

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULES**

*As of and for the Year Ended December 31, 2019  
(with comparative totals for December 31, 2018)*

*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, 2019, 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As disclosed in Note 20, The Protestant Episcopal Church in the Diocese of Virginia has made reclassifications to net assets as of December 31, 2018, to account for prior period endowment contributions and investment returns that were not reflected in the appropriate net asset classification. 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2019. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2018 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 21 through 28 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 audit of the financial statements as of December 31, 2019 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 2, 2020

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

DECEMBER 31, 2019

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,893,322	\$ 2,149,517
Investments - STAMP	1,109,818	1,086,458
Accounts receivable:		
Church promises to give to the Diocese	317,070	230,441
Related organizations	148,400	101,838
Contributions receivable - current portion	49,472	56,235
Other	301,434	530,320
Prepaid expenses	40,322	40,322
Real estate held for sale	1,482,569	1,963,815
Notes receivable	4,575	4,575
Total Current Assets	<u>5,346,982</u>	<u>6,163,521</u>
Investments - Trustees of the Funds	<u>24,807,307</u>	<u>21,374,107</u>
Contributions receivable - less current portion	<u>81,417</u>	<u>152,899</u>
Property and equipment - net	<u>162,022</u>	<u>111,115</u>
Other Assets:		
Real estate	55,371,487	55,371,487
Beneficial interest in trusts	232,459	206,539
Total Other Assets	<u>55,603,946</u>	<u>55,578,026</u>
Assets Held as Agent:		
Investments held for others	1,033,099	787,665
Less investment held for others	<u>(1,033,099)</u>	<u>(787,665)</u>
Total Assets Held as Agent	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<u><u>\$ 86,001,674</u></u>	<u><u>\$ 83,379,668</u></u>

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

DECEMBER 31, 2019

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

	<u>2019</u>	<u>2018</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Line of credit	\$ -	2,488,678
Accounts payable and accrued liabilities:		
Trade	226,854	184,446
Related organizations	46,695	46,695
Prepaid rent	15,500	15,500
Current portion of notes payable	93,739	88,971
Total Current Liabilities	<u>382,788</u>	<u>2,824,290</u>
Long-Term Liabilities:		
Notes payable - less current portion	<u>2,757,948</u>	<u>2,866,590</u>
Total Liabilities	<u>3,140,736</u>	<u>5,690,880</u>
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	13,629,176	12,448,978
Board designated	<u>55,207,374</u>	<u>53,676,251</u>
Total Without Donor Restrictions	<u>68,836,550</u>	<u>66,125,229</u>
With Donor Restrictions	<u>14,024,388</u>	<u>11,563,559</u>
Total Net Assets	<u>82,860,938</u>	<u>77,688,788</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 86,001,674</u>	<u>\$ 83,379,668</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 ACTIVITIES**

YEAR ENDED DECEMBER 31, 2019

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Revenue:				
Camps and conferences	\$ 494,788	\$ -	\$ 494,788	\$ 499,414
Income from Virginia Episcopalian	34,591	-	34,591	19,016
Total Operating Revenue	529,379	-	529,379	518,430
Support and Other Revenue:				
Gain from sale of real estate	1,956,681	-	1,956,681	-
Loss on disposal of property and equipment	-	-	-	(1,223)
Contributions from churches	3,899,719	-	3,899,719	4,043,456
Individual contributions and gifts	22,191	-	22,191	28,233
Health insurance reimbursement	101,052	-	101,052	107,927
Investment income (loss), net	2,292,928	1,159,433	3,452,361	(1,563,494)
Change in beneficial interest in trust	-	25,920	25,920	(29,086)
Other restricted income	-	1,546,933	1,546,933	476,860
Other	275,617	219,134	494,751	391,337
	8,548,188	2,951,420	11,499,608	3,454,010
Net assets released from restrictions	490,591	(490,591)	-	-
Total Support and Other Revenue	9,038,779	2,460,829	11,499,608	3,454,010
Total Revenue and Support	9,568,158	2,460,829	12,028,987	3,972,440
Expenses and Other Deductions:				
Program Services Expenses:				
Support of Our Greater Church Community	699,692	-	699,692	741,074
Ministry Areas in the Diocese	2,853,098	-	2,853,098	2,665,748
Governance and commission support	425,296	-	425,296	424,045
Communications and Technology Across the Diocese	391,366	-	391,366	433,352
Camps and conferences	713,600	-	713,600	666,119
Total Program Services Expenses	5,083,052	-	5,083,052	4,930,338
Supporting Services Expenses:				
General administration	1,588,094	-	1,588,094	1,656,475
Fundraising	185,691	-	185,691	177,237
Total Supporting Services Expenses	1,773,785	-	1,773,785	1,833,712
Total Expenses and Other Deductions	6,856,837	-	6,856,837	6,764,050
Excess (deficiency) of revenue and support over expenses and other deductions	2,711,321	2,460,829	5,172,150	(2,791,610)
Change in net assets	2,711,321	2,460,829	5,172,150	(2,791,610)
Net assets, beginning of year	67,286,625	10,402,163	77,688,788	80,480,398
Reclassification (Note 20)	(1,161,396)	1,161,396	-	-
Net assets, beginning of year, as adjusted	66,125,229	11,563,559	77,688,788	80,480,398
Net assets, end of year	\$ 68,836,550	\$ 14,024,388	\$ 82,860,938	\$ 77,688,788

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, 2019

	2019										2018	
	Program Services					Supporting Services					Total	Total
	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 Program Services	General Administration	Fund Raising	Total Supporting Services	Total		
Salaries and wages	\$ -	\$ 660,704	\$ 283,628	\$ 298,520	\$ 168,431	\$ 1,411,283	\$ 1,034,887	\$ 182,027	\$ 1,216,914	\$ 2,628,197	\$ 2,544,785	
Room and board	-	-	-	-	405,982	405,982	-	-	-	405,982	425,549	
Travel	46,194	29,558	8,468	14,002	-	98,222	35,912	3,664	39,576	137,798	220,320	
Grants	-	474,830	-	-	-	474,830	-	-	-	474,830	428,776	
Scholarships	-	3,153	-	-	-	3,153	-	-	-	3,153	9,320	
Committees	-	108,186	3,233	-	-	111,419	-	-	-	111,419	112,018	
Ministries	-	83,727	28,607	-	-	112,334	321	-	321	112,655	93,213	
Other	653,498	27,115	8,279	11,852	45,760	746,504	7,184	-	7,184	753,688	848,142	
Insurance	-	-	-	-	-	-	108,801	-	108,801	108,801	129,680	
Aid for mission churches	-	652,371	-	-	-	652,371	-	-	-	652,371	662,310	
Aid to churches	-	109,502	-	-	-	109,502	-	-	-	109,502	51,895	
Aid to other organizations	-	40,500	-	-	-	40,500	-	-	-	40,500	47,500	
College ministries support	-	244,771	-	-	-	244,771	-	-	-	244,771	213,985	
Support services	-	119,806	-	-	-	119,806	-	-	-	119,806	95,304	
Auto expense and reserve	-	-	-	-	-	-	50,751	-	50,751	50,751	21,448	
Telephone	-	-	-	-	-	-	19,172	-	19,172	19,172	24,952	
Office supplies	-	-	1,472	-	28,822	30,294	58,806	-	58,806	89,100	68,899	
Building expenses	-	136,258	-	-	-	136,258	82,060	-	82,060	218,318	167,534	
Professional fees	-	-	91,609	-	64,605	156,214	93,247	-	93,247	249,461	183,964	
Miscellaneous	-	162,617	-	66,992	-	229,609	66,674	-	66,674	296,283	377,461	
	699,692	2,853,098	425,296	391,366	713,600	5,083,052	1,557,815	185,691	1,743,506	6,826,558	6,727,055	
Depreciation	-	-	-	-	-	-	30,279	-	30,279	30,279	36,995	
Total expenses	\$ 699,692	\$ 2,853,098	\$ 425,296	\$ 391,366	\$ 713,600	\$ 5,083,052	\$ 1,588,094	\$ 185,691	\$ 1,773,785	\$ 6,856,837	\$ 6,764,050	

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, 2019*

*(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)*

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 5,172,150	\$ (2,791,610)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	30,279	36,995
Loss on disposal of property and equipment	-	1,223
Gain from sale of real estate	(1,956,681)	-
Unrealized (gain) loss on investments - net	(2,167,828)	2,579,807
Increase (decrease) in beneficial interest in trusts	(25,920)	29,086
Change in:		
Accounts receivable	173,940	167,061
Accounts payable and accrued liabilities	42,408	(23,323)
Net cash provided by (used in) operating activities	<u>1,268,348</u>	<u>(761)</u>
<b>Cash flows from investing activities:</b>		
Purchase of investments, including reinvested investment income	(1,810,737)	(449,751)
Proceeds from sale of investments	522,005	3,000
Proceeds from sale of real estate	2,437,927	-
Purchase of real estate	-	(489)
Purchase of property and equipment	(81,186)	-
Net cash provided by (used in) investing activities	<u>1,068,009</u>	<u>(447,240)</u>
<b>Cash flows from financing activities:</b>		
Payments on line of credit	(2,488,678)	-
Principal payments on notes payable	(103,874)	(98,872)
Net cash used in financing activities	<u>(2,592,552)</u>	<u>(98,872)</u>
Net change in cash and cash equivalents	(256,195)	(546,873)
Cash and cash equivalents, beginning of year	2,149,517	2,696,390
Cash and cash equivalents, end of year	<u>\$ 1,893,322</u>	<u>\$ 2,149,517</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	<u>\$ 139,205</u>	<u>\$ 158,463</u>

# THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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### 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.

*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.

# THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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### Note 2—Summary of significant accounting policies (continued)

*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.

*Real Estate and Real Estate Held for Sale* – 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 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, 2019.

*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, 2019 the Diocese had \$1,801,985 in deposits that exceeded these insured limits.

*Contributions* – Contributions are recognized when cash, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

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.

*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.

# THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

### Note 2—Summary of significant accounting policies (continued)

*New Accounting Pronouncement* – In May 2014, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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. This ASU supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition*. The Diocese adopted this ASU on January 1, 2019. The Diocese implemented ASU 2014-09 using a modified retrospective method of application. The adoption of ASU 2014-09 resulted in changes to the disclosure of revenue recognition. There are no material changes to the recognition or presentation of revenue as a result of the application of ASU 2014-09. As a result, no cumulative effect adjustment was recorded upon adoption.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the factors and criteria to consider when determining whether (1) a transaction should be characterized as an exchange transaction or as a contribution, and (2) a contribution is, or is not, conditional. The Diocese implemented ASU 2018-08 using a modified retrospective method of application. There are no material changes to the recognition or presentation of revenue as a result of the application of ASU 2018-08. As a result, no cumulative effect adjustment was recorded upon adoption.

*Future Accounting Pronouncements* – In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The standard is effective on January 1, 2022, with early adoption permitted. The Diocese is in the process of evaluating the impact of this new guidance.

### Note 3—Liquidity and availability

Financial assets available for general expenditures within one year at December 31, 2019:

Financial assets at year-end:

Cash and cash equivalents	\$	1,893,322
Investments		25,917,125
Accounts receivable:		
Church promises to give to the Diocese		317,070
Related organizations		148,400
Contributions receivable - current portion		49,472
Other		301,434
Total financial assets at year-end		<u>28,626,823</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>14,024,388</u>
Financial assets available to be used within one year	\$	<u><u>14,602,435</u></u>

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

DECEMBER 31, 2019

**Note 3—Liquidity and availability (continued)**

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’s 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.

**Note 4—Investments**

Investments are reported at fair value. Investments consist of the following at December 31, 2019:

	<u>Fair Value</u>	<u>Cost</u>
Investments - STAMP	\$ 1,109,818	\$ 1,117,563
Investments - Trustees of the Funds	24,807,307	12,962,386
	<u>\$ 25,917,125</u>	<u>\$ 14,079,949</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, 2019:

STAMP income	\$ 38,420
STAMP unrealized loss	16,751
Trustees of the Funds income, net	1,246,113
Trustees of the Funds unrealized gain	<u>2,151,077</u>
	<u>\$ 3,452,361</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.

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**Note 5—Investments carried at net asset value or its equivalent (continued)**

The table below sets forth a summary of investments that are valued using Net Asset Value (“NAV”) at December 31, 2019. This category includes the following type of investment:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Lock-in Period</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Trustees of the Funds <sup>(a)</sup>	\$ 24,807,307	n/a	n/a	Daily	None
STAMP <sup>(b)</sup>	\$ 1,109,818	n/a	n/a	Daily	None

<sup>(a)</sup> 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.

<sup>(b)</sup> 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.

**Note 6—Notes receivable**

Notes receivable consisted of the following at December 31, 2019:

**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.	<u>\$ 4,575</u>
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**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 Camp Program. The Diocese has contributions receivable at December 31, 2019 as follows:

Contributions receivable	\$ 130,889
Less current portion	<u>(49,472)</u>
	<u>\$ 81,417</u>
Gross amounts to be collected in:	
Less than one year	\$ 49,472
One to five years	<u>88,061</u>
	137,533
Less 4% discount	<u>(6,644)</u>
Fair value	<u>\$ 130,889</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 2019 was \$4,680 and is included in gift income in the statement of activities. No changes in the fair value measurement were attributable to instrument specific risk.

# THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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### Note 8—Property and equipment

Major classes of property and equipment consisted of the following at December 31, 2019:

Equipment	\$	307,258
Vehicles		182,293
		<u>489,551</u>
Less accumulated depreciation		<u>(327,529)</u>
	\$	<u>162,022</u>

### 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 \$232,459 at December 31, 2019, 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 2019, salary costs incurred and subsequently reimbursed were \$273,671 and \$52,529 for TOTF and DMS, respectively. As of December 31, 2019, the Diocese also had related party receivables with the TOTF, Memorial Trustees, and DMS in the amount of \$138,789, \$9,476, and \$135, 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 2019, the Diocese paid \$405,981 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, 2019, with a balance of \$2,851,687 (see 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 2019 was \$158,102. 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 2019 was \$112,408.

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

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**Note 12—Notes payable and line of credit**

Notes payable consisted of the following as of December 31, 2019:

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.	\$ 111,202
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.	1,019,962
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 2024.	<u>1,720,523</u>
	2,851,687
Less current portion	<u>(93,739)</u>
	<u>\$ 2,757,948</u>

Estimated future principal payments on notes payable for years ending December 31 are as follows:

2020	\$ 93,739
2021	98,519
2022	96,770
2023	65,302
2024	<u>2,497,357</u>
	<u>\$ 2,851,687</u>

The Diocese had a \$3,000,000 line of credit available from SunTrust Bank to fund cash requirements. The line of credit was paid off in full in June 2019. The agreement subsequently expired on July 22, 2019 and was not renewed.

**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 are as follows:

2020	\$ 20,038
2021	18,761
2022	4,670
2023	4,670
2024	4,670
Thereafter	<u>1,557</u>
	<u>\$ 54,366</u>



**THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA**  
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**Note 13—Lease commitments (continued)**

The Diocese leases real estate property owned to tenants under noncancelable operating leases with the terms of 5 to 15 years. The following is a schedule, by years, of future minimum rentals under the leases at December 31, 2019:

2020	\$	120,000
2021		120,000
2022		120,000
2023		120,000
2024		120,000
Thereafter		800,000
	<u>\$</u>	<u>1,400,000</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, 2019 was \$2,881,031. No liability has been accrued with respect to either guarantee.

The Diocese has outstanding commitments at year-end of approximately \$146,359 with respect to the Annual Council Convention for 2020. This convention typically takes place in the last week of January each year.

**Note 15—Board-designated net assets**

Net assets without donor restriction includes designated funds by the Diocese for the following purposes at December 31, 2019:

Diocesan programs	<u>\$</u>	<u>55,207,374</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, 2019:

Purpose restricted:		
Development funds	\$	1,669,792
Diocesan programs		3,631,046
Bishop's programs		1,976,378
Beneficial interest in perpetual trusts		232,460
Time restricted for endowments, some of which is perpetual in nature:		
Bishop's programs		6,514,712
Total restricted net assets	<u>\$</u>	<u>14,024,388</u>

# THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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### Note 16—Restricted net assets (continued)

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, 2019:

Satisfaction of purpose restriction	<u>\$ 490,591</u>
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### Note 17—Endowment funds

The Diocese's endowment consists of 29 individual funds. These funds are all donor-restricted endowment funds and were established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board to function as endowments. 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. As a result of this interpretation, the Diocese classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. The Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Diocese, and (7) the Diocese's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies* – The Diocese is guided by the investment and spending policies of the Trustees of the Funds for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. To support distributions and preserve purchasing power, the Trustees of the Funds' objective is to maximize investment return within reasonable and prudent levels of risk. While it is understood that the Diocese has the right to withdraw its investments at any time according to the then current withdrawal policy of the Trustees of the Funds, it is the express intent of the Trustees of the Funds to invest the fund for the long term and accept that level of portfolio risk consistent with achieving long-term growth and preservation of capital.

*Spending Policy* – In pursuit of this objective, the Trustees of the Funds have set an annual distribution rate policy range of 4% to 5%. The annual distribution, calculated using the current distribution rate, is based on a rolling 20-quarter market value average of the fund. The Trustees of the Funds authorize the annual distribution to be issued after the third quarter of each calendar year. The distribution rate will be reviewed annually for appropriateness in prevailing economic conditions. The Diocese may request a different payout percentage, subject to approval by the Trustees of the Funds. To serve these management objectives, the investment objective of the Diocese is to attain a real total return of at least 5% per annum over the long term.

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

DECEMBER 31, 2019

**Note 17—Endowment funds (continued)**

Endowment net asset composition by type of fund as of December 31, 2019:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds:			
Original donor-restricted amounts and amounts required to be maintained in perpetuity by donor	\$ -	\$ 2,257,799	\$ 2,257,799
Accumulated investments gains	-	4,256,913	4,256,913
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 6,514,712</u>	<u>\$ 6,514,712</u>

Changes in endowment net assets for the fiscal year ended December 31, 2019:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ -	\$ 6,086,223	\$ 6,086,223
Investment income, net	-	735,417	735,417
Appropriation for expenditure	-	(306,928)	(306,928)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 6,514,712</u>	<u>\$ 6,514,712</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. At December 31, 2019, funds with original gift values of \$218,598, fair values of \$179,558, and deficiencies of \$39,040 were reported in net assets with donor restrictions. 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, 2019

**Note 18—Fair value measurements (continued)**

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.

Following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during 2019.

*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.

*Contributions Receivable* – Contributions 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. Contributions 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 contributions receivable 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, 2019:

	Assets at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Beneficial interest in trusts	\$ -	\$ -	\$ 232,459	\$ 232,459
Contributions receivable	-	-	130,889	130,889
Investments measured at NAV <sup>(a)</sup>	-	-	-	25,917,125
Total assets at fair value	\$ -	\$ -	\$ 363,348	\$ 26,280,473

<sup>(a)</sup> In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net assets available for benefits.

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

DECEMBER 31, 2019

**Note 18—Fair value measurements (continued)**

*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 2019.

	<u>Beneficial Interest in Trusts</u>	<u>Contributions Receivable</u>
Balance, beginning of year	\$ 206,539	\$ 209,134
Contribution payments received	-	(75,972)
Change in fair value	25,920	(2,273)
Net increase (decrease)	25,920	(78,245)
Balance, end of year	<u>\$ 232,459</u>	<u>\$ 130,889</u>

**Note 19—Comparative totals**

The summarized amounts shown for 2018 in the accompanying financial statements are included to provide a basis for comparison with 2019 and are not intended to present all information necessary for a fair presentation of the summarized 2018 statements in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Diocese’s financial statements for 2018, from which the summarized information was derived.

**Note 20—Reclassification of net assets**

There were certain prior period endowment contributions and endowment investment returns that were not reflected in the appropriate net asset classifications. The Diocese made reclassifications between net asset classifications to correct these reporting errors as of December 31, 2018. The reclassifications resulted in a reduction of net assets without donor restrictions of \$1,161,396, which includes a reduction of \$77,489 to undesignated net assets and \$1,083,907 to Board-designated net assets, and an increase in net asset with donor restrictions of \$1,161,396.

**Note 21—Subsequent events**

In preparing these financial statements, the Diocese has evaluated events and transactions for potential recognition or disclosure through October 2, 2020, the date the financial statements were available to be issued.

In response to the worldwide spread of coronavirus (“COVID-19”), management of the Diocese has implemented a number of practices designed to protect the safety and well-being of its employees and customers including adoption of the applicable portions of the President’s Coronavirus Guidelines for America (the “Guidelines”). Adoption of the Guidelines has resulted in, among other things, a significant number of the Diocese’s personnel working remotely as well as a renewed emphasis in employee communications with respect to jobsite hygiene and social distancing for those employees whose responsibilities require them to be physically present at various locations.

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

*DECEMBER 31, 2019*

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**Note 21—Subsequent events (continued)**

The extent to which COVID-19 may impact the Diocese's future operations will depend upon future developments which are highly uncertain and cannot be predicted at this time. In response to this uncertainty, management is continuously monitoring the Diocese's financial performance and related cash position and liquidity and developing and implementing plans designed to maintain the Diocese's consolidated financial position should the breadth and duration of the business disruptions related to COVID-19, as well as its impact on the U.S. economy and business confidence, continue for an extended period of time.

The Diocese sold a property in Gainesville, Virginia in August 2020 for approximately \$2,000,000. This will result in a gain on sale of property of approximately \$1,800,000 in 2020.

## **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, 2019 AND 2018

	2019		2018	Budget Variance Favorable (Unfavorable)	
	Budget	Actual	Actual	Amount	Percent
<b>Support and Revenue:</b>					
Contributions from churches	\$4,170,000	\$3,899,719	\$4,043,456	\$ (270,281)	-6.48%
Other gifts, grants, and promises to give	80,000	73,156	65,219	(6,844)	-8.56%
Investment income (loss)	100,000	158,411	(48,858)	58,411	100.00%
Income from Virginia Episcopalian	32,000	34,591	19,016	2,591	8.10%
Health insurance administration	103,000	101,052	107,927	(1,948)	-1.89%
Miscellaneous income	-	2,317	7,476	2,317	0.00%
	<u>4,485,000</u>	<u>4,269,246</u>	<u>4,194,236</u>	<u>(215,754)</u>	<u>-4.81%</u>
Net assets released from restrictions	450,000	490,591	1,239,764	40,591	9.02%
<b>Total Support and Revenue</b>	<u>4,935,000</u>	<u>4,759,837</u>	<u>5,434,000</u>	<u>(175,163)</u>	<u>-3.55%</u>
<b>Expenses:</b>					
Ministry Areas:					
General Church Support	632,242	632,242	626,665	-	0.00%
Christian Formation:					
Committee on Christian Formation	265,775	294,024	254,040	(28,249)	-10.63%
Youth ministry development	7,000	774	1,192	6,226	88.94%
Clergy and diocesan conferences	13,500	38,123	12,831	(24,623)	-182.39%
Education for ministry program	2,500	12,898	1,261	(10,398)	-415.92%
	<u>288,775</u>	<u>345,819</u>	<u>269,324</u>	<u>(57,044)</u>	<u>-19.75%</u>
Strengthening Our Churches:					
Aid to mission churches	578,800	544,828	551,213	33,972	5.87%
Aid to mountain missions	71,352	71,718	73,739	(366)	-0.51%
Special ministries and other committees	39,650	36,148	33,634	3,502	8.83%
Other areas for strengthening our churches	56,900	32,060	48,774	24,840	43.66%
	<u>746,702</u>	<u>684,754</u>	<u>707,360</u>	<u>61,948</u>	<u>8.30%</u>
Mission and Outreach:					
Committee on Mission and Outreach	30,200	10,503	25,028	19,697	65.22%
Other mission and outreach areas	63,500	45,500	61,093	18,000	28.35%
	<u>93,700</u>	<u>56,003</u>	<u>86,121</u>	<u>37,697</u>	<u>40.23%</u>
Ministry:					
Commission on Ministry	125,000	90,053	102,546	34,947	27.96%
Human Dignity and Justice:					
Areas for Human Need and Justice	18,865	4,520	2,924	14,345	76.04%
<b>Total Ministry Areas</b>	<u>1,905,284</u>	<u>1,813,391</u>	<u>1,794,940</u>	<u>91,893</u>	<u>4.82%</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, 2019 AND 2018

	2019		2018	Budget Variance Favorable (Unfavorable)	
	Budget	Actual	Actual	Amount	Percent
<b>Expenses (continued):</b>					
Governance and Committee Support:					
Standing Committee	\$ 3,000	\$ 1,617	\$ 822	\$ 1,383	46.10%
Executive Board, Deans, and Presidents	3,700	3,472	3,590	228	6.16%
Other committee support	29,025	21,256	9,642	7,769	26.77%
	<u>35,725</u>	<u>26,345</u>	<u>14,054</u>	<u>9,380</u>	<u>26.26%</u>
Communications & Technology:					
Virginia Episcopalian and eCommunique	64,000	46,032	68,405	17,968	28.08%
Other communications expenses	28,500	40,512	32,269	(12,012)	-42.15%
	<u>92,500</u>	<u>86,544</u>	<u>100,674</u>	<u>5,956</u>	<u>6.44%</u>
Bishops, Staff, and Support:					
The Episcopate:					
Bishops	522,695	423,223	484,096	99,472	19.03%
Episcopal office staff	111,918	194,810	163,797	(82,892)	-74.06%
Other expenses of the Office of the Bishop	9,000	7,410	4,826	1,590	17.67%
Bishops and Episcopal office travel	65,350	58,340	56,911	7,010	10.73%
	<u>708,963</u>	<u>683,783</u>	<u>709,630</u>	<u>25,180</u>	<u>3.55%</u>
Staff:					
Professional staff	1,664,425	1,716,427	1,641,005	(52,002)	-3.12%
Staff travel	58,603	25,484	48,734	33,119	56.51%
Other staff expenses	15,000	29,670	24,819	(14,670)	-97.80%
	<u>1,738,028</u>	<u>1,771,581</u>	<u>1,714,558</u>	<u>(33,553)</u>	<u>-1.93%</u>
Support:					
Automobile expenses	40,000	64,592	39,049	(24,592)	-61.48%
Office supplies, equipment, and services	105,000	124,097	121,636	(19,097)	-18.19%
Building related expenses	100,000	155,524	174,168	(55,524)	-55.52%
Professional fees	50,000	82,338	102,046	(32,338)	-64.68%
Other expenses	7,000	6,974	19,079	26	0.37%
	<u>302,000</u>	<u>433,525</u>	<u>455,978</u>	<u>(131,525)</u>	<u>-43.55%</u>
Total Bishops, Staff, and Support	<u>2,748,991</u>	<u>2,888,889</u>	<u>2,880,166</u>	<u>(139,898)</u>	<u>-5.09%</u>
Expended assets released from restrictions:					
Aid to individuals and organizations	-	490,591	1,239,764	(490,591)	-
<b>Total Expenses</b>	<u>4,782,500</u>	<u>5,305,760</u>	<u>6,029,598</u>	<u>(523,260)</u>	<u>-10.94%</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, 2019 AND 2018*

	2019		2018	Budget Variance Favorable (Unfavorable)	
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Amount</u>	<u>Percent</u>
<b>Excess (deficiency) of support and revenue over expenses</b>	<u>\$ 152,500</u>	<u>\$ (545,923)</u>	<u>\$ (595,598)</u>	<u>\$ (698,423)</u>	<u>-457.98%</u>
Transfer of Funds:					
Reserve accounts	(30,000)	(32,858)	(106,303)	(62,858)	100.00%
Shrine Mont camp program support	(122,500)	(122,500)	(122,500)	-	0.00%
Other	-	509,683	462,787	509,683	100.00%
	<u>(152,500)</u>	<u>354,325</u>	<u>233,984</u>	<u>446,825</u>	<u>-293.00%</u>
<b>Total Changes in Net Assets After Transfers</b>	<u>\$ -</u>	<u>\$ (191,598)</u>	<u>\$ (361,614)</u>	<u>\$ (251,598)</u>	<u>100.00%</u>

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

DECEMBER 31, 2019 AND 2018

	<b>2019</b>	<b>2018</b>
Aheron Scholarship	\$ -	\$ (2,486)
Annual Council Fund	(27,921)	(9,837)
Atlee Mission Fund	(377,349)	(389,182)
Auto Reserve	(95,443)	(24,250)
Biggar/Power Fund	600	600
Blanchard 815 position expenses	-	-
Blakemore Trust Proceeds	1,215,815	(21,201)
Bishop Johnston Vestments	500	500
Bishops & Staff Reserve	48,775	49,975
Bishop's Designated for Tanzania	-	(2)
Bishop's DMS Grant	109,085	152,957
Bishop's House	(39,685)	1,000
Bishop's house rent	10,627	9,627
Building Repairs Reserve	9,400	(34,751)
Camp General Operating Fund	-	17,398
CCM-Reserve for Special Needs	9,836	10,000
CCM-Reserve for Transitions	10,000	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	2,422	2,476
Congregational Development & Revitalization	16,312	16,312
Council Scholarship Fund	360	360
Cursillo in the Diocese of VA	-	5,344
DaySpring	351,217	665,236
DaySpring Real Estate Fund	38,896,220	38,896,220
Deacons Reserve	42,862	47,484
Des - Intern - M&O	-	(2,500)
Des - St. Andrew's Charlottesville	27,420	48,190
Des - Trinity Highland Springs	24,153	39,467
Diaconal Formation Institute	(16,124)	(11,147)
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	14,236	11,691
Diocese of Tanzania	137,665	92,222
DOV Shout IT Facilities Fund	11,757	(5,213)
East End Initiative	(35,748)	960
Ecumenical and Interfaith Committee	960	-
Education for Ministry	965	965
EPIC Moms	19	19
Episcopal Art Series	-	(21,717)
Episcopal Transition Reserve	(30,697)	11,984
General Convention	(6,380)	(26,380)
Haiti	10,356	11,229
Interim Ministry Development	1,080	1,080
John G Hayes Jr Income Fd	(1,449)	1,878
John G Hayes Missionary Fund	1,126	1,126
La Iglesia de Santa Maria	(32,362)	(32,362)
Lambeth Convention	29,991	47,130
Subtotal (carried forward)	<u>40,427,016</u>	<u>39,678,817</u>

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

DECEMBER 31, 2019 AND 2018

	<b>2019</b>	<b>2018</b>
Subtotal (brought forward)	\$ 40,427,016	\$ 39,678,817
Latino Ministry	(2,415)	(2,415)
Lay Pastoral Training Grant	-	8,000
LGBTQ Retreat	1,908	1,808
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)	(4,076)
Mountain Mission Reserve	44,228	39,492
Native American Ministry	1,215	740
Office Equipment Reserve	6,932	6,932
Omisol Road - Reserve	40,715	33,733
Opiod Task Force	300	-
Payroll Acct - St Margaret's Woodbridge	-	4,668
Prevention of Misconduct Reserve	4,000	4,000
Property & Opr Exp - St Pauls Haymarket	(7,357)	2,508
Property Exp - Church Hill Dr. Woodbridge	219,294	169,960
Property Exp - Epiphany Herndon	-	54,787
Property Exp - Main St, Fairfax (Truro)	-	(35,328)
Property Exp - Pickett Road/Braddock Rd	-	(7,627)
Property Fund	27,274	26,099
Property Maintenance Fund	20,634	28,952
Puerto Rico	1,793	1,793
Real Estate Value Fund	15,756,275	13,750,283
Region 2 Mission (Deltaville)	91,814	85,562
Reserve-2015 Unrestricted Reserve	681,459	749,068
Risk Management Program	18,481	(244)
Rockingham Property Fund (Reg 14)	12,811	12,815
Santa Maria Stewardship (DuPont Grant)	701	701
Shelton Shop Rd Property	166,155	146,735
SSJ Fund for Youth and Young Adult Formation	12,768	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	34,510	33,072
St. Margarets Ruther Glenn	135	135
St. Phoebe's School	(1,018)	-
Stewardship Committee Reserve	467	467
Stewardship of Creation Grant Fund	5,228	5,228
Triangle of Hope	(1,524)	2,875
Trinity, Beaverdam	15,097	16,607
Trustees of the Funds	1,226,377	893,754
Virginia Diocesan Library	15,250	(45,252)
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
<b>Total designated funds</b>	<b>\$ 58,790,536</b>	<b>\$ 55,639,506</b>

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

*DECEMBER 31, 2019 AND 2018*

	<b>2019</b>	<b>2018</b>
Bishop Jones' Evangelism Fund	\$ 500	\$ 500
Bishop Lee Fund for Small Church Vitality	104,483	78,599
B Maxwell Art Camp Scholarship Fund	200	100
Camp Equipment	13,155	13,155
Camp Program TOF Investments	1,272,040	126,494
Camp Scholarship Annual Fund	41,460	25,959
FCF - Unrestricted	67,849	121,291
Mustard Seed Grant Fund	14,252	27,642
Pledges Receivable - SM Shout It! Campaign	108,325	186,158
Shrine Mont Shout It! Campaign	12,621	1,292,184
St. Georges Camp	19,848	19,848
W Stanley Camp Scholarship Fund	-	-
Youth Mission Vouchers 2006	-	(13,150)
Youth Mission Vouchers 2007	(200)	(8,800)
Youth Mission Vouchers 2008	(1,000)	(1,250)
Youth Mission Vouchers 2009	(1,500)	3,600
Youth Mission Vouchers 2010	13,836	9,941
Youth Mission Vouchers 2011	1,205	1,205
Youth Mission Vouchers 2012	-	(887)
Youth Mission Vouchers 2013	-	3,895
Youth Mission Vouchers 2014	-	(9,367)
Youth Mission Vouchers 2015	-	(10,387)
DVA Grant Fund	1,125	1,125
DFHN	1,593	1,517
<b>Total development funds</b>	<b>\$ 1,669,792</b>	<b>\$ 1,869,372</b>

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

DECEMBER 31, 2019 AND 2018

	<b>2019</b>	<b>2018</b>
A.H. & C.J. Robinson Fund	\$ 296,243	\$ 81,810
Albert Baker Fund	136,750	136,750
Alison Gibson Fund	649	649
Ball Fund	165,354	165,354
Bishop Goff's Discretionary Fund	10,608	7,387
Bishop Goodwin Memorial Scholarship Fd	12,860	12,860
Bishop Gulick's Discretionary Fund	10,320	10,320
Bishop Ihloff Discretionary Fund	8,292	3,618
Bishop Jennifer Brooke-Davidson	750	-
Bishop Johnston's Discretionary Fund	3,361	6,364
Bishop Jones' Discretionary Fund	39,972	41,649
Bishop Jones Evangelism Grant Fund	8,793	8,793
Bishop Jones' Sabbatical Fund	3,226	6,819
Bishop Mason Memorial Fund	1,770	1,770
Bishops Combined Discretionary Fund	901	(2,421)
Bishop's Emergency Needs Fund	79,913	78,041
Bishop's Investment Fund	-	(23,786)
Bishop's Theological Education Fund	8,270	9,755
Bishop PjL 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	2,784
Charles Norse Fund	-	(54)
Columbia Walker Memorial Missions Fund	51,735	51,735
David Lewis Memorial Fund	5,619	5,619
Disabled Clergy Fund	742,790	750,643
Diocesan Fund for Human Need	18,781	14,844
Diocesan Fund for World Mission	12,260	8,377
Dickinson Memorial Fund	(50,000)	(97,174)
Dooley Fund	263,986	132,756
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	339	589
Ellen Goldsborough Fund	7,062	28,262
Episcopal Fund	-	(44,178)
Fear Not Fund	525	400
Fifth Century Fund	50,000	-
Forest Fund	55,257	55,257
Francis Edmonia Newman Fund	76,785	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>2,206,902</u>	<u>1,671,775</u>

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

DECEMBER 31, 2019 AND 2018

	<b>2019</b>	<b>2018</b>
Subtotal (brought forward)	\$ 2,206,902	\$ 1,671,775
Ida B Gale Fund	37,554	37,554
J. B. duPont - Technology Grant	-	(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	1,655
Mary Amanda Stewart Fund	10,823	10,823
MEZ Grant	2,609	2,609
Moncure Memorial Fund	18,371	18,371
Pearl Leone Hecht Fund	186	186
Philip A. Arthur Memorial Fund	576	576
Scott Fdn Grant 2010	14,832	14,546
Smoot Bequest Income Fund	(76,078)	(104,078)
Smoot Bequest to Dio Fund	55,592	(109,408)
South African Bishops Fund	9,699	9,699
ST Investments - Restricted	290,140	300,969
St. John's Waldrop Fund	33,176	33,176
St. John's Greensprings Fund	9,991	12,807
Thomas Brooks Walker Estate/Trust	-	128,895
UTO Fund	187	187
Widows & Orphans Fund	-	(9,722)
Zimmerman Income Fund	-	(11,138)
<b>Subtotal</b>	<b>2,627,539</b>	<b>2,020,126</b>
Funds invested with the Trustees of the Funds	21,439,780	19,575,658
Beneficial interest in trusts	232,459	206,539
<b>Total Other Funds</b>	<b>\$ 24,299,778</b>	<b>\$ 21,802,323</b>