

**ADMINISTRATIVE OFFICES OF THE DIOCESE
OF NEW JERSEY**

Financial Statements
and
Supplementary Information

December 31, 2017

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

TABLE OF CONTENTS

December 31, 2017

	<u>Page Number</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6
Supplementary Information	
Schedule of Expenses Compared to Budget- Unaudited.....	19
Schedule of Loans Receivable- Unaudited.....	24

INDEPENDENT AUDITORS' REPORT

To the Audit Committee of
Administrative Offices of the Diocese of New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Administrative Offices of the Diocese of New Jersey (the "Diocese") which comprise the statement of financial position as of December 31, 2017, and the related statements of activities 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.

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese as of December 31, 2017, 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 supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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 the Diocese's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mercadieu, P.C.

Certified Public Accountants

August 27, 2018

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

STATEMENTS OF FINANCIAL POSITION

December 31, 2017

(With Comparative Totals for December 31, 2016)

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 340,170	\$ 477,145
Diocesan fair share contributions receivable (Note C)	110,988	195,791
Current portion of loans receivable (Note D)	400,395	129,925
Current portion of mortgages receivable, net of discount of \$842 (2017 and 2016) (Note E)	82,502	77,466
Dental, health and life insurance premiums receivable	10,633	17,775
Other receivables and prepaid expenses	175,992	229,354
Total current assets	1,120,680	1,127,456
Investments in shares of Diocesan Investment Trust (Note G) (403,261 and 433,871 shares @ \$54.61 and \$47.84 per share for 2017 and 2016, respectively)	22,022,087	20,756,393
Other investments	120,000	120,000
Beneficial interest in trust (Note F)	565,345	525,753
Loans receivable (Note D)	1,157,752	1,168,239
Mortgages receivable, net of discount of \$129,998 (2017) and \$150,143 (2016) (Note E)	2,394,745	2,451,437
Bequest receivable	-	686,233
Equity interest in real estate	72,000	72,000
Property and equipment (Note H)	336,069	97,763
Land and property held (Note I)	811,467	552,338
Total Assets	\$28,600,145	\$27,557,612
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 161,153	\$ 181,741
Current portion of note payable	-	833
Current portion of accrued post-retirement benefit obligation (Note J)	478,000	426,000
Other liabilities	93,828	100,278
Total current liabilities	732,981	708,852
Accrued post-retirement benefit obligation (Note J)	7,148,438	6,662,346
Total Liabilities	7,881,419	7,371,198
Net Assets		
Unrestricted	(2,198,558)	(3,336,489)
Temporarily restricted (Note K)	15,489,729	16,095,348
Permanently restricted (Note K)	7,427,555	7,427,555
Total Net Assets	20,718,726	20,186,414
Total Liabilities and Net Assets	\$28,600,145	\$27,557,612

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenues					
Fair share contributions	\$ 2,458,247	\$ -	\$ -	\$ 2,458,247	\$ 2,610,141
Grants	403,201	-	-	403,201	772,656
Other contributions	369,664	-	-	369,664	221,732
Dividends	503,323	353,977	-	857,300	918,420
Interest income	134,680	-	-	134,680	119,666
Interest income - parish loans	36,909	-	-	36,909	47,173
Event income	135,232	-	-	135,232	149,029
Other revenues	94,611	-	-	94,611	81,758
Net assets released from restrictions	<u>2,205,770</u>	<u>(2,205,770)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	<u>6,341,637</u>	<u>(1,851,793)</u>	<u>-</u>	<u>4,489,844</u>	<u>4,920,575</u>
Expenses					
Salaries	1,364,268	-	-	1,364,268	1,403,914
Employee benefits and taxes	639,633	-	-	639,633	651,060
Housing and other allowances	246,967	-	-	246,967	281,411
Grants and scholarships	1,889,948	-	-	1,889,948	1,673,793
General administrative	327,080	-	-	327,080	279,488
Insurance	840,054	-	-	840,054	1,161,232
National church covenant	442,720	-	-	442,720	403,372
Parish support and development	235,022	-	-	235,022	228,706
Event	229,352	-	-	229,352	244,997
Professional expenses	147,340	-	-	147,340	186,956
Equipment and software	125,783	-	-	125,783	105,167
Travel	96,591	-	-	96,591	121,148
Honorariums	68,898	-	-	68,898	51,009
Utilities	36,900	-	-	36,900	31,855
Fees	23,136	-	-	23,136	32,353
Miscellaneous	47,416	-	-	47,416	44,857
Depreciation	<u>22,790</u>	<u>-</u>	<u>-</u>	<u>22,790</u>	<u>29,724</u>
Total Expenses	<u>6,783,898</u>	<u>-</u>	<u>-</u>	<u>6,783,898</u>	<u>6,931,042</u>
Change in net assets before investment return and other gains	(442,261)	(1,851,793)	-	(2,294,054)	(2,010,467)
Realized gain on sale of churches	-	-	-	-	379,830
Unrealized gain on beneficial interest in trust	-	39,592	-	39,592	13,293
Unrealized gain on investments	<u>1,685,042</u>	<u>1,206,582</u>	<u>-</u>	<u>2,891,624</u>	<u>551,867</u>
Change in net assets from operations	1,242,781	(605,619)	-	637,162	(1,065,477)
Post-retirement related changes other than net periodic costs	<u>(104,850)</u>	<u>-</u>	<u>-</u>	<u>(104,850)</u>	<u>494,800</u>
Change in net assets	1,137,931	(605,619)	-	532,312	(570,677)
Net assets, beginning of year	<u>(3,336,489)</u>	<u>16,095,348</u>	<u>7,427,555</u>	<u>20,186,414</u>	<u>20,757,091</u>
Net assets, end of year	<u><u>\$ (2,198,558)</u></u>	<u><u>\$ 15,489,729</u></u>	<u><u>\$ 7,427,555</u></u>	<u><u>\$ 20,718,726</u></u>	<u><u>\$ 20,186,414</u></u>

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 532,312	\$ (570,677)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized gain on investments	(2,891,624)	(551,867)
Unrealized gain on beneficial interest in trust	(39,592)	(13,293)
Realized gain on sale of churches	-	(379,830)
Amortization of mortgage discount	(20,145)	(20,988)
Depreciation	22,790	29,724
Increase (decrease) in cash from		
Diocesan fair share contributions receivable	84,804	(76,775)
Dental, health and life insurance premiums receivable	7,142	23,895
Other receivables and prepaid expenses	53,362	(4,371)
Bequest receivable	686,233	(45,402)
Land and property held	(259,129)	-
Accounts payable and accrued expenses	(20,588)	110,566
Accrued post-retirement benefit obligation	538,092	242,071
Other liabilities	(6,450)	8,261
Net cash from operating activities	(1,312,793)	(1,248,686)
Cash Flows from Investing Activities		
Purchases of property and equipment	(261,096)	(26,049)
Proceeds from sale of churches	-	425,000
Diocesan investment trust redemption	2,627,016	2,177,573
Diocesan investment trust dividends reinvested	(293,692)	(291,201)
Diocesan investment trust purchases	(707,395)	(777,641)
Loans issued	(300,000)	-
Mortgage loan issued	-	(57,932)
Loan payments received	40,016	206,825
Mortgage payments received	71,802	57,169
Net cash from investing activities	1,176,651	1,713,744
Cash Flows from Financing Activities		
Repayment of borrowings	(833)	(5,092)
Net cash from financing activities	(833)	(5,092)
Net change in cash and cash equivalents	(136,975)	459,966
Cash and cash equivalents, beginning of year	477,145	17,179
Cash and cash equivalents, end of year	\$ 340,170	\$ 477,145
Supplemental schedule of noncash investing activities		
Issuance of mortgages on churches sold	\$ -	\$ 382,500

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

A. NATURE OF ORGANIZATION

The Administrative Offices of the Diocese of New Jersey (the "Diocese") is an administrative division of the National Episcopal Church covering parishes and missions in central and southern New Jersey.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Diocese have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The Diocese is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets - net assets not subject to donor-imposed stipulations, and therefore are expendable for operating purposes.
- Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met by actions of the Diocese and/or by the passage of time.
- Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Diocese. Generally, the donors of these assets permit the Diocese to use all or part of the income earned on related investments for general or donor-specified purposes.

Comparative Financial Information

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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Diocese's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Diocese considers cash equivalents to be all highly liquid debt instruments with an initial maturity of ninety days or less.

Accounts Receivable

Accounts receivable consists of fair share contributions receivable, loans receivable, mortgages receivable and dental, health and life insurance premiums receivable. The Diocese considers accounts receivable to be fully collectible; accordingly, no allowances for doubtful amounts is required.

Investments

Investments are stated at fair value in the statements of financial position. All interest, dividends and realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Trust

The Diocese's beneficial interest in trust is recorded when received at the present value of the anticipated future cash flows. Present values are determined using appropriate discount rates. Present values under split-interest agreements are revalued annually. The net revaluations, after all trust or gift obligations have been satisfied, are recorded as changes in the value of charitable remainder trusts.

Property and Equipment

Real property is carried at cost or, where historical cost records are not available, at appraised value. If no appraisal is available, real property is carried at a nominal value of \$1.

Furniture and equipment are recorded at cost. Depreciation of buildings, building improvements and for furniture and equipment acquired after December 31, 1999, is provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Building	28 years
Building improvements	15 years
Furniture and fixtures	10 years
Equipment and Vehicles	5 years

Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred.

Land and Property Held

Land and property held consists of property that has been transferred from a congregation generally due to a disbanded congregation or financial difficulties. The Diocese capitalizes costs incurred in connection with holding and improving the property and expects reimbursement of such costs when the property is either transferred back to another congregation or is sold.

Public Support and Revenue Recognition

Contributions, which consist primarily of Diocesan fair share contributions and grants, are recognized when the donor makes a promise to give to the Diocese that is, in substance, unconditional. The asking value of fair share contributions is calculated on a percentage scale of the congregation's second prior year parochial income. Conditional promises to give are recognized when the conditions on which they are dependent are substantially satisfied.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Other Post-retirement Benefits

The Diocese accounts for its other post-retirement benefits plan as required by U.S. GAAP. The guidance requires that the full funding status of defined benefit pension and other post-retirement plans be recognized on the statements of financial position as an asset (for overfunded plans) or as a liability (for underfunded plans). In addition, the measurement of defined benefit plan assets and obligations are made annually as of the statements of financial position date.

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Diocese and its related parties and missions are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Income generated by activities that would be considered unrelated to the Diocese's mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recognized for the years ended December 31, 2017 or 2016.

U.S. GAAP requires management to evaluate tax positions taken by the Diocese and recognize a tax liability if the Diocese has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management evaluated the Diocese's tax positions and concluded that the Diocese had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

The Diocese did not record any interest or penalties on uncertain tax positions in the accompanying statements of financial position as of December 31, 2017 or 2016, or in the accompanying statements of activities for the years then ended. If the Diocese were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

Subsequent Events

Management has evaluated events for potential recognition and disclosure through August 27, 2018, the date the financial statements were available to be issued. No items were determined by management to require disclosure.

Recent Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which now requires net assets to be presented in two classes, instead of three. The two classes will be net assets with donor restrictions and net assets without donor restrictions. Additional enhanced disclosures will be required to present the amounts and purposes of board designations, composition of net assets with donor restrictions and how the restrictions affect the use of resources. ASU 2016-14 requires the entity to communicate qualitative and quantitative information on how it manages its liquid resources available to meet the cash flow needs for general expenditures within one year of the statement of financial position date, including disclosure of the availability of financial assets at the statements of financial position date, affected by 1) its nature, 2) external limits imposed by donors, grantors, laws and contracts with others, and 3) internal limits imposed by governing board decisions. ASU 2016-14 requires reporting of expenses by both their natural and functional classification. ASU 2016-14 also requires reporting of investment returns net of external and direct internal investment expenses and removes the requirement to disclose the netting of such investment expenses. ASU 2016-14 requires reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions and enhances disclosures about underwater endowments. ASU 2016-14 will be effective for the Diocese for the year ending December 31, 2018. The Diocese is currently evaluating the effect that the new standard will have on its financial statements and related disclosures.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

C. DIOCESAN FAIR SHARE CONTRIBUTIONS RECEIVABLE

As of December 31, 2017 and 2016, Fair Share Contributions receivable consisted of support from congregations enabling the Diocese to fulfill its mission.

D. LOANS RECEIVABLE

Loans receivable are from parishes and missions. Interest charged on the loans varies from 0% to 6%. The loans have stated payment terms due through 2030. The Diocese considers all loans receivable to be fully collectible, therefore no allowance for doubtful accounts has been established.

Summary of loans receivable:

	December 31,	
	2017	2016
Current portion	\$ 400,395	\$ 129,925
Long-term portion	1,157,752	1,168,239
Total	<u>\$ 1,558,147</u>	<u>\$ 1,298,164</u>

Total maturities of the loans receivable are as follows:

Years Ending December 31,	
2018	\$ 400,395
2019	119,152
2020	116,691
2021	116,886
2022	103,307
Thereafter	701,716
Total	<u>\$ 1,558,147</u>

E. MORTGAGES RECEIVABLE

The Diocese issued a fifteen year, zero percent interest, \$670,277 mortgage on the St. Georges Episcopal Church in Helmetta, New Jersey on November 23, 2010. The mortgage receivable is recorded at net present value since the mortgage was issued without interest. The net present value of the mortgage was \$379,678 using a fifteen year rate of 3.77%. As of December 31, 2017 and 2016, the balance on the mortgage was \$512,017 and \$534,360 with a net present value discount of \$130,840 and \$150,985 being amortized over the term of the mortgage, respectively. The amortization of the net present value discount is included in interest income on the statements of activities.

The Diocese issued a thirty year, five percent interest, \$820,000 mortgage on Grace Church in Elizabeth, New Jersey on January 19, 2012. After fifteen years, the Diocese can call the mortgage or change any terms of the mortgage agreement. Monthly payments of \$4,402 are due to the Diocese. As of December 31, 2017 and 2016, the balance on the mortgage was \$740,111 and \$755,509, respectively.

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

E. MORTGAGES RECEIVABLE (CONTINUED)

The Diocese issued a fifteen year, five and a half percent interest, \$89,000 mortgage on Christ Church in Vineland, New Jersey on January 28, 2015. Monthly payments of \$727 are due to the Diocese. As of December 31, 2017 and 2016, the balance on the mortgage was \$78,023 and \$82,677, respectively.

The Diocese issued a ten year, four and a half percent interest, \$892,000 mortgage on the Church of the Epiphany in Ventnor City, New Jersey on June 23, 2015. Monthly payments of \$4,520 are due to the Diocese. As of December 31, 2017 and 2016, the balance on the mortgage was \$853,486 and \$870,169, respectively.

The Diocese issued a ten year, five percent interest, \$382,500 mortgage on St. Peter's Church in Hamilton, New Jersey on April 18, 2016. Monthly payments of \$2,053 are due to the Diocese. As of December 31, 2017 and 2016, the balance on the mortgage was \$373,433 and \$379,242, respectively.

The Diocese issued a five year, five percent interest, \$57,932 mortgage on St. Barnabas Church in Florence, New Jersey in 2016. Monthly payments of \$1,093 are due to the Diocese. As of December 31, 2017 and 2016, the balance on the mortgage was \$51,017 and \$57,932, respectively.

Total maturities of mortgages receivable are as follows:

Years Ending December 31,	
2018	\$ 83,344
2019	79,243
2020	82,091
2021	79,571
2022	74,519
Thereafter	<u>2,209,319</u>
Subtotal	2,608,087
Less: discount for present value	<u>130,840</u>
Total	<u>\$ 2,477,247</u>

F. BENEFICIAL INTEREST IN TRUST

Pursuant to a will dated February 6, 1936, a donor established a charitable lead annuity trust naming the Diocese as a beneficiary. Under terms of the agreement, the Diocese is to receive fifty percent of the distribution each year. After the final distribution is made in 2036, the trust will terminate and any remaining trust assets will be distributed to all beneficiaries. As of December 31, 2017 and 2016, the remaining present value of future benefits expected to be received is \$565,345 and \$525,753, respectively.

G. FAIR VALUE MEASUREMENT

Investments consist of shares of the Diocesan Investment Trust ("DIT"), equity securities, fixed income securities and alternative investments. The DIT investments consist of money market funds, common stocks, fixed income and mutual funds. The DIT determines fair value using the net asset value per share ("NAV") practical expedient.

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

G. FAIR VALUE MEASUREMENT (CONTINUED)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Diocese uses various methods including market, income and cost approaches. Based on these approaches, the Diocese often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Diocese utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Diocese is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1 — Quoted prices for identical assets and liabilities traded in active exchange markets.
- Level 2 — Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.
- Level 3 — Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

During the years ended December 31, 2017 and 2016, there were no changes to the Diocese's valuation techniques that had, or are expected to have, a material impact on its financial position or changes in net assets.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Diocesan Investment Trust - The fair value of the DIT is based on the fair value of the underlying pooled investments which are comprised of money market funds, common stocks, fixed income and mutual funds.

Fixed Income Securities - The fair value of fixed income securities is generally based on quoted prices in active markets. When quoted prices are not available, fair value is determined based on a valuation model that uses inputs that include interest rate yield curves, cross-currency basis index spreads and country credit spreads similar to the security in terms of issuer, maturity and seniority.

Beneficial Interest in Trust - The fair value of the beneficial interest in trust is estimated using present value techniques and actuarial data, anticipated trust income, and anticipated trust payments to the beneficiaries. The Diocese considers the measurement of its beneficial interest in the trust to be a Level 3 measurement because there is a high degree of uncertainty in the predicted cash flows and there is no observable market data for sales of beneficial interest in trusts as they cannot be sold.

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

G. FAIR VALUE MEASUREMENT (CONTINUED)

Investments measured at fair value at December 31, 2017 and 2016, are summarized as follows:

	December 31, 2017			Total
	Level 1	Level 2	Level 3	
Fixed Income	\$ -	\$ 120,000	\$ -	\$ 120,000
Beneficial Interest in Trust	-	-	565,345	565,345
Total	\$ -	\$ 120,000	\$ 565,345	\$ 685,345
DIT				22,022,087
Total Investments				<u>\$22,707,432</u>

	December 31, 2016			Total
	Level 1	Level 2	Level 3	
Fixed Income	\$ -	\$ 120,000	\$ -	\$ 120,000
Beneficial Interest in Trust	-	-	525,753	525,753
Total	\$ -	\$ 120,000	\$ 525,753	\$ 645,753
DIT				20,756,393
Total Investments				<u>\$21,402,146</u>

In accordance with U.S. GAAP, investments measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy. The following table presents quantitative information about the DIT investments:

	Fair Value at December 31, 2017	Fair Value at December 31, 2016	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
DIT	<u>\$ 22,022,087</u>	<u>\$ 20,756,393</u>	<u>\$ 0</u>	Daily	1 day

The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 assets).

	December 31,	
	2017	2016
Beginning balance	\$ 525,753	\$ 512,460
Unrealized gain on beneficial interest in trust	<u>39,592</u>	<u>13,293</u>
Ending balance	<u>\$ 565,345</u>	<u>\$ 525,753</u>

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

G. FAIR VALUE MEASUREMENT (CONTINUED)

The investment in the DIT is attributable to the following funds:

	December 31,	
	2017	2016
Temporarily restricted		
Eisenhart Fund	\$ 1,345,360	\$ 1,976,621
Missionary Fund	100,256	92,353
T.A. Conover Memorial Fund	35,603	32,908
Mary C. Bishop Fund	15,673	13,730
Edgar Cummings Sanborn Fund	6,444	5,645
Malcolm Stoney Estate	304,165	281,728
S. Robinson Knight Estate	116,340	107,342
Helen Parkhill Fund	81,341	75,198
Archdeacon Fund	40,013	33,728
RB & RW Shepherd Fund	568,922	479,556
Van Duzer Scholarship Fund	104,584	87,873
Mary E.H. Pullan Fund	141,380	119,172
Anna W. Stott Charitable Trust	213,070	186,656
Walter P. Wilson Fund	44,471	37,485
Walter C. Scott Fund	70,539	59,458
Bruker Fund	418,981	375,304
Berkeley Township Prop. Fund	16,405	14,371
Widows and Orphans Fund	853,341	747,552
Eleanor P. Trend Estate	4,915	4,306
Rebecca Wain Shepherd Fund	18,877	16,536
H. Martin Estate	4,150	3,636
Aged & Infirm Clergy Fund	621,152	556,670
Jane O. Turner Fund	1,837,850	1,549,162
Mary O'Neil Fund	61,170	51,561
Christian Knowledge Society Fund	43,633	38,224
Episcopal Fund	239,483	221,994
Elizabeth Fund	266,166	333,128
Endowment Fund TCP	26,747	23,431
St. Andrew's Fund	25,276	-
Charles English Fund	806,726	-
Other- Disposition of closed churches Fund	6,059	14,854
Total Temporarily Restricted DIT Funds	<u>8,439,092</u>	<u>7,540,182</u>

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

G. FAIR VALUE MEASUREMENT (CONTINUED)

	December 31,	
	<u>2017</u>	<u>2016</u>
Permanently restricted		
VIM Endowment Fund	3,189,826	2,986,051
Harriet Procter Matthews Fund	4,384,194	4,056,830
Herbert Stanley Smith Fund	82,352	72,143
Katherine W. Kean Legacy	593,879	551,941
Emma T. Theurer Fund	810,932	758,414
Bishop Knight Memorial Fund	12,123	10,620
Harold E. Pancoast Estate	199,874	185,112
Stevens & Conover Fund	2,021	1,770
Richard Ellwood Endowment Fund	169,491	147,338
V&V Pettit Trust for Youth Mission Work	24,855	22,494
Eleanor Merritt Estate	<u>35,442</u>	<u>31,048</u>
Total Permanently Restricted DIT Funds	<u>9,504,989</u>	<u>8,823,761</u>
Unrestricted		
De Voe Fund	99,991	87,595
Mary N. Perce Fund	1,420	1,244
Church of Our Savior	7,941	6,697
Plainfield Fund	429,738	376,955
St. James Fund (Atlantic City)	1,405,159	1,230,734
St. Andrew's Highlands	61,985	52,248
Estate of Georgia M.E. Bevan	486,339	450,318
Alfred Jones Bequest	529,360	490,408
Diocesan Council Reserve	9	34,033
Other Miscellaneous DIT Funds	<u>190,200</u>	<u>176,111</u>
Total Unrestricted DIT Funds	<u>3,212,142</u>	<u>2,906,343</u>
Total Endowment Investment in DIT	21,156,223	19,270,286
R. Bowden Shepherd Loan Fund	276,659	233,201
Venture in Mission Loan Fund	468,254	928,405
C&R Loan Fund	<u>120,951</u>	<u>324,501</u>
Total Investment in DIT	<u>\$ 22,022,087</u>	<u>\$ 20,756,393</u>

H. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31,	
	<u>2017</u>	<u>2016</u>
Land	\$ 97,110	\$ -
Building	151,890	-
Equipment and fixtures	193,630	181,534
Building improvements	166,978	166,978
Vehicles	76,698	76,698
Diocesan (Cathedral) House	1	1
Subtotal	<u>686,307</u>	<u>425,211</u>
Less accumulated depreciation	<u>350,238</u>	<u>327,448</u>
Total property and equipment	<u>\$ 336,069</u>	<u>\$ 97,763</u>

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

I. LAND AND PROPERTY HELD

Land and property held consists of property that has been transferred from a congregation generally due to a disbanded congregation or financial difficulties. The Diocese capitalizes costs incurred in connection with holding and improving the property and expects reimbursement of such costs when the property is either transferred back to another congregation or is sold. Land and property held by the Diocese at December 31, 2017 and 2016, consists of the following:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
St. Luke's Church, Westville	\$ 207,400	\$ 170,675
Church of the Ascension, Atlantic City	353,512	154,846
St. Clement's Church, Belford	135,055	118,869
Church of the Good Shepherd, Rahway	-	62,985
St. Mark's, Hammonton	37,194	27,783
St. Barnabas Episcopal Church, Burlington	1,612	13,623
Our Savior, Camden	8,337	8,337
St. Barnabas-by-the-Bay, Villas	2,554	2,554
St. Wilfrid's, Camden	25,476	783
Church of the Epiphany, Ventnor	12,202	182
Trinity Church, Delran	25,665	1,177
Church of the Annunciation, Lawnside	<u>2,460</u>	<u>(9,476)</u>
	<u>\$ 811,467</u>	<u>\$ 552,338</u>

J. POST-RETIREMENT BENEFITS OTHER THAN PENSIONS

The Diocese provides post-retirement benefits other than pensions to former employees who meet certain criteria and recognizes the cost of such benefits over the employees' period of service. The post-retirement benefit plan is unfunded.

The periodic post-retirement benefit cost for the years ended December 31, 2017 and 2016, was as follows:

	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Service cost	\$ 145,065	\$ 143,589
Interest cost	247,017	253,642
Amortization of prior service cost	<u>433,404</u>	<u>725,807</u>
Net periodic post-retirement benefit cost	<u>\$ 825,486</u>	<u>\$ 1,123,038</u>

Benefits paid for the years ended December 31, 2017 and 2016, were \$392,244 and \$386,167, respectively.

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

J. POST-RETIREMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

The actuarial present value of benefit obligations and the amount recognized in the statements of financial position as of December 31, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Fair value of plan assets at December 31		
Unfunded status	\$ (7,626,438)	\$ (7,088,346)
Unrecognized prior service cost	1,949,384	1,850,703
Unrecognized net gain	<u>(346,531)</u>	<u>(352,700)</u>
Accrued post-retirement benefit obligation	<u>\$ (6,023,585)</u>	<u>\$ (5,590,343)</u>
Change in accumulated post-retirement benefit obligation		
Accumulated post-retirement benefit obligation, beginning of year	\$ 7,088,346	\$ 6,846,275
Service cost	145,065	143,589
Interest cost	247,017	253,642
Actuarial loss (gain)	6,169	(137,013)
Plan amendments	532,085	368,020
Benefits paid	<u>(392,244)</u>	<u>(386,167)</u>
Accumulated post-retirement benefit obligation, end of year	<u>\$ 7,626,438</u>	<u>\$ 7,088,346</u>
Weighted-average assumptions as of December 31		
Discount rate	3.32 %	3.73 %
Expected return on plan assets - unfunded	N/A	N/A

K. NET ASSETS

Temporarily Restricted

Temporarily restricted net assets are available for the following purposes or period:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
For the support of Diocesan programs	\$14,862,055	\$15,106,387
For subsequent periods	565,345	525,753
For hurricane relief	<u>62,329</u>	<u>463,208</u>
Total	<u>\$15,489,729</u>	<u>\$16,095,348</u>

Net assets were released from donor restrictions as follows:

	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Purpose restriction accomplished		
Diocesan programs	\$ 1,804,890	\$ 2,169,966
Hurricane relief	<u>400,880</u>	<u>416,503</u>
Total	<u>\$ 2,205,770</u>	<u>\$ 2,586,469</u>

Permanently Restricted

Permanently restricted net assets are endowment funds restricted in perpetuity to continue the purpose of the Diocese. Income generated by these assets can be used for support of Diocesan programs.

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

L. PENSION PLAN

During the years ended December 31, 2017 and 2016, the Diocese maintained two defined contribution plans covering clergy and lay employees. Clergy were covered under the multi-employer Church Pension Plan Fund (Title 1, Canon 8 of the Episcopal Church). Contributions to the plan were calculated at 18% of each cleric's annual compensation package. Lay employees were covered under a defined contribution plan, with contributions calculated at 14% of eligible salaries. For the years ended December 31, 2017 and 2016, pension expense amounted to \$214,132 and \$203,333, respectively.

M. CONCENTRATION OF RISK

The Diocese maintains cash and cash equivalent balances which may exceed federally insured limits. It historically has not experienced any credit-related losses.

The primary source of non-investment revenues is Fair Share Contributions. A significant reduction in this level of support, if it were to occur, could have a significant negative effect on the Diocese's programs and activities.

N. COMMITMENTS AND CONTINGENCIES

From time to time, the Diocese is subject to litigation that arises in the ordinary course of conducting activities. In management's opinion, the resolution of litigation matters, if any, would not have a material effect on the financial position of the Diocese at December 31, 2017 or 2016.

O. RELATED PARTY

The Diocese and the DIT are related through a common board (committee) member.

The Diocese is a member of the National Episcopal Church. Support to the National Episcopal Church during the years ended December 31, 2017 and 2016, amounted to \$442,720 and \$403,372, respectively.

P. ENDOWMENT POLICY

Endowment Description

The Diocese's endowment consists of sixty-six individual funds established for a variety of purposes. In June 2009, the State of New Jersey enacted a version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA" or the "Act"). During 2009, the Diocesan Council interpreted the Act as allowing the Diocese the powers to manage and invest the funds in good faith and with the care an ordinarily prudent person, in a like position, would exercise under similar circumstances. The Diocesan Council also interpreted UPMIFA as requiring the assets in an endowment fund to be donor-restricted assets until appropriated for expenditure by the Diocesan Council, unless stated otherwise in the gift instrument. As a result of this interpretation, the Diocese has not changed the way permanently restricted net assets are classified. The original value of all gifts donated to the endowment fund will be classified as permanently restricted net assets with endowment earnings classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

The Diocese's endowed investments consist of shares of the DIT. The investments are monitored by an investment committee. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

P. ENDOWMENT POLICY (CONTINUED)

Interpretation of Relevant Law

The Diocesan Council of the Diocese has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of the subsequent gift 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 fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Diocese in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Spending Policy

It has been the policy of the Diocese to utilize interest and dividends on the endowment as stipulated by the donor. In cases where the donor has not specified the purpose of the endowment, interest and dividends are utilized to support Diocesan programs.

Endowment Investment Policy

The philosophy of the Diocese has been to ensure that assets are protected through conservative management and investment. This philosophy is aimed primarily at the preservation and safety of principal, with long-term reasonable growth. The endowment investments are to be invested in the DIT, achieving the investment goals of the Diocese.

Under the provisions of the UPMIFA and U.S. GAAP, losses in the market value of donor-restricted endowment funds are required to be offset by reductions in temporarily restricted net assets or unrestricted net assets, or both. An endowment fund that has become "underwater" will therefore, result in decreases in temporarily restricted or unrestricted net assets, despite the absence of any legal obligation to restore the endowment fund for such losses. Unrestricted net assets that have been reduced because of this requirement will be restored from future gains for that reduction.

Changes in Endowment Net Assets invested in the DIT for the years ended December 31, 2017 and 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2016	\$ 3,063,105	\$ 8,485,262	\$ 9,049,641	\$ 20,598,008
Investment return				
Investment income	125,091	340,100	376,999	842,190
Unrealized gain	64,589	191,214	219,196	474,999
Total investment return	<u>189,680</u>	<u>531,314</u>	<u>596,195</u>	<u>1,317,189</u>
Contributions	<u>7,920</u>	-	-	<u>7,920</u>
Distribution	<u>(354,362)</u>	<u>(1,476,394)</u>	<u>(822,075)</u>	<u>(2,652,831)</u>
Endowment net assets, December 31, 2016	<u>2,906,343</u>	<u>7,540,182</u>	<u>8,823,761</u>	<u>19,270,286</u>
Investment return				
Investment income	117,415	329,504	353,977	800,896
Unrealized gain	401,753	1,117,615	1,206,582	2,725,950
Total investment return	<u>519,168</u>	<u>1,447,119</u>	<u>1,560,559</u>	<u>3,526,846</u>
Contributions	<u>-</u>	<u>717,852</u>	-	<u>717,852</u>
Distribution	<u>(213,365)</u>	<u>(1,266,064)</u>	<u>(879,332)</u>	<u>(2,358,761)</u>
Endowment net assets, December 31, 2017	<u>\$ 3,212,146</u>	<u>\$ 8,439,089</u>	<u>\$ 9,504,988</u>	<u>\$ 21,156,223</u>

SUPPLEMENTARY INFORMATION

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

SCHEDULE OF EXPENSES COMPARED TO BUDGET - UNAUDITED
Year Ended December 31, 2017

		2017		
Category/Line Item		Unaudited Approved Budget	To-Date Actual	Budget Variance
REVENUES				
1	Marks of Mission Giving	\$ 4,116,262	\$ -	\$ -
1a	<i>Minus: Anticipated Shortfall in MoMG Pledges</i>	1,571,120	-	-
1b	Marks of Mission Giving Income	2,545,142	2,516,500	28,642
2	Trust Income	460,976	453,470	7,506
2a	Designated Funds	100,000	100,672	(672)
3	Available Surplus	-	-	-
4	Other Revenue	36,200	3,781	32,419
5	Mission Renewal Fund - Canon for CD&M Support	-	-	-
6	Trustee Grants - Re-Tooling Our Ministries	456,859	456,859	-
6a	Mission Renewal Fund - Re-Tooling Our Ministries	358,460	358,460	-
6b	Trustee Grants - CTO Support	99,156	99,156	-
6c	Trustee Grants - Cn. Missioner for Yth & YA Support	35,000	35,000	-
7	Anglican Foundation Grant	-	-	-
8	Episcopal Residence Fund Dissolution	-	-	-
	Total Revenues	\$ 4,091,793	\$ 4,023,897	\$ 67,895
OUTLAYS				
<i>Diocesan Priorities</i>				
10	Mission Congregations	\$ 450,000	\$ 450,000	\$ -
20	The Episcopal Church	442,720	442,720	-
<i>Social & Ethnic Ministry</i>				
30	Environmental Committee	200	-	200
31	Migrant Ministry	1,000	1,702	(702)
32	Anti-Racism	14,400	11,949	2,451
33	Hispanic Commission	10,000	10,000	-
	Government Affairs	-	-	-
35	Sustainable Development Goals	20,000	20,000	-
40	Trinity Cathedral	150,000	150,000	-
50	Diocesan Communications	42,220	42,999	(779)
55	Archival Expenses	8,000	8,321	(321)
60	Visioning Process	-	-	-
65	Ministry with Older Adults	3,408	372	3,036
70	Jubilee Ministries	2,500	2,366	134
75	Episcopal Church Women (ECW)	2,000	995	1,005
	Subtotals - Diocesan Priorities	1,146,448	1,141,424	5,024
<i>Congregational Development</i>				
100	Congregational Development	30,000	23,859	6,141
101	Board of Missions	1,000	209	791
102	Building Inspection Program	-	-	-
102a	Risk Management Inspections	16,200	-	16,200
103	Parish Crisis Response	15,000	15,000	-
<i>Congregational Ministries</i>				
110	Stewardship	5,000	4,981	19
111	Christian Formation	8,000	7,813	187
112	Commission on Liturgy	3,000	2,049	951
113	Commission on Music	5,000	2,034	2,966
114	Ministry with the Disabled	6,000	6,000	-
115	Planned Giving	-	-	-
116	Episcopal Church Visual Arts (ECVA)	-	-	-
117	Recovery Ministries	2,550	2,318	232
<i>Local Program</i>				
	Subtotals - Congregational Development	91,750	64,264	27,487

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

SCHEDULE OF EXPENSES COMPARED TO BUDGET - UNAUDITED
Year Ended December 31, 2017

		2017		
Category/Line Item		Unaudited Approved Budget	To-Date Actual	Budget Variance
Ministry Development				
<i>Priests</i>				
200	Commission on the Priesthood	13,000	10,388	2,612
202	COP Internship Program	6,000	6,000	-
203	Trinity Counseling Service	-	-	-
204	Clergy Development/Clergy Days	5,000	5,413	(413)
204a	Fresh Start	1,250	2,278	(1,028)
205	Transition Ministry (formerly Clergy Deployment)	-	-	-
206	Multicultural Ministry Development	-	-	-
<i>Deacons</i>				
210	School for Deacons/Committee on the Diaconate	33,900	33,900	-
211	Deacons Council	3,900	1,373	2,527
<i>Laity</i>				
220	Ministry Institute	3,150	1,663	1,487
Subtotals - Ministry Development		66,200	61,015	5,185
Diocesan Ministries				
<i>Youth & Young Adults</i>				
300	Youth Activities	28,300	23,742	4,558
301	Young Adult Ministry	2,500	1,206	1,294
302	The Chaplaincy at Rutgers	-	-	-
302a	The Chaplaincy at College of NJ	-	-	-
302b	Chaplaincy at Rowan University	-	-	-
303	Local Chaplaincies	-	-	-
<i>Community Initiatives</i>				
310	Hunger Ministry	-	-	-
311	Prison Ministry	3,000	1,254	1,746
311a	Detention Center	3,500	360	3,140
312	Immigration	8,000	4,371	3,629
313	Urban Ministry	-	-	-
314	Regional Hispanic Missioner Initiative	20,000	20,000	-
Subtotals - Diocesan Ministries		65,300	50,933	14,366
Diocesan Gatherings				
<i>Within the Diocese</i>				
400	Diocesan Convention	33,175	31,419	1,756
401	Clergy Conference	6,000	9,128	(3,128)
402	Lay Leader Conferences	3,500	2,561	939
<i>Within the Larger Church</i>				
410	Lambeth	1,000	1,000	-
411	House of Bishops	3,000	2,339	662
412	General Convention & ECW Triennium	29,700	29,700	-
413	Province II Meetings	-	-	-
Subtotals - Diocesan Gatherings		76,375	76,147	228
Programs & Covenants				
500	Province II Covenant	10,739	10,739	-
501	Ecumenism	1,500	1,495	5
502	Companion Diocese	25,000	22,477	2,523
503	DR Missionary	15,200	15,200	-
Subtotals - Programs & Covenants		52,439	49,911	2,528

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

SCHEDULE OF EXPENSES COMPARED TO BUDGET - UNAUDITED
Year Ended December 31, 2017

		2017		
Category/Line Item		Unaudited Approved Budget	To-Date Actual	Budget Variance
Diocesan Staff				
<i>The Bishop of New Jersey</i>				
600	Salary & Housing	196,916	-	-
601	SECA	15,064	-	-
601a	Subtotal Compensation - Bishop of NJ	211,980	211,980	-
602	Continuing Education	2,500	522	1,978
603	Professional Allowance	7,000	7,253	(253)
604	Transportation	10,000	9,180	820
	Subtotals - Bishop of New Jersey	231,480	228,936	2,544
606	Visiting Bishops	2,500	1,727	773
<i>The Canon to the Ordinary</i>				
620	Salary & Housing	102,108	-	-
621	SECA	7,811	-	-
621a	Subtotal Compensation - Canon to the Ordinary	109,919	109,919	-
622	Continuing Education	2,500	1,624	876
623	Professional Allowance	2,500	1,877	623
624	Transportation	5,000	5,574	(574)
	Subtotals - Canon to the Ordinary	119,919	118,994	925
<i>The Chief Operating Officer (formerly CFO)</i>				
630	Salary	115,865	115,865	-
631	Social Security	8,864	8,864	-
632	Continuing Education	2,500	2,050	450
633	Professional Allowance	2,500	2,567	(67)
634	Transportation	5,000	4,655	345
	Subtotals - Chief Operating Officer	134,729	134,001	728
<i>Canon for Transition Ministry & Clergy Dev.</i>				
640	Salary	-	-	-
641	Social Security	-	-	-
642	Professional Allowance	-	-	-
643	Transportation	-	-	-
	Subtotals - Canon for Transition Min/Clergy Dev	-	-	-
<i>Canon Missioner for Youth & Young Adults</i>				
650	Salary & Housing	83,575	83,574	1
651	Social Security	-	-	-
652	Professional Allowance	3,800	2,177	1,623
653	Transportation	3,500	2,081	1,419
654	Continuing Education	509	82	427
	Subtotals - Canon Missioner for Youth & Young Adults	91,384	87,914	3,470
<i>Canon Missioner for Historic Black Churches</i>				
655	Compensation Package	-	-	-
656	SECA	-	-	-
657	Travel Allowance	-	-	-
	Subtotals - Canon Missioner for Historic Black Churches	-	-	-
<i>Canon for Communications</i>				
660	Compensation Package	64,810	64,810	-
661	Social Security	4,958	4,958	0
662	Travel Allowance	6,000	860	5,140
663	Professional Allowance	2,000	1,017	984
	Subtotals - Canon for Communications	77,768	71,644	6,124

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

SCHEDULE OF EXPENSES COMPARED TO BUDGET - UNAUDITED
 Year Ended December 31, 2017

		2017		
Category/Line Item		Unaudited Approved Budget	To-Date Actual	Budget Variance
<i>Canon Missioner for Hispanic Churches</i>				
665	Compensation Package	-	-	-
666	SECA	-	-	-
667	Continuing Education			
668	Travel Allowance	-	-	-
	Subtotals - Canon Missioner for Hispanic Churches	-	-	-
<i>Canon for Congregational Development & Mission</i>				
670	Salary & Housing	102,108	102,108	-
671	SECA	7,811	7,811	-
671a	Subtotal Compensation - Canon for CD&M	109,919	109,919	-
672	Travel Allowance	4,000	5,200	(1,200)
673	Professional Allowance	2,500	2,478	22
674	Continuing Education	2,500	2,924	(424)
	Subtotals - Canon for Cong. Dev. & Mission	118,919	120,521	(1,602)
680	Administrative Staff	480,243	507,998	(27,755)
680a	Employment Taxes	54,739	48,931	5,808
682	Retired Clergy Chaplain	1,500	1,277	223
683	Clergy Chaplain	-	-	-
690	Health Insurance	257,000	255,480	1,520
691	Dental Insurance	15,000	14,461	539
692	Life Insurance	3,500	2,474	1,027
693	Long/Short Term Disability	3,000	2,826	174
694	Pensions	180,000	166,718	13,282
	Subtotals - Administrative Staff	994,982	1,000,164	(5,182)
	Subtotals - Diocesan Staff	1,771,681	1,763,901	7,780
<i>Diocesan Obligations</i>				
<i>Finance</i>				
700	Insurance & Bonding	65,000	83,213	(18,213)
701	Audit (Formerly Audit & Legal)	45,000	46,429	(1,429)
702	Legal			
	Subtotals - Finance	110,000	129,642	(19,642)
<i>Facilities</i>				
710	Property Maintenance	33,000	24,410	8,590
711	Utilities	22,400	21,134	1,266
712	Capital Improvements	10,000	2,271	7,729
713	Equipment	140,000	143,771	(3,771)
714	Furniture	2,000	1,020	980
715	Telephone	12,000	11,845	155
716	Office Supplies	11,500	10,310	1,190
717	Printing & Postage	13,000	9,335	3,665
718	Meeting Expenses	3,400	3,232	168
719	General Management	30,300	36,899	(6,599)
720	Hospitality	19,000	17,315	1,685
	Subtotals - Facilities	296,600	281,542	15,058
<i>General Obligations</i>				
730	Retired Clergy Health Ins.	300,000	-	-
731	Widows/Orphans Health Ins.	85,000	-	-
	Combined	385,000	375,807	9,193
732	Retired Clergy Fund	14,000	13,435	565
734	Widows/Orphans Fund	16,000	15,565	435
	Subtotals - General Obligations	415,000	404,806	10,193
	Subtotals - Diocesan Obligations	821,600	815,990	5,609
	Total Outlays	4,091,793	4,023,584	68,211
	Net Revenue Less Outlays	-	313	(316)

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

SCHEDULE OF EXPENSES COMPARED TO BUDGET - UNAUDITED
 Year Ended December 31, 2017

Category/Line Item	2017		
	Unaudited Approved Budget	To-Date Actual	Budget Variance
Budgetary Revenues	\$ -	\$ 4,023,584	(4,023,584)
Non-Budgetary Revenues:			
Property Sales Revenue			-
Hurricane Sandy Grants	-	445,934	(445,934)
Interest - Non-Operating Accounts (i.e. loan funds)	-	36,909	(36,909)
Interest	-	125,080	(125,080)
Cash to Accrual Differences:			
Fair Share Contrib.	-	(58,253)	58,253
Trust Income and Designated Funds	-	313,072	(313,072)
Available Surplus			-
Other Income	-	52,515	(52,515)
Grants/Scholarships	-	421	(421)
Animal Welfare	-	790	(790)
Soles for the Harvest	-	8,461	(8,461)
Regional Hisp Missioner	-	25,895	(25,895)
Campus Ministry	-	331,529	(331,529)
Special Initiatives	-	(949,475)	949,475
Acolyte Festival	-	3,573	(3,573)
Total Revenues	<u>\$ -</u>	<u>\$ 4,360,035</u>	<u>\$ (4,360,035)</u>
Budgetary Expenses	\$ 4,091,793	\$ 4,023,584	(4,023,584)
Non-Budgetary Expenses:			
Cash to Accrual Differences			
Depreciation Expense	-	22,790	(22,790)
Bad Debt Expense	-	-	-
Hurricane Sandy Relief Expenses	-	838,298	(838,298)
Post-Retirement Health Insurance Adjustment	-	447,597	(447,597)
Congregational Grants	-	346,040	(346,040)
Special Initiatives	-	263,046	(263,046)
Unrealized (Gain)Loss			-
Regional Hisp Missioner	-	235,949	(235,949)
Grants/Scholarships	-	230,999	(230,999)
Soles for the Harvest	-	9,603	(9,603)
Campus Ministry	-	214,352	(214,352)
Constable Grant	-	1,715	(1,715)
Animal Welfare	-	604	(604)
Acolyte Festival	-	3,431	(3,431)
Miscellaneous Administrative Adj. & Reclassifications	-	16,081	(16,081)
Subtotal Non-Budgetary Expenses	<u>-</u>	<u>2,630,504</u>	<u>(2,630,504)</u>
Total Expenses	<u>\$ 4,091,793</u>	<u>\$ 6,654,088</u>	<u>\$ (6,654,088)</u>
Change in Net Assets Before Investment Return	<u>\$ -</u>	<u>\$ (2,294,054)</u>	<u>\$ 2,294,054</u>

ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

SCHEDULE OF LOANS RECEIVABLE- UNAUDITED

December 31, 2017

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
R. Bowden Shepherd Loan Fund			
Tuckerton, Church of the Holy Spirit	\$ 636	\$ 2,554	\$ 3,190
Mullica Hill, St. Stephen's Episcopal	561	-	561
Trenton, St. Peter's IGBOI	68,577	-	68,577
Villas, St. Barnabas-by-the-Bay	<u>2,474</u>	<u>20,351</u>	<u>22,825</u>
Total R. Bowden Shepherd Loan Fund	<u>72,248</u>	<u>22,905</u>	<u>95,153</u>
Capital and Revolving Loan Fund			
Tuckerton, Church of the Holy Spirit	1,314	2,464	3,778
Mullica Hill, St. Stephen's Episcopal	500	-	500
Shrewsbury, Christ Church	200,000	-	200,000
Trenton, St. Peter's IGBOI	5,020	60,521	65,541
Wenonah, Holy Trinity	1,000	41,549	42,549
Villas, St. Barnabas-by-the-Bay	<u>2,500</u>	<u>16,875</u>	<u>19,375</u>
Total Capital and Revolving Loan Fund	<u>210,334</u>	<u>121,409</u>	<u>331,743</u>
Venture in Mission Loan Fund			
Beverly, St. Stephens	11,975	18,922	30,897
Bridgewater, St. Martin's Church	8,462	93,105	101,567
Dunnellen, St. Francis	3,534	1,824	5,358
Lebanon, Church of the Holy Spirit	33,030	396,043	429,073
Monmouth Junction, St. Barnabas	7,901	170,472	178,373
North Wildwood, St. Simeon's	4,837	43,483	48,320
Red Bank, St. Thomas	7,374	4,692	12,066
South Amboy, Christ Church	16,006	68,391	84,397
Stone Harbor, St. Mary's Church	7,685	119,043	126,728
Trenton, St. Lukes	1,252	3,796	5,048
Trenton, Trinity Cathedral	10,902	34,394	45,296
Willingboro, Christ the King	<u>4,856</u>	<u>59,272</u>	<u>64,128</u>
Total Venture in Mission Loan Fund	<u>117,814</u>	<u>1,013,437</u>	<u>1,131,251</u>
Total Loans Receivable	<u>\$ 400,396</u>	<u>\$ 1,157,751</u>	<u>\$ 1,558,147</u>