

EPISCOPAL CHARITIES
OF THE DIOCESE OF NEW YORK
DECEMBER 31, 2016

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DONALD F. SCHERER

Independent Auditor's Report

**Board of Directors of
Episcopal Charities of the Diocese of New York**

We have audited the accompanying financial statements of Episcopal Charities of the Diocese of New York ("Episcopal Charities"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses 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 risk 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Charities of the Diocese of New York as of December 31, 2016 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Episcopal Charities of the Diocese of New York's December 31, 2015 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated June 8, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

New York, New York
May xx, 2017

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

| <u>ASSETS</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|
| Cash | \$ 721,807 | \$ 974,251 |
| Accrued income | 330,931 | 148,032 |
| Contributions receivable | 186,602 | 115,782 |
| Prepaid expenses | 13,548 | 22,744 |
| Investments | 1,704,478 | 1,587,612 |
| Fixed assets (net of accumulated depreciation of \$22,000 in 2016 and \$18,790 in 2015) | <u>462</u> | <u>3,672</u> |
| <u>Total Assets</u> | <u>2,957,828</u> | <u>2,852,093</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>Liabilities</u> | | |
| Grants payable | \$ 384,875 | \$ 114,980 |
| Accounts payable | <u>27,921</u> | <u>29,631</u> |
| <u>Total Liabilities</u> | <u>412,796</u> | <u>144,611</u> |
| <u>Net Assets</u> | | |
| Unrestricted | 2,286,397 | 2,457,431 |
| Temporarily restricted | 52,822 | 44,238 |
| Permanently restricted | <u>205,813</u> | <u>205,813</u> |
| <u>Total Net Assets</u> | <u>2,545,032</u> | <u>2,707,482</u> |
| <u>Total Liabilities and Net Assets</u> | <u>2,957,828</u> | <u>2,852,093</u> |

The accompanying notes are an integral part of these financial statements.

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total 2016</u> | <u>Total 2015</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------|
| <u>Operating Revenue</u> | | | | | |
| Contributions | | | | | |
| General | \$ 205,170 | \$ - | \$ - | \$ 205,170 | \$ 265,214 |
| Congregational gifts | 69,384 | - | - | 69,384 | 101,883 |
| Corporate and foundation | 142,337 | - | - | 142,337 | 197,199 |
| Endowment support | 114,328 | - | - | 114,328 | 113,287 |
| | <u>531,219</u> | <u>-</u> | <u>-</u> | <u>531,219</u> | <u>677,583</u> |
| <u>Total Contributions</u> | | | | | |
| Benefits | | | | | |
| Gala dinner | | | | | |
| Contributions and ticket sales | 1,156,974 | - | | 1,156,974 | 1,215,896 |
| Less: Direct costs | 213,068 | - | | 213,068 | 202,585 |
| | <u>943,906</u> | <u>-</u> | | <u>943,906</u> | <u>1,013,311</u> |
| Theatre benefit | | | | | |
| Ticket sales | - | | | - | 52,050 |
| Less: Direct costs | - | | | - | 44,190 |
| | <u>-</u> | | | <u>-</u> | <u>7,860</u> |
| <u>Total Benefits</u> | | | | | |
| | <u>943,906</u> | <u>-</u> | | <u>943,906</u> | <u>1,021,171</u> |
| Diocesan support | | | | | |
| Diocesan donated services and space | 110,000 | | | 110,000 | 110,000 |
| Investment income, spending policy | 54,000 | | | 54,000 | 54,000 |
| | 384 | 11,125 | | 11,509 | 9,910 |
| | <u>1,639,509</u> | <u>11,125</u> | <u>-</u> | <u>1,650,634</u> | <u>1,872,664</u> |
| <u>Total Operating Revenue</u> | | | | | |
| Net Assets Released From Restrictions | <u>11,125</u> | <u>(11,125)</u> | | <u>-</u> | <u>-</u> |
| <u>Grants and Operating Expenses</u> | | | | | |
| Program | | | | | |
| Basic Human Needs | 788,794 | | | 788,794 | 597,730 |
| Youth Opportunity | 509,322 | | | 509,322 | 371,006 |
| Program Sustainability Institute | 33,606 | | | 33,606 | 36,229 |
| All Our Children | 7,581 | | | 7,581 | 22,293 |
| Program Investment/Professional Development | 109,820 | | | 109,820 | 10,475 |
| | <u>1,449,123</u> | | | <u>1,449,123</u> | <u>1,037,733</u> |
| Fund-raising | | | | | |
| Management and general | 345,415 | | | 345,415 | 352,685 |
| | <u>137,504</u> | | | <u>137,504</u> | <u>140,819</u> |
| <u>Total Grants and Expenses</u> | | | | | |
| | <u>1,932,042</u> | | | <u>1,932,042</u> | <u>1,531,237</u> |
| Excess (Deficiency) of Operating Revenue over Grants and Operating Expenses | | | | | |
| | <u>(281,408)</u> | <u>-</u> | <u>-</u> | <u>(281,408)</u> | <u>341,427</u> |

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total 2016</u> | <u>Total 2015</u> |
|--|---------------------|-----------------------------------|-----------------------------------|-----------------------|-----------------------|
| <u>Non-Operating Activities</u> | | | | | |
| Investment income net of authorized spending policy | 105,324 | 8,584 | | 113,908 | (20,241) |
| Bequests | <u>5,050</u> | <u>-</u> | | <u>5,050</u> | <u>2,172</u> |
| <u>Total Non-Operating Activities</u> | <u>110,374</u> | <u>8,584</u> | <u>-</u> | <u>118,958</u> | <u>(18,069)</u> |
| Change in Net Assets for Year | (171,034) | 8,584 | - | (162,450) | 323,358 |
| Net Assets, beginning of year | <u>2,457,431</u> | <u>44,238</u> | <u>205,813</u> | <u>2,707,482</u> | <u>2,384,124</u> |
| Net Assets, End of Year | <u>2,286,397</u> | <u>52,822</u> | <u>205,813</u> | <u>2,545,032</u> | <u>2,707,482</u> |

The accompanying notes are an integral part of these financial statements.

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

| | <u>2016</u> | <u>2015</u> |
|--|------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in Net Assets for Year | \$(162,450) | \$323,358 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Net realized gain and change in unrealized appreciation on investments | (88,398) | 40,467 |
| Depreciation expense | 3,210 | 3,209 |
| Increase in accrued income | (182,899) | (7,562) |
| Increase in contributions receivable | (70,820) | (15,021) |
| Decrease in prepaid expenses | 9,196 | 7,458 |
| Increase in grants payable | 269,895 | 1,080 |
| Decrease in deferred event revenue | - | (5,000) |
| (Decrease) Increase in accounts payable | <u>(1,710)</u> | <u>16,842</u> |
| <u>Net Cash (Used In) Provided by Operating Activities</u> | <u>(223,976)</u> | <u>364,831</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of investments | 899,354 | 8,940 |
| Purchase of investments | <u>(927,822)</u> | <u>(29,752)</u> |
| <u>Net Cash Used in Investing Activities</u> | <u>(28,468)</u> | <u>(20,812)</u> |
| Net (Decrease) Increase in Cash for Year | (252,444) | 344,019 |
| Cash, beginning of year | <u>974,251</u> | <u>630,232</u> |
| Cash, End of Year | <u>721,807</u> | <u>974,251</u> |

The accompanying notes are an integral part of these financial statements.

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR 2015)

| | <u>Basic Human Needs</u> | <u>Youth Opportunity</u> | <u>Program Sustainability Institute</u> | <u>All Our Children</u> | <u>Program Investment/ Professional Development</u> |
|------------------------------|----------------------------------|------------------------------|---|-----------------------------|---|
| Grants | \$680,767 | \$413,922 | \$ - | \$ - | \$ 84,290 |
| Salaries and benefits | 73,462 | 70,862 | 24,221 | 6,602 | 21,486 |
| Temporary personnel | 12,320 | 3,080 | 2,464 | 411 | 1,027 |
| Diocesan services | - | - | - | - | - |
| Office supplies and expenses | 8,592 | 8,288 | 2,833 | - | 2,513 |
| Diocesan rent | 1,724 | 1,663 | 155 | 568 | 504 |
| Audit fees | - | - | - | - | - |
| Depreciation | - | - | - | - | - |
| Direct fund-raising costs | - | - | - | - | - |
| Promotion | <u>11,929</u> | <u>11,507</u> | <u>3,933</u> | <u>-</u> | <u>-</u> |
| Total | <u><u>788,794</u></u> | <u><u>509,322</u></u> | <u><u>33,606</u></u> | <u><u>7,581</u></u> | <u><u>109,820</u></u> |

The accompanying notes are an integral part of these financial statements.

| <u>Total Program</u> | <u>Management and General</u> | <u>Fund-raising</u> | <u>Total 2016</u> | <u>Total 2015</u> |
|--------------------------|---------------------------------------|---------------------|-----------------------|-----------------------|
| \$1,178,979 | \$ - | \$ - | \$1,178,979 | \$ 819,160 |
| 196,633 | 52,582 | 262,205 | 511,420 | 449,752 |
| 19,302 | 411 | 820 | 20,533 | 49,494 |
| - | 42,000 | - | 42,000 | 42,000 |
| 22,226 | 26,172 | 46,247 | 94,645 | 95,283 |
| 4,614 | 1,234 | 6,152 | 12,000 | 12,000 |
| - | 13,500 | - | 13,500 | 13,500 |
| - | 1,605 | 1,605 | 3,210 | 3,209 |
| - | - | 28,386 | 28,386 | 30,467 |
| <u>27,369</u> | <u>-</u> | <u>-</u> | <u>27,369</u> | <u>16,372</u> |
| <u>1,449,123</u> | <u>137,504</u> | <u>345,415</u> | <u>1,932,042</u> | <u>1,531,237</u> |

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 Organization and Summary of Significant Accounting Policies

Organization

Pursuant to action of the 1994 Convention of the Episcopal Diocese of New York (the "Diocese"), Episcopal Charities was organized in 1995 as a New York not-for-profit corporation controlled by the Board of Managers of the Diocese with the following purposes:

- (a) to coordinate the funding of social programs related to and connected with the Diocese and its congregations;
- (b) to establish funding priorities, evaluate proposals, and award grants in support of such programs;
- (c) to provide training and support services to congregations and institutions affiliated with the Diocese that wish to apply for grants to carry out such programs; and
- (d) to carry out such other functions as shall be determined from time to time by the Board of Managers of the Church Extension and Missionary Society of the Protestant Episcopal Church in the Diocese of New York.

Tax-Exempt Status

Episcopal Charities is a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and is further classified as a publicly supported organization. Accordingly, no provision for income taxes has been reflected in the Organization's financial statements.

Measure of Operations

In its statement of activities, Episcopal Charities includes in its definition of "operating activities" all revenues and expenses that are an integral part of its programs and supporting activities. Bequests and investment income, including net realized and unrealized gains and losses, earned in excess of, or less than, Episcopal Charities authorized spending rate, is recognized as a part of non-operating activities. In 2016 and 2015, due to a strong cash position and uncertainty in the investment markets, Episcopal Charities opted not to take all of its spending policy investment drawdown. This reduced the amount of investment income allocated to operating activities.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Episcopal Charities and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions and Board Designated funds, which are funds reserved by the Board for a future use or a specific purpose. Although the investment income and appreciation of permanently restricted net assets was unrestricted prior to January 1, 2010, the Board of Episcopal Charities has elected to maintain this money as a quasi-endowment. Certain funds previously transferred from the Diocese as well as all investment income, including appreciation and prior income on such funds, are recorded as Board Designated. The Board also decided that bequests should be recorded as Board Designated.

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 Organization and Summary of Significant Accounting Policies (Continued)

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of Episcopal Charities or by the passage of time. Assets received whose restrictions will be satisfied within the current year are shown as unrestricted. Investment earnings on permanently restricted net assets are shown as temporarily restricted net assets until appropriated.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Episcopal Charities. The donors of these assets permit Episcopal Charities to use all or part of the income earned (including appreciation) on investments for general purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Accrual Basis

The accompanying financial statements are prepared on the accrual basis of accounting. Revenues and related assets are recognized when earned, and expenses are recognized when incurred.

Grants are made by Episcopal Charities to fund specific programs in the Diocese and are normally paid in periodic installments within one to three years. Grants are recorded as an expense upon approval by the Board of Directors.

Comparative Totals

The 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with Episcopal Charities' financial statements for the year ended December 31, 2015 from which the summarized information was derived.

Use of Estimates

Management of Episcopal Charities has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses in the preparation of these financial statements. Actual results could differ from those estimates.

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 Organization and Summary of Significant Accounting Policies (Continued)

Fair Value Measurement of Investments

Investments are carried at fair value based on quoted market prices. Episcopal Charities follows Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable input and are used to the extent that observable inputs do not exist.

Investment Valuation

The fair value of the investment held with the Diocesan Investment Trust has been estimated using the Net Asset Value ("NAV") as reported by the management of such fund. FASB guidance provides for the use of the NAV as a "Practical Expedient" for estimating fair value of these types of investment funds. Episcopal Charities has adopted a policy to exclude investments valued at NAV from the fair value hierarchy in accordance with FASB guidance.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Equipment

The cost of computer equipment purchases, which are not material in nature, are expensed when paid. Equipment purchases over \$5,000 are capitalized at cost and depreciated on a straight-line basis over its estimated useful life of 3 to 7 years.

Cash

Cash is defined as cash held in checking and money market accounts.

Subsequent Events

In connection with the preparation of the financial statements, Episcopal Charities evaluated subsequent events after the statement of financial position date of December 31, 2016 through May xx, 2017 which was the date the financial statements were available to be issued.

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 Organization and Summary of Significant Accounting Policies (Continued)

Endowment Policy

Interpretation

Episcopal Charities' endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors.

The Board of Directors of Episcopal Charities has enacted a policy of preserving the fair value of the original gift as of the date the donor-restricted gift is received absent explicit donor stipulations to the contrary. Therefore, Episcopal Charities classifies as permanently restricted endowment funds the original value of permanently restricted gifts. Earnings on donor-restricted funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure in accordance with the Organization's spending policy, unless otherwise stipulated by the donor.

Return Objectives and Risk Parameters

Episcopal Charities has adopted an investment and spending policy in an attempt to provide a predictable stream of funding in order to support its programs. The primary investment objective is to provide for long-term growth of principal and income by maximizing total return consistent with prudent risk taking. It seeks returns during a full market cycle that will enhance the real, inflation adjusted purchasing power of Episcopal Charities' assets. The Finance/Investment Committee does not expect that in each and every year the investment objective referred to above will necessarily be achieved. Episcopal Charities has a spending rate policy for the management of its portfolio whereby up to 5% of the five year trailing average of the total permanently restricted and Board Designated endowment portfolio is made available to accomplish its mission. That time frame ought to substantially smooth out the budgeted draw from year to year, which otherwise could vary significantly because of normal market volatility. The Board elected a 4.5% spending rate in 2016 and 2015.

NOTE 2 Transactions with Related Parties

At December 31, 2016 and 2015 accounts payable included \$15,937 and \$5,133, respectively due to the Diocese for expenses incurred by the Diocese on behalf of Episcopal Charities.

Some investments of Episcopal Charities are held and managed by The Trustees of the Estate and Property of the Diocesan Convention of New York (Diocesan Investment Trust (DIT) of the Diocese of New York). Ultimate control of DIT rests with the Diocesan Convention.

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3 Investments

The following tabulation summarizes the cost and fair value of investments at December 31, 2016 and 2015:

| | <u>2016</u> | | <u>2015</u> | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Fidelity Investments: | | | | |
| Short term cash | \$ 28,552 | \$ 28,552 | \$ 168,171 | \$ 168,171 |
| Equity mutual funds | <u>1,238,431</u> | <u>1,504,654</u> | <u>953,881</u> | <u>1,247,807</u> |
| | <u>1,266,983</u> | <u>1,533,206</u> | <u>1,122,052</u> | <u>1,415,978</u> |
| Diocesan Investment Trust of the Diocese of New York: | | | | |
| Diversified equity fund | <u>114,239</u> | <u>171,272</u> | <u>112,839</u> | <u>171,634</u> |
| Total | <u><u>1,381,222</u></u> | <u><u>1,704,478</u></u> | <u><u>1,234,891</u></u> | <u><u>1,587,612</u></u> |

| | <u>2016</u> | | | <u>2015</u> | | |
|---|-------------------------|-----------------------|-------------------------|-------------------------|-----------------------|-------------------------|
| | <u>Level 1</u> | <u>Valued at NAV</u> | <u>Total</u> | <u>Level 1</u> | <u>Valued at NAV</u> | <u>Total</u> |
| Fidelity Investments: | | | | | | |
| Short term cash | \$ 28,552 | \$ - | \$ 28,552 | \$ 168,171 | \$ - | \$ 168,171 |
| Equity mutual funds | 1,504,654 | - | 1,504,654 | 1,247,807 | - | 1,247,807 |
| Diocesan Investment Trust of the Diocese of New York: | | | | | | |
| Diversified equity fund | <u>-</u> | <u>171,272</u> | <u>171,272</u> | <u>-</u> | <u>171,634</u> | <u>171,634</u> |
| Total | <u><u>1,533,206</u></u> | <u><u>171,272</u></u> | <u><u>1,704,478</u></u> | <u><u>1,415,978</u></u> | <u><u>171,634</u></u> | <u><u>1,587,612</u></u> |

All investments held at Fidelity are valued using level 1 inputs at December 31, 2016 and 2015. The investments held with Diocesan Investment Trust are valued using the NAV as reported by the manager as a practical expedient and are therefore excluded from classification within the fair value hierarchy.

Investment income consisted of the following:

| | <u>2016</u> | <u>2015</u> |
|--|-----------------------|------------------------|
| Interest and dividends | \$ 37,019 | \$30,136 |
| Realized gain on sale of investments | 117,863 | 3,247 |
| Change in unrealized appreciation | <u>(29,465)</u> | <u>(43,714)</u> |
| | 125,417 | (10,331) |
| Less: Investment income recognized under spending policy | <u>11,509</u> | <u>9,910</u> |
| Investment income net of authorized spending policy | <u><u>113,908</u></u> | <u><u>(20,241)</u></u> |

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 Donated Services

Episcopal Charities' accounting and human resource functions are donated by the controller's office of the Episcopal Diocese of New York, its affiliate. The value of these services for 2016 and 2015 is estimated to be \$42,000 and has been reflected in the financial statements as an in-kind donation and related expense.

Episcopal Charities also occupies furnished office space donated by the Diocese at no charge. During 2016 and 2015 based on an agreement between the Diocese and the Cathedral of St. John the Divine, the value of this office space has been estimated to be \$12,000.

NOTE 5 Endowment Support

In December 1997 the Diocese was awarded a \$2 million endowment grant from The Dyson Foundation. Under the terms of the grant, income, as defined by the Diocesan investment policy, is to be used to support the programs of Episcopal Charities. The Diocese received money for this endowment in 1998. In 1999, Episcopal Charities received its first drawdown of income from this endowment. The value of this endowment fund at December 31, 2016, which is invested at the discretion of the Diocese, was \$2,421,715.

NOTE 6 Board Designated Net Assets

The following summarizes the activity within Board Designated net assets, which is included in the unrestricted net assets column on the statement of activities.

| | 2016 | 2015 |
|------------------------------|------------------|------------------|
| Balance, beginning of year | \$1,310,659 | \$1,317,269 |
| Bequests | 5,050 | 2,172 |
| Investment income | 105,324 | (8,782) |
| Appropriated for expenditure | - | - |
| Balance, end of year | <u>1,421,033</u> | <u>1,310,659</u> |

NOTE 7 Concentration of Risk

During 2016, Episcopal Charities had cash in banks exceeding federally insured limits. The Organization manages the risk by only using large, established financial institutions.

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8 Temporarily Restricted

Temporarily restricted net assets consists of the following as of December 31, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|--------------------|---------------|---------------|
| Endowment earnings | \$48,030 | \$39,446 |
| All Our Children | <u>4,792</u> | <u>4,792</u> |
| | <u>52,822</u> | <u>44,238</u> |

Temporarily restricted net assets released from restriction during the years ended December 31, 2016 and 2015 were as follows:

| | <u>2016</u> | <u>2015</u> |
|--------------------|---------------|----------------|
| Endowment earnings | \$11,125 | \$ 9,910 |
| All Our Children | - | 21,150 |
| Art education | - | 52,840 |
| Brown Bag meals | - | 8,080 |
| Summer camp | <u>-</u> | <u>10,000</u> |
| | <u>11,125</u> | <u>101,980</u> |

NOTE 9 Endowment Assets

Changes within the Endowment funds during 2016 and 2015 consisted of the following:

| | <u>Board Designated</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|------------------------------|-----------------------------|-----------------------------------|-----------------------------------|------------------|
| Balance, January 1, 2015 | \$1,317,269 | \$50,905 | \$205,813 | \$1,573,987 |
| Net investment earnings | (8,782) | (1,549) | - | (10,331) |
| Bequests | 2,172 | - | - | 2,172 |
| Appropriated for expenditure | <u>-</u> | <u>(9,910)</u> | <u>-</u> | <u>(9,910)</u> |
| Balance, December 31, 2015 | <u>1,310,659</u> | <u>39,446</u> | <u>205,813</u> | <u>1,555,918</u> |
| Net investment earnings | 105,324 | 19,709 | - | 125,033 |
| Bequests | 5,050 | - | - | 5,050 |
| Appropriated for expenditure | <u>-</u> | <u>(11,125)</u> | <u>-</u> | <u>(11,125)</u> |
| Balance, December 31, 2016 | <u>1,421,033</u> | <u>48,030</u> | <u>205,813</u> | <u>1,674,876</u> |

The Board elected to not draw down from the designated funds in 2016 and 2015 for operations.

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NOTE 10 Grants Payable

Grants payable of \$384,875 at December 31, 2016, is expected to be paid as follows:

| | |
|----------|-----------------------|
| 2017 | \$229,460 |
| 2018 | 133,300 |
| 2019 | <u>31,380</u> |
| | 394,140 |
| Discount | <u>9,265</u> |
| | <u><u>384,875</u></u> |

Long term grants are discounted to present value at the risk free rate of 5%.

NOTE 11 Fixed Assets

Fixed Assets consist of the following at December 31, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|--------------------------------|-------------------|---------------------|
| Equipment | \$22,462 | \$22,462 |
| Less: Accumulated depreciation | <u>22,000</u> | <u>18,790</u> |
| | <u><u>462</u></u> | <u><u>3,672</u></u> |

NOTE 12 Retirement Plans

Episcopal Charities contracted with the Episcopal Diocese of New York for lay retirement benefits in 2016 and 2015. Through this contract, non-clergy Episcopal Charities staff members are included in the Diocesan retirement plan, which is a 401(a) defined contribution plan. Contributions by Episcopal Charities to the plan are based on 13% of an employee's salary. Total expense under this plan for 2016 and 2015 was \$46,037 and \$40,819, respectively. Additional information regarding this plan can be found in the Diocese's audit report.