EPISCOPAL DIOCESE OF ROCHESTER

ROCHESTER, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021
(With Comparative Totals for 2020)

MMB

MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

CONTENTS

MMB
MENGEL METZGER BARR & CO. LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Diocesan Trustees of the
Episcopal Diocese of Rochester

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the Episcopal Diocese of Rochester (the "Diocese"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net (deficiency) assets and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects on the financial statements relating to the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Diocese of Rochester as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

The Diocese has not adopted the accounting or disclosure requirements for functional expenses. Generally Accepted Accounting Principles require the disclosure of functional expenses in the financial statements. The Diocese has also elected to recognize grant revenue in the year received, disregarding any unconditional gifts which have not been received. As a result, for the year ended December 31, 2021, revenue is overstated by $40,000 and net assets are understated by $55,000 and for the year ended December 31, 2020, revenue is overstated by $45,000 and net assets are understated by $95,000. In 2018, the Diocese had also excluded a liability regarding their post retirement benefit plan, (Note H, page 20). In 2021 and 2020, the Diocese properly recorded the liability related to clergy and lay employees, however rather than restating prior years amounts as required by Generally Accepted Accounting Principles, the Diocese has presented the initial liabilities as of January 1, 2020 as a separate line in the statement of activities and changes in net (deficiency) assets in the amount of $209,930.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Episcopal Diocese of Rochester and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

100 Chestnut Street | Suite 1200 | Rochester, NY 14604 | P 585.423.1860 | F 585.423.5966 | mengelmetzgerbarr.com
Additional Offices: Elmira, NY • Canandaigua, NY • Hornell, NY • An Independent Member of the BDO Seidman Alliance

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Episcopal Diocese of Rochester's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Episcopal Diocese of Rochester's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Episcopal Diocese of Rochester's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other financial information (page 31), for the year ended December 31, 2021, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements 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, except for the effect on the supplementary information as described in the Basis for Qualified Opinion section of our report, the information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Summarized Comparative Information

We have previously audited Episcopal Diocese of Rochester's December 31, 2020 financial statements, and we expressed a qualified opinion on those audited financial statements in our report dated August 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
August 15, 2022

EPISCOPAL DIOCESE OF ROCHESTER

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions				With Donor Restrictions			December 31, 2021	December 31, 2020
ASSETS	Operating	Special Purpose	Real Estate	Total	Endowment	By Donors	Total	Total All Funds	Total All Funds
Cash and cash equivalents	$ 252,433	$ -	$ -	$ 252,433	$ -	$ 180,028	$ 180,028	$ 432,461	$ 375,113
Mortgage and loans receivable, net	-	660,608	-	660,608	-	403,770	403,770	1,064,378	1,198,497
Prepaids and other assets	23,210	-	-	23,210	-	-	-	23,210	28,810
Investments	-	21,464,072	-	21,464,072	1,149,846	4,519,542	5,669,388	27,133,460	24,065,686
Due from (to) other funds	(14,563)	8,115	-	(6,448)	-	6,448	6,448	-	-
Land, buildings and equipment, net	-	-	81,158	81,158	-	-	-	81,158	108,910
TOTAL ASSETS	$ 261,080	$ 22,132,795	$ 81,158	$ 22,475,033	$ 1,149,846	$ 5,109,788	$ 6,259,634	$ 28,734,667	$ 25,777,016
LIABILITIES AND NET (DEFICIENCY) ASSETS									
LIABILITIES									
Accounts payable	$ 13,854	$ -	$ -	$ 13,854	$ -	$ -	$ -	$ 13,854	$ 12,247
Accrued liabilities and other	683,364	-	-	683,364	-	-	-	683,364	732,231
TOTAL LIABILITIES	697,218	-	-	697,218	-	-	-	697,218	744,478
NET (DEFICIENCY) ASSETS									
Without donor restrictions	(436,138)	22,132,795	81,158	21,777,815	-	-	-	21,777,815	19,286,685
With donor restrictions	-	-	-	-	1,149,846	5,109,788	6,259,634	6,259,634	5,745,853
TOTAL NET (DEFICIENCY) ASSETS	(436,138)	22,132,795	81,158	21,777,815	1,149,846	5,109,788	6,259,634	28,037,449	25,032,538
TOTAL LIABILITIES AND NET (DEFICIENCY) ASSETS	$ 261,080	$ 22,132,795	$ 81,158	$ 22,475,033	$ 1,149,846	$ 5,109,788	$ 6,259,634	$ 28,734,667	$ 25,777,016

The accompanying notes are an integral part of the financial statements

EPISCOPAL DIOCESE OF ROCHESTER

STATEMENT OF ACTIVITIES AND CHANGES IN NET (DEFICIENCY) ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions				With Donor Restrictions			December 31, 2021	December 31, 2020
	Operating	Special Purpose	Real Estate	Total	Endowment	By Donors	Total	Total All Funds	Total All Funds
REVENUE									
Parish Support	$ 1,012,989	$ -	$ -	$ 1,012,989	$ -	$ -	$ -	$ 1,012,989	$ 967,640
Interest on mortgages and loans	22,903	-	-	22,903	-	11,379	11,379	34,282	35,373
Other	102,713	-	-	102,713	-	-	-	102,713	63,316
TOTAL REVENUE	1,138,605	-	-	1,138,605	-	11,379	11,379	1,149,984	1,066,329
EXPENSES									
Mission outside the Diocese	286,522	-	-	286,522	-	-	-	286,522	287,814
Mission within the Diocese	166,825	-	-	166,825	-	-	-	166,825	176,150
Congregational development	312,150	-	-	312,150	-	-	-	312,150	278,950
Leadership development	263,616	-	-	263,616	-	-	-	263,616	238,614
Governance, committees and missioners	77,336	-	-	77,336	-	-	-	77,336	89,651
Executive staff	353,866	-	-	353,866	-	-	-	353,866	347,703
Support staff	424,958	-	-	424,958	-	-	-	424,958	424,194
Office Expense	87,164	-	-	87,164	-	-	-	87,164	86,411
Distributions to beneficiaries	-	18,764	-	18,764	-	22,630	22,630	41,394	47,940
Loan forgiveness	-	-	-	-	-	-	-	-	20,131
Depreciation	-	-	812	812	-	-	-	812	917
	1,972,437	18,764	812	1,992,013	-	22,630	22,630	2,014,643	1,998,475
EXPENSES IN EXCESS OF REVENUE	(833,832)	(18,764)	(812)	(853,408)	-	(11,251)	(11,251)	(864,659)	(932,146)
Gain on disposal of assets	-	-	27,060	27,060	-	-	-	27,060	-
Impairment loss on land, buildings and equipment	-	-	(75,000)	(75,000)	-	-	-	(75,000)	-
Transfer of property from third parties	-	-	115,000	115,000	-	-	-	115,000	-
Non-operating expenses	(49,057)	-	-	(49,057)	-	-	-	(49,057)	(3,509)
Change in post retirement benefit obligation	48,717	-	-	48,717	-	-	-	48,717	(20,581)
Investment income, net	-	3,043,919	-	3,043,919	-	758,931	758,931	3,802,850	1,977,301
CHANGE IN NET ASSETS	(834,172)	3,025,155	66,248	2,257,231	-	747,680	747,680	3,004,911	1,021,065
Net assets at beginning of year	(483,403)	19,661,178	108,910	19,286,685	1,149,846	4,596,007	5,745,853	25,032,538	24,221,403
Spending policy transfer	892,718	(616,418)	-	276,300	-	(276,300)	(276,300)	-	-
Other post retirement benefit transition obligation	-	-	-	-	-	-	-	-	(209,930)
Inter-fund transfers	(11,281)	62,880	(94,000)	(42,401)	-	42,401	42,401	-	-
NET (DEFICIENCY) ASSETS AT END OF YEAR	$ (436,138)	$ 22,132,795	$ 81,158	$ 21,777,815	$ 1,149,846	$ 5,109,788	$ 6,259,634	$ 28,037,449	$ 25,032,538

The accompanying notes are an integral part of the financial statements

EPISCOPAL DIOCESE OF ROCHESTER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions				With Donor Restrictions			December 31, 2021	December 31, 2020
	Operating	Special Purpose	Real Estate	Total	Endowment	By Donors	Total	Total All Funds	Total All Funds
CASH FLOWS - OPERATING ACTIVITIES									
Change in net assets	$ (834,172)	$ 3,025,155	$ 66,248	$ 2,257,231	$ -	$ 747,680	$ 747,680	$ 3,004,911	$ 1,021,065
Adjustments to reconcile change in net (deficiency) assets to net cash used for operating activities:									
Depreciation	-	-	812	812	-	-	-	812	917
Realized and unrealized gain on investments, net	-	(3,043,919)	-	(3,043,919)	-	(758,931)	(758,931)	(3,802,850)	(1,977,301)
Gain on disposal of assets	-	-	(27,060)	(27,060)	-	-	-	(27,060)	-
Impairment loss on land, buildings and equipment	-	-	75,000	75,000	-	-	-	75,000	-
Changes in certain assets and liabilities affecting operations:									
Due to (from) other funds	(3,760)	3,436	-	(324)	-	324	324	-	-
Prepaids and other assets	5,600	-	-	5,600	-	-	-	5,600	1,665
Accounts payable	1,607	-	-	1,607	-	-	-	1,607	(511)
Accrued liabilities	(48,867)	-	-	(48,867)	-	-	-	(48,867)	(33,474)
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(879,592)	(15,328)	115,000	(779,920)	-	(10,927)	(10,927)	(790,847)	(987,639)
CASH FLOWS - INVESTING ACTIVITIES									
Changes in mortgages and loans receivable, net	-	101,602	-	101,602	-	32,517	32,517	134,119	107,583
Sales of investments	-	705,125	-	705,125	-	276,300	276,300	981,425	1,515,156
Transfer of property from third parties	-	-	(115,000)	(115,000)	-	-		(115,000)	-
Purchase of investments	-	(237,861)	-	(237,861)	-	(8,488)	(8,488)	(246,349)	(2,044,349)
Proceeds from the sale of buildings and equipment	-	-	94,000	94,000	-	-	-	94,000	-
Spending policy transfer	892,718	(616,418)	-	276,300	-	(276,300)	(276,300)	-	-
Inter-fund transfer	(11,281)	62,880	(94,000)	(42,401)	-	42,401	42,401	-	-
NET CASH PROVIDED FROM (USED FOR) INVESTING ACTIVITIES	881,437	15,328	(115,000)	781,765	-	66,430	66,430	848,195	(421,610)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	1,845	-	-	1,845	-	55,503	55,503	57,348	(1,409,249)
Cash and cash equivalents and restricted cash at beginning of year	250,588	-	-	250,588	-	124,525	124,525	375,113	1,784,362
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 252,433	$ -	$ -	$ 252,433	$ -	$ 180,028	$ 180,028	$ 432,461	$ 375,113
NON-CASH OPERATING ACTIVITY									
Increase in accrued liabilities due to other post retirement benefit transition obligation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 209,930

The accompanying notes are an integral part of the financial statements

NOTE A: THE DIOCESE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Diocese

The Episcopal Diocese of Rochester (the “Diocese”) was formed in December 1931. It stretches from Lake Ontario south to Pennsylvania, its east and west borders are formed by the Diocese of Central New York and the Diocese of Western New York. The Diocese comprises Episcopal congregations throughout eight counties in the State of New York. These are Steuben, Allegany, Schuyler, Yates, Livingston, Ontario, Wayne and Monroe Counties. It includes 45 active congregations and several summer and institutional chapels.

The vision and mission of the Diocese are described as follows:

- Vision – “Joy in Christ, as a way of life”
- Mission – “Grow and develop congregations spiritually, numerically and in missional leadership”

The Diocese is rich in material and spiritual resources and in people able and willing to use them.

Basis of accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), except for the items noted below:

	Generally Accepted Accounting Principles	Diocese Accounting Principles
Functional expense schedule including cost allocation disclosure	A schedule of functional expenses, by program, is required to be presented along with a disclosure for the method of allocating costs to the programs.	Schedule and disclosure are omitted.
Grant revenue and related receivable	Unconditional grants are required to be fully recognized in the period which the Organization received notification and a related receivable should also be recorded.	Grant revenue is recognized when payment is received from the grantor.

NOTE A: THE DIOCESE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Financial statement presentation

The assets, liabilities, and net assets of the Diocese are classified as follows:

Without Donor Restrictions: Represents net assets available for use without any donor-imposed restrictions. The following funds without donor restrictions are maintained by the Diocese:

Operating: This fund is used to account for all resources which are intended for current operating activities. In addition, a significant portion of the income from investments held in other funds is transferred to the operating fund to support operations.

Special Purpose: This fund includes the Board Endowment investments and Housing Loan Fund.

Real Estate: This fund includes the Diocese's net investment in land, buildings and equipment.

With Donor Restrictions: Represents net assets that have donor-imposed restrictions that require the Diocese to treat the donated asset as specified. The following restricted funds are maintained by the Diocese:

Endowment: This fund consists of amounts contributed to the Diocese that are both perpetually restricted, the earnings from which are available to support operating activities and amounts restricted to specific purposes.

By Donors: This fund consists of amounts that are restricted by the donor for a specified purpose, as well as amounts belonging to parishes in the Diocese deposited with the Diocese for investment management purposes

Cash and cash equivalents

Cash balances are maintained at various financial institutions located in Upstate New York and are insured by the FDIC up to $250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Diocese has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash. Cash equivalents include money market accounts.

Mortgages and loans receivable

Mortgages and loans receivable represent amounts due to the Diocese under loan agreements with parishes, clergy and buyers of closed church properties. Loans are stated at unpaid principal balances, less an allowance for loan losses. The Diocese periodically evaluates the loan for collectability based on inherent collection risks and adverse situations that may affect the borrower's ability to repay. Loans for which no contractual payments have been received for a period of time are considered delinquent. After all collection efforts are exhausted, any amounts deemed uncollectible based upon an assessment of the debtor's financial condition are written off. The Diocese believes that no allowance for loan loss is necessary at December 31, 2021 and 2020.

Loans are placed on nonaccrual status when management believes collection of interest is doubtful. As of December 31, 2021 and 2020, the Diocese did not have any loans on nonaccrual status.

NOTE A: THE DIOCESE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Investments

Investments are stated at fair value. The fair value of all debt and equity securities with readily determinable fair values are based on quotations obtained from national security agencies. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The Diocese reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a market for these securities existed. Due to the risk associated with certain investment securities, it is at least reasonably possible that changes in the fair value of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Land, buildings and equipment

Land, buildings and equipment of the Diocese are stated at cost. However, missions (parish churches, which are not self-supporting) and other properties which were reverted back to the Diocese are recorded at the appraised value or estimated fair value at the time the Diocese obtained possession of the property. The Diocese's policy is to capitalize property and equipment in excess of $2,500, which have a useful life of greater than three years. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets, which are as follows:

Buildings and building improvements	40 Years
Equipment	3-10 Years

The Diocese periodically reviews its land, buildings and equipment for impairment. When there is an impairment indicator, the Diocese determines whether the land, buildings or equipment are impaired. In performing this analysis, potential alternatives and probabilities thereof are considered. Should these considerations change, an impairment could occur which could impact the results of operations. In cases where the Diocese does not expect to recover carrying costs, the Diocese recognizes an impairment loss.

Impairment loss on land, buildings and equipment

In December 2021, the Diocese determined land and buildings related to the St. Peter's Episcopal Church located in East Bloomfield, NY to be impaired due to the property selling for less than the value initially recorded upon the property reverting to the Diocese in October 2021. At December 31, 2021, the impaired land and buildings had a gross and net book value of $115,000. The Diocese recognized an impairment loss equal to the variance in sale price versus carrying cost of $75,000. The impairment loss and corresponding impairment reserve are included in the accompanying statement of financial position and statement of activities and changes in net (deficiency) assets. A purchase and sale agreement was signed in April 2022; however, the sale is pending as of the report date.

Tax exempt status

The Diocese is a not-for-profit corporation and is exempt from income taxes as a religious organization. The Diocese has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

NOTE A: THE DIOCESE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Revenue recognition

A majority of the Diocesan revenue is generated through parish support through annual appropriations. Appropriations are established annually by the Diocesan Council and are based on the parishes normal operating income submitted on the Annual Parochial Report. The parishes make monthly payments equal to one-twelve of the annual amount and the Diocese recognizes the revenue evenly throughout the year.

Interest on mortgages and loans is recognized over the term of the mortgage or loan and is calculated using the simple-interest method on principal amounts outstanding.

As described under the basis of accounting, the Diocese recognizes unconditional contributions and grants when payment is received.

Use of estimates

The preparation of financial statements 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 and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Comparative totals as of December 31, 2020

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with The Diocese's financial statements that the year ended December 31, 2020, from which the summarized information was derived.

New accounting pronouncement - leases

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among entities by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. For nonpublic entities, the FASB voted on May 20, 2020, to extend the guidance in this new standard to be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Diocese is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Diocese's financial position or results of operations.

Subsequent events

The Diocese has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through August 15, 2022, which is the date the financial statements are available to be issued. See impairment loss on land, buildings and equipment note above in Note A.

NOTE B: MORTGAGES AND LOANS RECEIVABLE

Mortgages and loans receivable consisted of the following:

	December 31,	
	2021	2020
Without Donor Restrictions		
Clergy housing loan fund	$ 113,145	$ 154,706
Community development loans	547,463	607,504
	660,608	762,210
With Donor Restrictions		
Sibley revolving loan fund	403,770	436,277
Bishop loan fund	-	10
	403,770	436,287
	$ 1,064,378	$ 1,198,497

Mortgages and loans receivable bear interest at rates ranging from 0.0% to 5.0% and mature at various dates through January 2042. Approximately $436,000 and $493,000 of the balance of the receivables outstanding at December 31, 2021 and 2020, respectively, are secured by first and second mortgages. All remaining amounts outstanding are unsecured.

Effective February 2018, The Trustees of the Diocese authorized an early payment discount on the Community Development Loans (CDL) of up to 35% (to be calculated with a discount rate of 9% over the remaining term of the loan). This early payment discount was offered to the nine parishes with CDL loans if they wish to partially or fully pay-off these low interest loans by December 31, 2018. The Diocese extended the early payment discount twice through December 31, 2020. Since authorization, eight of the parishes have paid their discounted loan in full or made partial payments, totaling approximately $372,000. One parish refinanced two outstanding loans. The discounts related to the early payment discount was approximately $20,000 as of December 31, 2020, and are included as loan forgiveness on the accompanying statement of activities and changes in net (deficiency) assets. There were no discounts related to early payment discount as of December 31, 2021.

NOTE B: MORTGAGES AND LOANS RECEIVABLE, Cont'd

Principal payments due to be received on mortgages and loans receivable are as follows:

For the year ending December 31,	Amount
2022	$ 157,714
2023	152,378
2024	140,369
2025	121,971
2026	75,261
Thereafter	416,685
	$ 1,064,378

NOTE C: INVESTMENTS

Prior to January 2014, the Diocese served as the intermediary custodian of funds held for the benefit of certain congregations and other organizations. As intermediary custodian, the Diocese served as a fiscal intermediary for the parishes to administratively transact their funds. These funds are invested with Canandaigua National Bank (CNB), the custodian of the Diocesan Combined Endowment, with investment income allocated to the benefit of each congregation or organization. Prior to January 2014, the Diocesan statement of financial position included the entire asset value of the CNB Combined Endowment. Effective January 2014, CNB moved to direct administration of investment deposits, withdrawals and other transactions with the congregations in the Diocesan Combined Endowment, and as such, the Diocese did not serve as intermediary custodian of the funds subsequent to this change. In 2014, the Diocese removed the investments of these parishes and congregations, and the related Funds Held for Others liability, from their financial statements and there was no effect on net assets. However, these funds continue to be invested together at CNB. During 2021 and 2020, the Diocese invested additional Diocesan controlled funds in a separate account with CNB but not included in the combined endowment. The following investment and fair value disclosures pertain to the total fund and all accounts at CNB.

NOTE C: INVESTMENTS, Cont'd

The composition of the investments at CNB is as follows:

	December 31, 2021	December 31, 2020
Diocesan funds	$ 23,002,611	$ 20,355,291
Parishes and other organizations for which the Diocese is Trustee	2,717,048	2,287,421
Total Diocesan Trusteed Combined Endowment	25,719,659	22,642,712
Non-Trusteed funds belonging to other parishes in the Diocese	10,596,017	9,385,617
Total Combined Endowment	36,315,676	32,028,329
Diocesan funds - not included in Combined Endowment	1,413,801	1,422,974
Total Investments at CNB	$ 37,729,477	$ 33,451,303

The fair value of investments at CNB consisted of the following:

	December 31, 2021	December 31, 2020
Investments, stated at fair value:		
Money market funds	$ 771,531	$ 1,494,663
Certificates of deposit	500,857	250,000
U.S. government obligations	504,746	619,330
Corporate bonds	2,200,347	2,161,759
Fixed income funds	4,926,416	4,532,758
Large cap mutual funds	2,028,993	-
Mid cap mutual funds	2,488,468	2,174,869
Equity mutual funds	599,610	658,938
Common stock	18,007,317	14,631,226
Investments measured at net asset value	5,701,192	6,927,760
Total investments at CNB	$ 37,729,477	$ 33,451,303

The Diocese owns approximately a 71% pro-rata share of each individual investment class included in the Combined Endowment Fund as of December 31, 2021 and 2020.

NOTE C: INVESTMENTS, Cont'd

Investment income

The Diocese recorded the following investment income for the years ended:

	December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	$ 339,750	$ 83,147	$ 422,897
Gain on investments	2,824,310	705,579	3,529,889
Investment related expenses	(120,141)	(29,795)	(149,936)
	$ 3,043,919	$ 758,931	$ 3,802,850

	December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	$ 306,398	$ 92,699	$ 399,097
Gain on investments	1,707,170	(2,387)	1,704,783
Investment related expenses	(93,731)	(32,848)	(126,579)
	$ 1,919,837	$ 57,464	$ 1,977,301

NOTE D: FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

Level 1 Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Investments included in level 1 may include equity securities, mutual funds, and exchange traded funds.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology that are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020:

Money market funds, U.S. government obligations, fixed income funds, mid cap mutual funds, large cap mutual funds, equity mutual funds and common stock: Valued at the closing price reported on the active market on which the individual funds are traded.

NOTE D: FAIR VALUE MEASUREMENTS, Cont'd

Corporate bonds: Valued by third party brokers based on terms and conditions using trades, bid price or spread, two sided markets, quotes, benchmark curves, discount rates, financial statements and trustee reports.

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

The following table sets forth by level within the fair value hierarchy, the assets held in the CNB Combined Endowment Fund at fair value at December 31, 2021 and 2020:

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 771,531	$ -	$ -	$ 771,531
Certificates of deposit	500,857	-	-	500,857
U.S. government obligations	504,746	-	-	504,746
Corporate bonds	-	2,200,347	-	2,200,347
Fixed income funds	4,926,416	-	-	4,926,416
Large cap mutual funds	2,028,993	-	-	2,028,993
Mid cap mutual funds	2,488,468	-	-	2,488,468
Equity mutual funds	599,610	-	-	599,610
Common stock	18,007,317	-	-	18,007,317
Investments measured at net asset value	-	-	-	5,701,192
	$ 29,827,938	$ 2,200,347	$ -	$ 37,729,477

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,494,663	$ -	$ -	$ 1,494,663
Certificates of deposit	250,000	-	-	250,000
U.S. government obligations	619,330	-	-	619,330
Corporate bonds	-	2,161,759	-	2,161,759
Fixed income funds	4,532,758	-	-	4,532,758
Mid cap mutual funds	2,174,869	-	-	2,174,869
Equity mutual funds	658,938	-	-	658,938
Common stock	14,631,226	-	-	14,631,226
Investments measured at net asset value	-	-	-	6,927,760
	$ 24,361,784	$ 2,161,759	$ -	$ 33,451,303

NOTE E: LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following:

	December 31, 2021	December 31, 2020
Land	$ 56,758	$ 51,662
Buildings and improvements	455,453	412,489
Equipment	33,353	33,353
	545,564	497,504
Less accumulated depreciation	(389,406)	(388,594)
Less impairment reserve	(75,000)	-
	$ 81,158	$ 108,910

NOTE F: RETIREMENT AND BENEFIT PLANS

Retirement Plans

Diocesan clergy participate in the Church Pension Fund of the National Episcopal Church. Under the terms of this plan, the Diocese contributes 18% of each employee's salary to the plan. Employer contributions were approximately $65,700 and $64,600 for the years ended December 31, 2021 and 2020, respectively.

The Diocese sponsors a defined contribution plan for full-time lay employees. Under the terms of this plan, the Diocese contributes up to 12% of each employee's salary to the plan. In addition, employees are allowed to make elective tax-deferred contributions. Employer contributions were approximately $49,900 and $48,900 for the years ended December 31, 2021 and 2020, respectively.

NOTE G: COMMITMENTS

The Diocese leases office equipment under a lease agreement, which expires in August 2023, and requires monthly payments of $178. The Diocese leases office space under an agreement that requires monthly payments of $2,250 through December 2022. The Diocese recognized approximately $31,600 and $28,100 in lease expense for the years ended December 31, 2021 and 2020, respectively.

The future minimum payments on these agreements are as follows:

For the year ending December 31,	Amount
2022	$ 29,140
2023	1,427
	$ 30,567

NOTE H: POSTRETIREMENT BENEFITS/HEALTH REIMBURSEMENT ACCOUNTS

The Diocese provides certain health care and life insurance benefits for retired clergy that meet certain requirements such as age and employment history. Effective January 1, 2020, the Diocese added a new post retirement benefit plan for lay employees. Beginning January 1, 2020, the contribution amount is included in the annual calculation of the postretirement benefit. The Diocese has recorded an obligation related to the postretirement benefits at December 31, 2021 and 2020 in the amounts of $683,364 and $732,081, respectively, which are included in accrued liabilities and other in the accompanying statement of financial position.

Certain information involving Postretirement Benefits is summarized as follows:

	December 31, 2021	December 31, 2020
Benefit obligation	$ 683,364	$ 732,081
Fair value of plan assets	-	-
Funded Status	$ (683,364)	$ (732,081)
Accumulated benefit obligation	$ 683,364	$ 732,081
Amounts recognized in the statement of financial position, included in accrued liabilities and other	$ (683,364)	$ (732,081)

	Year Ended December 31, 2021	Year Ended December 31, 2020
Benefit cost	$ 40,079	$ 39,033
Employer contributions	50,600	53,475
Benefits paid	50,600	53,475
Weighted average assumptions as of December 31, 2021 and 2020		
Discount rate for benefit obligations	2.60%	3.00%

For measurement purposes, an annual rate of increase for the per capita cost of health care benefits was not used due to the benefits being capped at $900 per year.

The contribution to the postretirement benefits for the year ending December 31, 2022 is expected to be approximately $52,000.

NOTE H: POSTRETIREMENT BENEFITS/HEALTH REIMBURSEMENT ACCOUNTS, Cont'd

During 2020, the Trustees of the Diocese have designated funds, to supplement certain donor restricted funds, in order to cover the accumulated benefit obligation for clergy. In 2021, the Trustees designated additional funds to cover the accumulated benefit obligation related to lay employees.

Estimated future benefit payments, which reflect future service, are expected to be paid as follows:

Year ending December 31,	Postretirement benefits
2022	$ 52,244
2023	51,787
2024	50,664
2025	50,045
2026	49,001
2027-2031	226,283
	$ 480,024

Effective January 1, 2020, the Diocese no longer accepts new participants into its clergy Health Reimbursement Account (HRA) plan.

NOTE I: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	December 31, 2021	December 31, 2020
Cash and cash equivalents	$ 432,461	$ 375,113
Mortgage and loans receivable, due in 2022 and 2021, respectively	157,714	150,371
Other assets - prior year parish apportionments	2,490	15,233
Investments	27,133,460	24,065,686
Total financial assets available within one year	27,726,125	24,606,403
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(5,109,788)	(4,596,007)
Restricted by donors in perpetuity	(1,149,846)	(1,149,846)
Total amounts unavailable for general expenditures within one year	(6,259,634)	(5,745,853)
Amounts unavailable to management without Trustees' approval	(22,132,795)	(19,661,178)
	(666,304)	(800,628)
Plus:		
Approved draw from investments for 2022 and 2021, respectively	1,043,000	977,056
Total financial assets available to management for general expenditures within one year	$ 376,696	$ 176,428

Overall, draws from investments account for approximately 49% of the funding for operations over the past seven years. The remaining funding has come almost entirely from parish apportionment.

The Trustees of the Diocese have worked to reduce the overall draw from investments from an average of 6.8% in the years following the recessions (2008 to 2012) to an average of 5.0% over recent years (2016-2020). For 2021, the net unrestricted draw was 4.5% (of the trailing five-year average balance) and for 2022 Trustees authorized unrestricted draws of approximately 5% (including cash & cash equivalents), with an overall target for future draws of 4%.

NOTE I: LIQUIDITY AND AVAILABILITY, Cont'd

As a matter of operating practice, the Episcopal Diocese of Rochester has maintained a balance of cash and cash equivalents of 12-15 months of investment draws required to fund operations. This practice provides flexibility for both unexpected expenditures and unpredictable, short term swings of the market value of investments. With very low recent returns on cash equivalents, Trustees have moved a portion of the assets into ultra-short term bond funds in 2021.

Over the last seven years, monthly draws from investments have averaged approximately $82,000. Over the next three years, the Diocese projects average monthly draws of approximately $86,000. The December 31, 2021 level of cash and cash equivalents would fund more than 13 months of current operations. The Diocesan CFO works with the Treasurer, Trustees and Diocesan Council to monitor and update budget and investment draw projections on a quarterly basis. With no debt and very limited fixed assets (real property, business equipment, etc.) that might require unexpected repairs or replacement, the Diocese believes it has more than adequate liquidity to meet normal operating expenses in the current fiscal year.

NOTE J: NET ASSETS

Net assets without donor restrictions are as follows:

	December 31, 2021	December 31, 2020
Undesignated	$ (436,138)	$ (483,403)
Designated by the Trustees for endowment and special purposes	22,132,795	19,661,178
Invested in property and equipment	81,158	108,910
	$ 21,777,815	$ 19,286,685

NOTE J: NET ASSETS, Cont'd

Net assets with donor restrictions at December 31, 2021 and 2020, are restricted for the following purposes:

	December 31, 2021	December 31, 2020
Subject to perpetual restrictions, income restricted to:		
Care for clergy	$ 6,600	$ 6,600
Care and maintenance of cemetery	4,000	4,000
Women's auxiliary	2,500	2,500
Clergy, church property and Sunday school - Grace Church	8,000	8,000
For general purposes - Church of the Epiphany	5,000	5,000
For general purposes - St. John's Church, Sodus	2,868	2,868
For general purposes - St. James' Church, Watkins Glen	1,000	1,000
Swan memorial fund - St. Johns' Church, Mount Morris	200,014	200,014
Youth programs	10,000	10,000
For general purposes - Church of the Good Shepherd, Savona	1,634	1,634
Theological scholarships	278,858	278,858
For general purposes - Episcopal Diocese of Rochester	50,000	50,000
Episcopate expenses - Episcopal Diocese of Rochester	579,372	579,372
Total perpetually restricted net assets	1,149,846	1,149,846
Subject to expenditure for a specified purpose:		
Sibley loan fund	403,770	436,277
Care for clergy	103,470	129,084
Care and maintenance of cemetery - Allen's Hill Cemetery	146,267	129,308
Women's auxiliary	74,504	63,338
Clergy, church property and Sunday school - Grace Church	43,362	37,981
For general purposes - Church of the Epiphany	23,329	20,391
Swan memorial fund - St. John's Church, Mount Morris	86,783	46,734
Youth programs	85,253	71,634
Theological scholarships	488,894	402,598
Episcopate expenses - Episcopal Diocese of Rochester	2,748,103	2,447,106
Leadership development	509,256	462,582
Loans for clergy or churches - Bishops discretion	103,514	88,494
Scholarships for children of clergy	126,001	111,981
Millennium development	146,204	130,186
Other	21,078	18,313
Total purpose restricted net assets	5,109,788	4,596,007
Total net assets with donor restrictions	$ 6,259,634	$ 5,745,853

NOTE K: ENDOWMENTS

The Diocese's endowment consists of both donor-restricted endowment funds and funds designated by the Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

Effective September 17, 2010, the New York Prudent Management of Institutional Funds Act (NYPMIFA) was enacted to replace and update the Uniform Management of Institutional Funds Act (UMIFA), which was adopted in New York in 1978. The Trustees of the Diocese has interpreted NYPMIFA 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 perpetually 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 perpetually restricted net assets is classified as donor restricted net assets until those amounts are appropriated for expenditure by the Diocese in a manner consistent with the standard of prudence prescribed by NYPMIFA. In accordance with NYPMIFA, the Diocese considers the following factors:

(1) The duration and preservation of the fund
(2) The purposes of the Diocese and the donor-restricted endowment fund
(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
(7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Diocese; and
(8) The investment policies of the Diocese

In accordance with NYPMIFA the Diocese may determine, after consideration of the eight objectives described above, it would be prudent to appropriate funds below the historical dollar value of the perpetual endowment. However, the Diocese must inform all available donors of endowment gifts made pursuant to gift instruments executed before September 17, 2010 to opt out of the new rule permitting institutions to appropriate below the historic dollar value of endowment funds. The donor may or may not permit this additional appropriation. If the donor is unavailable or does not stipulate within 90 days the Diocese may appropriate below the historical dollar value of the perpetual endowment if it is deemed prudent. As of December 31, 2021 and 2020, the Diocese had restricted investments of $4,970,889 and $4,516,322, respectively, which are impacted by NYPMIFA.

NOTE K: ENDOWMENTS, Cont'd

Endowment net asset composition by type of fund as of December 31, 2021 and 2020:

	Without Donor Restriction	With Donor Restrictions	Total
December 31, 2021:			
Donor-restricted endowment funds	$ -	$ 4,970,889	$ 4,970,889
Trustee-designated	19,863,797	-	19,863,797
Total endowment funds	19,863,797	4,970,889	24,834,686
Diocesan funds - not included in Combined Endowment	1,413,801	-	1,413,801
Investments related to amounts restricted by donors or designated by the trustees not included in the endowment	186,474	698,499	884,973
Total investments	$ 21,464,072	$ 5,669,388	$ 27,133,460
December 31, 2020:			
Donor-restricted endowment funds	$ -	$ 4,516,322	$ 4,516,322
Trustee-designated	17,333,143	-	17,333,143
Total endowment funds	17,333,143	4,516,322	21,849,465
Diocesan funds - not included in Combined Endowment	1,422,974	-	1,422,974
Investments related to amounts restricted by donors not included in the endowment	131,300	661,947	793,247
Total investments	$ 18,887,417	$ 5,178,269	$ 24,065,686

NOTE K: ENDOWMENTS, Cont'd

For the years ended December 31, 2021 and 2020, the Diocese had the following endowment related activities:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at January 1, 2020	$ 16,364,333	$ 4,429,261	$ 20,793,594
Investment return:			
Interest and dividends	291,685	76,206	367,891
Net appreciation	1,213,848	303,037	1,516,885
Total investment return	1,505,533	379,243	1,884,776
Additions	165,037	5,118	170,155
Withdrawals	(127,525)	(6,300)	(133,825)
Appropriated for expenditure	(574,235)	(291,000)	(865,235)
Total change in funds	968,810	87,061	1,055,871
Total endowment funds at December 31, 2020	17,333,143	4,516,322	21,849,465
Investment return:			
Interest and dividends	321,818	81,116	402,934
Net appreciation	2,598,657	658,981	3,257,638
Total investment return	2,920,475	740,097	3,660,572
Additions	237,861	2,000	239,861
Withdrawals	(38,764)	(11,730)	(50,494)
Appropriated for expenditure	(588,918)	(275,800)	(864,718)
Total change in funds	2,530,654	454,567	2,985,221
Total endowment funds at December 31, 2021	$ 19,863,797	$ 4,970,889	$ 24,834,686

NOTE K: ENDOWMENTS, Cont'd

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Diocese to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions. As of December 31, 2021 and 2020, the Diocese had no funds with deficiencies.

Return objectives and risk parameters

The investment objective for the assets under this policy is to achieve sum of inflation as measured by the Consumer Price Index plus 5%. The Investment Committee's objective for this investment portfolio is primary emphasis on moderate capital growth with some focus on income, while avoiding excessive risk. Most revenue for operations will come from the planned investment sales based upon a concept of total return and according to the approved annual budget need as determined by the Diocese. The Diocese feels that grants to be made in the future are as important as grants made today. This is consistent with the philosophy that this Endowment is to exist in perpetuity, and therefore, should provide for grant making in perpetuity. To attain this goal, the overriding objective is to maintain purchasing power. That is, net of spending, the objective is to grow the aggregate portfolio value at the rate of inflation over the investment horizon.

The Investment Committee, as directed by the Trustees, desires long-term investment performance sufficient to meet the objectives. The Investment Committee and the Trustees understand that to achieve such performance the portfolio may experience periods of decline. The Investment Committee further understands that in a severe market, the potential recovery period could be extensive. The Investment Committee understands that the managed assets must also be invested so that funds are available to meet the needs of congregations and the Diocese and provide sufficient liquidity to allow reasonable withdrawal by congregations of unrestricted funds.

Although the Investment Committee prefers to limit the portfolio's volatility, they are comfortable with fluctuations in their portfolio, and the possibility of declines in value, in order to seek to grow their portfolio over time. The goal is to allow for risk (as measured by standard deviation) consistent with that of the composite benchmark plus or minus 5% on an average basis.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, Episcopal Diocese of Rochester 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 a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE K: ENDOWMENTS, Cont'd

Spending policy and how the investment objectives relate to spending policy
Where applicable, distributions are made using the total return method. Under the total return method, distributions consist of interest, dividends and realized and unrealized gains. In its determination to appropriate or accumulate, the Investment Committee shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors: the duration and preservation of the Fund; the purposes the Fund; general economic conditions; the possible effect of inflation or deflation; the expected total return from income and the appreciation of investments; other resources of the organization; where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the Fund, giving due consideration to the effect that such alternatives may have on the organization, and the investment policy of the organization for each determination to appropriate for expenditure, the organization shall keep a contemporaneous record describing the consideration that was given by the Investment Committee to each of the factors enumerated above.

The spending policy target is 4% (of the trailing 5-year average, of the audited year-end market value of endowment assets); while maintaining the purchasing power of these investments. That is, net of spending, the objective is to grow the value of the portfolio at the rate of inflation over the investment horizon.

NOTE L: ACCOUNTING IMPACT OF COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Diocese is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for 2022.

NOTE M: LAWSUITS

During the year ended December 31, 2019 the Diocese was named in a lawsuit related to alleged child abuse at a Diocesan parish. The Diocese has retained legal counsel but as of the report date has not been notified of any amount claimed and cannot estimate an amount potentially due. During 2021, in addition to the lawsuit in 2019, the Diocese was named in two lawsuits involving the Boy Scouts of America that were stayed by the U.S. Bankruptcy Court.

EPISCOPAL DIOCESE OF ROCHESTER

OTHER FINANCIAL INFORMATION

EPISCOPAL DIOCESE OF ROCHESTER

COMPARISON OF BUDGET TO ACTUAL OPERATING REVENUE AND EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget Approved by Diocesan Convention as Revised (Unaudited)	Actual Budgetary Basis	Actual Over/Under Budget
REVENUE			
Parish Support	$ 1,011,475	$ 1,012,989	$ 1,514
Investment spending policy	896,056	892,718	(3,338)
Interest on mortgages and loans	23,500	22,903	(597)
Other	70,000	102,713	32,713
	2,001,031	2,031,323	30,292
EXPENSES			
D & F MS Asking	286,522	286,522	-
Mission Partnerships	168,000	166,825	(1,175)
Congregational development	305,000	312,150	7,150
Leadership development	288,350	263,616	(24,734)
Governance	67,000	77,336	10,336
Diocesan Staff - Salaries	564,159	562,345	(1,814)
Diocesan Staff - Benefits	224,200	211,247	(12,953)
Diocesan Staff - Expenses	8,800	5,232	(3,568)
Office Expense	89,000	87,164	(1,836)
Total operating expenses	2,001,031	1,972,437	(28,594)
Change in retirement obligation	-	(48,717)	(48,717)
Post retirement health benefits	57,500	49,057	(8,443)
Total non-operating expenses	57,500	340	(57,160)
(Loss) income from operating fund	$ (57,500)	$ 58,546	$ 116,046