EPISCOPAL DIOCESE OF ROCHESTER

ROCHESTER, NEW YORK

AUDITED FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2019
(With Comparative Totals for 2018)

MMB

MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Diocesan Trustees of the
Episcopal Diocese of Rochester

Report on the Financial Statements
We have audited the accompanying financial statements of the Episcopal Diocese of Rochester (the "Diocese"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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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, 2019, revenue is overstated by $35,000 and net assets are understated by $140,000 and for the year ended December 31, 2018 revenue and net assets are understated by $175,000. In 2018, the Diocese had also excluded a liability regarding their post retirement benefit plan, (Note H, page 19). In our opinion, the total liability related to the plan should have been recorded. If this liability was recorded, total liabilities would have increased between $522,393 to $786,386 as of December 31, 2018. Net assets as of December 31, 2018 would have decreased by the same amount. In 2019, the Diocese properly recorded the liability, however rather than restating prior year amounts as is required by Generally Accepted Accounting Principles, the Diocese has presented the liability as of January 1, 2019 as a separate line in the 2019 statement of activities and changes in net assets in the amount of $488,478.

Qualified Opinion

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

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other financial information (page 32), for the year ended December 31, 2019, 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 effects on the other financial information as explained in the Basis for Qualified Opinion paragraph of this 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, 2018 financial statements, and we expressed a qualified opinion on those audited financial statements in our report dated August 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matters

As discussed in Note A to the financial statements, in 2019, Episcopal Diocese of Rochester adopted new accounting guidance for recognition of revenue, and contributions received and made. Our opinion is not modified with respect to these matters.

Mengel, Metzger, Barr & Co. LLP

Rochester, New York
August 6, 2020

EPISCOPAL DIOCESE OF ROCHESTER

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions				With Donor Restrictions			December 31, 2019	December 31, 2018
	Operating	Special Purpose	Real Estate	Total	Endowment	By Donors	Total	Total All Funds	Total All Funds
ASSETS									
Cash and cash equivalents	$ 324,113	$ 1,405,545	$ -	$ 1,729,658	$ -	$ 54,704	$ 54,704	$ 1,784,362	$ 1,324,619
Mortgage and loans receivable, net	-	816,543	-	816,543	-	489,537	489,537	1,306,080	1,375,089
Prepaids and other assets	30,475	-	-	30,475	-	-	-	30,475	60,519
Investments	-	16,364,333	-	16,364,333	1,149,846	4,045,013	5,194,859	21,559,192	19,042,413
Due from (to) other funds	537,284	(482,578)	-	54,706	-	(54,706)	(54,706)	-	-
Land, buildings and equipment, net	-	-	109,827	109,827	-	-	-	109,827	165,579
TOTAL ASSETS	$ 891,872	$ 18,103,843	$ 109,827	$ 19,105,542	$ 1,149,846	$ 4,534,548	$ 5,684,394	$ 24,789,936	$ 21,968,219
LIABILITIES AND NET ASSETS									
LIABILITIES									
Accounts payable	$ 12,758	$ -	$ -	$ 12,758	$ -	$ -	$ -	$ 12,758	$ 16,195
Accrued liabilities and other	555,775	-	-	555,775	-	-	-	555,775	50,506
TOTAL LIABILITIES	568,533	-	-	568,533	-	-	-	568,533	66,701
NET ASSETS									
Without donor restrictions	323,339	18,103,843	109,827	18,537,009	-	-	-	18,537,009	16,435,524
With donor restrictions	-	-	-	-	1,149,846	4,534,548	5,684,394	5,684,394	5,465,994
TOTAL NET ASSETS	323,339	18,103,843	109,827	18,537,009	1,149,846	4,534,548	5,684,394	24,221,403	21,901,518
TOTAL LIABILITIES AND NET ASSETS	$ 891,872	$ 18,103,843	$ 109,827	$ 19,105,542	$ 1,149,846	$ 4,534,548	$ 5,684,394	$ 24,789,936	$ 21,968,219

The accompanying notes are an integral part of the financial statements

EPISCOPAL DIOCESE OF ROCHESTER

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions				With Donor Restrictions			December 31, 2019	December 31, 2018
	Operating	Special Purpose	Real Estate	Total	Endowment	By Donors	Total	Total All Funds	Total All Funds
REVENUE									
Parish Support	$ 1,014,641	$ -	$ -	$ 1,014,641	$ -	$ -	$ -	$ 1,014,641	$ 997,613
Interest on mortgages and loans	24,728	-	-	24,728	-	14,223	14,223	38,951	44,785
Other	71,897	-	-	71,897	-	-	-	71,897	46,895
TOTAL REVENUE	1,111,266	-	-	1,111,266	-	14,223	14,223	1,125,489	1,089,293
EXPENSES									
Mission outside the Diocese	269,150	-	-	269,150	-	-	-	269,150	248,000
Mission within the Diocese	163,880	-	-	163,880	-	-	-	163,880	178,770
Congregational development	270,859	-	-	270,859	-	-	-	270,859	269,333
Leadership development	186,319	-	-	186,319	-	-	-	186,319	142,167
Governance, committees and missioners	108,996	-	-	108,996	-	-	-	108,996	109,743
Executive staff	465,065	-	-	465,065	-	-	-	465,065	500,698
Support staff	432,317	-	-	432,317	-	-	-	432,317	432,188
Office Expense	92,358	-	-	92,358	-	-	-	92,358	89,331
Clergy and lay benefits	55,726	-	-	55,726	-	-	-	55,726	59,300
Distributions to beneficiaries	-	-	-	-	-	35,565	35,565	35,565	62,564
Loan forgiveness	-	10,612	-	10,612	-	-	-	10,612	154,575
Depreciation	-	-	1,674	1,674	-	-	-	1,674	3,190
	2,044,670	10,612	1,674	2,056,956	-	35,565	35,565	2,092,521	2,249,859
EXPENSES IN EXCESS OF REVENUE	(933,404)	(10,612)	(1,674)	(945,690)	-	(21,342)	(21,342)	(967,032)	(1,160,566)
Gain on disposal of assets	-	-	58,422	58,422	-	-	-	58,422	-
Transfer of property to third parties	-	-	-	-	-	-	-	-	(5,800)
Non-operating (expenses) income	(25,018)	-	-	(25,018)	-	-	-	(25,018)	10,436
Change in post retirement benefit obligation	(11,914)	-	-	(11,914)	-	-	-	(11,914)	-
Investment income (loss), net	-	2,580,945	-	2,580,945	703,136	469,824	1,172,960	3,753,905	(865,536)
CHANGE IN NET ASSETS	(970,336)	2,570,333	56,748	1,656,745	703,136	448,482	1,151,618	2,808,363	(2,021,466)
Net assets at beginning of year	827,627	15,442,318	165,579	16,435,524	3,570,218	1,895,776	5,465,994	21,901,518	23,922,984
Spending policy transfer	943,150	(604,900)	-	338,250	(249,000)	(89,250)	(338,250)	-	-
Other post retirement benefit transition obligation	(488,478)	-	-	(488,478)	-	-	-	(488,478)	-
Inter-fund transfers	11,376	696,092	(112,500)	594,968	(2,874,508)	2,279,540	(594,968)	-	-
NET ASSETS AT END OF YEAR	$ 323,339	$ 18,103,843	$ 109,827	$ 18,537,009	$ 1,149,846	$ 4,534,548	$ 5,684,394	$ 24,221,403	$ 21,901,518

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, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions				With Donor Restrictions			December 31, 2019	December 31, 2018
	Operating	Special Purpose	Real Estate	Total	Endowment	By Donors	Total	Total All Funds	Total All Funds
CASH FLOWS - OPERATING ACTIVITIES									
Change in net assets	$ (970,336)	$ 2,570,333	$ 56,748	$ 1,656,745	$ 703,136	$ 448,482	$ 1,151,618	$ 2,808,363	$ (2,021,466)
Adjustments to reconcile change in net assets to net cash (used for) provided from operating activities:									
Depreciation	-	-	1,674	1,674	-	-	-	1,674	3,190
Realized and unrealized (gain) loss on investments, net	-	(2,580,945)	-	(2,580,945)	(703,136)	(469,824)	(1,172,960)	(3,753,905)	865,536
Gain on disposal of assets	-	-	(58,422)	(58,422)	-	-	-	(58,422)	-
Transfer of property to third parties	-	-	-	-	-	-		-	5,800
Changes in certain assets and liabilities affecting operations:									
Due to (from) other funds	16,806	554,901	-	571,707	-	(571,707)	(571,707)	-	-
Prepaids and other assets	30,044	-	-	30,044	-	-	-	30,044	9,550
Accounts payable	(3,437)	-	-	(3,437)	-	-	-	(3,437)	8,245
Accrued liabilities	16,791	-	-	16,791	-	-	-	16,791	1,450
NET CASH (USED FOR) PROVIDED FROM OPERATING ACTIVITIES	(910,132)	544,289	-	(365,843)	-	(593,049)	(593,049)	(958,892)	(1,127,695)
CASH FLOWS - INVESTING ACTIVITIES									
Changes in mortgages and loans receivable, net	-	41,574	-	41,574	-	27,435	27,435	69,009	595,982
Sales of investments	-	977,886	-	977,886	249,000	89,250	338,250	1,316,136	1,070,712
Purchase of investments	-	(78,802)	-	(78,802)	-	(208)	(208)	(79,010)	(461,406)
Proceeds from the sale of buildings and equipment	-	-	112,500	112,500	-	-	-	112,500	-
Spending policy transfer	943,150	(604,900)	-	338,250	(249,000)	(89,250)	(338,250)	-	-
Inter-fund transfer	11,376	(497,935)	(112,500)	(599,059)	-	599,059	599,059	-	-
NET CASH PROVIDED FROM (USED FOR) INVESTING ACTIVITIES	954,526	(162,177)	-	792,349	-	626,286	626,286	1,418,635	1,205,288
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	44,394	382,112	-	426,506	-	33,237	33,237	459,743	77,593
Cash and cash equivalents at beginning of year	279,719	1,023,433	-	1,303,152	-	21,467	21,467	1,324,619	1,247,026
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 324,113	$ 1,405,545	$ -	$ 1,729,658	$ -	$ 54,704	$ 54,704	$ 1,784,362	$ 1,324,619
NON-CASH OPERATING ACTIVITY									
Increase in accrued liabilities due to other post retirement benefit transition obligation	$ 488,478	$ -	$ -	$ 488,478	$ -	$ -	$ -	$ 488,478	$ -
NON-CASH INVESTING ACTIVITY									
Reclassification of assets from net assets with donor restrictions - by donors to net assets without donor restrictions - special purpose	$ -	$ (1,194,027)	$ -	$ (1,194,027)	$ 2,874,508	$ (1,680,481)	$ 1,194,027	$ -	$ -

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 ("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.
Health Reimbursement Accounts/Post Retirement Benefit Plan	See Note H	

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 and certificates of deposit which have maturity dates of 12 months or less.

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, 2019 and 2018.

Loans are placed on nonaccrual status when management believes collection of interest is doubtful. As of December 31, 2019 and 2018, 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

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.

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.

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

Comparative totals as of December 31, 2018

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with The Diocese's financial statements that the year ended December 31, 2018, from which the summarized information was derived.

Adoption of new accounting standards

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board (FASB) issued new guidance related to revenue recognition (ASC 606), which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Diocese adopted ASC 606 with a date of the initial application of January 1, 2019.

The Diocese applied ASC 606 using the cumulative effect method, which generally requires the recognition of the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of net assets, at January 1, 2019. There was no adjustment to the opening balance of net assets at January 1, 2019, as a result of this new accounting standard. In addition, the comparative information has not been adjusted and continues to be reported under existing revenue guidance. The Diocese does not expect the adoption of the new revenue standard to have a material impact on its net income on an ongoing basis.

As part of the adoption of ASC 606, the Diocese elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

Contributions received and contributions made

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". ASU 2018-08 assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. For most resource recipients, this standard is effective for annual reporting periods beginning after December 15, 2018. The Diocese adopted the provisions of ASU 2018-08 applicable to contributions received with a date of initial application of January 1, 2019 under a modified prospective basis. Accordingly, there is no effect on net assets.

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

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 6, 2020, which is the date the financial statements are available to be issued. See Notes H and L.

NOTE B: MORTGAGES AND LOANS RECEIVABLE

Mortgages and loans receivable consisted of the following:

	December 31,	
	2019	2018
Without Donor Restrictions		
Clergy housing loan fund	$ 194,579	$ 153,706
Community development loans	621,964	704,411
	816,543	858,117
With Donor Restrictions		
Sibley revolving loan fund	488,787	516,972
Bishop loan fund	750	-
	489,537	516,972
	$ 1,306,080	$ 1,375,089

Mortgages and loans receivable bear interest at rates ranging from 0.0% to 5.0% and mature at various dates through January 2042. Approximately $606,000 and $592,000 of the balance of the receivables outstanding at December 31, 2019 and 2018, respectively, are secured by first and second mortgages. All remaining amounts outstanding are unsecured.

NOTE B: MORTGAGES AND LOANS RECEIVABLE, Cont'd

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 is offered to the ten parishes with CDL loans if they wish to partially or fully pay-off these low interest loans by December 31, 2018. Subsequent to December 31, 2018, the early payment discount has been extended twice through December 31, 2020. Since authorization, eight of the parishes have paid their discounted loan in full or made partial payments, totaling approximately $358,000 with related discounts of approximately $11,000 and $155,000 which are included as loan forgiveness on the accompanying statement of activities and changes in net assets as of December 31, 2019 and 2018, respectively.

Principal payments due to be received on mortgages and loans receivable are as follows, before discount program:

For the year ended December 31,	Amount
2020	$ 142,430
2021	132,846
2022	135,159
2023	129,613
2024	116,732
Thereafter	649,300
	$ 1,306,080

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 balance sheet 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. The following investment and fair value disclosures pertain to the total fund at CNB.

NOTE C: INVESTMENTS, Cont'd

The composition of the Combined Endowment Fund at CNB is as follows:

	December 31,	
	2019	2018
Diocesan funds	$ 19,374,657	$ 17,126,451
Parishes and other organizations for which the Diocese is Trustee	2,184,535	1,915,962
Total Diocesan Trusteed Combined Endowment at CNB	21,559,192	19,042,413
Non-Trusteed funds belonging to other parishes in the Diocese	9,043,196	8,202,310
Total Combined Endowment at CNB	$ 30,602,388	$ 27,244,723

The fair value of investments in the Combined Endowment Fund held by the CNB on behalf of the Diocese and Individual parishes in the Diocese consisted of the following:

	December 31,	
	2019	2018
Investments, stated at fair value:		
Money market funds	$ 756,583	$ 3,325,428
U.S. government obligations	1,903,700	1,543,930
Corporate bonds	1,033,428	1,282,356
Fixed income mutual funds	3,650,546	2,644,212
Mid cap mutual funds	2,355,649	2,039,340
Equity mutual funds	561,900	488,318
Common stock	13,197,715	8,677,024
Investments measured at net asset value	7,142,867	7,244,115
Total CNB Combined Endowment	$ 30,602,388	$ 27,244,723

The Diocese owns approximately a 70% pro-rata share of each individual investment class above as of December 31, 2019 and 2018.

NOTE C: INVESTMENTS, Cont'd

Investment income (loss)

The Diocese recorded the following investment income (loss) on the Diocesan Trusteed CNB Combined Endowment for the years ended:

	December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	$ 324,480	$ 138,708	$ 463,188
Gain on investments	2,343,522	1,074,776	3,418,298
Investment related expenses	(87,057)	(40,524)	(127,581)
	$ 2,580,945	$ 1,172,960	$ 3,753,905

	December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income	$ 300,245	$ 133,698	$ 433,943
Loss on investments	(759,994)	(367,850)	(1,127,844)
Investment related expenses	(117,135)	(54,500)	(171,635)
	$ (576,884)	$ (288,652)	$ (865,536)

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, 2019 and 2018:

Money market funds, U.S. government obligations, fixed income mutual funds, mid 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, 2019 and 2018:

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 756,583	$ -	$ -	$ 756,583
U.S. government obligations	1,903,700	-	-	1,903,700
Corporate bonds	-	1,033,428	-	1,033,428
Fixed income mutual funds	3,650,546	-	-	3,650,546
Mid cap mutual funds	2,355,649	-	-	2,355,649
Equity mutual funds	561,900	-	-	561,900
Common stock	13,197,715	-	-	13,197,715
Investments measured at net asset value	-	-	-	7,142,867
	$ 22,426,093	$ 1,033,428	$ -	$ 30,602,388

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 3,325,428	$ -	$ -	$ 3,325,428
U.S. government obligations	1,543,930	-	-	1,543,930
Corporate bonds	-	1,282,356	-	1,282,356
Fixed income mutual funds	2,644,212	-	-	2,644,212
Mid cap mutual funds	2,039,340	-	-	2,039,340
Equity mutual funds	488,318	-	-	488,318
Common stock	8,677,024	-	-	8,677,024
Investments measured at net asset value	-	-	-	7,244,115
	$ 18,718,252	$ 1,282,356	$ -	$ 27,244,723

NOTE E: LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consists of the following:

	December 31, 2019	December 31, 2018
Land	$ 51,662	$ 62,478
Buildings and improvements	412,489	510,880
Equipment	33,353	38,153
	497,504	611,511
Less accumulated depreciation	387,677	445,932
	$ 109,827	$ 165,579

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 $57,800 and $61,100 for the years ended December 31, 2019 and 2018, 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 $48,800 and $47,400 for the years ended December 31, 2019 and 2018, respectively.

NOTE G: COMMITMENTS

The Diocese leased office equipment under a lease agreement which expired in April 2018. The lease required monthly payments of $154 through April 2018. During May 2018, the Diocese renewed this lease through August 2023 which requires monthly payments of $178. The Diocese leases office space under an agreement that required monthly payments of $2,045 through January 2018. During 2018, the Diocese extended this lease agreement through January 2019. During 2019, the Diocese extended this lease agreement through December 2020 with the monthly payment increasing to $2,250 effective January 2020. The Diocese recognized approximately $26,700 and $26,600 in lease expense for the years ended December 31, 2019 and 2018, respectively.

The future minimum payments on these agreements are as follows:

For the year ended December 31,	Amount
2020	$ 29,140
2021	2,140
2022	2,140
2023	1,427
	$ 34,847

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. The benefit level provided is a maximum of $900 per year. The contribution amount is determined on an annual basis at the annual Diocesan convention. The amount expensed related to these accounts was $55,726 and $58,622 for the years ended December 31, 2019 and 2018, respectively. The Diocese has recorded an obligation related to the postretirement benefits at December 31, 2019 in the amount of $500,392 which is included in accrued liabilities and other in the accompanying statement of financial position. At December 31, 2018, the Diocese had not recorded an obligation related to the account, which is required by generally accepted accounting principles.

NOTE H: POSTRETIREMENT BENEFITS, Cont'd

Certain information involving Postretirement Benefits is summarized as follows:

	December 31, 2019
Benefit obligation	$ 500,392
Fair value of plan assets	-
Funded Status	$ (500,392)
Accumulated benefit obligation	$ 500,392
Amounts recognized in the statement of financial position, included in accrued liabilities and other	$ (500,392)

	Year Ended December 31, 2019
Benefit cost	$ 63,911
Employer contributions	53,100
Benefits paid	53,100
Weighted average assumptions as of December 31, 2019	
Discount rate for benefit obligations	4.00%

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, 2020 is expected to be approximately $52,000.

NOTE H: POSTRETIREMENT BENEFITS, Cont'd

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

Year ending December 31,	Postretirement benefits
2020	$ 51,639
2021	50,108
2022	48,506
2023	46,830
2024	45,081
2025-2029	196,584
	$ 438,748

Effective January 1, 2020, the Diocese added a new post retirement benefit plan for lay employees that meet certain requirements such as age and employment. Based on an actuarial report, the Diocese estimates that the obligation for the year ended December 31, 2019 would have increased by approximately $207,000.

Effective January 1, 2020, the Diocese will no longer accept new participants into its 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, 2019	December 31, 2018
Cash and cash equivalents	$ 1,784,362	$ 1,324,619
Mortgage and loans receivable, due in 2020 and 2019, respectively	142,430	116,786
Other assets - prior year parish apportionments	14,329	45,160
Investments	21,559,192	19,042,413
Total financial assets available within one year	23,500,313	20,528,978
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(4,534,548)	(4,324,520)
Restricted by donors in perpetuity	(1,149,846)	(1,141,474)
Total amounts unavailable for general expenditures within one year	(5,684,394)	(5,465,994)
Amounts unavailable to management without Trustees' approval	(18,103,843)	(15,442,318)
	(287,924)	(379,334)
Plus:		
Approved draw from investments for 2020 and 2019, respectively	1,015,000	1,010,000
Total financial assets available to management for general expenditures within one year	$ 727,076	$ 630,666

The Trustees of the Diocese have worked to reduce the draw from investments from an average of 6.8% in the years following the recessions (2009 to 2012) to an average of 5.1% over recent years (2015-2019). In 2020, the Trustees authorized draws from unrestricted funds of approximately 5.0%, and reduced the target for overall, future draws to 4%.

Draws from investments account for approximately 50% of the funding for operations over the past five years. The remaining funding has come almost entirely from parish apportionment.

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.

Over the last five years, monthly draws from investments have averaged approximately $83,000. Over the next three years, the Diocese projects average monthly draws of approximately $83,000. 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, 2019	December 31, 2018
Undesignated	$ 323,339	$ 827,627
Designated by the Trustees for endowment and special purposes	18,103,843	15,442,318
Invested in property and equipment	109,827	165,579
	$ 18,537,009	$ 16,435,524

NOTE J: NET ASSETS, Cont'd

Net assets with donor restrictions at December 31, 2019 and 2018, are restricted for the following purposes:

	December 31, 2019	December 31, 2018
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	191,642
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	1,141,474
Subject to expenditure for a specified purpose:		
Sibley loan fund	488,787	516,972
Care for clergy	168,654	184,025
Care and maintenance of cemetery - Allen's Hill Cemetery	127,681	105,526
Women's auxiliary	57,643	47,524
Clergy, church property and Sunday school - Grace Church	35,953	30,389
For general purposes - Church of the Epiphany	19,381	16,318
Swan memorial fund - St. John's Church, Mount Morris	26,287	-
Youth programs	65,886	55,489
Theological scholarships	374,376	291,333
For general purposes - Episcopal Diocese of Rochester	-	303,924
Episcopate expenses - Episcopal Diocese of Rochester	2,386,255	2,066,731
Leadership development	453,292	400,665
Loans for clergy or churches - Bishops discretion	80,098	67,246
Scholarships for children of clergy	107,350	93,613
Millennium development	124,856	108,894
Deaf ministry	-	17,500
Other	18,049	18,371
Total purpose restricted net assets	4,534,548	4,324,520
Total net assets with donor restrictions	$ 5,684,394	$ 5,465,994

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 accounting principles generally accepted in the United States of America, 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, 2019 and 2018, the Diocese had restricted investments of $4,429,261 and $4,257,138, respectively, which are impacted by NYPMIFA.

NOTE K: ENDOWMENTS, Cont'd

Endowment net asset composition by type of fund as of December 31, 2019 and 2018:

	Without Donor Restriction	With Donor Restrictions	Total
December 31, 2019:			
Donor-restricted endowment funds	$ -	$ 4,429,261	$ 4,429,261
Trustee-designated	16,364,333	-	16,364,333
	$ 16,364,333	$ 4,429,261	$ 20,793,594
December 31, 2018:			
Donor-restricted endowment funds	$ -	$ 4,257,138	$ 4,257,138
Trustee-designated	14,114,856	-	14,114,856
	$ 14,114,856	$ 4,257,138	$ 18,371,994

NOTE K: ENDOWMENTS, Cont'd

For the years ended December 31, 2019 and 2018, the Diocese had the following endowment related activities:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at January 1, 2018	$ 15,090,604	$ 4,692,205	$ 19,782,809
Investment return:			
Interest and dividends	308,462	93,965	402,427
Net depreciation	(952,942)	(286,942)	(1,239,884)
Total investment return	(644,480)	(192,977)	(837,457)
Additions	461,406	-	461,406
Withdrawals	(39,475)	(2,300)	(41,775)
Appropriated for expenditure	(753,199)	(239,790)	(992,989)
Total change in funds	(975,748)	(435,067)	(1,410,815)
Total endowment funds at December 31, 2018	14,114,856	4,257,138	18,371,994
Investment return:			
Interest and dividends	331,740	88,441	420,181
Net appreciation	2,518,149	677,971	3,196,120
Total investment return	2,849,889	766,412	3,616,301
Additions	78,809	-	78,809
Transfers	297,924	(297,924)	-
Withdrawals	(286,465)	-	(286,465)
Appropriated for expenditure	(690,680)	(296,365)	(987,045)
Total change in funds	2,249,477	172,123	2,421,600
Total endowment funds at December 31, 2019	$ 16,364,333	$ 4,429,261	$ 20,793,594

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 and as of December 31, 2019, the Diocese had no funds with deficiencies. At December 31, 2018, the Diocese had one fund with approximately a $8,400 deficiency.

NOTE K: ENDOWMENTS, Cont'd

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: SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (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. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Diocese's financial condition, liquidity, and future results of operations. 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 fiscal year 2020.

In response to the COVID-19 outbreak, in April 2020 the Diocese applied for and was approved by a bank for a loan of $169,959 through the Paycheck Protection Program established by the Small Business Administration. The loan had a maturity of 2 years and an interest rate of 1%. The loan had the potential for forgiveness provided certain requirements were met by the Diocese. The loan was funded on April 20, 2020. In May 2020, the Trustees elected to return the loan and the loan was repaid in full on May 14, 2020.

Due to the COVID-19 outbreak, in April 2020, the Diocese authorized any church with an outstanding community development loan, Sibley revolving loan or mortgage with the Diocese may elect to suspend principal payments through December 31, 2020. The church would still be responsible for interest payments during the period and the term of the loan would be extended by the number of months principal payments were suspended. The Diocese also approved a reduction in annual apportionment for 2020, up to $1,200 per parish.

NOTE M: LAWSUIT

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.

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, 2019

	Budget Approved by Diocesan Convention as Revised (Unaudited)	Actual Budgetary Basis	Actual Over/Under Budget
REVENUE			
Parish Support	$ 1,014,366	$ 1,014,641	$ 275
Investment spending policy	966,000	943,150	(22,850)
Interest on mortgages and loans	40,000	24,728	(15,272)
Other	62,500	71,897	9,397
	2,082,866	2,054,416	(28,450)
EXPENSES			
D & F MS Asking	269,150	269,150	-
Mission Partnerships	169,580	163,880	(5,700)
Congregational development	270,000	269,908	(92)
Leadership development	192,950	186,319	(6,631)
Governance	71,850	109,947	38,097
Diocesan Staff - Salaries	645,036	615,408	(29,628)
Diocesan Staff - Benefits	280,300	238,273	(42,027)
Diocesan Staff - Expenses	39,000	43,701	4,701
Office Expense	85,000	92,358	7,358
Health benefits	60,000	55,726	(4,274)
Total operating expenses	2,082,866	2,044,670	(38,196)
Non-operating expense	(4,000)	(25,018)	(21,018)
Loss from operating fund	$ (4,000)	$ (15,272)	$ (11,272)