

**THE PROTESTANT EPISCOPAL CHURCH
IN THE DIOCESE OF VIRGINIA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES**

*As of and for the Year Ended December 31, 2018
(With Comparative Totals for December 31, 2017)*

And Report of Independent Auditor

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

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Report of Independent Auditor

To the Executive Board
The Protestant Episcopal Church in the Diocese of Virginia
Richmond, Virginia

We have audited the accompanying financial statements of The Protestant Episcopal Church in the Diocese of Virginia, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe 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 The Protestant Episcopal Church in the Diocese of Virginia as of December 31, 2018, 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.

Changes in Financial Statement Presentation

As discussed in Note 2, the Organization adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the statement of functional expenses and the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

Report on Comparative Information

We have previously audited The Protestant Episcopal Church in the Diocese of Virginia's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 26, 2018. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules on pages 20-27 are presented for purposes of additional analysis and are not a required part of the basic 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 audits of the financial statements as of December 31, 2018 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 taken as a whole.

Cherry Bekaert LLP

Richmond, Virginia
October 30, 2019

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,149,517	\$ 2,696,390
Investments - STAMP	1,086,458	1,074,308
Accounts receivable:		
Church promises to give to the Diocese	230,441	290,606
Related organizations	101,838	166,329
Contributions receivable - current portion	56,235	145,714
Other	530,320	414,330
Prepaid expenses	40,322	40,322
Real estate held for sale	1,963,815	1,963,815
Notes receivable	4,575	4,575
Total Current Assets	<u>6,163,521</u>	<u>6,796,389</u>
Investments - Trustees of the Funds	21,374,107	23,519,313
Contributions receivable - less current portion	152,899	221,815
Property and equipment - net	111,115	149,333
Other Assets:		
Real estate	55,371,487	55,370,998
Beneficial interest in trusts	206,539	235,625
Total Other Assets	<u>55,578,026</u>	<u>55,606,623</u>
Assets Held as Agent:		
Investments held for others	787,665	834,405
Less investment held for others	<u>(787,665)</u>	<u>(834,405)</u>
Total Other Assets	<u>-</u>	<u>-</u>
Total Assets	<u><u>\$ 83,379,668</u></u>	<u><u>\$ 86,293,473</u></u>

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
STATEMENT OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2018

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

	<u>2018</u>	<u>2017</u>
LIABILITIES		
Current Liabilities:		
Line of credit	\$ 2,488,678	\$ 2,488,678
Accounts payable and accrued liabilities:		
Trade	184,446	203,804
Related organizations	46,695	46,695
Other	-	3,965
Prepaid rent	15,500	15,500
Current portion of notes payable	88,971	84,410
Total Current Liabilities	<u>2,824,290</u>	<u>2,843,052</u>
Long-Term Liabilities:		
Notes payable - less current portion	<u>2,866,590</u>	<u>2,970,023</u>
Total Liabilities	<u>5,690,880</u>	<u>5,813,075</u>
NET ASSETS		
Without Donor Restrictions:		
Undesignated	12,526,467	13,932,359
Board designated	<u>54,760,158</u>	<u>54,907,586</u>
Total Without Donor Restrictions	<u>67,286,625</u>	<u>68,839,945</u>
With Donor Restrictions	<u>10,402,163</u>	<u>11,640,453</u>
Total Net Assets	<u>77,688,788</u>	<u>80,480,398</u>
Total Liabilities and Net Assets	<u>\$ 83,379,668</u>	<u>\$ 86,293,473</u>

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Revenue:				
Camps and conferences	\$ 499,414	\$ -	\$ 499,414	\$ 492,201
Income from Virginia Episcopalian	19,016	-	19,016	27,924
Total Operating Revenue	<u>518,430</u>	<u>-</u>	<u>518,430</u>	<u>520,125</u>
Support and Other Revenue:				
Loss from sale from real estate	-	-	-	(472,145)
Loss on disposal of property and equipment	(1,223)	-	(1,223)	(1,374)
Contributions from churches	4,043,456	-	4,043,456	4,177,618
Individual contributions and gifts	28,233	-	28,233	12,681
Health insurance admin reimbursement	107,927	-	107,927	106,454
Investment (loss) income, net	(1,079,047)	(484,447)	(1,563,494)	3,157,824
Change in beneficial interest in trust	-	(29,086)	(29,086)	18,943
Other restricted income	-	476,860	476,860	637,150
Other	353,190	38,147	391,337	677,113
	<u>3,452,536</u>	<u>1,474</u>	<u>3,454,010</u>	<u>8,314,264</u>
Net assets released from restrictions	<u>1,239,764</u>	<u>(1,239,764)</u>	<u>-</u>	<u>-</u>
Total Support and Other Revenue	<u>4,692,300</u>	<u>(1,238,290)</u>	<u>3,454,010</u>	<u>8,314,264</u>
Total Revenue and Support	<u>5,210,730</u>	<u>(1,238,290)</u>	<u>3,972,440</u>	<u>8,834,389</u>
Expenses and Other Deductions:				
Program Services Expenses:				
Support of Our Greater Church Community	741,074	-	741,074	712,711
Ministry Areas in the Diocese	2,665,748	-	2,665,748	3,240,086
Governance and commission support	424,045	-	424,045	532,219
Communications and Technology Across the Diocese	433,352	-	433,352	381,558
Camps and conferences	666,119	-	666,119	635,441
Total Program Services Expenses	<u>4,930,338</u>	<u>-</u>	<u>4,930,338</u>	<u>5,502,015</u>
Supporting Services Expenses:				
General administration	1,656,475	-	1,656,475	1,636,850
Fundraising	177,237	-	177,237	185,974
Total Supporting Services Expenses	<u>1,833,712</u>	<u>-</u>	<u>1,833,712</u>	<u>1,822,824</u>
Total Expenses and Other Deductions	<u>6,764,050</u>	<u>-</u>	<u>6,764,050</u>	<u>7,324,839</u>
Excess (deficiency) of revenue and support over expenses and other deductions	<u>(1,553,320)</u>	<u>(1,238,290)</u>	<u>(2,791,610)</u>	<u>1,509,550</u>
Change in net assets	(1,553,320)	(1,238,290)	(2,791,610)	1,509,550
Net assets, beginning of year	<u>68,839,945</u>	<u>11,640,453</u>	<u>80,480,398</u>	<u>78,970,848</u>
Net assets, end of year	<u>\$ 67,286,625</u>	<u>\$ 10,402,163</u>	<u>\$ 77,688,788</u>	<u>\$ 80,480,398</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services					Supporting Services				
	Support of Our Greater Church Community	Ministry Areas in the Diocese	Governance and Commission Support	Communications and Technology Across the Diocese	Camps and Conferences	Total	General Administration	Fund Raising	Total	Total
Salaries and wages	\$ -	\$ 650,410	\$ 325,803	\$ 312,667	\$ 148,396	\$ 1,437,276	\$ 936,331	\$ 171,178	\$ 1,107,509	\$ 2,544,785
Room and board	-	-	-	-	425,549	425,549	-	-	-	425,549
Travel	104,767	43,010	14,554	20,442	3,576	186,349	27,912	6,059	33,971	220,320
Grants	-	428,776	-	-	-	428,776	-	-	-	428,776
Scholarships	-	9,320	-	-	-	9,320	-	-	-	9,320
Committees	-	109,374	2,644	-	-	112,018	-	-	-	112,018
Ministries	-	40,522	47,722	-	-	88,244	4,969	-	4,969	93,213
Other	636,307	20,390	5,118	1,117	28,026	690,958	157,184	-	157,184	848,142
Insurance	-	-	-	-	-	-	129,680	-	129,680	129,680
Aid for mission churches	-	662,310	-	-	-	662,310	-	-	-	662,310
Aid to churches	-	51,895	-	-	-	51,895	-	-	-	51,895
Aid to other organizations	-	47,500	-	-	-	47,500	-	-	-	47,500
College ministries support	-	213,985	-	-	-	213,985	-	-	-	213,985
Support services	-	95,304	-	-	-	95,304	-	-	-	95,304
Auto expense and reserve	-	-	-	-	-	-	21,448	-	21,448	21,448
Telephone	-	-	-	-	-	-	24,952	-	24,952	24,952
Office supplies	-	378	389	-	24,080	24,847	44,052	-	44,052	68,899
Building expenses	-	78,928	-	-	-	78,928	88,606	-	88,606	167,534
Professional fees	-	15,595	27,815	-	36,492	79,902	104,062	-	104,062	183,964
Miscellaneous	-	198,051	-	99,126	-	297,177	80,284	-	80,284	377,461
	741,074	2,665,748	424,045	433,352	666,119	4,930,338	1,619,480	177,237	1,796,717	6,727,055
Depreciation and amortization	-	-	-	-	-	-	36,995	-	36,995	36,995
	<u>\$ 741,074</u>	<u>\$ 2,665,748</u>	<u>\$ 424,045</u>	<u>\$ 433,352</u>	<u>\$ 666,119</u>	<u>\$ 4,930,338</u>	<u>\$ 1,656,475</u>	<u>\$ 177,237</u>	<u>\$ 1,833,712</u>	<u>\$ 6,764,050</u>

The accompanying notes to the financial statements are an integral part of this statement.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (2,791,610)	\$ 1,509,550
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	36,995	41,095
Loss on disposal of property and equipment	1,223	1,374
Loss on sale of real estate	-	472,145
Unrealized loss (gain) on investments - net	2,579,807	(2,241,090)
Increase (decrease) in beneficial interest in trusts	29,086	(18,943)
Change in:		
Accounts receivable	167,061	(270,790)
Accounts payable and accrued liabilities	(23,323)	(199,275)
Deferred revenue	-	(68,660)
Net cash used in operating activities	<u>(761)</u>	<u>(774,594)</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	-	7,048
Purchase of investments, including reinvested investment income	(449,751)	(358,690)
Proceeds from sale of investments	3,000	-
Proceeds from sale of real estate	-	1,172,797
Purchase of real estate	(489)	-
Purchase of property and equipment	-	(4,750)
Net cash provided by investing activities	<u>(447,240)</u>	<u>816,405</u>
Cash flows from financing activities:		
Principal payments on notes payable	<u>(98,872)</u>	<u>(735,141)</u>
Net cash used in financing activities	<u>(98,872)</u>	<u>(735,141)</u>
Net change in cash and cash equivalents	(546,873)	(693,330)
Cash and cash equivalents, beginning of year	2,696,390	3,389,720
Cash and cash equivalents, end of year	<u>\$ 2,149,517</u>	<u>\$ 2,696,390</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 158,463</u>	<u>\$ 147,643</u>

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 1—Organization and nature of activities

The Protestant Episcopal Church in the Diocese of Virginia (“Diocese”) is a community of members and clergy in counties throughout central, northern, and northwestern Virginia. Established in 1785, the Diocese serves the world through its congregations, schools, diocesan centers, and diocesan homes.

Note 2—Summary of significant accounting policies

Reporting Entity and Related Organizations – These statements present the financial position, changes in net assets, and cash flows for funds under control of the Annual Council of the Diocese. The statements do not present such information on individual church, parish, or regional organizations or separately organized and controlled entities in the Diocese, such as Trustees of the Funds of the Protestant Episcopal Church in the Diocese of Virginia, Inc. (“Trustees of the Funds”), Memorial Trustees under the will of Annie Rose Walker and Roslyn Managers Corporation (“Memorial Trustees”), Diocesan Missionary Society of Virginia (“DMS”), Church Schools of the Diocese of Virginia (“CSDV”), The Episcopal Church Women, Virginia Diocesan Homes, and Shrine Mont, Inc. (“Shrine Mont”).

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Diocese financial statements have been prepared to focus on the organization as a whole. Resources are classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Diocese and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Diocese. These net assets may be used at the discretion of the Diocese management and the Board of Directors. The Diocese has chosen to provide further classification information about net assets without donor restrictions on the statements of financial position. The sub classifications are as follows:

Undesignated – Represents the cumulative net assets without donor restrictions excluding those net assets designated for specific activities.

Board-Designated – Comprised of funds set aside by the Board of Directors to be used for specific activities within general guidelines established by the Diocese.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Diocese or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

Fund Accounting - In order to ensure observance of limitations and restrictions placed on the use of resources available to the Diocese, its accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Operating Funds – Operating funds include the unrestricted funds available for operations controlled by the annual Diocesan budget.

Designated Funds – Designated funds include the unrestricted funds which have been designated by the Annual Council of the Diocese for specific purposes and amounts received from donors which are classified as either temporarily restricted or permanently restricted according to donor intent.

Development Funds – Development funds include amounts raised for the Fifth Century Fund Campaign, Mustard Seed Campaigns, and Shrine Mont Shout It! Campaign and are temporarily or permanently restricted based on the donor's intent.

Other Funds – Other funds include amounts received from donors that are either undesignated or designated as temporarily restricted or permanently restricted to primarily support capital needs, Bishop discretionary funds, and various parish and mission needs of the Diocese. Net assets are released from restrictions by incurring expenses satisfying the purpose restriction specified by the donor. Undesignated amounts also include unrestricted earnings that are available to the Annual Council of the Diocese.

Use of Estimates – The preparation of 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 the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents – For purposes of reporting cash flows, the Diocese considers demand deposits and investments with a purchased maturity of less than three months to be cash and cash equivalents.

Investments – Investments are recorded at their net asset value (“NAV”), or its equivalent. Investment income is recorded when interest is earned and dividends are declared. Gain or loss on investment sales is recorded on the trade-date based upon specific identification. Unrealized gains and losses on investments are recorded based on the change between cost basis and NAV of investments at year-end compared to the change in the prior year.

Accounts Receivable – Accounts receivable represent amounts due to the Diocese related to program revenues. Accounts receivable are written off when determined to be uncollectible. In management's opinion, no allowance is needed at year-end.

Property and Equipment – Property and equipment are stated at cost. Major additions are capitalized. Repairs and renewals are expensed. Depreciation is computed using the straight-line method over a useful life of between five and seven years.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

Real Estate – The Diocese holds real estate, recorded at cost, as a part of mission development projects in various regions. The intent is to transfer the properties to the particular parishes when they are authorized to appoint their own trustees. The real estate acquired through the property litigation has been recorded at the property's fair value at the time of acquisition. It will be carried at the acquisition date fair value until such time as it is either disposed of or the value is deemed to be permanently impaired.

Property titled to trustees of individual congregations is not recorded by the Diocese. Under the Canon law of the Episcopal Church, this property is held in trust, in the names of the individual churches, for the benefit of the Episcopal Church and the Diocese.

Income Tax Status – The Diocese is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Diocese has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2018.

Concentration of Credit Risk – Financial instruments which potentially subject the Diocese to concentrations of credit risk consist principally of temporary cash investments and trade receivables. The Diocese places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation provides insurance coverage for up to \$250,000 for substantially all depository accounts. The Diocese, from time to time may have amounts on deposit in excess of the insured limits; however, the Diocese has not experienced any losses in such amounts. As of December 31, 2018 the Diocese had \$1,629,044 in deposits that exceeded these insured limits.

Functional Expenses – The costs of providing the various programs and other activities of the Diocese have been summarized on a functional basis in the statement of functional expenses. Direct identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to the various programs and supporting services based on time and effort.

New Accounting Pronouncement – On August 18, 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*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Diocese has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of the statement of functional expense and the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14.

Upcoming Accounting Pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018, for all non-SEC filers, including not-for-profit entities. The Diocese is currently evaluating the effect the standard will have on the financial statements.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 2—Summary of significant accounting policies (continued)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The ASU requires lessees to record most leases on their balance sheets as a lease liability with a corresponding right-of-use asset, but continue to recognize the related leasing expense within net income. The guidance also eliminates real estate-specific provisions for all entities. ASU No. 2016-02 becomes effective for the Foundation in 2020 with early adoption permitted and will be applied under a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The calculation of the lease liability and right-of-use asset requires further analysis of the underlying leases to determine which portion of the underlying lease payments are required to be included in the calculation. The Diocese is currently evaluating the effect the standard will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not- for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. Making this determination is important because distinguishing between contributions and exchange transactions determines which guidance is applied. The effective date of ASU 2018-08 is for annual reporting periods beginning after December 15, 2018, for all non-SEC filers, including not-for-profit entities. The Diocese is currently evaluating the impact of adopting ASU 2018-08.

Note 3—Liquidity and availability

Financial assets available for general expenditures within one year at December 31, 2018:

Financial assets at year-end:

Cash and cash equivalents	\$ 2,149,517
Investments	22,460,565
Accounts receivable:	
Church promises to give to the Diocese	230,441
Related organizations	101,838
Contributions receivable - current portion	56,235
Other	530,320
Total financial assets at year-end	<u>25,528,916</u>

Less amounts not available to be used for general expenditures within one year:

Financial assets not available to be used within one year	<u>10,402,163</u>
Financial assets available to be used within one year	<u>\$ 15,126,753</u>

The Diocese has board-designated assets limited to use which are available for general expenditures within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above for financial assets available to be used within one year. The Diocese has other assets limited to use for donor-restricted purposes and endowed investments. These assets are limited in use, which is more fully described in Note 16, and are not available within one-year.

As part of the Diocese' liquidity management plan, cash in excess of daily requirements are invested in the investment accounts. The Diocese considers general expenditures to include program expenses, management and administrative expenses, and any commitments or liabilities to be paid in the subsequent year.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 4—Investments

Investments are reported at fair value. Investments consist of the following at December 31, 2018:

	Fair Value	Cost
Investments - STAMP	\$ 1,086,458	\$ 1,074,308
Investments - Trustees of the Funds	21,374,107	23,519,313
	<u>\$ 22,460,565</u>	<u>\$ 24,593,621</u>

The Diocese also has amounts invested with Trustees of the Funds of the Episcopal Diocese of Virginia (“TOTF”) through a unitized investment pool for Diocesan organizations and parishes within the Diocese of Virginia. The funds are held as part of a diversified managed endowment model portfolio. Investment earnings net of fees are allocated to the participants based on units.

Investment income included the following for December 31, 2018:

STAMP income	\$ 25,108
STAMP unrealized loss	(12,959)
Trustees of the Funds income	991,205
Trustees of the Funds unrealized loss	(2,566,848)
	<u>\$ (1,563,494)</u>

Note 5—Investments carried at net asset value or its equivalent

All amounts held by TOTF are held in two accounts (STAMP and TOTF) with no restrictive redemption provisions and no unfunded commitment requirements. TOTF is managed with the overall investment objective of preserving a steady and consistent spending stream for the support of fund participants. The asset structure reflects TOTF’s needs for liquidity, preservation, purchasing power, long-term growth of principal, and risk tolerance of the TOTF. TOTF investments are comprised of three parts: a bond fund, an equity fund, and a short-term fund. Each one has specific objectives and policy guidelines.

The table below sets forth a summary of investments that are valued using net asset value (“NAV”) at December 31, 2018. This category includes the following type of investment:

	Fair Value	Unfunded Commitments	Lock-in Period	Redemption Frequency	Redemption Notice Period
Trustees of the Funds ^(a)	\$ 21,374,107	n/a	n/a	Daily	None
STAMP ^(b)	\$ 1,086,458	n/a	n/a	Daily	None

(a) This class includes funds of hedge funds across multiple strategies. Sub-strategies include, but are not limited to: long/short term debt, absolute return, and even driven.

(b) This class includes investments in shorter-term, investment grade bonds, U.S. Treasury and government agency bonds, pooled consumer bonds, mortgages and asset-backed securities.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 6—Notes receivable

Notes receivable consisted of the following at December 31, 2018:

Other installment loan

Uncollateralized note receivable with monthly interest and principal payments of \$594 per month, including interest at 7.00%, and a final payment due April 2016. \$ 4,575

Note 7—Contributions receivable

During 2013, the Diocese in coordination with Shrine Mont, Inc. launched a fundraising campaign to raise funds for the facilities used by the Shrine Mont Camp Program and for scholarships for young people to attend the Shrine Mont Camps Program. The Diocese has contributions receivable at December 31, 2018 as follows:

Contributions receivable	\$ 209,134
Less current portion	<u>(56,235)</u>
	<u>\$ 152,899</u>

Gross amounts to be collected in:

Less than one year	\$ 56,235
One to five years	<u>165,289</u>
	221,524
Less 4% discount	<u>(12,390)</u>
Fair value	<u>\$ 209,134</u>

The Diocese has elected to record all contributions receivable at fair value. The process utilizes the income approach with discounted cash flows, providing a single discounted value for all contributions receivable.

The fair value adjustment for 2018 was \$3,734 and is included in gift income in the statement of activities. No changes in the fair value measurement were attributable to instrument specific risk.

Note 8—Property and equipment

Major classes of property and equipment consisted of the following at December 31, 2018:

Equipment	\$ 307,258
Vehicles	<u>101,107</u>
	408,365
Less accumulated depreciation	<u>(297,250)</u>
	<u>\$ 111,115</u>

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 9—Beneficial interest in trusts

The Diocese is an income beneficiary of a perpetual trust. This trust makes distributions to the Diocese based on the Diocese's percentage interest as stated in the trust documents. The fair value of the interest in the trusts is \$206,539 at December 31, 2018, which has been recorded as an asset and is adjusted each year to reflect the change in value. The Diocese has also been named as a beneficiary in a charitable lead trust. No financial information is currently available to value this interest. Annual receipts on this trust are included in gift income.

Note 10—Related party transactions

The Diocese provides administrative and accounting services to several related organizations. TOTF and DMS reimburse the Diocese for a portion of the salary and benefits of the accounting staff under a "common paymaster" arrangement. Under this arrangement, any person employed by several related organizations is compensated by one organization, which is reimbursed by the other organizations. During 2018, salary costs incurred and subsequently reimbursed were \$311,112 and \$45,000 for TOTF and DMS, respectively. As of December 31, 2018, the Diocese also had related-party receivables with the TOTF and Memorial Trustees in the amount of \$95,456 and \$6,382, respectively.

TOTF, a nonstock, nonprofit corporation, was established in 1892 to receive, hold, and invest gifts and bequests of real and personal property for the Diocese, including the Mayo Memorial House, which is used as the general offices of the Diocese. The Diocese receives free use of the Mayo Memorial House. The value of this non-exchange transaction is not reflected in the financial statements.

The Diocese runs camps and conferences as a part of their summer programs. These activities are held at Shrine Mont, which is a separate Diocesan retreat facility. During 2018, the Diocese paid \$425,509 for room and board to Shrine Mont as a part of these programs.

The Diocesan Missionary Society provides loans to organizations within the Diocese that are in financial need. Three loans to the Diocese are outstanding as of December 31, 2018, with a balance of \$2,955,561 (Note 12).

Note 11—Pension plan

The Diocese has a defined contribution pension plan for all lay employees working at least 20 hours per week in accordance with the requirements of the Canons of the Episcopal Church. Plan contribution expense for 2018 was \$151,416. In addition, clergy employees of the Diocese participate in the defined benefit pension plan of the Church Pension Fund in accordance with the Canons of the Episcopal Church. Pension plan expense on behalf of clergy employees of the Diocese in 2018 was \$161,480.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 12—Notes payable and line of credit

Notes payable consisted of the following as of December 31, 2018:

Note payable to DMS - collateralized by real property, due in monthly installments of \$3,536, including interest at 6.5%, with the remaining principal due in full October 2022, assuming all future 5-year extensions are granted.	\$ 145,323
Note payable to DMS - collateralized by real property, due in quarterly installments of interest only at 2.80%, with remaining principal due in full April 2024, assuming all future 5-year extensions are granted.	1,035,161
Note payable to DMS - collateralized by real property, due in monthly installments of \$11,117, including interest at 4.5%, with remaining principal due in full May 2039.	1,775,077
	<u>2,955,561</u>
Less current portion	(88,971)
	<u>\$ 2,866,590</u>

Estimated future principal payments on notes payable for years ending December 31 follow:

2019	\$ 88,971
2020	173,703
2021	181,031
2022	178,733
2023	149,682
Thereafter	2,183,441
	<u>\$ 2,955,561</u>

The Diocese has a \$3,000,000 line of credit available from SunTrust Bank to fund cash requirements through July 22, 2019. As of December 31, 2018, the Diocese had an outstanding balance on this line of \$2,488,678. The line of credit carries an interest rate of the British Bankers Association London Interbank Offered Rate ("LIBOR") plus 1.15% (3.603% at December 31, 2018). Repayment of the line of credit is due in full upon the sale of real estate located in Prince William County, Virginia or at July 22, 2019, whichever occurs first. Advances are limited to 80% of the unrestricted market securities held in TOFT. The line is collateralized by the pledge of the unrestricted market securities at the TOFT and the real estate located in Prince William County.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 13—Lease commitments

The Diocese has noncancelable operating lease agreements for copiers and equipment. The copier leases require payment of an excess copy charge in addition to the monthly lease payment.

Minimum lease commitments for future years ending December 31, 2018 are as follows:

2019	\$	19,992
2020		17,682
2021		14,091
	\$	<u>51,765</u>

The Diocese leases real estate property owned to tenants under noncancelable, operating leases with the terms of five to fifteen years. The following is a schedule, by years, of future minimum rentals under the leases at December 31, 2018:

2019	\$	120,000
2020		120,000
2021		120,000
2022		120,000
2023		120,000
Thereafter		1,000,000
	\$	<u>1,600,000</u>

Note 14—Commitments and contingencies

The Diocese has guaranteed a \$6,000,000 20-year tax-exempt bond issuance by Memorial Trustees. The bonds were originally issued in September 2001 and subsequently re-issued in 2012 at \$4,025,000. The outstanding balance on the bonds at December 31, 2018 was \$3,050,317. No liability has been accrued with respect to either guarantee.

The Diocese has outstanding commitments at year-end of approximately \$290,442 with respect to the Annual Council conventions for 2019 through 2020. This convention typically takes place in the last week of January each year.

The Diocese entered into an assignment of contract during 2006 with DMS to purchase 13.6 acres in Hanover County, Virginia. Under the terms of the contract, DMS assumed the Diocese purchase commitment and the Diocese agreed to purchase the property from DMS within five years of the settlement date of June 9, 2006. After another extension in May 2016, the agreement called for settlement by September 30, 2018. The Diocese agreed to purchase the property from DMS for the original purchase price plus any expenses DMS incurs related to acquiring, investing, and developing the property. DMS is currently negotiating with a third party to sell a portion of the land. The Diocese intends to purchase the remaining portion from the Society once the other sale has been completed. At December 31, 2018, the book value of the land and development costs amounted to \$1,288,404.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 15—Board-designated net assets

Net assets without donor restriction includes designated funds by the Diocese for the following purposes at December 31, 2018:

Diocesan programs	<u>\$ 54,760,158</u>
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These amounts include an operating reserve that was established by the Diocese to provide for liquid funds in the event of short-term cash flow needs for unanticipated events that would necessitate the use of reserves to continue the operations and mission of the organization.

Note 16—Restricted net assets

The Diocese had restrictions on net assets as follows at December 31, 2018:

Purpose restricted:	
Development funds	\$ 1,869,372
Diocesan programs	1,982,600
Bishop's programs	257,430
Beneficial interest in perpetual trusts	206,539
Time restricted for endowments, some of which is perpetual in nature:	
Diocesan programs	400,153
Bishop's programs	<u>5,686,069</u>
Total restricted net assets	<u>\$ 10,402,163</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or other events specified by the donors as follows for the year at December 31, 2018:

Satisfaction of purpose restriction	<u>\$ 1,239,764</u>
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Note 17—Endowment funds

The Diocese's endowment consists of 28 individual funds held in the Other Funds group and one individual fund held in the Designated Funds group. These funds are all donor-restricted endowment funds and were established for a variety of purposes. As required by U.S. GAAP, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The management of donor-restricted endowment funds is governed by state law under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as adopted by the Virginia state legislature in 2008. The law gives guidance for investment and spending practices, giving consideration for donor intent and the organization's overall resources and charitable purpose. Based on its interpretation of law and in compliance with donor intent, the Diocese classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The portion of the donor-restricted endowment that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

The Diocese appropriates amounts for expenditure based upon accumulated earnings in the funds and the needs of the organization. The primary objective is long-term capital appreciation and total return. The Diocese utilizes diversified investment classes that provide the opportunity to achieve the return objectives without exposing the funds to unnecessary risk.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 17—Endowment funds (continued)

Endowment net asset composition by type of fund as of December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted amounts and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,483,666	\$ 1,483,666
Accumulated investments gains	-	4,602,556	4,602,556
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 6,086,222</u>	<u>\$ 6,086,222</u>

Changes in endowment net assets for the fiscal year ended December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 6,682,892	\$ 6,682,892
Investment income, net	-	(596,670)	(596,670)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 6,086,222</u>	<u>\$ 6,086,222</u>

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires the Diocese to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in net assets with donor restrictions were \$13,436 as of December 31, 2018. These deficiencies resulted from unfavorable market fluctuations.

Note 18—Fair value measurements

Accounting standards establish a fair value hierarchy that prioritizes the inputs to 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.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical 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 PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 18—Fair value measurements (continued)

The asset 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during 2018.

Beneficial Interest in Trusts – Valued using the fair value of the underlying assets of the trust as an estimate for the present value of the expected future cash flows.

Pledges Receivable – Pledges receivable are reported at a net realizable value if at the time the promise is made payment is expected to be received in one year or less. Pledges receivable that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods. Fair value is calculated as the present value of the expected future pledges to be received using a discount rate.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Diocese believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Diocese's assets at fair value as of December 31, 2018:

	Assets at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Beneficial interest in trusts	\$ -	\$ -	\$ 206,539	\$ 206,539
Contributions receivable	-	-	209,134	209,134
Total assets measured at NAV	-	-	-	22,460,565
Total assets at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 415,673</u>	<u>\$ 22,876,238</u>

Level 3 Gains and Losses – The table below sets forth a summary of changes in the fair value of the Diocese's Level 3 investment assets for 2018.

	Beneficial Interest in Trusts	Contributions Receivable
Balance, beginning of year	\$ 235,625	\$ 367,529
New promises to give	-	5,156
Contribution payments received	-	(167,285)
Change in fair value	(29,086)	3,734
Net decrease	(29,086)	(158,395)
Balance, end of year	<u>\$ 206,539</u>	<u>\$ 209,134</u>

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

Note 19—Comparative totals

The summarized amounts shown for 2017 in the accompanying financial statements are included to provide a basis for comparison with 2018 and are not intended to present all information necessary for a fair presentation of the summarized 2017 statements in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Diocese's financial statements for 2017, from which the summarized information was derived.

Note 20—Subsequent events

In preparing these financial statements, the Diocese has evaluated events and transactions for potential recognition or disclosure through October 30, 2019, the date the financial statements were available to be issued.

The Diocese sold a property in Centreville, Virginia in June 2019 for approximately \$2,600,000. This will result in a gain on sale of property of approximately \$2,000,000 in 2019.

The line of credit was paid off in full in June 2019. The agreement subsequently expired on July 22, 2019 and was not renewed.

SUPPLEMENTAL SCHEDULES

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
SCHEDULE OF OPERATING FUNDS, BUDGETARY COMPARISON
OF SUPPORT, AND REVENUES AND EXPENSES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		2017	Budget Variance	
	Budget	Actual	Actual	Favorable (Unfavorable)	
				Amount	Percent
Support and Revenue:					
Contributions from churches	\$4,240,000	\$4,043,456	\$4,177,618	\$ (196,544)	-4.64%
Other gifts, grants and promises to give	80,000	65,219	47,836	(14,781)	-18.48%
Investment income (loss)	100,000	(48,858)	125,261	(148,858)	100.00%
Income from Virginia Episcopalian	50,000	19,016	27,924	(30,984)	-61.97%
Health insurance administration	90,000	107,927	106,454	17,927	19.92%
Miscellaneous income	-	7,476	4,232	7,476	0.00%
	<u>4,560,000</u>	<u>4,194,236</u>	<u>4,489,325</u>	<u>(365,764)</u>	<u>-8.02%</u>
Net assets released from restrictions	450,000	1,239,764	457,894	789,764	175.50%
Total Support and Revenue	<u>5,010,000</u>	<u>5,434,000</u>	<u>4,947,219</u>	<u>424,000</u>	<u>8.46%</u>
Expenses:					
Ministry Areas:					
General Church Support	626,665	626,665	703,722	-	0.00%
Christian Formation:					
Committee on Christian Formation	245,502	254,040	214,272	(8,538)	-3.48%
Youth ministry development	7,000	1,192	32,209	5,808	82.97%
Clergy and diocesan conferences	13,500	12,831	68,628	669	4.96%
Education for ministry program	2,500	1,261	44	1,239	49.56%
	<u>268,502</u>	<u>269,324</u>	<u>315,153</u>	<u>(822)</u>	<u>-0.31%</u>
Strengthening Our Churches:					
Aid to mission churches	586,900	551,213	577,234	35,687	6.08%
Aid to mountain missions	75,802	73,739	76,419	2,063	2.72%
Special ministries and other committees	52,650	33,634	60,469	19,016	36.12%
Other areas for strengthening our churches	56,900	48,774	53,001	8,126	14.28%
	<u>772,252</u>	<u>707,360</u>	<u>767,123</u>	<u>64,892</u>	<u>8.40%</u>
Mission and Outreach:					
Committee on Mission and Outreach	27,880	25,028	22,862	2,852	10.23%
Other mission and outreach areas	62,500	61,093	59,513	1,407	2.25%
	<u>90,380</u>	<u>86,121</u>	<u>82,375</u>	<u>4,259</u>	<u>4.71%</u>
Ministry:					
Commission on Ministry	126,600	102,546	90,035	24,054	19.00%
Human Dignity and Justice:					
Areas for Human Need and Justice	20,626	2,924	5,791	17,702	85.82%
Total Ministry Areas	<u>1,905,025</u>	<u>1,794,940</u>	<u>1,964,199</u>	<u>110,085</u>	<u>5.78%</u>

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
SCHEDULE OF OPERATING FUNDS, BUDGETARY COMPARISON
OF SUPPORT, AND REVENUES AND EXPENSES (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		2017	Budget Variance	
	Budget	Actual	Actual	Favorable (Unfavorable) Amount	Percent
Expenses (continued)					
Governance and Committee Support:					
Standing Committee	\$ 3,000	\$ 822	\$ 1,802	\$ 2,178	72.60%
Executive Board, Deans, and Presidents	3,700	3,590	1,800	110	2.97%
Other committee support	29,025	9,642	9,278	19,383	66.78%
	<u>35,725</u>	<u>14,054</u>	<u>12,880</u>	<u>21,671</u>	<u>60.66%</u>
Communications & Technology:					
Virginia Episcopalian and eCommunique	64,000	68,405	48,201	(4,405)	-6.88%
Other communications expenses	28,500	32,269	28,299	(3,769)	-13.22%
	<u>92,500</u>	<u>100,674</u>	<u>76,500</u>	<u>(8,174)</u>	<u>-8.84%</u>
Bishops, Staff, and Support:					
The Episcopate:					
Bishops	502,700	484,096	500,901	18,604	3.70%
Episcopal office staff	184,900	163,797	181,449	21,103	11.41%
Other expenses of the Office of the Bishop	11,500	4,826	2,171	6,674	58.03%
Bishops and Episcopal office travel	65,350	56,911	64,086	8,439	12.91%
	<u>764,450</u>	<u>709,630</u>	<u>748,607</u>	<u>54,820</u>	<u>7.17%</u>
Staff:					
Professional staff	1,690,000	1,641,005	1,711,881	48,995	2.90%
Staff travel	58,712	48,734	55,186	9,978	16.99%
Other staff expenses	16,450	24,819	24,425	(8,369)	-50.88%
	<u>1,765,162</u>	<u>1,714,558</u>	<u>1,791,492</u>	<u>50,604</u>	<u>2.87%</u>
Support:					
Automobile expenses	40,000	39,049	56,750	951	2.38%
Office supplies, equipment and services	107,638	121,636	103,364	(13,998)	-13.00%
Building related expenses	100,000	174,168	143,732	(74,168)	-74.17%
Professional fees	50,000	102,046	129,450	(52,046)	-104.09%
Other expenses	7,000	19,079	5,717	(12,079)	-172.56%
	<u>304,638</u>	<u>455,978</u>	<u>439,013</u>	<u>(151,340)</u>	<u>-49.68%</u>
Total Bishops, Staff, and Support	<u>2,834,250</u>	<u>2,880,166</u>	<u>2,979,112</u>	<u>(45,916)</u>	<u>-1.62%</u>
Expended assets released from restrictions:					
Aid to individuals and organizations	-	1,239,764	457,894	(1,239,764)	-
Total Expenses	<u>4,867,500</u>	<u>6,029,598</u>	<u>5,490,585</u>	<u>(1,162,098)</u>	<u>-23.87%</u>

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
SCHEDULE OF OPERATING FUNDS, BUDGETARY COMPARISON
OF SUPPORT, AND REVENUES AND EXPENSES (CONTINUED)

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		2017	Budget Variance	
	Budget	Actual	Actual	Favorable (Unfavorable) Amount	Percent
Excess (deficiency) of support and revenue over expenses	\$ 142,500	\$ (595,598)	\$ (543,366)	\$ (738,098)	-517.96%
Transfer of Funds:					
Reserve accounts	(20,000)	(106,303)	(558,878)	(126,303)	100.00%
Shrine Mont camp program support	(122,500)	(122,500)	(122,500)	-	0.00%
Other	-	462,787	382,862	462,787	100.00%
	(142,500)	233,984	(298,516)	336,484	-236.13%
Total changes in net assets after transfers	\$ -	\$ (361,614)	\$ (841,882)	\$ (401,614)	100.00%

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
SCHEDULE OF DESIGNATED FUNDS

DECEMBER 31, 2018 AND 2017

	2018	2017
Aheron Scholarship	\$ (2,486)	\$ (2,486)
Annual Council Fund	(9,837)	(32,011)
Atlee Mission Fund	(389,182)	(391,182)
Auto Reserve	(24,250)	(34,250)
Biggar/Power Fund	600	600
Blanchard 815 position expenses	(21,201)	(21,201)
Bishop Johnston Vestments	500	500
Bishops & Staff Reserve	49,975	51,175
Bishop's Designated for Tanzania	(2)	(2)
Bishop's DMS Grant	152,957	94,732
Bishop's House	1,000	1,000
Bishop's House Rent	9,627	-
Building Repairs Reserve	(34,751)	(44,151)
Camp General Operating Fund	17,398	57,735
CCM - Reserve for Special Needs	10,000	-
CCM - Reserve for Transitions	10,000	-
Commission on Ministry Reserve	34,849	34,849
Committee on Aging	6,234	6,234
Committee on Race Relations	3,000	3,000
Communications Reserve	25,191	25,191
Congo	2,476	3,565
Congregational Development & Revitalization	16,312	18,587
Council Scholarship Fund	360	360
Cursillo in the Diocese of VA	5,344	5,344
DaySpring	665,236	845,274
DaySpring Real Estate Fund	38,896,220	38,896,220
Deacons Reserve	47,484	47,484
Des - Intern - M&O	(2,500)	(2,500)
Des - St. Andrew's Charlottesville	48,190	67,832
Des - Trinity Highland Springs	39,467	41,184
Diaconal Formation Institute	(11,147)	(26,515)
Diocesan Cemetery Fund	9,771	9,771
Diocesan Historic Property Fund	1,160	1,160
Diocesan Intern Program	5,000	5,000
Diocesan Program Office	21,110	21,110
Diocese of Madagascar	100	100
Diocese of Renk -- Sudan	11,691	13,245
Diocese of Tanzania	92,222	97,984
East End Initiative	(5,213)	13,028
Ecumenical and Interfaith Committee	960	960
Education for Ministry	965	965
EPIC Moms	19	19
Episcopal Art Series	(21,717)	(21,717)
Episcopal Transition Reserve	11,984	14,000
General Convention	(26,380)	46,334
Haiti	11,229	2,763
Interim Ministry Development	1,080	1,080
John G Hayes Jr Income Fd	1,878	2,600
John G Hayes Missionary Fund	1,126	1,626
La Iglesia de Santa Maria	(32,362)	(32,362)
Lambeth Convention	47,130	44,533
Subtotal (carried forward)	<u>39,678,817</u>	<u>39,868,767</u>

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
SCHEDULE OF DESIGNATED FUNDS (CONTINUED)

DECEMBER 31, 2018 AND 2017

	2018	2017
Subtotal (brought forward)	\$ 39,678,817	\$ 39,868,767
Latino Ministry	(2,415)	(2,415)
Lay Pastoral Training Grant	8,000	-
Liberia	1,577	1,577
Mental Health Committee Reserve	20	20
Micro-Economic Development	72,750	72,750
Mission Development	90,750	90,750
Mission Maintenance & Repair Reserve	(4,076)	21,000
Missioner for World Mission	39,492	-
Mountain Mission Reserve	740	35,219
Native American Ministry	6,932	250
Office Equipment Reserve	33,733	6,932
Omisol Road - Reserve	4,668	26,751
Payroll Acct - St Margaret's Woodbridge	4,000	4,668
Prevention of Misconduct Reserve	2,508	4,000
Property & Opr Exp - St Pauls Haymarket	169,960	(8,298)
Property Exp - Church Hill Dr. Woodbridge	54,787	104,748
Property Exp - Epiphany Herndon	(35,328)	54,787
Property Exp - Main St, Fairfax (Truro)	(7,627)	(23,079)
Property Exp - Pickett Road/Braddock Rd	26,099	(7,163)
Property Fund	28,952	13,249
Property Maintenance Fund	1,793	46,350
Real Estate Value Fund	13,750,283	13,703,576
Region 2 Mission (Deltaville)	85,562	78,810
Reserve-2015 Unrestricted Reserve	749,068	827,099
Risk Management Program	(244)	(244)
Rockingham Property Fund (Reg 14)	12,815	12,811
Santa Maria Stewardship (DuPont Grant)	701	17,853
Shelton Shop Rd Property	146,735	145,415
SSJ Fund for Youth and Young Adult Formation	12,268	-
SSJ Portrait Fund	(11,500)	-
St Clare's (W Henrico) Mission	(126,417)	(126,417)
St Francis Mission Fd (Goochland)	(179,357)	(179,357)
ST Investments	33,072	32,703
St Margarets Ruther Glenn	135	135
Stewardship Committee Reserve	467	467
Stewardship of Creation Grant Fund	5,228	8,801
Triangle of Hope	2,875	-
Trinity, Beaverdam	16,609	13,554
Trustees of the Funds	893,754	986,123
Virginia Diocesan Library	(45,252)	(44,082)
YASC - A Cameron	(380)	(380)
YASC - Duncan Campbell	1,310	1,310
YASC - A Jacobs	25	25
YASC - A Russell	973	973
YASC - C Belous	980	980
YASC - A. Davis	1,000	1,000
Young Priests Initiative	9,888	9,888
Youth Ministry	100,970	100,970
Total designated funds	\$ 55,637,700	\$ 55,902,876

See report of independent auditor on supplementary information.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
SCHEDULE OF DEVELOPMENT FUNDS

DECEMBER 31, 2018 AND 2017

	2018	2017
Bishop Jones' Evangelism Fund	\$ 500	\$ 500
Bishop Lee Fund for Small Church Vitality	78,599	53,735
B Maxwell Art Camp Scholarship Fund	100	100
Camp Equipment	13,155	13,155
Camp Program TOF Investments	126,494	140,005
Camp Scholarship Annual Fund	25,959	10,138
FCF - Unrestricted	121,291	121,291
Mustard Seed Grant Fund	27,642	23,878
Contributions Receivable - SM Shout It! Campaign	186,158	344,554
Shrine Mont Shout It! Campaign	1,292,184	1,222,845
Bishop Jones' Discretionary Fund	19,848	19,337
W Stanley Camp Scholarship Fund	-	792
Youth Mission Vouchers 2006	(13,150)	(11,350)
Youth Mission Vouchers 2007	(8,800)	(2,600)
Youth Mission Vouchers 2008	(1,250)	2,150
Youth Mission Vouchers 2009	3,600	3,600
Youth Mission Vouchers 2010	9,941	9,941
Youth Mission Vouchers 2011	1,205	1,205
Youth Mission Vouchers 2012	(887)	(887)
Youth Mission Vouchers 2013	3,895	4,495
Youth Mission Vouchers 2014	(9,367)	(9,367)
Youth Mission Vouchers 2015	(10,387)	(9,387)
DVA Grant Fund	1,125	1,125
DFHN	1,517	1,520
Total development funds	\$ 1,869,372	\$ 1,940,775

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
SCHEDULE OF OTHER FUNDS

DECEMBER 31, 2018 AND 2017

	2018	2017
A.H. & C.J. Robinson Fund	\$ 81,810	\$ 76,216
Albert Baker Fund	136,750	136,750
Alison Gibson Fund	649	649
Ball Fund	165,354	165,354
Bishop Goff's Discretionary Fund	7,387	5,262
Bishop Goodwin Memorial Scholarship Fd	12,860	12,860
Bishop Gulick's Discretionary Fund	10,320	11,141
Bishop Ihloff Discretionary Fund	3,618	-
Bishop Johnston's Discretionary Fund	6,364	3,934
Bishop Jones' Discretionary Fund	41,649	34,683
Bishop Jones Evangelism Grant Fund	8,793	8,793
Bishop Jones' Sabbatical Fund	6,819	6,819
Bishop Mason Memorial Fund	1,770	1,770
Bishops Combined Discretionary Fund	(2,421)	7,766
Bishop's Emergency Needs Fund	78,041	79,574
Bishop's Investment Fund	(23,786)	(23,786)
Bishop's Theological Education Fund	9,755	20,855
Bishop P.J.L. Disc Fd	664	664
Bishop R. F. Gibson Memorial Fund	1,518	1,518
Bishop R. F. Gibson Property Foundation	10,856	10,856
Bruce Fund	56,844	56,844
Canon Wingo Discretionary Fund	2,784	2,897
Charles Norse Fund	(54)	(54)
Columbia Walker Memorial Missions Fund	51,735	51,735
David Lewis Memorial Fund	5,619	5,619
Disabled Clergy Fund	750,643	787,376
Diocesan Fund for Human Need	14,844	17,734
Diocesan Fund for World Mission	8,377	12,436
Dickinson Memorial Fund	(97,174)	(97,174)
Dooley Fund	132,756	132,837
duPont Diocesan Enrichment Fund	4,453	4,453
duPont Small Church Clergy Development	17,050	17,050
E Holcombe Palmer Fund	3,301	3,301
ECW Gift - Bishop Goff	589	589
Ellen Goldsborough Fund	28,262	30,858
Episcopal Fund	(44,178)	(44,178)
Fear Not Fund	400	400
Forest Fund	55,257	55,257
Francis Edmonia Newman Fund	35,236	35,236
Freda W Kipps Income Fund	38,863	38,863
Gilliatt Campus Ministry Fund	10,559	10,559
Hugh McGuire Taylor Fund	36,839	36,839
Subtotal (carried forward)	<u>1,671,775</u>	<u>1,721,155</u>

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
SCHEDULE OF OTHER FUNDS (CONTINUED)

DECEMBER 31, 2018 AND 2017

	2018	2017
Subtotal (brought forward)	\$ 1,671,775	\$ 1,721,155
Ida B Gale Fund	37,554	37,554
J. B. duPont - Technology Grant	(680)	(680)
Julia A Ward Income Fund	802	802
John and Ethel Davis Fund	1,302	1,302
John Lyons Fund	6,207	6,207
Katherine G Cook Scholarship	2,162	2,162
Lucille McGriff Fund	851	851
M Thorpe Disc Fd	1,655	1,405
Mary Amanda Stewart Fund	10,823	10,823
MEZ Grant	2,609	9,276
Moncure Memorial Fund	18,371	18,371
Pearl Leone Hecht Fund	186	186
Philip A. Arthur Memorial Fund	576	576
Scott Fdn Grant 2010	14,546	36,646
Smoot Bequest Income Fund	(104,078)	(104,078)
Smoot Bequest to Dio Fund	(109,408)	(109,408)
South African Bishops Fund	9,699	9,699
ST Investments - Restricted	300,969	297,603
St John's Waldrop Fund	33,176	33,176
St. John's Greensprings Fund	12,807	13,994
Thomas Brooks Walker Estate/Trust	128,895	128,895
UTO Fund	189	187
Widows & Orphans Fund	(9,722)	(5,972)
Zimmerman Income Fund	(11,137)	(11,137)
Subtotal	2,020,129	2,099,595
Funds invested with the Trustees of the Funds	19,575,658	21,559,451
Beneficial interest in trusts	206,539	235,625
Total Other Funds	\$ 21,802,326	\$ 23,894,671