

Central Administrative Office of The Diocese of Western North Carolina

**Financial Statements and
Supplementary Information**

Years Ended December 31, 2018 and 2017

Table of Contents

| | |
|--|----|
| Independent Auditors' Report | 1 |
| Financial Statements: | |
| Statements of Financial Position | 3 |
| Statements of Activities | 5 |
| Statements of Cash Flows..... | 7 |
| Notes to Financial Statements | 8 |
| Supplementary Information: | |
| Schedules: | |
| "1" Schedule of Assets, Liabilities and Fund Balances..... | 19 |
| "2" Schedule of Revenues and Expenses by Fund | 23 |
| "3" Current Operating Fund – Revenues and Expenses Compared to Budget..... | 24 |
| "4" Current Operating Fund – Revenue-Program of the Church | 29 |
| "5" Board Designated Funds – Summary of Fund Transactions | 31 |
| "6" Restricted Funds – Loans Receivable..... | 33 |
| "7" Restricted Funds – Summary of Fund Transactions | 34 |
| "8" Endowment Funds – Summary of Fund Transactions | 37 |
| "9" Fiduciary Funds – Summary of Fund Transactions..... | 41 |
| "10" Interfund Transfers for the Operating Fund – Summary of Fund Transactions | 42 |



Independent Auditors' Report

Board of Trustees of the
Central Administrative Office of The Diocese of Western North Carolina
Asheville, North Carolina

We have audited the accompanying financial statements of the Central Administrative Office of The Diocese of Western North Carolina (a non-profit organization) (the "Diocese"), which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Diocese adopted FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in 2018. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information referred to in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management, was derived from, and relates to the underlying accounts and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the financial statements taken as a whole.

**Asheville, North Carolina
August 2, 2019**

Central Administrative Office of The Diocese of Western North Carolina
Statements of Financial Position
December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> (As Adjusted) |
|--|----------------------|------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 642,669 | \$ 529,652 |
| Pledges receivable from churches | 5,360 | 6,101 |
| Accounts and other receivables | 17,599 | 47,390 |
| Accounts receivable--Lake Logan Episcopal Conference Center, Inc. | 262,305 | 357,200 |
| Investments, current | 3,140,999 | 3,378,316 |
| Prepaid expenses | 42,926 | 12,139 |
| Loans receivable, current | 71,820 | 66,179 |
| Total current assets | <u>4,183,678</u> | <u>4,396,977</u> |
| Property and equipment: | | |
| Property and equipment, net of accumulated depreciation of \$4,414,684 and \$4,242,257 in 2018 and 2017, respectively | <u>5,598,985</u> | <u>5,804,182</u> |
| Other assets: | | |
| Loans receivable, net of current portion | 96,291 | 118,436 |
| Investments, net of current portion | 8,247,315 | 9,338,598 |
| Beneficial interest in perpetual trust | 79,640 | 79,637 |
| Total other assets | <u>8,423,246</u> | <u>9,536,671</u> |
| Total assets | <u>\$ 18,205,909</u> | <u>\$ 19,737,830</u> |

See accompanying notes.

(Continued)

| | <u>2018</u> | <u>2017</u> (As Adjusted) |
|---|----------------------|------------------------------|
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Current portion of notes payable | \$ 50,000 | \$ 56,865 |
| Accounts payable and other accrued expenses | 100,240 | 214,396 |
| Current portion of annuity payable | 12,000 | 12,000 |
| Current portion of postretirement benefit obligation | 14,568 | 13,932 |
| Payable to the Bishop's discretionary fund | - | 25,670 |
| Fiduciary funds - held for others | <u>3,143,486</u> | <u>3,380,863</u> |
| Total current liabilities | <u>3,320,294</u> | <u>3,703,726</u> |
| Long-term liabilities: | | |
| Postretirement benefit obligation, net of current portion | 129,893 | 132,523 |
| Annuity payable, net of current portion | 13,181 | 10,201 |
| Line of credit | 97,200 | 157,200 |
| Notes payable, net of current portion | <u>100,000</u> | <u>170,463</u> |
| Total long-term liabilities | <u>340,274</u> | <u>470,387</u> |
| Total liabilities | <u>3,660,568</u> | <u>4,174,113</u> |
| Net assets: | | |
| Net assets without donor restrictions | 8,202,174 | 8,780,761 |
| Net assets with donor restrictions | <u>6,343,167</u> | <u>6,782,956</u> |
| Total net assets | <u>14,545,341</u> | <u>15,563,717</u> |
| Total liabilities and net assets | <u>\$ 18,205,909</u> | <u>\$ 19,737,830</u> |

See accompanying notes.

Central Administrative Office of The Diocese of Western North Carolina
Statements of Activities
Years Ended December 31, 2018 and 2017

| | 2018 | | |
|--|--|---------------------------------------|----------------------|
| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
| Revenues: | | | |
| Pledges from churches | \$ 1,425,566 | \$ - | \$ 1,425,566 |
| Contributions and bequests | 72,505 | 431,054 | 503,559 |
| Trust income | 35,541 | - | 35,541 |
| Investment income, net of fees | 43,677 | 96,019 | 139,696 |
| Realized gains | 189,907 | 420,459 | 610,366 |
| Unrealized (losses) gains | (402,602) | (912,835) | (1,315,437) |
| Change in value of split-interest agreements | (2,980) | - | (2,980) |
| Gain on perpetual trust | - | 4 | 4 |
| Other | 10,111 | - | 10,111 |
| Total revenues | 1,371,725 | 34,701 | 1,406,426 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | 474,490 | (474,490) | - |
| Total revenues, gains and other support | 1,846,215 | (439,789) | 1,406,426 |
| Expenses: | | | |
| Programs: | | | |
| Education and support to ministries | 1,073,241 | - | 1,073,241 |
| Administrative expenses | 1,351,561 | - | 1,351,561 |
| Total expenses | 2,424,802 | - | 2,424,802 |
| Change in net assets | (578,587) | (439,789) | (1,018,376) |
| Net assets, beginning of year | 8,780,761 | 6,782,956 | 15,563,717 |
| Net assets, end of year | \$ 8,202,174 | \$ 6,343,167 | \$ 14,545,341 |

See accompanying notes.

| 2017 (As Adjusted) | | |
|--|---|----------------------|
| Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
| \$ 1,406,081 | \$ - | \$ 1,406,081 |
| 299,030 | 124,699 | 423,729 |
| 38,472 | - | 38,472 |
| 42,611 | 100,103 | 142,714 |
| 18,911 | 44,435 | 63,346 |
| 329,507 | 790,396 | 1,119,903 |
| | - | |
| 27,620 | - | 27,620 |
| - | 9,570 | 9,570 |
| 783 | - | 783 |
| <u>2,163,015</u> | <u>1,069,203</u> | <u>3,232,218</u> |
| 433,278 | (433,278) | - |
| <u>2,596,293</u> | <u>635,925</u> | <u>3,232,218</u> |
| 1,008,909 | - | 1,008,909 |
| 1,330,104 | - | 1,330,104 |
| <u>2,339,013</u> | <u>-</u> | <u>2,339,013</u> |
| 257,280 | 635,925 | 893,205 |
| <u>8,523,481</u> | <u>6,147,031</u> | <u>14,670,512</u> |
| <u>\$ 8,780,761</u> | <u>\$ 6,782,956</u> | <u>\$ 15,563,717</u> |

See accompanying notes.

Central Administrative Office of The Diocese of Western North Carolina
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|--------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (1,018,376) | \$ 893,205 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Realized gains on sale of investments | (610,366) | (63,346) |
| Unrealized losses (gains) on investments | 1,315,437 | (1,119,903) |
| Depreciation | 180,000 | 218,961 |
| Gain from perpetual trust | (4) | (9,570) |
| Decrease (increase) in operating assets: | | |
| Pledges, accounts, and other receivables | 125,427 | (105,570) |
| Prepaid expenses | (30,787) | 18,426 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued liabilities | (114,156) | 54,494 |
| Annuity payable | 2,980 | (27,621) |
| Payable to the Bishop's discretionary fund | (25,670) | 1,125 |
| Fiduciary funds - held for others | (237,377) | 1,578,237 |
| Postretirement benefit obligation | (1,994) | (2,067) |
| Net cash provided (used) by operating activities | <u>(414,886)</u> | <u>1,436,371</u> |
| Cash flows from investing activities: | | |
| Purchase of investments | (7,299,065) | (2,735,917) |
| Proceeds from sale of investments | 7,922,594 | 1,206,098 |
| Purchase of assets | (2,182) | (48,588) |
| Additional loans issued | (37,000) | (153,100) |
| Collections of loans receivable | 53,504 | 14,965 |
| Net cash provided (used) by investing activities | <u>637,851</u> | <u>(1,716,542)</u> |
| Cash flows from financing activities: | | |
| Borrowings (payments) on line of credit | (60,000) | 193,741 |
| Payments on long-term debt | (49,948) | (7,625) |
| Net cash provided (used) by financing activities | <u>(109,948)</u> | <u>186,116</u> |
| Change in cash and cash equivalents | 113,017 | (94,055) |
| Cash and cash equivalents, beginning of year | <u>529,652</u> | <u>623,707</u> |
| Cash and cash equivalents, end of year | <u>\$ 642,669</u> | <u>\$ 529,652</u> |
| Supplemental disclosures: | | |
| Cash paid for interest | <u>\$ -</u> | <u>\$ 278</u> |

See accompanying notes.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of operations

The Episcopal Diocese of Western North Carolina is a religious organization which provides education and support programs, through the use of pledges and other contributions, to all member churches within the Diocese. The primary source of revenue is pledges from churches. Its members are located in and west of Alleghany, Wilkes, Alexander, Catawba, Lincoln and Gaston counties of North Carolina.

Basis of presentation

The accompanying financial statements include only those assets, liabilities, and operations for which the Central Administrative Office of The Diocese of Western North Carolina (the "Diocese") maintains direct operational control. These financial statements do not include assets, liabilities, and operations of the parish churches, Valle Crucis Conference Center, Lake Logan Episcopal Conference Center, Inc., Christ School, Inc., or any other affiliated organizations under the jurisdiction of the Diocese, except for transactions with the Central Administrative Office as reflected on the books and records of the Central Administrative Office.

Contributions

Contributions received are recorded as support with donor restrictions or without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Pledges from churches are recorded as receivables in the year made, less an allowance for uncollectible amounts. Pledges for support of current operations are recorded as unrestricted support. Pledges for support of future operations and for the acquisition of property and equipment are recorded as temporarily restricted support. Pledges that are expected to be paid over multiple years are reported at their estimated present value.

Pledges by parishes and missions in the Operating Fund are recorded as revenue in the year made at their estimated net realizable value. The Diocese has estimated that pledges receivable from churches will be fully collectible in the following year. Therefore, no allowance for pledges receivable was made during 2018 and 2017.

Net assets

The Diocese is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Through action of the Executive Council, certain net assets within net assets without donor restrictions have been designated for a specific purpose and are identified as "Board Designated".

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Central Administrative Office of The Diocese of Western North Carolina
Notes to Financial Statements**

Fiduciary funds – held for others

Funds held for others result mostly from fiduciary funds received from member parishes that participate in the managed investment account of the Diocese. The Board of Trustees, serving in a fiduciary capacity as it relates to these funds, has developed the following policies regarding parish investments:

- Parishes must make an initial minimum investment of \$20,000;
- Additions must be made in minimum increments of \$10,000;
- Only parishes are eligible to participate;
- Initial amount must remain invested for five years prior to withdrawal unless approved by CFO;
- Withdrawal of funds may require a written notice three months prior to withdrawal;
- Investment earnings will be distributed annually by June 1.

Property and equipment

Property and equipment are carried at cost for properties purchased or constructed and market value at date of gift for donated properties. Depreciation is computed using the straight-line method at rates designed to amortize the cost of the assets over their estimated useful life. Major renewals and improvements are charged to the property accounts while replacements, maintenance and repairs, which do not improve or extend the life of the asset, are expensed currently.

Cash and cash equivalents

Cash includes cash on hand and deposits at financial institutions with an initial maturity of three months or less. At times, cash balances may exceed federally insured amounts. The Diocese has not experienced any losses on such accounts and management does not believe the Diocese is exposed to any significant credit risk on cash and cash equivalents.

Loans receivable

The Diocese regularly makes unsecured loans to parishes located within the Diocese for various purposes. All loans granted out of these funds are interest-free and the loan term is generally five years.

Investments and related income

Investments are valued at fair value using quoted market prices. Investment income is recorded when earned. Income and realized and unrealized gains or losses are allocated among the various funds based on their average fund balance.

Fair value measurements

The Financial Accounting Standards Board (“FASB”) has issued authoritative guidance regarding fair value measurements, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (“GAAP”) and expands disclosures about fair value measurements. Fair value as defined under GAAP is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Diocese utilizes market data or assumptions that market participants would use in pricing the asset or liability. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Central Administrative Office of The Diocese of Western North Carolina Notes to Financial Statements

Split-interest agreements

Gift annuity trust: The Diocese administers a gift annuity trust. A gift annuity trust provides for the payment of a prescribed amount to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Diocese's use. Upon termination, the principal of the annuity is transferred to the net asset group designated by the grantor. In the period the trust is established, the portion of the trust attributable to the future interest of the Diocese is recorded in the Statement of Activities as a contribution in the net assets class in which the assets will be placed at end of the trust. Assets held in the gift annuity trust are recorded at fair market value in the Diocese's Statement of Financial Position. On an annual basis, the Diocese revalues the liability based on actuarial assumptions. The present value of the estimated future payments is calculated using a discount rate based on the prevailing federal mid-term rate for all annuities and applicable mortality tables.

Beneficial interest in perpetual trust: The Diocese is the beneficiary of a perpetual trust. The assets are to be held indefinitely in trust. Upon the Diocese's notification of such a trust, permanently restricted contribution revenue is recorded at the present value of the estimated future cash receipts from the Diocese's share of the trust's assets.

Income taxes

The Diocese is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the statutes of the State of North Carolina. Accordingly, no provision for income taxes is provided in the financial statements.

The Diocese's policy is to record a liability for any tax position taken that is beneficial to the Diocese, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2018, and accordingly, no liability has been accrued.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional expenses

The Diocese allocates its expenses on a functional basis among its programs and supporting services. Expenses that can be identified with a specific program and support service are allocated directly according to their nature and expense classification. Other expenses that are common to several functions are allocated based upon management's best estimates of time spent or facilities used.

New accounting pronouncement

During fiscal year 2018, the Diocese adopted ASU No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity of available resources, and the lack of consistency in the type of information provided about expenses and investment return. The 2017 financial statements have been adjusted to reflect retrospective application of the new accounting guidance, except for the disclosure around liquidity and availability of resources. This disclosure has been presented for 2018 as allowed by ASU No. 2016-14.

**Central Administrative Office of The Diocese of Western North Carolina
Notes to Financial Statements**

The net asset reclassification resulting from the adoption of ASU 2016-14 as of December 31, 2017 are as follows:

| <u>Net Asset Classifications</u> | <u>ASU 2016-14 Classifications</u> | | |
|-----------------------------------|------------------------------------|--------------------------------|-------------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total Net Assets</u> |
| As previously presented: | | | |
| Total unrestricted net assets | \$ 8,780,761 | \$ - | \$ 8,780,761 |
| Temporarily restricted net assets | | 5,476,527 | 5,476,527 |
| Permanently restricted net assets | - | 1,306,429 | 1,306,429 |
| Total net assets | <u>\$ 8,780,761</u> | <u>\$ 6,782,956</u> | <u>\$ 15,563,717</u> |

Subsequent events

Subsequent events have been evaluated by the Diocese through August 2, 2019, the date the financial statements were available to be issued.

2. Liquidity and Availability

As part of its liquidity management, the Diocese has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. The following schedule reflects the Diocese's financial assets to meet cash needs for general expenses within one year as of December 31, 2018:

| | |
|---|---------------------|
| Total cash and cash equivalents | \$ 642,669 |
| Investments | 11,388,314 |
| Less fiduciary funds held for others | (3,143,486) |
| Less donor restricted cash and cash equivalents and investments | <u>(6,343,167)</u> |
| Total | <u>\$ 2,544,330</u> |

3. Property and Equipment

Property and equipment at December 31, 2018 and 2017 consists of the following:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------------|---------------------|---------------------|
| Land | \$ 1,648,788 | \$ 1,648,788 |
| Land improvements | 1,147,488 | 1,147,488 |
| Buildings and building improvements | 6,759,399 | 6,759,399 |
| Furniture, fixtures and equipment | 368,048 | 368,048 |
| Computer equipment | 66,804 | 64,052 |
| Vehicles | <u>23,142</u> | <u>58,664</u> |
| | 10,013,669 | 10,046,439 |
| Accumulated depreciation | <u>(4,414,684)</u> | <u>(4,242,257)</u> |
| | <u>\$ 5,598,985</u> | <u>\$ 5,804,182</u> |

Central Administrative Office of The Diocese of Western North Carolina
Notes to Financial Statements

Depreciation expense for the years ended December 31, 2018 and 2017 was \$180,000 and \$218,961, respectively.

4. Notes Payable and Line of Credit

Notes payable at December 31, 2018 and 2017 consist of the following:

| | <u>2018</u> | <u>2017</u> |
|--|--------------------------|-------------------|
| Unsecured line of credit payable to a bank on behalf of Lake Logan Episcopal Conference Center, Inc., ("Lake Logan"). The line of credit bears interest at the greater of Prime rate plus 0.7% or 3.95% (interest rate at December 31, 2018 was 6.2%) and has a maximum borrowing amount of \$200,000. The line of credit matures in April 2020. | \$ 97,200 | \$ 157,200 |
| Note payable to a bank on behalf of Lake Logan that matures February 2021 with an interest rate of 5.06%. The note is secured by property. | 150,000 | 200,000 |
| Car financing payable to bank with an interest rate of 0.9%. Loan was repaid during 2018. | <u>-</u> | <u>27,328</u> |
| Total notes payable and line of credit | 247,200 | 384,528 |
| Less current portion | <u>(50,000)</u> | <u>(56,865)</u> |
| Notes payable, net of current portion | <u>\$ 197,200</u> | <u>\$ 327,663</u> |

Maturities of long-term debt at December 31, 2018 are as follows:

| | |
|------|--------------------------|
| 2019 | \$ 50,000 |
| 2020 | 147,200 |
| 2021 | <u>50,000</u> |
| | <u>\$ 247,200</u> |

Central Administrative Office of The Diocese of Western North Carolina
Notes to Financial Statements

5. Investments

Investments at December 31, 2018 and 2017 consist of the following:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|----------------------|----------------------|
| Certificate of deposit | \$ 100,000 | \$ 100,000 |
| Equity securities | 8,429,542 | 9,437,801 |
| Mutual funds | 89,228 | 50,610 |
| CMO & Asset backed securities | 93,264 | 95,976 |
| U.S. government and agency securities | 312,290 | 184,717 |
| Corporate debt obligation | 2,148,363 | 2,631,329 |
| Real asset funds | 8,756 | 21,278 |
| Other | <u>206,871</u> | <u>195,203</u> |
| | <u>\$ 11,388,314</u> | <u>\$ 12,716,914</u> |

The following schedule summarizes the investment return and its classification in the Statement of Activities for the years ended December 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|-------------------|
| Investment income, net of fees | \$ 139,696 | \$ 142,714 |
| Realized gains | 610,366 | 63,346 |
| Unrealized gains (losses) | <u>(1,315,437)</u> | <u>1,119,903</u> |
| | <u>(565,375)</u> | <u>1,325,963</u> |
| Investment income included in funds held for others: | | |
| Investment income, net of fees | 48,925 | 40,621 |
| Realized gains | 224,580 | 17,318 |
| Unrealized gains (losses) | <u>(476,523)</u> | <u>281,657</u> |
| | <u>(203,018)</u> | <u>339,596</u> |
| | <u>\$ (768,393)</u> | <u>\$ 973,455</u> |

Expenses relating to investment revenues, including custodial fees and investment advisory fees, amounted to \$71,893 and \$58,068 for the years ended December 31, 2018 and 2017, respectively.

6. Endowment Funds

As of December 31, 2018, the Diocese's endowment consists of approximately 13 individual funds established for a variety of purposes. The endowment includes donor-restricted funds and board-designated funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Central Administrative Office of The Diocese of Western North Carolina
Notes to Financial Statements**

Interpretation of relevant law

The Board of Trustees of the Diocese has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for the expenditure by the Diocese in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with 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.

Endowment investment and spending policies

The Diocese has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Diocese's spending and investment policies work together to achieve this objective. This investment policy establishes an achievable return objective through diversification of asset classes. To satisfy its long-term rate-of-return objectives, the Diocese relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Diocese targets a diversified asset allocation that places an emphasis on equity investments.

The spending policy calculates the disbursement from the endowment funds based on a percentage of the average of the trailing three years' ending market value of the endowment fund. The Board of Trustees determines the spending level on an annual basis. For 2018 and 2017, this spending level was 4.00%. This spending policy allows for preservation of principal as well as capital appreciation. This is consistent with the Diocese's objective to maintain the purchasing power of endowment as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of December 31, 2018 and 2017 is as follows:

| | 2018 | | |
|----------------------------------|---------------------------------------|------------------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-restricted endowment funds | \$ - | \$ 4,519,013 | \$ 4,519,013 |
| Board-designated endowment funds | <u>1,420,172</u> | <u>-</u> | <u>1,420,172</u> |
| Total | <u>\$ 1,420,172</u> | <u>\$ 4,519,013</u> | <u>\$ 5,939,185</u> |
| | 2017 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-restricted endowment funds | \$ - | \$ 4,784,408 | \$ 4,784,408 |
| Board-designated endowment funds | <u>1,579,685</u> | <u>-</u> | <u>1,579,685</u> |
| Total | <u>\$ 1,579,685</u> | <u>\$ 4,784,408</u> | <u>\$ 6,364,093</u> |

Central Administrative Office of The Diocese of Western North Carolina
Notes to Financial Statements

Changes in endowment net assets as of December 31, 2018 and 2017 are as follows:

| | 2018 | | |
|---|---------------------------------------|------------------------------------|---------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Endowment net assets, beginning of year | \$ 1,579,685 | \$ 4,784,408 | \$ 6,364,093 |
| Contributions | 4,374 | 184,448 | 188,822 |
| Investment income, net of fees | 22,447 | 69,038 | 91,485 |
| Net loss on investments | (112,343) | (358,110) | (470,453) |
| Net gain on perpetual trust | - | 4 | 4 |
| Amounts appropriated for expenditure | <u>(73,991)</u> | <u>(160,775)</u> | <u>(234,766)</u> |
| Endowment net assets, end of year | <u>\$ 1,420,172</u> | <u>\$ 4,519,013</u> | <u>\$ 5,939,185</u> |

| | 2017 | | |
|---|---------------------------------------|------------------------------------|---------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Endowment net assets, beginning of year | \$ 1,431,160 | \$ 4,167,000 | \$ 5,598,160 |
| Contributions | 25,260 | 99,780 | 125,040 |
| Investment income, net of fees | 24,038 | 66,643 | 90,681 |
| Net gain on investments | 206,099 | 559,106 | 765,205 |
| Net gain on perpetual trust | - | 9,570 | 9,570 |
| Amounts appropriated for expenditure | <u>(106,872)</u> | <u>(117,691)</u> | <u>(224,563)</u> |
| Endowment net assets, end of year | <u>\$ 1,579,685</u> | <u>\$ 4,784,408</u> | <u>\$ 6,364,093</u> |

7. Operating Leases

In June 2017, the Diocese entered into a new operating lease for a copier, with a term through May 2022. The contract requires monthly lease payments of \$584 plus overage fees. The Diocese entered into an auto lease in January 2018 with a term through January 2021 and monthly lease payments of \$587.

Future minimum lease payments for the year ended December 31, are as follows:

| | |
|------|------------------|
| 2019 | \$ 14,054 |
| 2020 | 14,054 |
| 2021 | 7,597 |
| 2022 | <u>2,921</u> |
| | <u>\$ 38,626</u> |

Rent expense totaled \$14,054 and \$6,716 in December 31, 2018 and 2017, respectively.

Central Administrative Office of The Diocese of Western North Carolina
Notes to Financial Statements

8. Net Assets Without Donor Restrictions

Net assets without donor restrictions are as follows:

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Undesignated | \$ 5,476,835 | \$ 5,681,935 |
| Board designated for future expenditures | 1,305,167 | 1,519,141 |
| Board designated for endowment | <u>1,420,172</u> | <u>1,579,685</u> |
| | <u>\$ 8,202,174</u> | <u>\$ 8,780,761</u> |

9. Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2018 and 2018 are as follows:

| | <u>2018</u> | | | |
|--|----------------------|--|--|--|
| | <u>Fair Value</u> | <u>Quoted In Active Markets for Assets (Level 1)</u> | <u>Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| Investments: | | | | |
| Certificates of deposit | \$ 100,000 | \$ 100,000 | \$ - | \$ - |
| Equity securities | 8,429,542 | 8,429,542 | - | - |
| Mutual funds | 89,228 | 89,228 | - | - |
| U.S. government and agency securities | 312,290 | - | 312,290 | - |
| Corporate debt obligation | 2,148,363 | - | 2,148,363 | - |
| Real asset funds | 8,756 | 8,756 | - | - |
| CMOs and asset backed securities | 93,264 | 93,264 | - | - |
| Other | 206,871 | 206,871 | - | - |
| Beneficial interest in perpetual trust | <u>79,640</u> | <u>79,640</u> | - | - |
| | <u>\$ 11,467,954</u> | <u>\$ 9,007,301</u> | <u>\$ 2,460,653</u> | <u>\$ -</u> |

Central Administrative Office of The Diocese of Western North Carolina
Notes to Financial Statements

| | 2017 | | | |
|--|----------------------|--|--|--|
| | <u>Fair Value</u> | <u>Quoted In Active Markets for Assets (Level 1)</u> | <u>Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| Investments: | | | | |
| Certificates of deposit | \$ 100,000 | \$ 100,000 | \$ - | \$ - |
| Equity securities | 9,437,801 | 9,437,801 | - | - |
| Mutual funds | 50,610 | 50,610 | - | - |
| U.S. government and agency securities | 184,717 | - | 184,717 | - |
| Corporate debt obligation | 2,631,329 | - | 2,631,329 | - |
| Real asset funds | 21,278 | 21,278 | - | - |
| CMOs and asset backed securities | 95,976 | 95,976 | - | - |
| Other | 195,203 | 195,203 | - | - |
| Beneficial interest in perpetual trust | <u>79,637</u> | <u>79,637</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 12,796,551</u> | <u>\$ 9,980,505</u> | <u>\$ 2,816,046</u> | <u>\$ -</u> |

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair value for the interest in a beneficial interest is determined by the fair values of the assets in the trust, which are determined by reference to quoted market prices and other relevant information generated by market transactions.

10. Pension Plan

The Diocese participates in the Church Pension Fund, a defined benefit pension plan. The Clergy pension plan covers employees who have been ordained to the Diaconate. Lay employees can participate in either a defined benefit plan or a defined contribution plan and are eligible upon employment.

The plan is held and maintained by The Church Pension Group. For ordained employees, the Diocese funds the plan at a rate of 18% of eligible compensation. The Church Pension Group is responsible for the payment of benefits. Contributions to the fund by the Diocese for December 31, 2018 and 2017 were \$63,788 and \$66,854, respectively.

The Diocese funds the pension costs for lay employees in the defined benefit plan at 9% of the employee's salary. Employees are fully vested in the plan after five years of employment. For lay employees that participate in the Defined Contribution Plan, the Diocese contributes 5% and will match an additional 4% for a total potential of 9%. Contributions to the fund for lay employees for December 31, 2018 and 2017 were \$23,766 and \$15,805, respectively. Employees are fully vested in the plan after five years of employment.

11. Postretirement Benefit Plan

The Diocese approved a benefit plan for eligible retired Bishops and their spouses in April 2004. Under the plan, the Diocese furnishes medical insurance upon retirement. The plan is unfunded and has a benefit obligation of \$144,461 and \$146,455 at December 31, 2018 and 2017, respectively. In determining the benefit obligation, a discount rate of 5% has been assumed. Benefits paid under the plan in 2018 and 2017 were \$14,112 and \$13,488, respectively.

**Central Administrative Office of The Diocese of Western North Carolina
Notes to Financial Statements**

Benefits expected to be paid in the next ten years as of the year ended December 31, are as follows:

| | | |
|-----------------------|----|----------------|
| 2019 | \$ | 14,568 |
| 2020 | | 15,018 |
| 2021 | | 15,471 |
| 2022 | | 15,924 |
| 2023 | | 16,377 |
| Five years thereafter | | <u>67,103</u> |
| | \$ | <u>144,461</u> |

12. Split-interest trust

At December 31, 2018 and 2017, assets of \$42,369 and \$31,642, respectively, belonging to the gift annuity trust were included in the assets of the Diocese in the Statements of Financial Position.

13. Conditional Promises to Give

As of December 31, 2018, conditional promises to give consist of \$263,333 in wills and bequests.

14. Related Party Transactions

The Diocese provides financial support to Lake Logan Episcopal Conference Center, Inc. The Diocese's Executive Council has approval powers for the appointment of Lake Logan Episcopal Conference Center, Inc.'s board members, and the Executive Council is represented on the Lake Logan board by three members. In prior years, the Diocese has been financially responsible for Lake Logan Episcopal Conference Center, Inc.'s payroll, payroll taxes, and various other expenses, including the payoff of a line of credit. At December 31, 2018 and 2017, the Diocese owes Lake Logan Episcopal Conference Center, Inc. \$15,105 and \$43,389, respectively, for these various expenses.

The Diocese is also indebted to a bank on behalf of Lake Logan Episcopal Conference Center, Inc. for \$247,200 and \$357,200 at December 31, 2018 and 2017, respectively, through a portion of the line of credit disclosed in Note 3. This balance is expected to be repaid through future operations at the conference center. The Diocese is also reporting \$247,200 and \$357,200, respectively, in accounts receivable on the Statements of Financial Position as a result of this arrangement.

Supplementary Information

Central Administrative Office of The Diocese of Western North Carolina
Schedule of Assets, Liabilities and Fund Balances
December 31, 2018

| | <u>Current Operating</u> | <u>Board Designated</u> |
|---|------------------------------|-----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 75,460 | \$ - |
| Due from (to) other funds | (40,194) | 80,912 |
| Pledges receivable from churches, net | 5,360 | - |
| Capital campaign pledges receivable, net | - | - |
| Accounts and other receivables | 17,599 | - |
| Accounts receivable--Lake Logan Episcopal Conference Center, Inc. | 262,305 | - |
| Investments, current | - | - |
| Prepaid expenses | 42,926 | - |
| Loans receivable, current | - | - |
| | <u>363,456</u> | <u>80,912</u> |
| Property and equipment: | | |
| Property and equipment, net of accumulated depreciation of \$4,414,684 | <u>5,598,985</u> | <u>-</u> |
| Other assets: | | |
| Loans receivable, net of current portion | - | - |
| Investments, net of current portion | - | 1,249,436 |
| Beneficial interest in perpetual trust | - | - |
| | <u>-</u> | <u>1,249,436</u> |
| Total other assets | <u>-</u> | <u>1,249,436</u> |
| Total assets | <u>\$ 5,962,441</u> | <u>\$ 1,330,348</u> |

See independent auditors' report.

| <u>Restricted</u> | <u>Endowment</u> | <u>Fiduciary</u> | <u>Total</u> |
|-------------------|------------------|------------------|---------------|
| \$ 68,511 | \$ 496,211 | \$ 2,487 | \$ 642,669 |
| (34,552) | (6,166) | - | - |
| - | - | - | 5,360 |
| - | - | - | - |
| - | - | - | 17,599 |
| - | - | - | 262,305 |
| - | - | 3,140,999 | 3,140,999 |
| - | - | - | 42,926 |
| 41,820 | 30,000 | - | 71,820 |
| 75,779 | 520,045 | 3,143,486 | 4,183,678 |
| - | - | - | 5,598,985 |
| 96,291 | - | - | 96,291 |
| 1,658,379 | 5,339,500 | - | 8,247,315 |
| - | 79,640 | - | 79,640 |
| 1,754,670 | 5,419,140 | - | 8,423,246 |
| \$ 1,830,449 | \$ 5,939,185 | \$ 3,143,486 | \$ 18,205,909 |

See independent auditors' report.

Central Administrative Office of The Diocese of Western North Carolina
Schedule of Assets, Liabilities and Fund Balances
December 31, 2018

| | <u>Current Operating</u> | <u>Board Designated</u> |
|---|------------------------------|-----------------------------|
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Current portion of notes payable | \$ 50,000 | \$ - |
| Accounts payable and other accrued expenses | 93,945 | - |
| Current portion of annuity payable | - | 12,000 |
| Current portion of postretirement benefit obligation | 14,568 | - |
| Fiduciary funds - held for others | - | - |
| | <u>158,513</u> | <u>12,000</u> |
| Total current liabilities | | |
| Long-term liabilities: | | |
| Postretirement benefit obligation, net of current portion | 129,893 | - |
| Annuity payable, net of current portion | - | 13,181 |
| Line of credit | 97,200 | - |
| Notes payable, net of current portion | 100,000 | - |
| | <u>327,093</u> | <u>13,181</u> |
| Total long-term liabilities | | |
| | <u>485,606</u> | <u>25,181</u> |
| Total liabilities | | |
| Net assets: | | |
| Net assets without donor restrictions | 5,476,835 | 1,305,167 |
| Net assets with donor restrictions | - | - |
| | <u>5,476,835</u> | <u>1,305,167</u> |
| Total net assets | | |
| | <u>\$ 5,962,441</u> | <u>\$ 1,330,348</u> |
| Total liabilities and net assets | | |

See independent auditors' report.

| <u>Restricted</u> | <u>Endowment</u> | <u>Fiduciary</u> | <u>Total</u> |
|---------------------|---------------------|---------------------|----------------------|
| \$ - | \$ - | \$ - | \$ 50,000 |
| 6,295 | - | - | 100,240 |
| - | - | - | 12,000 |
| - | - | - | 14,568 |
| - | - | 3,143,486 | 3,143,486 |
| <u>6,295</u> | <u>-</u> | <u>3,143,486</u> | <u>3,320,294</u> |
| - | - | - | 129,893 |
| - | - | - | 13,181 |
| - | - | - | 97,200 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>100,000</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>340,274</u> |
| <u>6,295</u> | <u>-</u> | <u>3,143,486</u> | <u>3,660,568</u> |
| - | 1,420,172 | - | 8,202,174 |
| <u>1,824,154</u> | <u>4,519,013</u> | <u>-</u> | <u>6,343,167</u> |
| <u>1,824,154</u> | <u>5,939,185</u> | <u>-</u> | <u>14,545,341</u> |
| <u>\$ 1,830,449</u> | <u>\$ 5,939,185</u> | <u>\$ 3,143,486</u> | <u>\$ 18,205,909</u> |

See independent auditors' report.

Central Administrative Office of The Diocese of Western North Carolina
Schedule of Revenues and Expenses by Fund
Year Ended December 31, 2018

Schedule "2"

| | <u>Current Operating</u> | <u>Board Designated</u> | <u>Restricted</u> | <u>Endowment</u> | <u>Total</u> |
|---|------------------------------|-----------------------------|---------------------|---------------------|----------------------|
| Revenues: | | | | | |
| Program of the church | \$ 1,425,566 | \$ - | \$ - | \$ - | \$ 1,425,566 |
| Contributions and bequests | 14,220 | 54,841 | 245,676 | 188,822 | 503,559 |
| Trust income | 35,541 | - | - | - | 35,541 |
| Investment income, net of fees | 1,537 | 19,693 | 26,981 | 91,485 | 139,696 |
| Realized gains | - | 87,806 | 102,083 | 420,477 | 610,366 |
| Unrealized losses | - | (188,158) | (236,349) | (890,930) | (1,315,437) |
| Change in value of split-interest agreements | - | (2,980) | - | - | (2,980) |
| Gain on perpetual trust | - | - | - | 4 | 4 |
| Other | 10,111 | - | - | - | 10,111 |
| | <u>1,486,975</u> | <u>(28,798)</u> | <u>138,391</u> | <u>(190,142)</u> | <u>1,406,426</u> |
| Expenses: | | | | | |
| Programs of mission and ministry | 558,552 | 160,438 | 268,167 | 86,084 | 1,073,241 |
| Administrative expenses | 1,351,561 | - | - | - | 1,351,561 |
| | <u>1,910,113</u> | <u>160,438</u> | <u>268,167</u> | <u>86,084</u> | <u>2,424,802</u> |
| Revenue under expenses | <u>(423,138)</u> | <u>(189,236)</u> | <u>(129,776)</u> | <u>(276,226)</u> | <u>(1,018,376)</u> |
| Net assets, beginning of year | 5,681,935 | 1,519,141 | 1,998,548 | 6,364,093 | 15,563,717 |
| Transfers, net | <u>218,038</u> | <u>(24,738)</u> | <u>(44,618)</u> | <u>(148,682)</u> | <u>-</u> |
| Net assets, end of year | <u>\$ 5,476,835</u> | <u>\$ 1,305,167</u> | <u>\$ 1,824,154</u> | <u>\$ 5,939,185</u> | <u>\$ 14,545,341</u> |

See independent auditors' report.

**Central Administrative Office of The Diocese of Western North Carolina
Current Operating Fund – Revenues and Expenses Compared to Budget
Year Ended December 31, 2018**

Schedule "3"

| | Budget (Unaudited) | Actual | Favorable (Unfavorable) |
|--------------------------------------|-------------------------------|------------------|------------------------------------|
| Revenues | | | |
| Total Pledges from Churches | \$ 1,425,000 | \$ 1,425,566 | \$ 566 |
| Total Grants | - | - | - |
| Total Contributions and bequests | 48,000 | 14,220 | (33,780) |
| Total Trust Income | 31,250 | 35,541 | 4,291 |
| Total Net Investment Income | 1,000 | 1,537 | 537 |
| Total Other Income | 500 | 10,111 | 9,611 |
| Total Revenues | <u>1,505,750</u> | <u>1,486,975</u> | <u>(18,775)</u> |
| Expenses | | | |
| Mission Support | | | |
| Diocesan Mission Team | | | |
| Total Bishop's Office | 302,665 | 303,710 | (1,045) |
| Total Office of the Canon to the Ord | 175,073 | 184,389 | (9,316) |
| Total Office of the CFO | 146,259 | 136,666 | 9,593 |
| Total Communications and Development | 59,284 | 56,034 | 3,250 |
| Total Youth, Young Adult and Campus | 129,597 | 149,163 | (19,566) |
| Total Latino | 202,218 | 200,851 | 1,367 |
| Total Diocesan Mission Team | <u>1,015,096</u> | <u>1,030,813</u> | <u>(15,717)</u> |
| Support Services | | | |
| Contracted Services | | | |
| Audit Fees | 17,000 | 17,250 | (250) |
| Professional Expenses | 5,000 | 5,083 | (83) |
| Total Contracted Services | <u>22,000</u> | <u>22,333</u> | <u>(333)</u> |
| Office Administration | | | |
| Copier Rental | 6,000 | 8,703 | (2,703) |
| Telephone and Internet | 8,500 | 8,060 | 440 |
| Postage | 4,500 | 4,067 | 433 |
| Office/Printing Supplies | 6,000 | 4,779 | 1,221 |
| Service Fees | 3,000 | 2,740 | 260 |
| Kitchen Supplies & Hospitality | 2,500 | 3,357 | (857) |
| Network / Software Support | 7,500 | 9,325 | (1,825) |
| Expense Mgt and CC software | 4,500 | 6,505 | (2,005) |
| ACS system and Vanco Fees | - | 9,801 | (9,801) |
| Repair/Maintenance Equip. | 2,500 | 663 | 1,837 |
| Total Office Administration | <u>45,000</u> | <u>58,000</u> | <u>(13,000)</u> |

See independent auditors' report.

**Central Administrative Office of The Diocese of Western North Carolina
Current Operating Fund – Revenues and Expenses Compared to Budget
Year Ended December 31, 2018**

**Schedule "3"
(Continued)**

| | <u>Budget (Unaudited)</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|-----------------------------------|-------------------------------|------------------|------------------------------------|
| Janitorial Expenses | | | |
| Janitorial Staff | \$ 7,882 | \$ 8,010 | \$ (128) |
| Janitorial Staff FICA Expense | 603 | 359 | 244 |
| Total Janitorial Staff Comp & Ben | <u>8,485</u> | <u>8,369</u> | <u>116</u> |
| Utilities | | | |
| Electricity | 3,000 | 3,293 | (293) |
| Heating Fuel Gas | 1,000 | 940 | 60 |
| Water/Sewer | 440 | 666 | (226) |
| Total Utilities | <u>4,440</u> | <u>4,899</u> | <u>(459)</u> |
| Other Admin Support Costs | | | |
| Workers' Compensation | 2,835 | 2,965 | (130) |
| Dues & Subscriptions | 250 | 481 | (231) |
| Misc. Diocesan Expenses | 265 | - | 265 |
| Total Other Admin Support Costs | <u>3,350</u> | <u>3,446</u> | <u>(96)</u> |
| Property Support Costs | | | |
| Building / Grounds | 3,000 | 8,455 | (5,455) |
| Building Association/Mgt Fee | 2,650 | 3,584 | (934) |
| Property/Umbrella Ins. | 21,303 | 23,319 | (2,016) |
| Total Property Support Costs | <u>26,953</u> | <u>35,358</u> | <u>(8,405)</u> |
| Total Support Services | <u>110,228</u> | <u>132,405</u> | <u>(22,177)</u> |
| Diocesan Services | | | |
| Diocesan Convention | 6,500 | - | 6,500 |
| Convention's Journal | 500 | 1,066 | (566) |
| Staff Retreat | 1,250 | 2,980 | (1,730) |
| Executive Council Retreat | 2,500 | - | 2,500 |
| Diocesan Picnic | 3,800 | 4,206 | (406) |
| Wardens/Treasurers Workshop | 500 | 91 | 409 |
| Total Diocesan Services | <u>15,050</u> | <u>8,343</u> | <u>6,707</u> |
| Interest Expense | - | - | - |
| Depreciation Expense | 186,197 | 180,000 | 6,197 |
| Total Mission Support | <u>1,326,571</u> | <u>1,351,561</u> | <u>(24,990)</u> |

See independent auditors' report.

**Central Administrative Office of The Diocese of Western North Carolina
Current Operating Fund – Revenues and Expenses Compared to Budget
Year Ended December 31, 2018**

**Schedule "3"
(Continued)**

| | <u>Budget (Unaudited)</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|------------------------------------|-------------------------------|----------------|------------------------------------|
| Programs of Mission & Ministry | | | |
| National & Provincial Church | | | |
| The Episcopal Church | \$ 225,298 | \$ 225,299 | \$ (1) |
| Provincial Church Apportionment | 5,451 | 5,955 | (504) |
| NC Council of Churches | 4,000 | 4,000 | - |
| Total National & Provincial Church | <u>234,749</u> | <u>235,254</u> | <u>(505)</u> |
| Diocesan Communications | | | |
| Diocesan Communications | 10,000 | 1,557 | 8,443 |
| Web Site Maintenance | 1,200 | 1,138 | 62 |
| Total Diocesan Communications | <u>11,200</u> | <u>2,695</u> | <u>8,505</u> |
| Commission on Ministry | | | |
| Holy Orders/Ordination Exp | 2,750 | 2,432 | 318 |
| Renewal of Vows | 700 | 352 | 348 |
| Curacy Program | 20,000 | 15,000 | 5,000 |
| Ordination Expenses | - | - | - |
| Iona Seed Money | 7,000 | 7,378 | (378) |
| Diaconate Expenses | 2,000 | 2,186 | (186) |
| Supervision of the Diaconate | - | - | - |
| Archdeacon Expenses | 1,500 | 735 | 765 |
| Fresh Start | 500 | - | 500 |
| Continuing Education/Clergy | 3,000 | 500 | 2,500 |
| COM Overnight | 3,300 | 896 | 2,404 |
| Ember Days | 250 | 460 | (210) |
| Fall Clergy Overnight | 2,000 | 8,245 | (6,245) |
| Lenten Retreat Overnight | 2,000 | 4,327 | (2,327) |
| Safe Church | 500 | 232 | 268 |
| Clergy Spouse Programs | 500 | 60 | 440 |
| Total Commission on Ministry | <u>46,000</u> | <u>42,803</u> | <u>3,197</u> |
| Other Commissions | | | |
| Ecumenical Commission | 1,500 | 2,056 | (556) |
| Liturgy & Music | 1,000 | 483 | 517 |
| Total Other Commissions | <u>2,500</u> | <u>2,539</u> | <u>(39)</u> |

See independent auditors' report.

**Central Administrative Office of The Diocese of Western North Carolina
Current Operating Fund – Revenues and Expenses Compared to Budget
Year Ended December 31, 2018**

Schedule "3"

(Continued)

| | Budget (Unaudited) | Actual | Favorable (Unfavorable) |
|--|-------------------------------|---------------|------------------------------------|
| Youth & College Ministries | | | |
| EYC | \$ 8,000 | \$ 11,229 | \$ (3,229) |
| MidBeginningdle | 2,500 | 5,278 | (2,778) |
| Youth Appreciation Day | 500 | 234 | 266 |
| Provincial/Natl. Youth Meeting | 2,000 | 262 | 1,738 |
| Camp Henry | 65,000 | 65,000 | - |
| Vocare | 500 | - | 500 |
| College Ministries | - | 87 | (87) |
| Young Audlt Programs | 1,000 | 372 | 628 |
| Campus Ministry Program ASU | 7,000 | 9,063 | (2,063) |
| Campus Ministry Program at WCU | 500 | - | 500 |
| Campus Ministry Program UNCA | 8,500 | 8,506 | (6) |
| Service Corp Program Costs | - | 210 | (210) |
| Total Youth & College Ministries | 95,500 | 100,241 | (4,741) |
| Justice & Outreach Ministries | | | |
| New Mission Initiatives | 30,000 | 12,250 | 17,750 |
| Dismantle Racism | 2,500 | 250 | 2,250 |
| Sustainable Development Goals | 17,762 | 17,762 | - |
| Companion Diocese Expenses | 2,500 | - | 2,500 |
| Task Force/Latino issues | - | - | - |
| Total Justice & Outreach Ministries | 52,762 | 30,262 | 22,500 |
| Evangelism and Stewardship | | | |
| Planned Giving/Stewardship | 7,500 | 3,999 | 3,501 |
| Evangelism | 500 | - | 500 |
| Total Evangelism and Stewardship | 8,000 | 3,999 | 4,001 |
| Christian Formation Ministries | | | |
| Episc Programming at Conf Centers | 6,000 | 6,000 | - |
| Catechesis Good Shepherd | 300 | - | 300 |
| EFM (Univ. South) | 2,250 | 7,190 | (4,940) |
| Sewanee support | 1,000 | 1,000 | - |
| Cursillo in Christianity | 1,500 | - | 1,500 |
| Recovery Ministry | 500 | 500 | - |
| Total Christian Formation Ministries | 11,550 | 14,690 | (3,140) |

See independent auditors' report.

**Central Administrative Office of The Diocese of Western North Carolina
 Current Operating Fund – Revenues and Expenses Compared to Budget
 Year Ended December 31, 2018**

**Schedule "3"
 (Continued)**

| | <u>Budget (Unaudited)</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> |
|--|-------------------------------|---------------------|------------------------------------|
| Congregational Vitality Ministry | | | |
| Support for Small Parishes | \$ 40,000 | \$ 43,233 | \$ (3,233) |
| Congegational Vitality Ministry | 45,000 | 41,227 | 3,773 |
| Kairos West | 20,200 | 20,200 | - |
| MissionerCongregational Dev. Travel | 12,500 | - | 12,500 |
| Church of the Advocate | 16,500 | 16,500 | - |
| COA facility expenses | 4,500 | 4,500 | - |
| Total Congregational Vitality Ministry | <u>138,700</u> | <u>125,660</u> | <u>13,040</u> |
| Latino Ministries | <u>750</u> | <u>409</u> | <u>341</u> |
| Total Program of Mission & Ministry | <u>601,711</u> | <u>558,552</u> | <u>43,159</u> |
| Total Expenses | <u>1,928,282</u> | <u>1,910,113</u> | <u>18,169</u> |
| Revenues under expenses before other financing sources | <u>(422,532)</u> | <u>(423,138)</u> | <u>(606)</u> |
| Other financing sources | <u>236,694</u> | <u>218,038</u> | <u>(18,656)</u> |
| Revenues and other financing sources over (under) expenses | <u>\$ (185,838)</u> | <u>\$ (205,100)</u> | <u>\$ (19,262)</u> |

See independent auditors' report.

**Central Administrative Office of The Diocese of Western North Carolina
Current Operating Fund – Revenue-Program of the Church
Year Ended December 31, 2018**

Schedule "4"

| | <u>2018 Pledges</u> | <u>Revenue from Churches</u> | <u>Difference</u> | <u>% Giving to Diocese based upon 2016 NOI</u> |
|-----------------------------------|---------------------|------------------------------|-------------------|--|
| Advocate, Asheville | \$ 1,000 | \$ 1,000 | \$ - | 1.4% |
| All Saints, Franklin | 13,200 | 13,200 | - | 11.8% |
| All Saints, Gastonia | 18,000 | 18,000 | - | 6.3% |
| All Souls Cathedral, Asheville | 84,160 | 84,160 | - | 10.0% |
| Ascension, Hickory | 48,804 | 48,804 | - | 10.0% |
| Calvary, Fletcher | 43,332 | 43,332 | - | 10.2% |
| Christ Church, Sparta | 23,000 | 23,000 | - | 10.0% |
| Church of Our Saviour, Lincolnton | 500 | 500 | - | 3.3% |
| Church of the Savior, Newland | 1,250 | 1,250 | - | 3.6% |
| Epiphany, Newton | 2,400 | 2,400 | - | 5.5% |
| Good Shepherd, Cashiers | 52,111 | 52,111 | - | 9.2% |
| Good Shepherd, Hayesville | 33,558 | 35,558 | 2,000 | 10.0% |
| Good Shepherd, Tryon | 2,685 | 2,870 | 185 | 8.8% |
| Grace, Asheville | 43,005 | 44,105 | 1,100 | 10.3% |
| Grace, Morganton | 28,677 | 31,863 | 3,186 | 9.6% |
| Grace, Robbinsville | - | - | - | 0.0% |
| Grace, Waynesville | 25,748 | 25,748 | - | 10.0% |
| Holy Communion, Glendale Springs | 1,000 | 1,000 | - | 3.5% |
| Holy Cross, Tryon | 34,000 | 35,050 | 1,050 | 10.0% |
| Holy Cross, Valle Crucis | 40,492 | 40,492 | - | 10.0% |
| Holy Family, Mills River | 10,000 | 11,667 | 1,667 | 7.5% |
| Holy Spirit, Mars Hill | 18,414 | 18,414 | - | 10.0% |
| Incarnation, Highlands | 63,701 | 63,701 | - | 10.0% |
| La Capilla, Hendersonville | 1,280 | 1,280 | - | 10.0% |
| Messiah, Murphy | 7,745 | 7,745 | - | 9.5% |
| Redeemer, Asheville | 4,800 | 4,647 | (153) | 7.5% |
| Redeemer, Shelby | 3,000 | 3,000 | - | 2.7% |
| St. Alban's, Hickory | 44,240 | 44,240 | - | 10.0% |
| St. Andrew's, Bessemer City | 3,888 | 3,888 | - | 10.0% |
| St. Andrew's, Canton | 18,800 | 18,804 | 4 | 9.5% |
| St. David's, Cullowhee | 12,980 | 12,980 | - | 10.0% |
| St. Francis, Cherokee | - | - | - | 0.0% |
| St. Francis, Rutherfordton | 21,318 | 21,318 | - | 10.6% |
| St. Gabriel's, Rutherfordton | 2,220 | 2,220 | - | 10.0% |

See independent auditors' report.

**Central Administrative Office of The Diocese of Western North Carolina
 Current Operating Fund – Revenue-Program of the Church
 Year Ended December 31, 2018**

Schedule "4"

(Continued)

| | <u>2018 Pledges</u> | <u>Revenue from Churches</u> | <u>Difference</u> | <u>% Giving to Diocese based upon 2016 NOI</u> |
|--|---------------------|------------------------------|-------------------|--|
| St. George's, Asheville | \$ 5,000 | \$ 4,983 | \$ (17) | 6.6% |
| St. Giles Chapel, Asheville | 25,527 | 25,527 | - | 10.0% |
| St. James, Black Mountain | 35,070 | 35,070 | - | 11.4% |
| St. James, Hendersonville | 60,000 | 60,000 | - | 8.0% |
| St. James, Lenoir | 24,000 | 24,000 | - | 8.4% |
| St. John in the Wildernes, Flat Rock | 51,980 | 51,980 | - | 10.0% |
| St. John's, Asheville | 15,103 | 15,103 | - | 10.0% |
| St. John's, Franklin | 10,122 | 10,122 | - | 10.0% |
| St. John's, Marion | 10,000 | 10,000 | - | 8.2% |
| St. John's, Sylva | 13,021 | 13,021 | - | 9.8% |
| St. Luke's, Asheville | 14,334 | 14,409 | 75 | 10.0% |
| St. Luke's, Boone | 32,366 | 32,366 | - | 10.0% |
| St. Luke's, Lincolnton | 7,000 | 7,000 | - | 10.0% |
| St. Mark's, Gastonia | 34,406 | 34,406 | - | 10.4% |
| St. Mary, Blowing Rock | 42,000 | 42,000 | - | 10.0% |
| St. Mary's, Asheville | 39,126 | 39,127 | 1 | 7.2% |
| St. Mary's and St. Stephen's, Morganton | 8,000 | 8,000 | - | 4.2% |
| St. Matthias Episcopal Church, Asheville | 7,740 | 7,740 | - | 10.0% |
| St. Paul's, Edneyville | 3,000 | 3,000 | - | 5.8% |
| St. Paul's, Morganton | 7,850 | 11,904 | 4,054 | 10.0% |
| St. Paul's, Wilkesboro | 33,000 | 33,000 | - | 10.0% |
| St. Peter, Denver | 33,000 | 33,000 | - | 8.9% |
| St. Philip's, Brevard | 49,860 | 49,860 | - | 10.0% |
| St. Thomas, Burnsville | 7,832 | 7,832 | - | 10.0% |
| Transfiguration, Bat Cave | 11,400 | 11,400 | - | 10.0% |
| Transfiguration, Saluda | 19,614 | 21,030 | 1,416 | 8.4% |
| Trinity, Asheville | 90,107 | 90,107 | - | 10.0% |
| Trinity, Spruce Pine | 11,232 | 11,232 | - | 10.0% |
| Totals | <u>\$ 1,410,998</u> | <u>\$ 1,425,566</u> | <u>\$ 14,568</u> | |

See independent auditors' report.

**Central Administrative Office of The Diocese of Western North Carolina
Board Designated Funds – Summary of Fund Transactions
Year Ended December 31, 2018**

Schedule "5"

| | <u>Balances 1/1/18</u> | <u>Revenues</u> | <u>Expenses</u> | <u>Balances 12/31/18</u> |
|---------------------------------|----------------------------|-----------------|-----------------|------------------------------|
| Clergy Sabbatical | | | | |
| Investment income, net of fees | | \$ 158 | \$ - | |
| Realized gain on investments | | 713 | - | |
| Unrealized loss on investments | | <u>(1,521)</u> | - | |
| | <u>\$ 10,521</u> | <u>(650)</u> | <u>-</u> | <u>\$ 9,871</u> |
| Property Maintenance Reserve | | | | |
| Transfer from Operating Fund | | 2,333 | - | |
| Investment income, net of fees | | 53 | - | |
| Realized gain on investments | | 240 | - | |
| Unrealized loss on investments | | <u>(509)</u> | - | |
| | <u>3,545</u> | <u>2,117</u> | <u>-</u> | <u>5,662</u> |
| General Convention Reserve | | | | |
| Transfer from Operating Fund | | 14,000 | - | |
| Additions | | 7,281 | - | |
| Investment income, net of fees | | 227 | - | |
| Realized gain on investments | | 707 | - | |
| Unrealized loss on investments | | <u>(1,644)</u> | - | |
| Disbursed | | - | <u>21,500</u> | |
| | <u>20,727</u> | <u>20,571</u> | <u>21,500</u> | <u>19,798</u> |
| Lambeth Reserve | | | | |
| Transfer from Operating Fund | | 2,000 | - | |
| Investment income, net of fees | | 128 | - | |
| Realized gain on investments | | 576 | - | |
| Unrealized loss on investments | | <u>(1,229)</u> | - | |
| | <u>8,500</u> | <u>1,475</u> | <u>-</u> | <u>9,975</u> |
| Bishop's Transition Reserve | | | | |
| Transfer from Operating Fund | | 4,000 | - | |
| Investment income, net of fees | | 228 | - | |
| Realized loss on investments | | 1,025 | - | |
| Unrealized loss on investments | | <u>(2,187)</u> | - | |
| | <u>15,127</u> | <u>3,066</u> | <u>-</u> | <u>18,193</u> |
| Daily Practices | <u>19,338</u> | <u>(1,085)</u> | <u>110</u> | <u>18,143</u> |
| Holt Trust | <u>8,195</u> | <u>(460)</u> | <u>47</u> | <u>7,688</u> |
| Education for Ministry | <u>2,318</u> | <u>(130)</u> | <u>13</u> | <u>2,175</u> |
| Emergency Assistance to Clergy | <u>964</u> | <u>(54)</u> | <u>5</u> | <u>905</u> |
| Insurance Needs Assessment Fund | <u>5,121</u> | <u>(287)</u> | <u>29</u> | <u>4,805</u> |
| Planned Giving | <u>2,076</u> | <u>(116)</u> | <u>12</u> | <u>1,948</u> |

See independent auditors' report.

**Central Administrative Office of The Diocese of Western North Carolina
Board Designated Funds – Summary of Fund Transactions
Year Ended December 31, 2018**

**Schedule "5"
(Continued)**

| | <u>Balances 1/1/18</u> | <u>Revenues</u> | <u>Expenses</u> | <u>Balances 12/31/18</u> |
|--------------------------------|----------------------------|------------------|-------------------|------------------------------|
| LLEC/Camp Henry - Hindle Trust | | | | |
| Investment income, net of fees | | \$ 591 | \$ - | |
| Realized gain on investments | | 2,661 | - | |
| Unrealized loss on investments | | (5,678) | - | |
| | 39,280 | <u>(2,426)</u> | <u>-</u> | <u>\$ 36,854</u> |
| Contingency Fund | | | | |
| Additions | | 47,560 | - | |
| Investment income, net of fees | | 8,425 | - | |
| Realized gain on investments | | 36,394 | - | |
| Unrealized loss on investments | | (80,082) | - | |
| 2018 net operating surplus | | 18,168 | - | |
| Net transfer to Operating Fund | | - | 41,364 | |
| Disbursed | | - | 70,091 | |
| | 706,168 | <u>30,465</u> | <u>111,455</u> | <u>625,178</u> |
| Proceeds Morgan School | | | | |
| Investment income, net of fees | | 7,346 | - | |
| Realized gain on investments | | 32,491 | - | |
| Unrealized loss on investments | | (69,118) | - | |
| Change in actuarial liability | | - | 2,980 | |
| Net transfer to Operating Fund | | - | 17,564 | |
| Disbursed | | - | 12,000 | |
| | 488,590 | <u>(29,281)</u> | <u>32,544</u> | <u>426,765</u> |
| Bryson Mission | 1,955 | <u>(110)</u> | <u>11</u> | <u>1,834</u> |
| Holy Cross Mt Holy | | | | |
| Investment income, net of fees | | 2,483 | - | |
| Realized gain on investments | | 12,759 | - | |
| Unrealized loss on investments | | (23,434) | - | |
| Net transfer to Operating Fund | | - | 6,311 | |
| Disbursed | | - | 56,620 | |
| | 183,158 | <u>(8,192)</u> | <u>62,931</u> | <u>112,035</u> |
| Towel Ministry | | | | |
| Investment income, net of fees | | 54 | - | |
| Realized gain on investments | | 240 | - | |
| Unrealized loss on investments | | (514) | - | |
| | 3,558 | <u>(220)</u> | <u>-</u> | <u>3,338</u> |
| | <u>\$ 1,519,141</u> | <u>\$ 14,683</u> | <u>\$ 228,657</u> | <u>\$ 1,305,167</u> |

See independent auditors' report.

Central Administrative Office of The Diocese of Western North Carolina
Restricted Funds – Loans Receivable
Year Ended December 31, 2018

Schedule "6"

| | <u>Beginning Balance</u> | <u>New Loans</u> | <u>Loan Pmts/Adj</u> | <u>Ending Balance</u> |
|-------------------------------|------------------------------|----------------------|--------------------------|---------------------------|
| Asheville, St. Lukes | \$ 23,333 | \$ - | \$ 5,000 | \$ 18,333 |
| Asheville, St. Georges | 7,180 | - | 3,000 | 4,180 |
| Black Mountain, St. James | 22,084 | - | 5,000 | 17,084 |
| Cherokee, St. Francis | 2,550 | - | - | 2,550 |
| Denver, St. Peters | - | 25,000 | - | 25,000 |
| Hickory, Ascension | 23,333 | - | 10,000 | 13,333 |
| Lake Logan | 20,416 | - | 5,418 | 14,998 |
| Mars Hill, Holy Spirit | 15,000 | - | 15,000 | - |
| Mills River, Holy Family | 4,750 | - | 917 | 3,833 |
| Newland, Church of the Savior | 11,750 | - | 2,750 | 9,000 |
| Sylva, St. Johns | 6,885 | - | 1,620 | 5,265 |
| Spruce Pine, Trinity | 17,334 | - | 3,999 | 13,335 |
| Tryon, Good Shepard | - | 12,000 | 800 | 11,200 |
| | <u>\$ 154,615</u> | <u>\$ 37,000</u> | <u>\$ 53,504</u> | <u>\$ 138,111</u> |

See independent auditors' report.

**Central Administrative Office of The Diocese of Western North Carolina
 Restricted Funds – Summary of Fund Transactions
 Year Ended December 31, 2018**

Schedule "7"

| | <u>Balances 1/1/18</u> | <u>Revenues</u> | <u>Expenses</u> | <u>Balances 12/31/18</u> |
|---------------------------------|----------------------------|-----------------|-----------------|------------------------------|
| Advancement grants | \$ 21,980 | \$ (1,233) | \$ 125 | \$ 20,622 |
| Alice Mason Memorial Fund | | | | |
| Additions | | 2,340 | - | |
| Investment income, net of fees | | (84) | - | |
| Realized gain on investments | | 302 | - | |
| Unrealized loss on investments | | (634) | - | |
| | <u>3,345</u> | <u>1,924</u> | <u>-</u> | <u>5,269</u> |
| Bishop's Discretionary Fund: | | | | |
| Additions | | 100,325 | - | |
| Investment income, net of fees | | 4,360 | - | |
| Realized gain on investments | | 1,096 | - | |
| Unrealized loss on investments | | (22,958) | - | |
| Distributions | | - | 45,601 | |
| | <u>217,012</u> | <u>82,823</u> | <u>45,601</u> | <u>254,234</u> |
| Cherokee Mother Baby Camp | <u>2,056</u> | <u>(115)</u> | <u>12</u> | <u>1,929</u> |
| Camp Henry Scholarship Fund | | | | |
| Investment income, net of fees | | 103 | - | |
| Realized gain on investments | | 463 | - | |
| Unrealized loss on investment | | (987) | - | |
| | <u>6,827</u> | <u>(421)</u> | <u>-</u> | <u>6,406</u> |
| Camp Henry Basketball Fund | <u>120</u> | <u>(7)</u> | <u>1</u> | <u>112</u> |
| Camp Henry Alumni Association | <u>250</u> | <u>(15)</u> | <u>2</u> | <u>233</u> |
| Camp Henry Mackenzie Foundation | | | | |
| Investment income, net of fees | | 107 | - | |
| Realized gain on investments | | 480 | - | |
| Unrealized loss on investment | | (1,025) | - | |
| | <u>7,094</u> | <u>(438)</u> | <u>-</u> | <u>6,656</u> |
| Camp Henry Meares Memorial Fund | | | | |
| Investment income, net of fees | | 59 | - | |
| Realized gain on investments | | 265 | - | |
| Unrealized loss on investment | | (565) | - | |
| | <u>\$ 3,907</u> | <u>\$ (241)</u> | <u>\$ -</u> | <u>\$ 3,666</u> |

See independent auditors' report.

**Central Administrative Office of The Diocese of Western North Carolina
Restricted Funds – Summary of Fund Transactions
Year Ended December 31, 2018**

Schedule "7"

(Continued)

| | <u>Balances 1/1/18</u> | <u>Revenues</u> | <u>Expenses</u> | <u>Balances 12/31/18</u> |
|---------------------------------|----------------------------|--------------------|------------------|------------------------------|
| Chancellor's Fund - Camp Henry: | | | | |
| Investment income, net of fees | | \$ 3,270 | \$ - | |
| Realized gain | | 14,806 | - | |
| Unrealized loss on investments | | (31,270) | - | |
| Disbursed | | - | 7,762 | |
| | <u>\$ 225,288</u> | <u>(13,194)</u> | <u>7,762</u> | <u>\$ 204,332</u> |
| Deaf Ministry | <u>1,882</u> | <u>(106)</u> | <u>11</u> | <u>1,765</u> |
| Episcopal Service Corp | <u>-</u> | <u>45,736</u> | <u>-</u> | <u>45,736</u> |
| Farm Workers: | | | | |
| Investment income, net of fees | | 452 | - | |
| Realized gain on investments | | 2,058 | - | |
| Unrealized loss on investment | | (4,346) | - | |
| Transferred to Operating Fund | | - | 1,079 | |
| | <u>31,311</u> | <u>(1,836)</u> | <u>1,079</u> | <u>28,396</u> |
| Human Hurt & Hope: | | | | |
| Investment income, net of fees | | 7,346 | - | |
| Realized gain on investments | | 31,490 | - | |
| Unrealized loss on investments | | (63,238) | - | |
| Distributions | | - | 117,128 | |
| Transfer to Operating Fund | | - | 19,569 | |
| | <u>531,098</u> | <u>(24,402)</u> | <u>136,697</u> | <u>369,999</u> |
| Los Vecinos | | | | |
| Additions | | 9,350 | - | |
| Investment income, net of fees | | 28 | - | |
| Realized gain | | 182 | - | |
| Unrealized loss on investments | | (429) | - | |
| Disbursed | | - | 3,161 | |
| | <u>263</u> | <u>9,131</u> | <u>3,161</u> | <u>6,233</u> |
| Nell Burns | | | | |
| Investment income, net of fees | | 255 | - | |
| Realized gain on investments | | 1,147 | - | |
| Unrealized loss on investments | | (2,401) | - | |
| Transfer to Operating Fund | | - | 617 | |
| | <u>17,907</u> | <u>(999)</u> | <u>617</u> | <u>16,291</u> |
| New Congregations: | | | | |
| Investment income, net of fees | | 4,552 | - | |
| Realized gain on investments | | 20,493 | - | |
| Unrealized loss on investments | | (43,267) | - | |
| Disbursed | | - | 19,346 | |
| Transfer to Operating Fund | | - | 11,278 | |
| | <u>\$ 327,332</u> | <u>\$ (18,222)</u> | <u>\$ 30,624</u> | <u>\$ 278,486</u> |

See independent auditors' report.

**Central Administrative Office of The Diocese of Western North Carolina
 Restricted Funds – Summary of Fund Transactions
 Year Ended December 31, 2018**

**Schedule "7"
 (Continued)**

| | <u>Balances 1/1/18</u> | <u>Revenues</u> | <u>Expenses</u> | <u>Balances 12/31/18</u> |
|--------------------------------|----------------------------|-------------------|-------------------|------------------------------|
| Recovery Ministry | | | | |
| Investment income, net of fees | | \$ 28 | \$ - | |
| Realized gain on investments | | 125 | - | |
| Unrealized loss on investments | | (267) | - | |
| | <u>\$ 1,844</u> | <u>(114)</u> | <u>-</u> | <u>\$ 1,730</u> |
| Restoration and Maintenance: | | | | |
| Additions | | 71,113 | | |
| Investment income, net of fees | | 5,090 | - | |
| Realized gain on investments | | 22,715 | - | |
| Unrealized loss on investments | | (49,584) | - | |
| Disbursed | | - | 64,529 | |
| Transfer to Operating Fund | | - | 12,075 | |
| | <u>507,083</u> | <u>49,334</u> | <u>76,604</u> | <u>479,813</u> |
| Seminarian Fund | | | | |
| Additions | | 7,838 | - | |
| Investment income, net of fees | | 1,136 | - | |
| Realized gain on investments | | 5,155 | - | |
| Unrealized loss on investments | | (11,038) | - | |
| Disbursed | | - | 10,000 | |
| | <u>74,119</u> | <u>3,091</u> | <u>10,000</u> | <u>67,210</u> |
| UNCA Campus Ministry | | | | |
| Additions | | 1,342 | - | |
| Investment income, net of fees | | 116 | - | |
| Realized gain on investments | | 526 | - | |
| Unrealized loss on investment | | (1,115) | - | |
| | | - | 489 | |
| | <u>7,369</u> | <u>869</u> | <u>489</u> | <u>7,749</u> |
| 3rd Place Campus Ministry | | | | |
| Additions | | 7,632 | - | |
| Investment income, net of fees | | 163 | - | |
| Realized gain on investments | | 780 | - | |
| Unrealized loss on investments | | (1,749) | - | |
| | <u>10,461</u> | <u>6,826</u> | <u>-</u> | <u>17,287</u> |
| | <u>\$ 1,998,548</u> | <u>\$ 138,391</u> | <u>\$ 312,785</u> | <u>\$ 1,824,154</u> |

See independent auditors' report.

**Central Administrative Office of The Diocese of Western North Carolina
 Endowment Funds – Summary of Fund Transactions
 Year Ended December 31, 2018**

Schedule "8"

| | <u>Balances 1/1/18</u> | <u>Revenues</u> | <u>Expenses</u> | <u>Balances 12/31/18</u> |
|--|----------------------------|--------------------|------------------|------------------------------|
| Permanently Restricted Endowment: | | | | |
| Alston fund | \$ 904,000 | \$ - | \$ - | \$ 904,000 |
| Hix fund | 4,550 | - | - | 4,550 |
| Jane Wilkes fund | 9,321 | - | - | 9,321 |
| Bishop Weinhauer fund | 90,076 | - | - | 90,076 |
| Sheffer Ministries fund | 116,197 | 183,518 | - | 299,715 |
| Ann W. Peden fund | 67,299 | 966 | - | 68,265 |
| Ashebrook fund | - | - | - | - |
| Gordon Know Bell fund | 15,350 | - | - | 15,350 |
| Mary Brady Berry fund | 20,000 | - | - | 20,000 |
| Total permanently restricted endowment funds | <u>1,226,793</u> | <u>184,484</u> | <u>-</u> | <u>1,411,277</u> |
| Permanently Restricted: | | | | |
| Beneficial interest in perpetual trust | 79,636 | 4 | - | 79,640 |
| Total permanently restricted funds | <u>1,306,429</u> | <u>184,488</u> | <u>-</u> | <u>1,490,917</u> |
| Temporarily Restricted Earnings From Endowment Funds: | | | | |
| Alston Earnings: | | | | |
| Investment income, net of fees | | 45,802 | - | |
| Realized gains on Investments | | 207,840 | - | |
| Unrealized loss on Investments | | (439,870) | - | |
| Transfer to operating fund | | - | 108,987 | |
| | <u>2,259,250</u> | <u>(186,228)</u> | <u>108,987</u> | <u>1,964,035</u> |
| Ann W. Peden Fund: | | | | |
| Investment income, net of fees | | 1,081 | - | |
| Realized gains on investments | | 9,267 | - | |
| Unrealized loss on Investments | | (19,612) | - | |
| Disbursed | | - | 3,863 | |
| | <u>72,835</u> | <u>(9,264)</u> | <u>3,863</u> | <u>59,708</u> |
| Hix Fund | | | | |
| Investment income, net of fees | | 66 | - | |
| Realized gains on investments | | 299 | - | |
| Unrealized loss on Investments | | (632) | - | |
| Disbursed | | - | 157 | |
| | <u>-</u> | <u>(267)</u> | <u>157</u> | <u>(424)</u> |
| Jane Wilkes, Piedmont Deanrey: | | | | |
| Investment income, net of fees | | 5,037 | - | |
| Realized gains on investments | | 22,818 | - | |
| Unrealized loss on Investments | | (48,191) | - | |
| Transfer to operating fund | | - | 11,962 | |
| | <u>\$ 337,877</u> | <u>\$ (20,336)</u> | <u>\$ 11,962</u> | <u>\$ 305,579</u> |

See independent auditors' report.

**Central Administrative Office of The Diocese of Western North Carolina
Endowment Funds – Summary of Fund Transactions
Year Ended December 31, 2018**

**Schedule "8"
(Continued)**

| | <u>Balances 1/1/18</u> | <u>Revenues</u> | <u>Expenses</u> | <u>Balances 12/31/18</u> |
|--|----------------------------|---------------------|-------------------|------------------------------|
| Weinhauer Earnings: | | | | |
| Investment income, net of fees | | \$ 3,636 | \$ - | |
| Realized gain on investments | | 16,463 | - | |
| Unrealized loss on investments | | (34,771) | - | |
| Transfer to operating fund | | - | 8,631 | |
| | <u>\$ 160,433</u> | <u>(14,672)</u> | <u>8,631</u> | <u>\$ 137,130</u> |
| Sheffer St. John's: | | | | |
| Investment income, net of fees | | 3,660 | - | |
| Realized gain on investments | | 17,913 | - | |
| Unrealized loss on investments | | (41,930) | - | |
| Disbursed | | - | 2,777 | |
| | <u>18,360</u> | <u>(20,357)</u> | <u>2,777</u> | <u>(4,774)</u> |
| Sheffer Bishop's Discretionary: | | | | |
| Additions | | 930 | - | |
| Investment income, net of fees | | 87 | - | |
| Realized gain on investments | | 399 | - | |
| Unrealized loss on investments | | (876) | - | |
| Disbursed | | - | 182 | |
| | <u>5,284</u> | <u>540</u> | <u>182</u> | <u>5,642</u> |
| Bell Earnings, St Agnes: | | | | |
| Investment income, net of fees | | 906 | - | |
| Realized gain on investments | | 4,109 | - | |
| Unrealized loss on investments | | (8,677) | - | |
| Disbursed | | - | 2,154 | |
| | <u>47,167</u> | <u>(3,662)</u> | <u>2,154</u> | <u>41,351</u> |
| Mary Brady Berry Fund | | | | |
| Investment income, net of fees | | 2,267 | - | |
| Realized gain on investments | | 10,267 | - | |
| Unrealized loss on investments | | (21,683) | - | |
| Disbursed | | - | 5,382 | |
| | <u>136,217</u> | <u>(9,149)</u> | <u>5,382</u> | <u>121,686</u> |
| Total temporarily restricted earnings from endowment funds | <u>\$ 3,037,423</u> | <u>\$ (263,395)</u> | <u>\$ 144,095</u> | <u>\$ 2,629,933</u> |

See independent auditors' report.

**Central Administrative Office of The Diocese of Western North Carolina
 Endowment Funds – Summary of Fund Transactions
 Year Ended December 31, 2018**

**Schedule "8"
 (Continued)**

| | <u>Balances 1/1/18</u> | <u>Revenues</u> | <u>Expenses</u> | <u>Balances 12/31/18</u> |
|---|----------------------------|--------------------|------------------|------------------------------|
| Other Temporarily Restricted Funds in Endowment Funds: | | | | |
| Genevieve Cooper Smith Fund: | | | | |
| Investment income, net of fees | | \$ 426 | \$ - | |
| Realized gain on investments | | 1,922 | - | |
| Unrealized loss on investments | | (4,059) | - | |
| Transfer to operating | | - | 1,008 | |
| | <u>\$ 29,243</u> | <u>(1,711)</u> | <u>1,008</u> | <u>\$ 26,524</u> |
| St. Hilda's Press: | | | | |
| Investment income, net of fees | | 1,391 | - | |
| Realized gain on investments | | 6,322 | - | |
| Unrealized loss on investments | | (13,260) | - | |
| Transfer to operating | | - | 3,315 | |
| Disbursed | | - | 1,500 | |
| | <u>96,207</u> | <u>(5,547)</u> | <u>4,815</u> | <u>85,845</u> |
| St. Paul's Morganton: | | | | |
| Investment income, net of fees | | 4,573 | - | |
| Realized gain on investments | | 20,709 | - | |
| Unrealized loss on investments | | (43,737) | - | |
| Disbursed | | - | 10,857 | |
| | <u>315,106</u> | <u>(18,455)</u> | <u>10,857</u> | <u>285,794</u> |
| Total other temporarily restricted funds in endowment funds | <u>\$ 440,556</u> | <u>\$ (25,713)</u> | <u>\$ 16,680</u> | <u>\$ 398,163</u> |

See independent auditors' report.

**Central Administrative Office of The Diocese of Western North Carolina
 Endowment Funds – Summary of Fund Transactions
 Year Ended December 31, 2018**

**Schedule "8"
 (Continued)**

| | <u>Balances 1/1/18</u> | <u>Revenues</u> | <u>Expenses</u> | <u>Balances 12/31/18</u> |
|---|----------------------------|---------------------|-------------------|------------------------------|
| Board Designated Endowment Funds: | | | | |
| Bishop's Rental: | | | | |
| Investment income, net of fees | | \$ 1,509 | \$ - | |
| Realized gain on investments | | 6,832 | - | |
| Unrealized loss on investments | | (14,430) | - | |
| Transfer to Operating Fund | | - | 3,582 | |
| | <u>\$ 133,961</u> | <u>(6,089)</u> | <u>3,582</u> | <u>\$ 124,290</u> |
| Bishop's Salary: | | | | |
| Investment income, net of fees | | 1,453 | \$ - | |
| Realized gain on investments | | 6,593 | - | |
| Unrealized loss on Investments | | (13,912) | - | |
| Transfer to Operating Fund | | - | 3,398 | |
| | <u>100,277</u> | <u>(5,866)</u> | <u>3,398</u> | <u>91,013</u> |
| Diocesan General Fund: | | | | |
| Additions | | 4,374 | - | |
| Investment income, net of fees | | 3,269 | - | |
| Realized gain on investments | | 14,798 | - | |
| Unrealized loss on investments | | (31,270) | - | |
| Transfer to Operating Fund | | - | 7,799 | |
| Disbursed | | - | 1,309 | |
| | <u>225,073</u> | <u>(8,829)</u> | <u>9,108</u> | <u>207,136</u> |
| Valle Crucis Conference Center: | | | | |
| Investment income, net of fees | | 16,216 | - | |
| Realized gain on investments | | 73,878 | - | |
| Unrealized loss on investments | | (154,832) | - | |
| Disbursed | | - | 57,903 | |
| | <u>1,120,374</u> | <u>(64,738)</u> | <u>57,903</u> | <u>997,733</u> |
| Total Board Designated Endowment Funds | <u>1,579,685</u> | <u>(85,522)</u> | <u>73,991</u> | <u>1,420,172</u> |
| Total endowment funds | <u>\$ 6,364,093</u> | <u>\$ (190,142)</u> | <u>\$ 234,766</u> | <u>\$ 5,939,185</u> |

See independent auditors' report.

**Central Administrative Office of The Diocese of Western North Carolina
Fiduciary Funds – Summary of Fund Transactions
Year Ended December 31, 2018**

Schedule "9"

| | <u>Balances 1/1/18</u> | <u>Additions</u> | <u>Investment Income</u> | <u>Distributions</u> | <u>Balances 12/31/18</u> |
|---------------------------------------|----------------------------|-------------------|------------------------------|----------------------|------------------------------|
| Christ Church Sparta DOT Funds | \$ 11,978 | \$ - | \$ (702) | \$ 413 | \$ 10,863 |
| St. James, Black Mountain | 113,039 | - | (844) | 112,195 | - |
| St. Cyprians | 8,933 | - | (523) | 308 | 8,102 |
| St Agnes Foster | 284,580 | - | (16,667) | 9,805 | 258,108 |
| St. Agnes Memorials | 167,926 | - | (9,835) | 5,786 | 152,305 |
| St. Luke's Asheville | 314,953 | - | (18,446) | 10,851 | 285,656 |
| St. Agnes - Maye Anderson | 12,004 | - | (703) | 414 | 10,887 |
| St. Agnes Slagle Endowment | 7,643 | - | (448) | 263 | 6,932 |
| All Saints - Beymer Fund | 6,042 | - | (354) | 208 | 5,480 |
| St Paul Wilkesboro | 464,284 | - | (25,966) | 40,996 | 397,322 |
| St Andrews Hope for the Future Fund | 10,471 | 15,000 | (1,987) | 361 | 23,123 |
| Our Saviour, Lincolnton | 103,997 | - | (6,124) | 3,703 | 94,170 |
| Lake Logan Endowment Fund | 2,305 | 63,900 | (5,691) | 500 | 60,014 |
| Our Saviour Cemetary Fund | 17,640 | - | (1,000) | 488 | 16,152 |
| Transfiguration Pooled Funds | 23,976 | - | (1,471) | - | 22,505 |
| Holy Cross Valle Crucis Investment Po | 308,929 | - | (18,093) | 10,644 | 280,192 |
| Good Shepherd Tryon Investment Func | 127,455 | - | (7,465) | 4,391 | 115,599 |
| ChurchImpact! | 2,547 | - | - | 60 | 2,487 |
| St. Paul's Morganton Endowment | 78,392 | - | (4,591) | 2,701 | 71,100 |
| All Saints 2017 Endowment Fund | 1,288,074 | - | (75,439) | 44,376 | 1,168,259 |
| Our Saviour Memorial Fund | - | 11,957 | (409) | - | 11,548 |
| Our Saviour Cemetary Interest | - | 5,991 | (205) | - | 5,786 |
| Our Saviour Savings | - | 17,485 | (599) | - | 16,886 |
| Our Saviour Emergency Repair | - | 11,786 | (404) | - | 11,382 |
| Church of the Messiah | - | 10,000 | (448) | - | 9,552 |
| St. John's Haw Creek | 25,695 | 44,000 | (3,012) | 885 | 65,798 |
| Holy Family Mills River | - | 34,872 | (1,594) | - | 33,278 |
| | <u>\$3,380,863</u> | <u>\$ 214,991</u> | <u>\$ (203,020)</u> | <u>\$ 249,348</u> | <u>\$3,143,486</u> |
| Total Fiduciary Funds | | | | | |

See independent auditors' report.

**Central Administrative Office of The Diocese of Western North Carolina
 Interfund Transfers for the Operating Fund – Summary of Fund Transactions
 Year Ended December 31, 2018**

Schedule "10"

| Transfers From | Transfers to | | |
|--------------------------------|-------------------|------------------|-------------|
| | Operating | Board Designated | Restricted |
| Operating fund: | | | |
| Bishop's Transition Fund | \$ - | \$ 4,000 | \$ - |
| General Convention Reserve | - | 14,000 | - |
| Lambeth Reserve | - | 2,000 | - |
| Repair and Maintenance Reserve | - | 2,333 | - |
| Contingency fund | - | 18,168 | - |
| | - | 40,501 | - |
| Board Designated funds: | | | |
| Holy Cross Mt. Holly | 6,311 | - | - |
| Morgan School | 17,564 | - | - |
| Contingency fund | 41,364 | - | - |
| | 65,239 | - | - |
| Restricted funds: | | | |
| New Congregations | 11,278 | - | - |
| Restoration and Maintenance | 12,074 | - | - |
| Human Hurt and Hope | 19,569 | - | - |
| Nell Burns | 617 | - | - |
| Farm Workers | 1,079 | - | - |
| | 44,617 | - | - |
| Endowment funds: | | | |
| Alston fund | 108,987 | - | - |
| Wilkes | 11,962 | - | - |
| Weinhour fund | 8,631 | - | - |
| Smith fund | 1,008 | - | - |
| St. Hilda's Press | 3,315 | - | - |
| Bishop Housing | 3,582 | - | - |
| Bishop Salary | 3,398 | - | - |
| Diocesan General | 7,800 | - | - |
| | 148,683 | - | - |
| | <u>\$ 258,539</u> | <u>\$ 40,501</u> | <u>\$ -</u> |

See independent auditors' report.