



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

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES**

*As of and for the Year Ended December 31, 2017
(with comparative totals for December 31, 2016)*

And Report of Independent Auditor

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR	1-2
--	------------

FINANCIAL STATEMENTS

Statement of Financial Position	3-4
Statement of Activities.....	5-6
Statement of Cash Flows	7
Notes to the Financial Statements	8-19

SUPPLEMENTAL SCHEDULES

Schedule of Operating Funds, Budgetary Comparison of Support, and Revenues and Expenses	20-22
Schedule of Designated Funds	23-24
Schedule of Development Funds	25
Schedule of Other Funds	26-27

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, 2017, and the related statements of activities 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Protestant Episcopal Church in the Diocese of Virginia's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 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, 2017 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.

A handwritten signature in black ink that reads "Cherry Bekart LLP". The signature is written in a cursive, flowing style.

Richmond, Virginia
July 26, 2018

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

DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

	2017				2016	
	Operating Funds	Designated Funds	Development Funds	Other Funds	Total	Total
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 2,696,390	\$ -	\$ -	\$ -	\$ 2,696,390	\$ 3,389,720
Investments - STAMP	744,002	32,703	-	297,603	1,074,308	1,058,033
Accounts receivable:						
Church pledges to the Diocese	290,606	-	-	-	290,606	299,141
Related organizations	166,329	-	-	-	166,329	50,532
Pledges receivable - current portion	-	-	145,714	-	145,714	210,271
Other	413,029	1,301	-	-	414,330	84,291
Prepaid expenses	5,692	34,630	-	-	40,322	40,322
Real estate held available for sale	-	1,963,815	-	-	1,963,815	3,608,757
Current portion of notes receivable	-	-	-	4,575	4,575	4,575
Total Current Assets	4,316,048	2,032,449	145,714	302,178	6,796,389	8,745,642
Investments - Trustees of the Funds	871,703	983,389	130,173	21,534,048	23,519,313	20,935,808
Pledges receivable - less current portion	-	-	221,815	-	221,815	323,769
Interfund amounts	(6,447,992)	3,121,346	1,503,825	1,822,821	-	-
Property and equipment - net	149,333	-	-	-	149,333	194,100
Other Assets:						
Real estate	-	55,370,998	-	-	55,370,998	55,370,998
Beneficial interest in trusts	-	-	-	235,625	235,625	216,682
Total Other Assets	-	55,370,998	-	235,625	55,606,623	55,587,680
Assets Held as Agent:						
Investments held for others	-	-	-	834,405	834,405	659,537
Less investment held for others	-	-	-	(834,405)	(834,405)	(659,537)
Total Other Assets	-	-	-	-	-	-
Total Assets	\$ (1,110,908)	\$ 61,508,182	\$ 2,001,527	\$ 23,894,672	\$ 86,293,473	\$ 85,786,999

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 FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2016)

	2017				2016	
	Operating Funds	Designated Funds	Development Funds	Other Funds	Total	Total
LIABILITIES						
Current Liabilities:						
Line of credit	\$ -	\$ 2,488,678	\$ -	\$ -	\$ 2,488,678	\$ 2,488,678
Accounts payable and accrued liabilities:						
Trade	143,052	-	60,752	-	203,804	368,316
Related organizations	-	46,695	-	-	46,695	46,695
Other	3,965	-	-	-	3,965	38,728
Prepaid rent	-	15,500	-	-	15,500	15,500
Current portion of notes payable	-	84,410	-	-	84,410	99,762
Total Current Liabilities	147,017	2,635,283	60,752	-	2,843,052	3,057,679
Long-Term Liabilities:						
Deferred revenue	-	-	-	-	-	68,660
Notes payable - less current portion	-	2,970,023	-	-	2,970,023	3,689,812
Total Liabilities	147,017	5,605,306	60,752	-	5,813,075	6,816,151
NET ASSETS						
Unrestricted:						
Undesignated	(1,257,925)	-	-	15,190,284	13,932,359	12,480,990
Board designated	-	54,907,586	-	-	54,907,586	55,000,706
Total Unrestricted	(1,257,925)	54,907,586	-	15,190,284	68,839,945	67,481,696
Temporarily restricted	-	924,739	1,157,074	6,294,179	8,375,992	8,323,748
Permanently restricted	-	70,551	783,701	2,410,209	3,264,461	3,165,404
Total Net Assets (Deficit)	(1,257,925)	55,902,876	1,940,775	23,894,672	80,480,398	78,970,848
	\$ (1,110,908)	\$ 61,508,182	\$ 2,001,527	\$ 23,894,672	\$ 86,293,473	\$ 85,786,999

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, 2017 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017				2016	
	Operating Funds	Designated Funds	Development Funds	Other Funds	Total	Total
Operating Revenue:						
Camps and conferences	\$ -	\$ 492,201	\$ -	\$ -	\$ 492,201	\$ 472,143
Income from Virginia Episcopalian	27,924	-	-	-	27,924	35,434
Total Operating Revenue	27,924	492,201	-	-	520,125	507,577
Support and Other Revenue:						
Loss from sale from real estate	-	(472,145)	-	-	(472,145)	-
Gain from transfer of property	-	-	-	-	-	707,200
Loss on disposal of property and equipment	(1,374)	-	-	-	(1,374)	-
Pledges from churches	4,177,618	-	-	-	4,177,618	4,228,475
Individual pledges and gifts	12,681	-	-	-	12,681	19,645
Health insurance admin reimbursement	106,454	-	-	-	106,454	102,919
Investment income	125,261	114,082	17,709	2,900,772	3,157,824	1,237,912
Change in beneficial interest in trust	-	-	-	18,943	18,943	(42,400)
Retraction from Trustees in beneficial interest in trust	-	-	-	-	-	(2,071,299)
Other restricted income	35,155	128,439	290,299	183,257	637,150	831,226
Other	5,606	530,133	-	141,374	677,113	257,471
	4,461,401	300,509	308,008	3,244,346	8,314,264	5,271,149
Net assets released from restrictions	457,894	-	(190,606)	(267,288)	-	-
Total Support and Other Revenue	4,919,295	300,509	117,402	2,977,058	8,314,264	5,271,149
Total Revenue and Support	4,947,219	792,710	117,402	2,977,058	8,834,389	5,778,726
Expenses and Other Deductions:						
Support of our greater Church community	703,722	-	-	-	703,722	767,275
Ministry areas in the Diocese:						
Christian Formation	315,153	-	-	-	315,153	271,013
Strengthening our Churches	767,123	-	-	-	767,123	791,064
Mission and outreach	82,375	-	-	-	82,375	74,898
Ministry	90,035	-	-	-	90,035	74,766
Human Dignity and Justice	5,791	-	-	-	5,791	10,007
Governance and commission support	12,880	-	-	-	12,880	15,017
Communications and technology across the Diocese	76,500	-	-	-	76,500	85,169

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 (CONTINUED)

YEAR ENDED DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017				2016	
	Operating Funds	Designated Funds	Development Funds	Other Funds	Total	Total
Bishops, staff and support	\$ 2,979,112	\$ -	\$ -	\$ -	\$ 2,979,112	\$ 2,785,900
Camps and conferences	-	635,441	-	-	635,441	622,118
Other operating expenses	-	222,721	-	-	222,721	330,771
Aid to individuals and organizations	-	262,113	-	-	262,113	272,862
Support services for mission and ministry	-	446,373	-	-	446,373	201,256
Contribution expense	-	-	-	-	-	260,549
Other designated and restricted fund expenditures	457,894	267,606	-	-	725,500	672,391
Total Expenses and Other Deductions	5,490,585	1,834,254	-	-	7,324,839	7,235,056
Excess (deficiency) of revenue and support over expenses and other deductions	<u>(543,366)</u>	<u>(1,041,544)</u>	<u>117,402</u>	<u>2,977,058</u>	<u>1,509,550</u>	<u>(1,456,330)</u>
Transfer of Funds:						
Other	<u>(298,516)</u>	<u>678,436</u>	<u>55,277</u>	<u>(435,197)</u>	<u>-</u>	<u>-</u>
Total Transfers of Funds	<u>(298,516)</u>	<u>678,436</u>	<u>55,277</u>	<u>(435,197)</u>	<u>-</u>	<u>-</u>
Change in Net Assets:						
Unrestricted	(841,882)	(93,120)	-	2,293,251	1,358,249	511,890
Temporarily restricted	-	(269,988)	92,564	229,668	52,244	104,730
Permanently restricted	-	-	80,115	18,942	99,057	(2,072,950)
	<u>(841,882)</u>	<u>(363,108)</u>	<u>172,679</u>	<u>2,541,861</u>	<u>1,509,550</u>	<u>(1,456,330)</u>
Net assets (deficit) - beginning of year	<u>(416,043)</u>	<u>56,265,984</u>	<u>1,768,096</u>	<u>21,352,811</u>	<u>78,970,848</u>	<u>80,427,178</u>
Net assets (deficit) - end of year	<u><u>\$ (1,257,925)</u></u>	<u><u>\$ 55,902,876</u></u>	<u><u>\$ 1,940,775</u></u>	<u><u>\$ 23,894,672</u></u>	<u><u>\$ 80,480,398</u></u>	<u><u>\$ 78,970,848</u></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, 2017

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	<u>2017</u>	<u>2016</u>
	<u>All Funds</u>	
Cash flows from operating activities:		
Change in net assets	\$ 1,509,550	\$ (1,456,330)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	41,095	40,070
Loss on disposal of property and equipment	1,374	-
Loss on sale of real estate	472,145	-
Gain on transfer of real estate property	-	(707,200)
Unrealized gain on investments - net	(2,241,090)	(407,132)
Reinvested investment income	(355,640)	(314,941)
Retraction from Trustees in beneficial interest in trust	-	2,071,299
(Increase) decrease in beneficial interest in trusts	(18,943)	42,400
Change in:		
Accounts receivable	(270,790)	221,989
Prepaid expenses	-	(17,237)
Accounts payable and accrued liabilities	(199,275)	(28,638)
Deferred revenue	(68,660)	33,371
Net cash used in operating activities	<u>(1,130,234)</u>	<u>(522,349)</u>
Cash flows from investing activities:		
Proceeds from sale of property and equipment	7,048	-
Payments received on notes receivable	-	44,544
Purchase of investments	(3,050)	(5,500)
Proceeds from sale of investments	-	17,500
Proceeds from sale of real estate	1,172,797	-
Purchase of property and equipment	(4,750)	(39,338)
Net cash provided by investing activities	<u>1,172,045</u>	<u>17,206</u>
Cash flows from financing activities:		
Principal payments on notes payable	(735,141)	(85,260)
Net cash used in financing activities	<u>(735,141)</u>	<u>(85,260)</u>
Net change in cash and cash equivalents	(693,330)	(590,403)
Cash and cash equivalents - beginning of year	3,389,720	3,980,123
Cash and cash equivalents - end of year	<u>\$ 2,696,390</u>	<u>\$ 3,389,720</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 147,643</u>	<u>\$ 157,873</u>

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 Diocese is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The financial statements report amounts separately by class of assets as follows:

Unrestricted - Amounts are those currently available at the discretion of the Annual Council of the Diocese for use in operations and those resources invested in property or equipment.

Temporarily Restricted - Amounts are those which are stipulated by donors for specific purposes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted - Amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

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.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

Note 2—Summary of significant accounting policies (continued)

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 accounting principles generally accepted in the United States of America 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.

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.

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, 2017.

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, 2017 the Diocese had \$2,200,750 in deposits that exceeded these insured limits.

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.

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.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

Note 2—Summary of significant accounting policies (continued)

Reclassification - Certain prior year balances have been reclassified to conform with the current year presentation.

Recent Accounting Pronouncements - In May 2014, the 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. The updated standard will replace most existing revenue recognition guidance in 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 has not yet selected a transition method and is currently evaluating the effect the standard will have on the financial statements.

In February 2016, the 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 for annual reporting periods beginning after December 15, 2019, with early adoption permitted. The Diocese is in the process of evaluating the impact of this new guidance.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which simplifies certain aspects of reporting required by not-for-profit organizations and increases disclosures with a goal to improve the usefulness of not-for-profit financial statements to various stakeholders, including management, directors, lenders and donors. Key changes include the following:

- Replaces the existing three classes of net assets (unrestricted, temporarily restricted and permanently restricted) with two new classes of net assets (net assets without donor restrictions and net assets with donor restrictions).
- Changes the net asset classification of the underwater amounts of donor-restricted endowment funds to be shown as a component of net assets with donor restrictions and requires additional disclosures for underwater endowment funds.
- Requires all not-for-profit entities to provide expenses by both nature and function.
- Requires expansive disclosures, both qualitative and quantitative, of information about liquidity and the availability of resources.

This ASU is effective for annual reporting periods beginning after December 15, 2017. The ASU requires the provisions to be applied on a retrospective transaction approach and early adoption is permitted. The Diocese is currently evaluating the impact of adopting ASU 2016-14.

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

DECEMBER 31, 2017

Note 3—Investments

Investments are reported at fair value. Investments consist of the following at December 31, 2017:

	<u>Fair Value</u>	<u>Cost</u>
Investments - STAMP	\$ 1,074,308	\$ 1,085,333
Investments - Trustees of the Funds	23,519,313	11,183,876
	<u>\$ 24,593,621</u>	<u>\$ 12,269,209</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, 2017:

Diocesan Missionary Society	\$ 2,541
STAMP income	11,833
STAMP unrealized gain	4,652
Trustees of the Funds income	902,360
Trustees of the Funds unrealized gain	2,236,438
	<u>\$ 3,157,824</u>

Note 4—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, 2017. 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 ^(a)	\$ 23,519,313	n/a	n/a	Daily	None
STAMP ^(b)	\$ 1,074,308	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, 2017

Note 5—Notes receivable

Notes receivable consisted of the following at December 31, 2017:

Other installment loans

Due \$594 per month, including interest at 7.00%,
 uncollateralized, final payment due April 2016.

\$ 4,575

Note 6—Pledges 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 pledges receivable at December 31, 2017, as follows:

Pledges receivable	\$ 367,529
Less current portion	(145,714)
	<u>\$ 221,815</u>

Gross amounts to be collected in:

Less than one year	\$ 145,714
One to five years	243,271
	<u>388,985</u>

Less:

4% discount	(21,456)
-------------	----------

Fair value	<u>\$ 367,529</u>
------------	-------------------

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

The fair value adjustment for 2017 was \$4,964 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, 2017

Note 7—Property and equipment

Major classes of property and equipment consisted of the following at December 31, 2017:

Equipment	\$	307,258
Vehicles		137,795
		<u>445,053</u>
Less accumulated depreciation		(295,720)
	\$	<u><u>149,333</u></u>

Note 8—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 \$235,625 at December 31, 2017, 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 9—Related-party transactions

The Diocese provides administrative and accounting services to several related organizations. Trustees of the Funds ("TOTF") and Diocesan Missionary Society ("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 2017, salary costs incurred and subsequently reimbursed were \$303,810 and \$26,461 for Trustees of the Funds and Diocesan Missionary Society, respectively. As of December 31, 2017, the Diocese also had related-party receivables with the TOTF and Memorial Trustees in the amount of \$160,528 and \$5,801, respectively.

Trustees of the Funds, 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 2017, the Diocese paid \$393,106 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, 2017, with a balance of \$3,054,433.

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

DECEMBER 31, 2017

Note 10—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 2017 was \$167,947. 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 2017 was \$156,125.

Note 11—Notes payable and line of credit

Notes payable consisted of the following as of December 31, 2017:

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.	\$ 177,251
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 2019, assuming all future 5-year extensions are granted.	1,049,930
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.	1,827,252
	<u>3,054,433</u>
Less current portion	(84,410)
	<u>\$ 2,970,023</u>

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

2018	\$ 84,410
2019	88,670
2020	173,703
2021	181,031
2022	178,733
Thereafter	2,347,886
	<u>\$ 3,054,433</u>

The Diocese has a \$2,500,000 line of credit available from SunTrust Bank to fund cash requirements through December 24, 2018. As of December 31, 2017, 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% (2.511% at December 31, 2017). Repayment of the line of credit is due in full upon the sale of real estate located in Prince William County, Virginia or at December 24, 2018, whichever occurs first. Advances are limited to 80% of the unrestricted market securities held in Trustees of the Funds. The line is collateralized by the pledge of the unrestricted market securities at the Trustees of the Funds 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, 2017

Note 12—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, 2017 are as follows:

2018	\$	19,992
2019		19,992
2020		17,682
2021		14,091
		<u>14,091</u>
	\$	<u>71,757</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, 2017:

2018	\$	224,575
2019		227,712
2020		193,230
2021		120,000
2022		120,000
Thereafter		1,120,000
		<u>1,120,000</u>
	\$	<u>2,005,517</u>

Note 13—Commitments and contingencies

The Diocese has guaranteed a \$6,000,000 twenty-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, 2017 was \$3,213,626. No liability has been accrued with respect to either guarantee.

The Diocese has outstanding commitments at year-end of approximately \$277,023 with respect to the Annual Council conventions for 2018 through 2019. 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 of 2016, the agreement calls 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. At December 31, 2017, this amounted to \$1,288,404.

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

DECEMBER 31, 2017

Note 14—Restricted net assets

The Diocese had restrictions on net assets as follows at December 31, 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Development funds	\$ 1,157,074	\$ 783,701
Diocesan programs	2,416,012	-
Bishop's programs	4,802,906	2,245,135
Beneficial interest in perpetual trusts	-	235,625
	<u>\$ 8,375,992</u>	<u>\$ 3,264,461</u>

Note 15—Functional expenses

Expenses of the Diocese are reported in the statement of activities according to the budget classifications. A breakdown of expenses by function for the year ended December 31, 2017 is as follows:

	<u>Operating Funds</u>	<u>Designated Funds</u>	<u>Development Funds</u>	<u>Other Funds</u>
Program	\$ 3,024,371	\$ 1,834,254	\$ -	\$ -
Administrative and general	2,374,718	-	-	-
Fundraising	91,496	-	-	-
	<u>\$ 5,490,585</u>	<u>\$ 1,834,254</u>	<u>\$ -</u>	<u>\$ -</u>

Note 16—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, 2017

Note 16—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 2017.

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, 2017:

Assets at Fair Value as of December 31, 2017				
	Level 1	Level 2	Level 3	Total
Beneficial interest in trusts	\$ -	\$ -	\$ 235,625	\$ 235,625
Pledges receivable	-	-	367,529	367,529
Total assets measured at NAV	-	-	-	24,593,621
Total assets at fair value	\$ -	\$ -	\$ 603,154	\$ 25,196,775

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

DECEMBER 31, 2017

Note 16—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 2017.

	Beneficial Interest in Trusts	Pledges Receivable
Balance, beginning of year	<u>\$ 216,682</u>	<u>\$ 534,040</u>
New pledges	-	89,530
Pledge payments received	-	(264,147)
Change in fair value	<u>18,943</u>	<u>8,106</u>
Net decrease	<u>18,943</u>	<u>(166,511)</u>
Balance, end of year	<u><u>\$ 235,625</u></u>	<u><u>\$ 367,529</u></u>

Note 17—Endowment funds

The Diocese's endowment consists of twenty-eight 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 generally accepted accounting principles ("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, 2017

Note 17—Endowment funds (continued)

A summary of the activity in endowment funds for the year ended December 31, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets-- beginning of year	\$ (14,922)	\$ 3,712,078	\$ 2,256,710	\$ 5,953,866
Investment return:				
Investment income	14,633	83,760	2,332	100,725
Net realized and unrealized gains and losses	<u>(4,993)</u>	<u>628,783</u>	<u>4,511</u>	<u>628,301</u>
Endowment net assets-- end of year	<u>\$ (5,282)</u>	<u>\$ 4,424,621</u>	<u>\$ 2,263,553</u>	<u>\$ 6,682,892</u>

All of the above temporarily restricted net assets are from purpose-restricted endowment. Amounts shown as unrestricted at year-end represent funds where the fair value of assets has fallen below the level required to be held as permanently restricted. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions.

Note 18—Comparative totals

The summarized amounts shown for 2016 in the accompanying financial statements are included to provide a basis for comparison with 2017 and are not intended to present all information necessary for a fair presentation of the summarized 2016 statements in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Diocese's financial statements for 2016, from which the summarized information was derived.

Note 19—Subsequent events

In preparing these financial statements, the Diocese has evaluated events and transactions for potential recognition or disclosure through July 26, 2018, the date the financial statements were available to be issued.

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, 2017 AND 2016

	2017		2016	Budget Variance	
	Budget	Actual	Actual	Favorable (Unfavorable) Amount	Percent
Support and Revenue:					
Pledges from churches	\$ 4,301,500	\$ 4,177,618	\$ 4,228,475	\$ (123,882)	-2.88%
Other gifts, grants and pledges	130,000	47,836	53,596	(82,164)	-63.20%
Investment income	100,000	125,261	57,774	25,261	100.00%
Income from Virginia Episcopalian	50,000	27,924	35,434	(22,076)	-44.15%
Health insurance administration	90,000	106,454	102,919	16,454	18.28%
Miscellaneous income	-	4,232	350	4,232	0.00%
	<u>4,671,500</u>	<u>4,489,325</u>	<u>4,478,548</u>	<u>(182,175)</u>	<u>-3.90%</u>
Net assets released from restrictions	<u>450,000</u>	<u>457,894</u>	<u>730,798</u>	<u>7,894</u>	<u>1.75%</u>
Total Support and Revenue	<u>5,121,500</u>	<u>4,947,219</u>	<u>5,209,346</u>	<u>(174,281)</u>	<u>-3.40%</u>
Expenses:					
Ministry areas:					
General Church Support	<u>703,722</u>	<u>703,722</u>	<u>767,275</u>	<u>-</u>	<u>0.00%</u>
Christian Formation:					
Committee on Christian Formation	224,290	214,272	200,076	10,018	4.47%
Youth ministry development	7,000	32,209	11,437	(25,209)	-360.13%
Clergy and diocesan conferences	13,500	68,628	56,457	(55,128)	-408.36%
Education for ministry program	2,500	44	3,043	2,456	98.24%
	<u>247,290</u>	<u>315,153</u>	<u>271,013</u>	<u>(67,863)</u>	<u>-27.44%</u>
Strengthening Our Churches:					
Aid to mission churches	608,700	577,234	577,395	31,466	5.17%
Aid to mountain missions	75,261	76,419	77,938	(1,158)	-1.54%
Special ministries and other committees	51,600	60,469	77,260	(8,869)	-17.19%
Other areas for strengthening our churches	56,900	53,001	58,471	3,899	6.85%
	<u>792,461</u>	<u>767,123</u>	<u>791,064</u>	<u>25,338</u>	<u>3.20%</u>
Mission and Outreach:					
Committee on Mission and Outreach	27,720	22,862	21,648	4,858	17.53%
Other mission and outreach areas	62,500	59,513	53,250	2,987	4.78%
	<u>90,220</u>	<u>82,375</u>	<u>74,898</u>	<u>7,845</u>	<u>8.70%</u>
Ministry:					
Commission on Ministry	<u>126,600</u>	<u>90,035</u>	<u>74,766</u>	<u>36,565</u>	<u>28.88%</u>
Human Dignity and Justice:					
Areas for Human Need and Justice	<u>17,470</u>	<u>5,791</u>	<u>10,007</u>	<u>11,679</u>	<u>66.85%</u>
Total ministry areas	<u>1,977,763</u>	<u>1,964,199</u>	<u>1,989,023</u>	<u>13,564</u>	<u>0.69%</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, 2017 AND 2016

	2017		2016	Budget Variance	
	Budget	Actual	Actual	Favorable (Unfavorable) Amount	Percent
Expenses (continued)					
Governance & Committee Support:					
Standing Committee	\$ 3,000	\$ 1,802	\$ 1,573	\$ 1,198	39.93%
Executive Board, Deans and Presidents	3,700	1,800	1,419	1,900	51.35%
Other committee support	29,025	9,278	12,025	19,747	68.03%
	<u>35,725</u>	<u>12,880</u>	<u>15,017</u>	<u>22,845</u>	<u>63.95%</u>
Communications & Technology:					
Virginia Episcopalian and eCommunique	64,000	48,201	45,730	15,799	24.69%
Other communications expenses	28,500	28,299	39,439	201	0.71%
	<u>92,500</u>	<u>76,500</u>	<u>85,169</u>	<u>16,000</u>	<u>17.30%</u>
Bishops, Staff and Support:					
The Episcopate:					
Bishops	502,700	500,901	487,878	1,799	0.36%
Episcopal office staff	184,900	181,449	476,089	3,451	1.87%
Other expenses of the Office of the Bishop	11,500	2,171	3,065	9,329	81.12%
Bishops and Episcopal office travel	65,350	64,086	20,475	1,264	1.93%
	<u>764,450</u>	<u>748,607</u>	<u>987,507</u>	<u>15,843</u>	<u>2.07%</u>
Staff:					
Professional staff	1,690,000	1,711,881	924,792	(21,881)	-1.29%
Staff travel	66,162	55,186	133,139	10,976	16.59%
Other staff expenses	21,500	24,425	361,354	(2,925)	-13.60%
	<u>1,777,662</u>	<u>1,791,492</u>	<u>1,419,285</u>	<u>(13,830)</u>	<u>-0.78%</u>
Support:					
Automobile expenses	48,000	56,750	16,646	(8,750)	-18.23%
Office supplies, equipment and services	112,000	103,364	121,778	8,636	7.71%
Building related expenses	104,000	143,732	160,046	(39,732)	-38.20%
Professional fees	50,000	129,450	71,657	(79,450)	-158.90%
Other expenses	7,900	5,717	8,981	2,183	27.63%
	<u>321,900</u>	<u>439,013</u>	<u>379,108</u>	<u>(117,113)</u>	<u>-36.38%</u>
Total Bishop's staff and support	<u>2,864,012</u>	<u>2,979,112</u>	<u>2,785,900</u>	<u>(115,100)</u>	<u>-4.02%</u>
Expended assets released from restrictions:					
Aid to individuals and organizations	-	457,894	730,798	-	-
Total Expenses	<u>4,970,000</u>	<u>5,490,585</u>	<u>5,605,907</u>	<u>(520,585)</u>	<u>-10.47%</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, 2017 AND 2016

	2017		2016	Budget Variance	
	Budget	Actual	Actual	Favorable (Unfavorable) Amount	Percent
Excess (deficiency) of support and revenue over expenses	\$ 151,500	\$ (543,366)	\$ (396,561)	\$ (694,866)	-458.66%
Transfer of funds:					
Reserve accounts	-	(558,878)	51,664	(558,878)	100.00%
Shrine Mont camp program support	(122,500)	(122,500)	(122,500)	-	0.00%
Other	-	382,862	449,877	382,862	100.00%
	<u>(122,500)</u>	<u>(298,516)</u>	<u>379,041</u>	<u>(176,016)</u>	<u>143.69%</u>
Total changes in net assets after transfers	<u>\$ 29,000</u>	<u>\$ (841,882)</u>	<u>\$ (17,520)</u>	<u>\$ (870,882)</u>	<u>100.00%</u>

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

DECEMBER 31, 2017 AND 2016

	2017	2016
Aheron Scholarship	\$ (2,486)	\$ (2,486)
Annual Council Fund	(32,011)	(100,365)
Atlee Mission Fund	(391,182)	(305,682)
Auto Reserve	(34,250)	(44,250)
Biggar/Power Fund	600	600
Blanchard 815 position expenses	(21,201)	-
Bishop Johnston Vestments	500	46,000
Bishops & Staff Reserve	51,175	500
Bishop's Designated for Tanzania	(2)	53,725
Bishop's DMS Grant	94,732	(2)
Bishop's House	1,000	-
Box Hill Income Fund	-	94,732
Building Repairs Reserve	(44,151)	(53,551)
Camp General Operating Fund	57,735	78,478
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	3,565	11,018
Congregational Development & Revitalization	18,587	23,697
Council Scholarship Fund	360	310
Cursillo in the Diocese of VA	5,344	5,344
DaySpring	845,274	1,075,329
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	67,832	87,474
Des - Trinity Highland Springs	41,184	31,341
Diaconal Formation Institute	(26,515)	(35,121)
Diocesan Cemetery Fund	9,771	9,352
Diocesan Historic Property Fund	1,160	1,110
Diocesan Intern Program	5,000	5,000
Diocesan Program Office	21,110	21,110
Diocese of Madagascar	100	100
Diocese of Renk -- Sudan	13,245	10,343
Diocese of Tanzania	97,984	133,013
East End Initiative	13,028	30,066
Ecumenical and Interfaith Committee	960	960
Education for Ministry	965	965
EPIC Moms	19	990
Episcopal Art Series	(21,717)	(21,717)
Episcopal Transition Reserve	14,000	10,000
General Convention	46,334	26,334
Haiti	2,763	809
Interim Ministry Development	1,080	1,080
John G Hayes Jr Income Fd	2,600	8,205
John G Hayes Missionary Fund	1,626	1,112
La Iglesia de Santa Maria	(32,362)	(32,362)
Subtotal (carried forward)	<u>39,824,234</u>	<u>40,184,039</u>

See report of independent auditor on supplementary information.

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

DECEMBER 31, 2017 AND 2016

	2017	2016
Subtotal (brought forward)	\$ 39,824,234	\$ 40,184,039
Lambeth Convention	44,533	63,569
Latino Ministry	(2,415)	(2,415)
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	21,000	21,000
Missioner for World Mission	-	70,412
Mountain Mission Reserve	35,219	31,553
Native American Ministry	250	8,685
Office Equipment Reserve	6,932	6,932
Omisol Road - Reserve	26,751	9,368
Payroll Acct - St Margaret's Woodbridge	4,668	4,668
Prevention of Misconduct Reserve	4,000	4,000
Property & Opr Exp - St Pauls Haymarket	(8,298)	(10,984)
Property Exp - Church Hill Dr. Woodbridge	104,748	69,580
Property Exp - Epiphany Herndon	54,787	54,787
Property Exp - Main St, Fairfax (Truro)	(23,079)	(11,527)
Property Exp - Pickett Road/Braddock Rd	(7,163)	(7,016)
Property Fund	13,249	11,599
Property Maintenance Fund	46,350	27,969
Real Estate Value Fund	13,703,576	13,498,767
Region 2 Mission (Deltaville)	78,810	72,058
Reserve-2015 Unrestricted Reserve	827,099	1,062,880
Risk Management Program	(244)	15,756
Rockingham Property Fund (Reg 14)	12,811	12,811
Santa Maria Stewardship (DuPont Grant)	17,853	56,000
Shelton Shop Rd Property	145,415	133,475
St Clare's (W Henrico) Mission	(126,417)	(126,417)
St Francis Mission Fd (Goochland)	(179,357)	(179,357)
ST Investments	32,703	32,209
St Margarets Ruther Glenn	135	135
Stewardship Committee Reserve	467	467
Stewardship of Creation Grant Fund	8,801	8,801
Trinity, Beaverdam	13,554	10,734
Trustees of the Funds	986,123	875,828
Virginia Diocesan Library	(44,082)	(21,960)
YASC - A Cameron	(380)	(380)
YASC - Duncan Campbell	1,310	-
YASC - A Jacobs	25	25
YASC - A Russell	973	973
YASC - C Belous	980	980
YASC - A. Davis	1,000	25
Young Priests Initiative	9,888	9,888
Youth Ministry	100,970	100,970
Total designated funds	\$ 55,902,876	\$ 56,265,984

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

DECEMBER 31, 2017 AND 2016

	2017	2016
Bishop Jones' Evangelism Fund	\$ 500	\$ 660
Bishop Lee Fund for Small Church Vitality	53,735	500
B Maxwell Art Camp Scholarship Fund	100	51,205
Camp Equipment	13,155	121,291
Camp Program TOF Investments	140,005	11,578
Camp Scholarship Annual Fund	10,138	511,064
FCF - Unrestricted	121,291	484,061
Mustard Seed Grant Fund	23,878	13,155
Pledges Receivable - SM Shout It! Campaign	344,554	534,040
Shrine Mont Shout It! Campaign	1,222,845	19,613
St. Georges Camp	19,337	19,337
W Stanley Camp Scholarship Fund	792	792
Youth Mission Vouchers 2006	(11,350)	(6,750)
Youth Mission Vouchers 2007	(2,600)	3,000
Youth Mission Vouchers 2008	2,150	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)	(687)
Youth Mission Vouchers 2013	4,495	4,495
Youth Mission Vouchers 2014	(9,367)	(9,167)
Youth Mission Vouchers 2015	(9,387)	(6,987)
DVA Grant Fund	1,125	-
DFHN	1,520	-
Total development funds	\$ 1,940,775	\$ 1,768,096

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

DECEMBER 31, 2017 AND 2016

	2017	2016
A.H. & C.J. Robinson Fund	\$ 76,216	\$ 76,560
Albert Baker Fund	136,750	135,234
Alison Gibson Fund	649	621
Ball Fund	165,354	144,859
Bishop Goff's Discretionary Fund	5,262	6,182
Bishop Goodwin Memorial Scholarship Fd	12,860	12,860
Bishop Gulick's Discretionary Fund	11,141	11,731
Bishop Johnston's Discretionary Fund	3,934	(7,588)
Bishop Jones' Discretionary Fund	34,683	24,304
Bishop Jones Evangelism Grant Fund	8,793	6,920
Bishop Jones' Sabbatical Fund	6,819	6,711
Bishop Mason Memorial Fund	1,770	1,770
Bishops Combined Discretionary Fund	7,766	9,945
Bishop's Emergency Needs Fund	79,574	84,739
Bishop's Investment Fund	(23,786)	(23,786)
Bishop's Theological Education Fund	20,855	19,409
Bishop PjL Disc Fd	664	648
Bishop R. F. Gibson Memorial Fund	1,518	1,453
Bishop R. F. Gibson Property Foundation	10,856	10,393
Bruce Fund	56,844	50,407
Canon Wingo Discretionary Fund	2,897	3,539
Charles Norse Fund	(54)	2,155
Columbia Walker Memorial Missions Fund	51,735	49,532
David Lewis Memorial Fund	5,619	5,585
Disabled Clergy Fund	787,376	720,744
Diocesan Fund for Human Need	17,734	15,073
Diocesan Fund for World Mission	12,436	15,581
Dickinson Memorial Fund	(97,174)	(41,250)
Dooley Fund	132,837	130,610
duPont Diocesan Enrichment Fund	4,453	2,148
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	30,858	35,726
Episcopal Fund	(44,178)	16,414
Fear Not Fund	400	350
Forest Fund	55,257	49,000
Francis Edmonia Newman Fund	35,236	35,236
Freda W Kipps Income Fund	38,863	35,134
Gilliatt Campus Ministry Fund	10,559	10,149
Hugh McGuire Taylor Fund	36,839	35,623
Subtotal (carried forward)	<u>1,721,155</u>	<u>1,715,661</u>

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

DECEMBER 31, 2017 AND 2016

	2017	2016
Subtotal (brought forward)	\$ 1,721,156	\$ 1,715,661
Ida B Gale Fund	37,554	36,247
J. B. duPont - Technology Grant	(680)	(680)
Julia A Ward Income Fund	802	802
John and Ethel Davis Fund	1,302	1,247
John Lyons Fund	6,207	5,938
Katherine G Cook Scholarship	2,162	2,106
Lucille McGriff Fund	851	814
M Thorpe Disc Fd	1,405	955
Mary Amanda Stewart Fund	10,823	10,498
MEZ Grant	9,276	14,426
Moncure Memorial Fund	18,371	16,291
Pearl Leone Hecht Fund	186	178
Philip A. Arthur Memorial Fund	576	550
Scott Fdn Grant 2010	36,646	6,646
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	297,603	293,095
St John's Waldrop Fund	33,176	33,176
St. John's Greensprings Fund	13,994	18,441
Thomas Brooks Walker Estate/Trust	128,895	-
UTO Fund	187	187
Widows & Orphans Fund	(5,972)	(1,660)
Zimmerman Income Fund	(11,137)	-
Subtotal	2,099,596	1,951,131
Funds invested with the Trustees of the Funds	21,559,451	19,184,998
Beneficial interest in trusts	235,625	216,682
Total other funds	\$ 23,894,672	\$ 21,352,811