	189,962	21,167	(10,000)	10,632,935	9,531,820
Expenses:						
Program	4,196,657	202,420	39,519	(10,000)	4,428,596	3,619,583
Administrative	2,879,681	75,597	4,828	-	2,960,106	2,780,850
Total expenses	7,076,338	278,017	44,347	(10,000)	7,388,702	6,400,433
Changes in net assets without donor restrictions	3,355,468	(88,055)	(23,180)	-	3,244,233	3,131,387
Net Assets, Beginning	3,500,218	110,465	844	-	3,611,527	480,140
Net Assets (Deficit), Ending	<u>\$ 6,855,686</u>	<u>\$ 22,410</u>	<u>\$ (22,336)</u>	<u>\$ -</u>	<u>\$ 6,855,760</u>	<u>\$ 3,611,527</u>

The Diocese of Long Island

Combining Statement of Activities - Other Diocesan Entities
Year Ended December 31, 2021 (With Comparative Totals for 2020)

	Cathedral of the Incarnation	Episcopal Ministries	Camp DeWolfe	School of Theology	Episcopal Real Estate of Long Island	Eliminations	Total All Funds	
							2021	2020
Changes in Net Assets Without Donor Restrictions								
Revenues:								
Return on investments, net	\$ 1,198,657	\$ 1,091,050	\$ 2,106	\$ -	\$ -	\$ -	\$ 2,291,813	\$ 2,270,713
Parish, mission and other support	1,105,975	168,650	376,515	540,624	100,000	(296,350)	1,995,414	2,282,824
Other income	298,001	26,772	340,281	64,008	-	-	729,062	287,243
Net assets released from restrictions	-	-	-	-	-	-	-	39,248
Total revenues	<u>2,602,633</u>	<u>1,286,472</u>	<u>718,902</u>	<u>604,632</u>	<u>100,000</u>	<u>(296,350)</u>	<u>5,016,289</u>	<u>4,880,028</u>
Expenses:								
Program	767,676	669,517	105,006	119,524	37,150	(296,350)	1,402,523	955,145
Administrative	4,064,564	291,324	492,439	389,721	-	-	5,238,048	2,642,078
Total expenses	<u>4,832,240</u>	<u>960,841</u>	<u>597,445</u>	<u>509,245</u>	<u>37,150</u>	<u>(296,350)</u>	<u>6,640,571</u>	<u>3,597,223</u>
Changes in net assets without donor restrictions	<u>(2,229,607)</u>	<u>325,631</u>	<u>121,457</u>	<u>95,387</u>	<u>62,850</u>	<u>-</u>	<u>(1,624,282)</u>	<u>1,282,805</u>
Changes in Net Assets With Donor Restrictions								
Return on investments, net	(962,329)	-	1,901	-	-	-	(960,428)	1,162,887
Other Income	-	-	-	-	-	-	-	75
Net assets released from restrictions	-	-	-	-	-	-	-	(39,248)
Changes in net assets with donor restrictions	<u>(962,329)</u>	<u>-</u>	<u>1,901</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(960,428)</u>	<u>1,123,714</u>
Changes in net assets (deficit)	<u>(3,191,936)</u>	<u>325,631</u>	<u>123,358</u>	<u>95,387</u>	<u>62,850</u>	<u>-</u>	<u>(2,584,710)</u>	<u>2,406,519</u>
Net Assets (Deficit), Beginning	<u>38,355,750</u>	<u>14,154,025</u>	<u>(167,258)</u>	<u>226,482</u>	<u>-</u>	<u>-</u>	<u>52,568,999</u>	<u>50,162,480</u>
Net Assets (Deficit), Ending	<u>\$ 35,163,814</u>	<u>\$ 14,479,656</u>	<u>\$ (43,900)</u>	<u>\$ 321,869</u>	<u>\$ 62,850</u>	<u>\$ -</u>	<u>\$ 49,984,289</u>	<u>\$ 52,568,999</u>