

PROTESTANT EPISCOPAL DIOCESE  
OF WESTERN NEW YORK

Financial Statements and Supplementary Information

December 31, 2017 and 2016

(With Independent Auditors' Report Thereon)

PROTESTANT EPISCOPAL DIOCESE OF WESTERN NEW YORK

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## INDEPENDENT AUDITORS' REPORT

The Bishop and Annual Convention  
Protestant Episcopal Diocese of Western New York:

### Report on the Financial Statements

We have audited the accompanying financial statements of Protestant Episcopal Diocese of Western New York (the Diocese) (a non-profit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Protestant Episcopal Diocese of Western New York as of December 31, 2017, 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.

## Prior Period Financial Statements

The financial statements of the Protestant Episcopal Diocese of Western New York as of December 31, 2016, were audited by other auditors whose report dated June 30, 2017, expressed an unmodified opinion on those statements.

## Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying additional information included on pages 17 and 18 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

EFPR Group, CPAs, PLLC

Williamsville, New York  
June 12, 2018

PROTESTANT EPISCOPAL DIOCESE OF WESTERN NEW YORK  
 Statements of Financial Position  
 December 31, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Cash	\$ 153,716	170,004
Accounts receivable	39,625	318,635
Investments	15,543,956	13,331,545
Investments managed on behalf of others	5,143,579	4,493,729
Loans receivable	46,392	71,340
Land, buildings and equipment, net	<u>1,345,981</u>	<u>1,448,464</u>
Total assets	<u>\$ 22,273,249</u>	<u>19,833,717</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable	16,647	98,762
Investments managed on behalf of others	5,143,579	4,493,729
Funds held for others	<u>74,862</u>	<u>117,086</u>
Total liabilities	<u>5,235,088</u>	<u>4,709,577</u>
Net assets:		
Without donor restrictions	8,733,341	6,975,428
With donor restrictions	<u>8,304,820</u>	<u>8,148,712</u>
Total net assets	<u>17,038,161</u>	<u>15,124,140</u>
Total liabilities and net assets	<u>\$ 22,273,249</u>	<u>19,833,717</u>

See accompanying notes to financial statements.

PROTESTANT EPISCOPAL DIOCESE OF WESTERN NEW YORK

Statement of Activities and Changes in Net Assets

Year ended December 31, 2017

(with comparative totals for 2016)

	Without donor <u>restrictions</u>	With donor <u>restrictions</u>	<u>Total</u>	
			<u>2017</u>	<u>2016</u>
Revenue:				
Contributions	\$ 847,155	36,895	884,050	982,191
Investment income	2	414,306	414,308	517,500
Other	24,846	19,407	44,253	31,073
Net assets released from restrictions	<u>314,500</u>	<u>(314,500)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,186,503</u>	<u>156,108</u>	<u>1,342,611</u>	<u>1,530,764</u>
Expenses:				
Program services:				
Ministry of the Bishop	316,460	-	316,460	358,015
Mission discernment and planning	176,566	-	176,566	221,238
Leadership education and training	206,260	-	206,260	221,859
Leadership development	700	-	700	600
Diocesan Ministry Center	12,029	-	12,029	3,270
Services to congregations	104,971	-	104,971	75,039
Communications	39,375	-	39,375	37,755
Community services	19,866	-	19,866	10,966
Special projects	<u>60,716</u>	<u>-</u>	<u>60,716</u>	<u>129,406</u>
Total program services	936,943	-	936,943	1,058,148
Supporting services - management and general	<u>327,292</u>	<u>-</u>	<u>327,292</u>	<u>295,337</u>
Total expenses before depreciation	1,264,235	-	1,264,235	1,353,485
Depreciation	<u>75,898</u>	<u>-</u>	<u>75,898</u>	<u>67,347</u>
Total expenses	<u>1,340,133</u>	<u>-</u>	<u>1,340,133</u>	<u>1,420,832</u>
Increase (decrease) in net assets before other income (loss)	<u>(153,630)</u>	<u>156,108</u>	<u>2,478</u>	<u>109,932</u>
Other income (loss):				
Net investment appreciation	1,938,128	-	1,938,128	253,876
Loss on disposal of property and equipment	<u>(26,585)</u>	<u>-</u>	<u>(26,585)</u>	<u>(77,591)</u>
Total other income	<u>1,911,543</u>	<u>-</u>	<u>1,911,543</u>	<u>176,285</u>
Increase in net assets	1,757,913	156,108	1,914,021	286,217
Net assets at beginning of year	<u>6,975,428</u>	<u>8,148,712</u>	<u>15,124,140</u>	<u>14,837,923</u>
Net assets at end of year	<u>\$ 8,733,341</u>	<u>8,304,820</u>	<u>17,038,161</u>	<u>15,124,140</u>

See accompanying notes to financial statements.

PROTESTANT EPISCOPAL DIOCESE OF WESTERN NEW YORK  
Statement of Activities and Changes in Net Assets  
Year ended December 31, 2016

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue:			
Contributions	\$ 824,651	157,540	982,191
Investment income	90,003	427,497	517,500
Other	16,314	14,759	31,073
Net assets released from restrictions	<u>418,286</u>	<u>(418,286)</u>	<u>-</u>
Total revenue	<u>1,349,254</u>	<u>181,510</u>	<u>1,530,764</u>
Expenses:			
Program services:			
Ministry of the Bishop	358,015	-	358,015
Mission discernment and planning	221,238	-	221,238
Leadership education and training	221,859	-	221,859
Leadership development	600	-	600
Diocesan Ministry Center	3,270	-	3,270
Services to congregations	75,039	-	75,039
Communications	37,755	-	37,755
Community services	10,966	-	10,966
Special projects	<u>129,406</u>	<u>-</u>	<u>129,406</u>
Total program services	1,058,148	-	1,058,148
Supporting services - management and general	<u>295,337</u>	<u>-</u>	<u>295,337</u>
Total expenses before depreciation	1,353,485	-	1,353,485
Depreciation	<u>67,347</u>	<u>-</u>	<u>67,347</u>
Total expenses	<u>1,420,832</u>	<u>-</u>	<u>1,420,832</u>
Increase (decrease) in net assets before other income (loss)	<u>(71,578)</u>	<u>181,510</u>	<u>109,932</u>
Other income (loss):			
Net investment appreciation	253,876	-	253,876
Loss on disposal of property and equipment	<u>(77,591)</u>	<u>-</u>	<u>(77,591)</u>
Total other income	<u>176,285</u>	<u>-</u>	<u>176,285</u>
Increase in net assets	104,707	181,510	286,217
Net assets at beginning of year	<u>6,870,721</u>	<u>7,967,202</u>	<u>14,837,923</u>
Net assets at end of year	<u>\$ 6,975,428</u>	<u>8,148,712</u>	<u>15,124,140</u>

See accompanying notes to financial statements.

PROTESTANT EPISCOPAL DIOCESE OF WESTERN NEW YORK  
Statement of Functional Expenses  
December 31, 2017  
with comparative totals for 2016

	Ministry of the Bishop	Mission discernment and planning	Leadership education and training	Leadership development	Diocesan Ministry Center	Services to congregations	Communications	Community services	Special projects	Supporting services	Total	
											2017	2016
Payroll	\$ 173,177	17,850	1,847	-	-	84,760	-	-	-	119,367	397,001	376,400
Payroll taxes and benefits	1,076	-	28,555	-	-	-	-	-	-	163,751	193,382	160,208
Consultants	-	-	59,550	-	-	-	-	-	31,849	1,730	93,129	125,367
Maintenance and utilities	23,406	-	58,112	-	10,919	-	-	-	-	15,483	107,920	58,637
Computer and communications	25,201	-	-	-	-	-	38,727	-	-	-	63,928	64,175
Office expenses	16,750	3,382	-	-	-	-	-	-	-	-	20,132	23,447
Travel	24,792	7,260	-	-	-	-	-	-	-	-	32,052	36,329
Grants to others	40,000	-	-	-	-	-	-	-	28,867	-	68,867	263,963
National dues	-	112,831	-	-	-	-	-	-	-	-	112,831	98,382
Convention and conference expense	-	32,961	13,962	-	-	9,842	648	3,053	-	300	60,766	52,509
Other	12,058	2,282	44,234	700	1,110	10,369	-	16,813	-	26,661	114,227	94,068
<b>Total expenses</b>	<b>\$ 316,460</b>	<b>176,566</b>	<b>206,260</b>	<b>700</b>	<b>12,029</b>	<b>104,971</b>	<b>39,375</b>	<b>19,866</b>	<b>60,716</b>	<b>327,292</b>	<b>1,264,235</b>	<b>1,353,485</b>

(Continued)

See accompanying notes to financial statements.



PROTESTANT EPISCOPAL DIOCESE OF WESTERN NEW YORK  
Statement of Functional Expenses  
December 31, 2016

	Ministry of the <u>Bishop</u>	Mission discernment and <u>planning</u>	Leadership education and <u>training</u>	Leadership <u>development</u>	Diocesan Ministry <u>Center</u>	Services to <u>congregations</u>	<u>Communications</u>	Community <u>services</u>	Special <u>projects</u>	Supporting <u>services</u>	<u>Total</u>
Payroll	\$ 177,470	13,816	-	-	-	63,634	-	-	-	121,480	376,400
Payroll taxes and benefits	1,076	-	27,219	-	-	-	-	-	-	131,913	160,208
Consultants	-	4,885	84,863	-	-	-	-	-	34,419	1,200	125,367
Maintenance and utilities	660	-	38,021	-	2,348	-	-	-	-	17,608	58,637
Computer and communications	25,874	911	-	-	-	-	37,140	250	-	-	64,175
Office expenses	20,915	2,532	-	-	-	-	-	-	-	-	23,447
Travel	31,523	4,806	-	-	-	-	-	-	-	-	36,329
Grants to others	78,666	75,000	19,475	600	-	-	-	-	89,879	343	263,963
National dues	-	98,382	-	-	-	-	-	-	-	-	98,382
Convention and conference expense	-	19,268	19,030	-	-	3,481	615	10,115	-	-	52,509
Other	21,831	1,638	33,251	-	922	7,924	-	601	5,108	22,793	94,068
Total expenses	<u>\$ 358,015</u>	<u>221,238</u>	<u>221,859</u>	<u>600</u>	<u>3,270</u>	<u>75,039</u>	<u>37,755</u>	<u>10,966</u>	<u>129,406</u>	<u>295,337</u>	<u>1,353,485</u>

See accompanying notes to financial statements.

PROTESTANT EPISCOPAL DIOCESE OF WESTERN NEW YORK  
 Statements of Cash Flows  
 Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,914,021	286,217
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:		
Net investment appreciation	(1,938,128)	(253,876)
Depreciation	75,898	67,347
Loss on disposal of property and equipment	26,585	77,591
Changes in:		
Accounts receivable	1,601	240,206
Accounts payable	(82,115)	69,407
Net cash provided by (used in) operating activities	<u>(2,138)</u>	<u>486,892</u>
Cash flows from investing activities:		
Net change in investments	(274,283)	(430,172)
Payments received on loans	24,948	13,296
Advances on new loans	-	(41,000)
Net change in funds held for others	(42,224)	52,347
Additions to property and equipment	-	(129,702)
Proceeds from sale of property and equipment	277,409	-
Net cash used in investing activities	<u>(14,150)</u>	<u>(535,231)</u>
Decrease in cash	(16,288)	(48,339)
Cash at beginning of year	<u>170,004</u>	<u>218,343</u>
Cash at end of year	<u>\$ 153,716</u>	<u>170,004</u>
Supplemental schedules of cash flow information:		
Proceeds from sale of property held for sale included in accounts receivable	<u>\$ -</u>	<u>277,409</u>
Disposal of fully depreciated property and equipment	<u>\$ 108,585</u>	<u>-</u>

See accompanying notes to financial statements.

# PROTESTANT EPISCOPAL DIOCESE OF WESTERN NEW YORK

## Notes to Financial Statements

December 31, 2017 and 2016

### (1) Organization and Significant Accounting Policies

#### (a) Nature of Activities

The Protestant Episcopal Diocese of Western New York (the Diocese) is the corporate organization charged with the legal and financial responsibilities for the operation of The Episcopal Church in a seven-county region in Western New York. The Diocese is incorporated in New York as a religious corporation. The Annual Convention of the Diocese is the legislative body of the Episcopal Church in Western New York. The Diocese does not, however, operate or otherwise control the individual parishes that are in union with the Annual Convention of the Diocese. Between annual conventions, the Bishop, Diocesan Council and Trustees of the Diocese share various responsibilities of implementing the programs and policies of The Episcopal Church in Western New York. The Diocese reports all assets of the Western New York Episcopal Diocesan Investment Trust, of which the Diocese maintains fiduciary control.

As its mission, the Diocese seeks: 1) to facilitate the work of the church which takes place in its congregations; 2) to support ministry unique to a diocese (particularly support of the Bishop); 3) to act as a connector between various levels of The Episcopal Church and other ecumenical bodies; and 4) to engage directly in ministry which can be pursued more effectively at the diocesan level rather than at other levels of the church.

#### (b) Basis of Accounting

The financial statements of the Diocese have been prepared on the accrual basis of accounting, which requires that all non-profit organizations provide a statement of financial position, a statement of activities, and a statement of cash flows. Classification of net assets and revenues, expenses, gains and losses are based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets: with donor restrictions and without donor restrictions, be displayed in the statements of activities and changes in net assets.

Accounting principles generally accepted in the United States of America require that unconditional promises to give be recorded as receivables and revenues, and require a non-profit organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

#### (c) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America require the Diocese 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

PROTESTANT EPISCOPAL DIOCESE OF WESTERN NEW YORK

Notes to Financial Statements, Continued

(1) Organization and Significant Accounting Policies, Continued

(d) Cash

For purposes of the statements of cash flows, the Diocese considers all money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less to be cash.

(e) Accounts Receivable

Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

(f) Investments

Investments are presented in the financial statements at fair market value. Realized and unrealized gains and losses are recorded in the statements of activities and changes in net assets. Fair value measurements are discussed in greater detail in note 3.

(g) Endowment Investment and Spending Policies

The Diocese follows the Total Return Approach to investments, whereby it applies a prudent portion of the realized and unrealized returns on investments to meet current designated and undesignated expenditures. Total return consists of two elements: yield and appreciation. The Trustees make an allocation annually from endowment funds after an evaluation of various factors specified in New York law. The current allocation was 5% of the five-year average market value portfolio. Any return realized in excess of this percentage is retained by the Trustees and reinvested to protect the real dollar value of the funds against the effects of inflation.

(h) Beneficial Interest in Outside Trusts

Certain donors have established trusts with third party administrators, which call for income earned on these gifts to be paid to the Diocese and/or other beneficiaries and the principal to be invested in perpetuity. The value of the outside trusts, which is attributable to the Diocese, is included in investments. The funds received from these outside trusts has been recorded as a release from donor imposed restriction. Accounting principles generally accepted in the United States of America require that the value of these outside trusts assets be recognized net assets with donor restrictions. The fair value is recorded each year and the change in fair value is included in the statements of activities and changes in net assets as change in net investment appreciation.

PROTESTANT EPISCOPAL DIOCESE OF WESTERN NEW YORK

Notes to Financial Statements, Continued

(1) Organization and Significant Accounting Policies, Continued

(i) Investments Managed on Behalf of Others

In the ordinary course of business, the Diocese acts as custodian for funds owned by others and for which no benefit of income or principal is received. In general, these funds are the deposits of congregations and other organizations in the Western New York Diocesan Investment Trust. For these funds, the balances are treated as liabilities rather than included in the Diocese's net assets. The financial activities of these investments are not included in the accompanying statements of activities and changes in net assets but are reflected as a change in the value of such assets and liabilities.

The Diocese does not manage the composition of portfolios accounted for as investments managed on behalf of others as the holders of the accounts determine how much of each portfolio is invested in Fund A, B, C, D or any combination of such funds. Fund A is comprised of money market funds, fixed income funds and equities. Fund B is comprised of money market funds and fixed income funds. Fund C is comprised only of money market funds. Fund D is comprised of money market funds and equities.

(j) Funds Held in a Trustee Relationship

The Trustees of the Diocese also serve as the trustee of funds raised by the Diocese in the Venture in Mission campaign, which is held for the benefit of the Anglican Diocese of Belize. During the years ended December 31, 2017 and 2016, the Diocese remitted \$40,000 and \$40,789, respectively, from this trust to the beneficiary.

(k) Loans Receivable

Loans receivable consist of amounts advanced by the Diocese to various congregations and related organizations. The loans have varying interest rates and varying terms for repayment. It is the Diocesan policy to charge off uncollectible loans receivable when the Diocese determines that the receivable will not be collected.

(l) Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost at the date of acquisition, and in the case of donated assets, at fair value of the date of the gift. Depreciation is provided using the straight-line basis over the estimated useful lives of the assets (5 - 39 years).

(m) Income Taxes

The Diocese is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code through a tax exemption granted to the Episcopal Church.

(n) Subsequent Events

The Diocese has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

## PROTESTANT EPISCOPAL DIOCESE OF WESTERN NEW YORK

### Notes to Financial Statements, Continued

#### (1) Organization and Significant Accounting Policies, Continued

##### (o) Recent Accounting Standards Issued

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities." ASU 2016-14 contains several provisions that change the presentation of and disclosures within the financial statements of a not-for-profit entity. These changes include an updated net asset classification scheme from three classes to two classes, changes in underwater endowment accounting, quantitative and qualitative disclosures regarding liquidity, a change in presentation of investment return to a net basis and a requirement to report expenses by function, nature, and an analysis showing the relationship between function and nature and the removal of the requirement for a reconciliation for statements of cash flows done on the direct basis.

This guidance is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted and these financial statements and footnotes reflect early adoption.

##### (p) Reclassifications

Reclassifications have been made to certain 2016 balances in order to conform them to the 2017 presentation.

#### (2) Liquidity

The Diocese has approximately \$193,341 of financial assets available within one year of the statement of financial position date consisting of \$153,716 of cash and \$39,625 of gross accounts receivable. None of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. Additionally, the Diocese has available \$13,300,702 in investments at December 31, 2017, however use of those investments for operating purposes is subject to approval by the Board of Trustees.

#### (3) Fair Value Measurements

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Diocese has the ability to access.

PROTESTANT EPISCOPAL DIOCESE OF WESTERN NEW YORK

Notes to Financial Statements, Continued

(3) Fair Value Measurements, Continued

- Level 2 - Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets.
  - Quoted prices for identical or similar assets or liabilities in inactive markets.
  - Inputs other than quoted prices that are observable for the asset or liability.
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following tables set forth by level, within the fair value hierarchy, the Diocese's assets at fair value as of December 31, 2017 and 2016:

	<u>2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 428,512	-	274,599	703,111
Equities	14,744,739	-	656,821	15,401,560
Fixed income	4,356,125	-	152,556	4,508,681
Hedge funds	-	-	68,099	68,099
Commodities	-	-	6,084	6,084
Total assets at fair value	\$ <u>19,529,376</u>	<u>-</u>	<u>1,158,159</u>	<u>20,687,535</u>
	<u>2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 965,584	-	29,198	994,782
Equities	12,775,239	-	754,438	13,529,677
Fixed income	3,018,097	-	179,946	3,198,043
Hedge funds	-	-	79,901	79,901
Commodities	-	-	22,871	22,871
Total assets at fair value	\$ <u>16,758,920</u>	<u>-</u>	<u>1,066,354</u>	<u>17,825,274</u>

PROTESTANT EPISCOPAL DIOCESE OF WESTERN NEW YORK

Notes to Financial Statements, Continued

(3) Fair Value Measurements, Continued

The above investments are reflected in the accompanying statements of financial position as follows:

	<u>2017</u>	<u>2016</u>
Investments	\$ 15,543,956	13,331,545
Investments managed on behalf of others	<u>5,143,579</u>	<u>4,493,729</u>
	\$ <u>20,687,535</u>	<u>17,825,274</u>

(4) Land, Buildings and Equipment

Land, buildings and equipment at December 31, 2017 and 2016 are summarized as follows:

	<u>2017</u>	<u>2016</u>
Buildings	\$ 2,267,717	2,361,775
Construction in progress	112,717	112,717
Office equipment	49,514	64,041
Furniture and fixtures	44,410	44,410
Land	<u>600</u>	<u>27,185</u>
	2,474,958	2,610,128
Less accumulated depreciation	<u>(1,128,977)</u>	<u>(1,161,664)</u>
	\$ <u>1,345,981</u>	<u>1,448,464</u>

All real and personal property held by or for the benefit of the parishes (i.e., incorporated congregations) in union with the Diocese are held by each parish in trust for the Diocese. Such property is occupied by each parish and administered under the authority of the parish so long as the congregation remains a part of the Diocese and subject to its constitution and canons. The accompanying financial statements do not include the value of land, buildings and equipment of incorporated congregations. The Diocese holds legal title to real estate assets of mission churches and includes the cost of such properties among its land, buildings and equipment assets. However, mission properties are held by the Diocese for use of the various congregations.

(5) Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Perpetual in nature	\$ 2,365,816	2,365,816
Restricted for special purpose programs	4,593,023	4,334,432
Restricted for land, buildings and equipment	<u>1,345,981</u>	<u>1,448,464</u>
	\$ <u>8,304,820</u>	<u>8,148,712</u>



## PROTESTANT EPISCOPAL DIOCESE OF WESTERN NEW YORK

### Notes to Financial Statements, Continued

#### (6) Related Party Transactions

The congregations of the Diocese, consisting of parishes (incorporated congregations) and missions (unincorporated congregations) are in union with the Annual Convention of the Diocese. The Diocese receives financial support in the form of voluntary annual commitments from the congregations, which amounted to approximately \$847,000 and \$825,000 during the years ended December 31, 2017 and 2016, respectively.

At December 31, 2017 and 2016, approximately \$39,000 of total accounts receivable represent amounts receivable from congregations.

The Diocese had loans receivable of approximately \$46,000 and \$71,000 for the years ended December 31, 2017 and 2016, respectively. All loans receivable are loans to congregations, bearing interest at rates ranging from 3.0% to 4.5% per annum. The Diocese also sponsors certain employee benefit programs and insurance programs in which congregations participate. The costs of these programs are shared by the participants.

The Diocese is part of The Episcopal Church which is an unincorporated association. The Episcopal Church is governed by its General Convention, which includes persons elected as delegates by the Annual Convention of the Diocese among its members. The Bishop and Standing Committee of the Diocese also participate in the governance of The Episcopal Church under its canons. The Episcopal Church carries out its administrative, finance and other program activities through the Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America (DFMS). DFMS engages in financial transactions with both foreign and domestic entities affiliated with The Episcopal Church and the worldwide Anglican Communion. The Diocese provided direct support for the program of DFMS with voluntary commitments of approximately \$110,000 and \$97,000 during the years ended December 31, 2017 and 2016, respectively. In addition, amounts are given directly by the congregations in Western New York for support of various programs of The Episcopal Church, including Episcopal Relief and Development, the United Thank Offering and support for Episcopal Seminaries. The Diocese and its congregations participate in the pension program and certain insurance programs of The Episcopal Church.

#### (7) Pension Plans

The Diocese has noncontributory pension plans covering substantially all personnel. The Diocese funds all pension costs and makes payments to the Church Pension Fund. Total pension expense was approximately \$55,000 and \$45,000 during the years ended December 31, 2017 and 2016, respectively.

PROTESTANT EPISCOPAL DIOCESE OF WESTERN NEW YORK  
Notes to Financial Statements, Continued

(8) Donated Services

A number of unpaid volunteers have made contributions of their time to develop and maintain the Diocesan programs. The value of the contributed time is not reflected in these financial statements since it is not subject to objective measurement or valuation.

(9) Contingency

The Diocese is co-maker on a parish note payable to the Episcopal Church Building Fund. This note was for money borrowed to improve parish facilities. In the event of default on this note by the maker, the Diocese is liable, as co-maker, for any unpaid balance due on this note. The aggregate outstanding balance of this note is \$30,588 and \$44,457 at December 31, 2017 and 2016, respectively.

PROTESTANT EPISCOPAL DIOCESE OF WESTERN NEW YORK  
Schedule of Financial Position by Category  
December 31, 2017  
with comparative totals for 2016

<u>Assets</u>	<u>Operations</u>	<u>Trustee</u>	<u>Fixed assets</u>	<u>Eliminations</u>	<u>Total</u>	
					<u>2017</u>	<u>2016</u>
Cash	\$ 69,657	84,059	-	-	153,716	170,004
Accounts receivable	38,525	26,353	-	(25,253)	39,625	318,635
Investments, at fair value	-	15,543,956	-	-	15,543,956	13,331,545
Investments managed on behalf of others, at fair value	-	5,143,579	-	-	5,143,579	4,493,729
Loans receivable	-	46,392	-	-	46,392	71,340
Land, buildings and equipment, net	-	-	1,345,981	-	1,345,981	1,448,464
Total assets	<u>\$ 108,182</u>	<u>20,844,339</u>	<u>1,345,981</u>	<u>(25,253)</u>	<u>22,273,249</u>	<u>19,833,717</u>
<u>Liabilities and Net Assets</u>						
Liabilities:						
Accounts payable	25,988	15,912	-	(25,253)	16,647	98,762
Investments managed on behalf of others	-	5,143,579	-	-	5,143,579	4,493,729
Funds held for others	74,862	-	-	-	74,862	117,086
Total liabilities	100,850	5,159,491	-	(25,253)	5,235,088	4,709,577
Net assets	7,332	15,684,848	1,345,981	-	17,038,161	15,124,140
Total liabilities and net assets	<u>\$ 108,182</u>	<u>20,844,339</u>	<u>1,345,981</u>	<u>(25,253)</u>	<u>22,273,249</u>	<u>19,833,717</u>

PROTESTANT EPISCOPAL DIOCESE OF WESTERN NEW YORK  
Schedule of Activities and Changes in Net Assets by Category  
Year ended December 31, 2017  
with comparative totals for 2016

	Operations	Trustee	Fixed assets	Eliminations	Total	
					2017	2016
Revenue:						
Contributions	\$ 847,155	36,895	-	-	884,050	982,191
Investment income	83,502	647,256	-	(316,450)	414,308	517,500
Other	24,846	19,407	-	-	44,253	31,073
Total revenue	<u>955,503</u>	<u>703,558</u>	<u>-</u>	<u>(316,450)</u>	<u>1,342,611</u>	<u>1,530,764</u>
Expenses:						
Program services:						
Ministry of the Bishop	249,494	383,416	-	(316,450)	316,460	358,015
Mission discernment and planning	176,566	-	-	-	176,566	221,238
Leadership education and training	206,260	-	-	-	206,260	221,859
Leadership development	700	-	-	-	700	600
Diocesan Ministry Center	12,029	-	-	-	12,029	3,270
Services to congregations	104,971	-	-	-	104,971	75,039
Communications	39,375	-	-	-	39,375	37,755
Community services	19,866	-	-	-	19,866	10,966
Special projects	-	60,716	-	-	60,716	129,406
Total program services	<u>809,261</u>	<u>444,132</u>	<u>-</u>	<u>(316,450)</u>	<u>936,943</u>	<u>1,058,148</u>
Supporting services - management and general	<u>327,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>327,292</u>	<u>295,337</u>
Total expenses before depreciation	<u>1,136,553</u>	<u>444,132</u>	<u>-</u>	<u>(316,450)</u>	<u>1,264,235</u>	<u>1,353,485</u>
Depreciation	<u>-</u>	<u>-</u>	<u>75,898</u>	<u>-</u>	<u>75,898</u>	<u>67,347</u>
Total expenses	<u>1,136,553</u>	<u>444,132</u>	<u>75,898</u>	<u>(316,450)</u>	<u>1,340,133</u>	<u>1,420,832</u>
Increase (decrease) in net assets before other income (loss)	<u>(181,050)</u>	<u>259,426</u>	<u>(75,898)</u>	<u>-</u>	<u>2,478</u>	<u>109,932</u>
Other income (loss):						
Net investment appreciation	-	1,938,128	-	-	1,938,128	253,876
Loss on disposal of property and equipment	-	-	(26,585)	-	(26,585)	(77,591)
Total other income (loss)	<u>-</u>	<u>1,938,128</u>	<u>(26,585)</u>	<u>-</u>	<u>1,911,543</u>	<u>176,285</u>
Increase (decrease) in net assets	<u>(181,050)</u>	<u>2,197,554</u>	<u>(102,483)</u>	<u>-</u>	<u>1,914,021</u>	<u>286,217</u>
Net assets at beginning of year	<u>188,382</u>	<u>13,487,294</u>	<u>1,448,464</u>	<u>-</u>	<u>15,124,140</u>	<u>14,837,923</u>
Net assets at end of year	<u>\$ 7,332</u>	<u>15,684,848</u>	<u>1,345,981</u>	<u>-</u>	<u>17,038,161</u>	<u>15,124,140</u>