

**Bliss Owen, C.P.A.
& Terry Butwid,
Treasurers of the Diocese
2019 Diocesan Audit & Financial Report**

2019 Diocesan Audit & Financial Report

Total Net Assets (M \$'s)

Mengle, Metzger, Barr & Co. LLP completed the 2019 diocesan audit on 8/10/20.

	12/31/19	12/31/18	Change	
Land, Buildings & Other	\$0.1	\$0.2	(\$0.1)	-38%
Loans & Mortgages	\$1.3	\$1.4	(\$0.1)	-5%
Cash & Investments	\$23.3	\$20.4	\$3.0	15%
Total Assets	\$24.8	\$22.0	\$2.8	13%
Liabilities	\$0.6	\$0.1	\$0.5	
Net Assets	\$24.2	\$21.9	\$2.3	11%

Total Net Assets increased by \$2.3 M. (11%), as strong growth of investments was partially offset by *recognition* of post-retirement health benefit obligations (HRA).

2019 Diocesan Audit & Financial Report

Revenue & Expenses

	2019 Budget	2019 Actual	Actual vs. Budget	
<i>Apportionment</i>	\$1,014,366	\$1,014,641	\$275	0%
<i>Investment Income</i>	\$966,000	\$943,150	(\$22,850)	-2%
<i>Total Interest Income</i>	\$40,000	\$24,728	(\$15,272)	-38%
<i>Other Income</i>	\$62,500	\$71,897	\$9,397	
Total Revenue	\$2,082,866	\$2,054,416	(\$28,450)	-1%
Total Operating Expense	\$2,082,866	\$2,044,670	(\$38,196)	-2%
Operating Surplus/Deficit	\$0	\$9,746	\$9,746	
Non-operating expense	\$4,000	\$25,018	\$21,018	
Net impact on Operating Fund	(\$4,000)	(\$15,272)	(\$11,272)	

Total Revenue & Operating Expense were 1% and 2% below budget, respectively, resulting in a ~ \$10,000 operating surplus for 2019.

Diocesan Draws from Investments

Looking back: 2009- 2019

- **2009-2012:** Current draws on cash & investments averaged **9.0%**
- **2016-2019:** Current draws averaged **4.7%**
- *Net Financial Assets* (\$22.6 M.) remain 15% below 2007 peak (\$26.5M.)

Year End Audit Data thru 2019 (\$ M.'s)
Adjusted for FHFO & Capital

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net Draw / Fin. Assets:	\$1.771	\$1.576	\$1.490	\$1.450	\$1.361	\$1.221	\$1.024	\$0.924	\$1.041	\$0.975	\$0.983
Loans & Mortgages *	3.436	2.920	2.883	2.660	2.539	2.114	1.950	1.741	\$1.471	\$0.858	\$0.817
Cash & Investments	\$16.529	\$17.539	\$15.829	\$15.095	\$17.576	\$17.736	\$17.064	\$17.559	\$20.801	\$19.469	\$21.787
Net Financial Assets	\$19.966	\$20.459	\$18.712	\$17.755	\$20.115	\$19.850	\$19.014	\$19.300	\$22.272	\$20.327	\$22.603
Trailing, Audited 5-YR Avg.	\$23.4	\$23.2	\$22.9	\$22.4	\$21.5	\$20.2	\$19.2	\$19.5	\$19.3	\$19.1	\$19.7
(% Trailing 5-YR Avg.)	7.6%	6.8%	6.5%	6.5%	6.3%	6.0%	5.3%	4.7%	5.4%	5.1%	5.0%
Current Draw/Cash & Investments	9.7%	8.5%	8.8%	9.1%	7.3%	6.5%	5.6%	4.9%	4.7%	4.8%	4.4%

* excludes restricted loan funds

Diocesan Draws from Investments

Looking Forward: 2020 - 2025

Year End Audit Data thru 2019 (\$ M.'s)

Adjusted for FHFO & Capital

	2018	2019	YEE 2020	Budget 2021	Projected			
					2022	2023	2024	2025
Net Draw / Fin. Assets:	\$0.975	\$0.983	\$0.997	\$0.977	\$0.987	\$0.987	\$0.987	\$0.987
Loans & Mortgages *	\$0.858	\$0.817	\$0.817	\$0.817	\$0.817	\$0.817	\$0.817	\$0.817
Cash & Investments	\$19.469	\$21.787	\$22.103	\$22.476	\$22.861	\$23.269	\$23.702	\$24.161
Net Financial Assets	\$20.327	\$22.603	\$22.920	\$23.292	\$23.677	\$24.086	\$24.519	\$24.977
Trailing, Audited 5-YR Avg.	\$19.1	\$19.7	\$20.1	\$20.6	\$21.1	\$21.8	\$22.5	\$22.8
(% Trailing 5-YR Avg.)	5.1%	5.0%	4.9%	4.8%	4.7%	4.5%	4.4%	4.3%
Current Draw/Cash & Investments	4.8%	4.4%	4.5%	4.3%	4.3%	4.2%	4.1%	4.1%

CYE

PYE

* excludes restricted loan funds

- IF over the next 5 years returns average 6%,
- AND inflation averages 2%,
- THEN, *Real Returns* (and our DRAWS) should both be about 4%.

2019 Diocesan Audit & Financial Report

Resolution

Resolved: That the 89th Convention of the Episcopal Diocese of Rochester accepts the 2019 Audit and Financial Report, as prepared by the firm of Mengel Metzger Barr & Co., LLC, presented by our Diocesan Treasurers and accepted by the Diocesan Trustees.

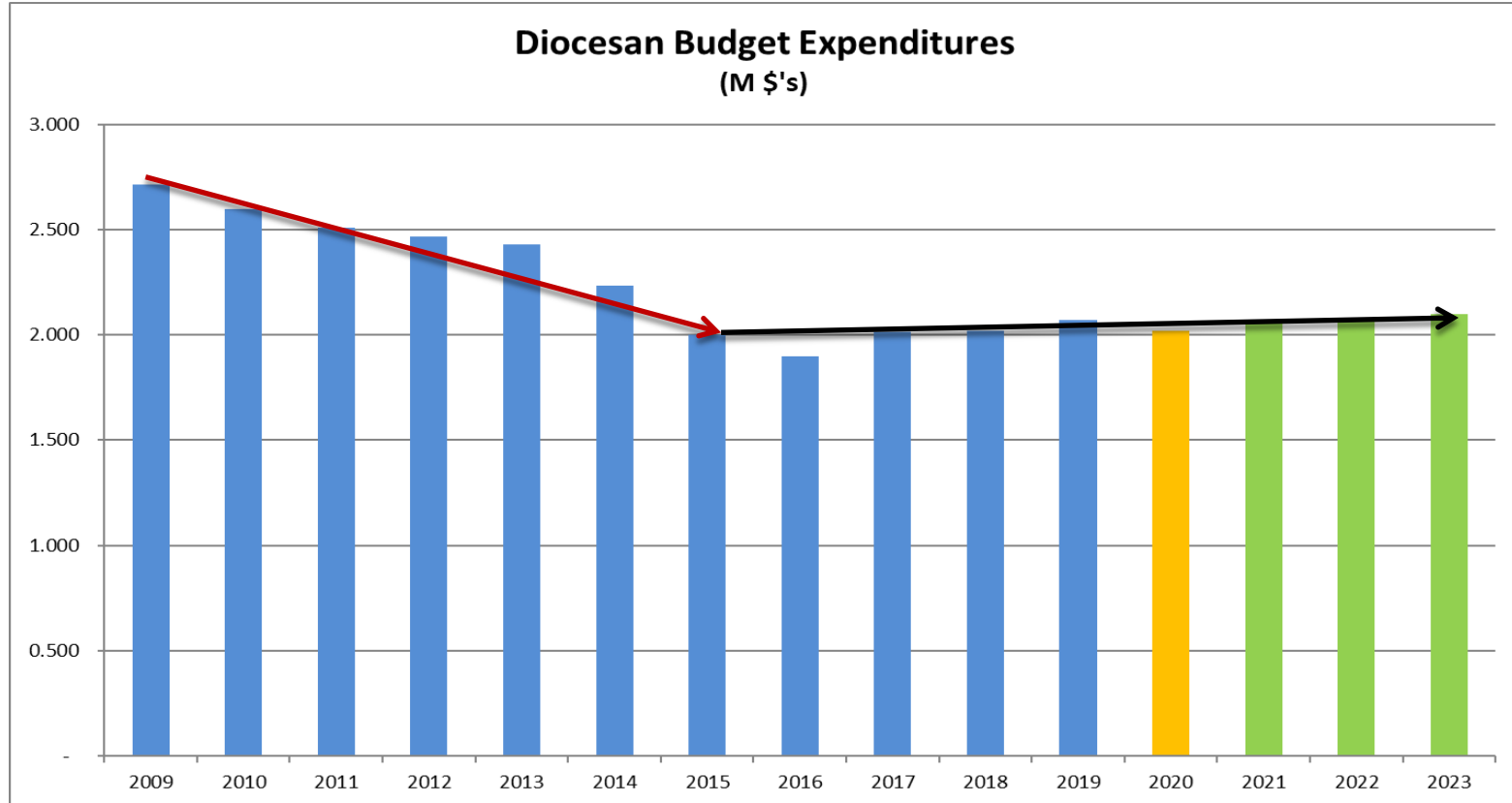
Todd Rubiano

Chief Financial Officer

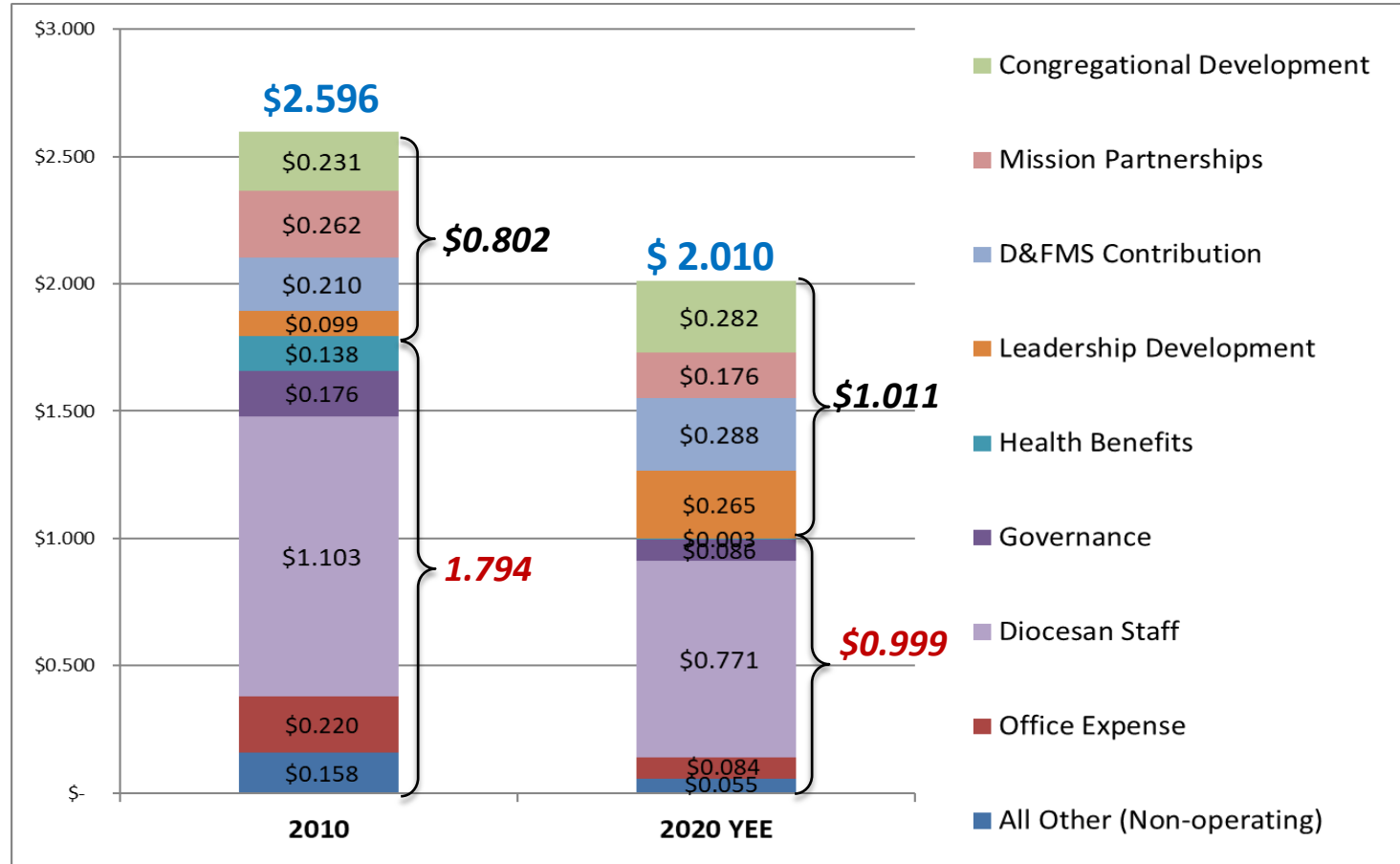
2021 Diocesan Budget

Diocesan Budget Expenditures

'09 -'19 Actual, '20 YEE, '21-'23 Projected



2010 vs. 2020 YEE Expenses by Category (\$M)



2021 Apportionment Formula

Expand the 10% Rate Range

Based on Parish Normal Operating Income (NOI):

- 10% of the first \$135,000 of operating income
- And, 15.5% of income > \$135,000
- Then, apply a 3% “cap & floor”, to limit annual increases/decreases

*Expanding the 10% rate range to \$135,000 and maintaining a 3% cap/floor results in 2021 Apportionment of **\$1,025,032 (+0.9%)***

2021 Apportionment

- When Parish Income changes significantly, the *cap and floor* limits the change in apportionment in any one year.
- Trinity, Geneva experienced a large drop in income, resulting in a 2021 *Effective Rate* of apportionment of close to 25% (vs. 10% *Formula Rate*).
- Adjust Apportionments (for one year) by “capping” ***Effective Rate* ≤ *Formula Rate* + 3% pts.** (impacts 4 churches):

Parish Apportionment:	2018	2019	2020	2021			Effective Rate	Formula Rate	Rate Diff. (Pts.)	Previous Amount
	Operating Income	Operating Income	Budgeted Apportionment	Apportionment Cap & Floor (+/-)	Change vs. 2020 (\$)	(%)				
				3.0%						
Geneva, Trinity	216,514	96,693	24,629	12,570	(12,059)	-49.0%	13.0%	10.0%	3.0%	23,890
Sodus, St. John's	39,482	43,540	6,859	5,660	(1,199)	-17.5%	13.0%	10.0%	3.0%	6,653
Palmyra, Zion Church	107,879	100,974	14,727	13,127	(1,601)	-10.9%	13.0%	10.0%	3.0%	14,285
Savona, Good Shepherd	31,340	21,077	2,911	2,740	(171)	-5.9%	13.0%	10.0%	3.0%	2,824

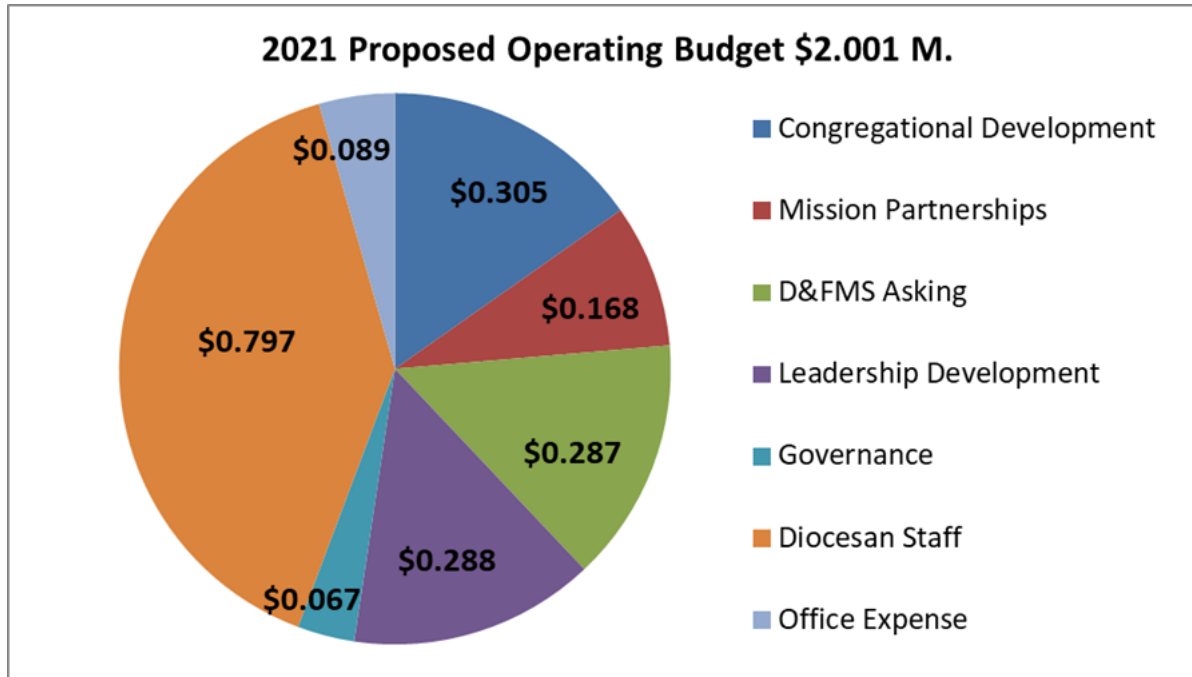
- Capping the maximum *Effective Rate* reduces apportionment by \$13,556 (applied as *credits* to 2021 apportionment) to **\$1,011,476.**

2021 Budget: Draw from Investments

	2018	2019	YEE 2020	Budget 2021	Projected			
					2022	2023	2024	2025
Diocesan Budget:								
Apportionment	\$0.998	\$1.015	\$0.965	\$1.011	\$1.003	\$1.023	\$1.033	\$1.044
Draw from Investments	\$0.971	\$0.943	\$0.991	\$0.954	\$0.963	\$0.963	\$0.963	\$0.963
Loan Interest	\$0.045	\$0.025	\$0.024	\$0.024	\$0.024	\$0.024	\$0.024	\$0.024
Other Income	\$0.047	\$0.072	\$0.048	\$0.070	\$0.080	\$0.090	\$0.100	\$0.110
TOTAL INCOME	\$2.060	\$2.054	\$2.028	\$2.059	\$2.070	\$2.100	\$2.120	\$2.141
Net Draw / Fin. Assets:	\$0.975	\$0.983	\$0.997	\$0.977	\$0.987	\$0.987	\$0.987	\$0.987
Trailing, Audited 5-YR Avg.	\$19.1	\$19.7	\$20.1	\$20.6	\$21.1	\$21.8	\$22.5	\$22.8
(% Trailing 5-YR Avg.)	5.1%	5.0%	4.9%	4.8%	4.7%	4.5%	4.4%	4.3%

- 2021 Draw of ~ **\$977,000 = 4.8%** of the trailing 5 Year balance.
- Along with *Apportionment* & *Other Income* (Grants & Bishop's Appeal), provides total income of **\$2.059 M.** to fund the 2021 Budget.

2021 Operating Budget



PROGRAM: ~ \$1,048,000 (CDP & Mission Grants, D&FMS, Leadership)

ADMINISTRATION: ~ \$953,000 (Governance, Staff & Office Expenses)

PLUS Non-Operating Draw & Expense: ~ \$58,000 (Post-retirement health benefits)

2021 Diocesan Budget

Resolution

Resolved, that the 89th Convention of the Episcopal Diocese of Rochester accepts the 2021 Diocesan Budget of \$2,058,532; including approving apportionment of \$1,011,476, as recommended by Diocesan Council; with thanks to the Committees for their work and to all our churches through whom mission and ministry are undertaken.