

**DIOCESE OF NEW JERSEY
BISHOP'S DISCRETIONARY FUND**

Financial Statements and
Supplementary Information

December 31, 2009

DIOCESE OF NEW JERSEY BISHOP'S DISCRETIONARY FUND

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee of
Diocese of New Jersey Bishop's Discretionary Fund

We have audited the accompanying statement of financial position of Diocese of New Jersey Bishop's Discretionary Fund (the "Fund") as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Fund's December 31, 2008, financial statements and, in our report dated June 9, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of December 31, 2009, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules on pages 10 and 11 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Mercadien, P.C.
Certified Public Accountants

October 7, 2011

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DIOCESE OF NEW JERSEY BISHOP'S DISCRETIONARY FUND

STATEMENT OF FINANCIAL POSITION

December 31, 2009

(With Comparative Totals for December 31, 2008)

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash	\$ 50,200	\$ 37,914
Diocesan Investment Trust (3,918.81 shares at \$39.23 and \$35.05 per share, respectively)	153,735	137,355
Dividends receivable	<u>3,429</u>	<u>3,154</u>
Total Assets	<u>\$ 207,364</u>	<u>\$ 178,423</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	<u>\$ 23,600</u>	<u>\$ 17,900</u>
Net Assets		
Unrestricted	30,029	23,168
Temporarily restricted	<u>153,735</u>	<u>137,355</u>
Total Net Assets	<u>183,764</u>	<u>160,523</u>
Total Liabilities and Net Assets	<u>\$ 207,364</u>	<u>\$ 178,423</u>

DIOCESE OF NEW JERSEY BISHOP'S DISCRETIONARY FUND

STATEMENT OF ACTIVITIES

December 31, 2009
(With Comparative Totals for December 31, 2008)

	<u>2009</u>			<u>2008</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenues and support				
Visitations and offerings	\$ 21,790	\$ -	\$ 21,790	\$ 14,664
Investment return	-	24,986	24,986	(62,995)
Net assets released from restrictions	<u>8,606</u>	<u>(8,606)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>30,396</u>	<u>16,380</u>	<u>46,776</u>	<u>(48,331)</u>
Expenses				
Contributions and gifts	9,503	-	9,503	9,875
Donations	9,227	-	9,227	7,890
Other expenses	<u>4,805</u>	<u>-</u>	<u>4,805</u>	<u>6,621</u>
Total expenses	<u>23,535</u>	<u>-</u>	<u>23,535</u>	<u>24,386</u>
Change in net assets	6,861	16,380	23,241	(72,717)
Net assets, beginning of year	<u>23,168</u>	<u>137,355</u>	<u>160,523</u>	<u>233,240</u>
Net assets, end of year	<u>\$ 30,029</u>	<u>\$ 153,735</u>	<u>\$ 183,764</u>	<u>\$ 160,523</u>

DIOCESE OF NEW JERSEY BISHOP'S DISCRETIONARY FUND

STATEMENT OF CASH FLOWS

December 31, 2009
(With Comparative Totals for December 31, 2008)

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 23,241	\$ (72,717)
Adjustments		
Unrealized (gain) loss on investments in Diocesan Investment Trust	(16,380)	68,265
(Decrease) increase in cash from		
Dividends receivable	(275)	729
Accounts payable	<u>5,700</u>	<u>3,700</u>
Net cash provided by (used in) operating activities	12,286	(23)
Cash, beginning of year	<u>37,914</u>	<u>37,937</u>
Cash, end of year	<u>\$ 50,200</u>	<u>\$ 37,914</u>

DIOCESE OF NEW JERSEY BISHOP'S DISCRETIONARY FUND

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Revenues of the Diocese of New Jersey Bishop's Discretionary Fund (the "Fund"), are derived primarily from the following sources:

Visitations and Offerings - receipts from plate offerings and contributions from parishes and missions in connection with visitations and services by the Bishop.

Contributions - receipts from organizations and individuals, including the Bishop, other than visitations and offerings.

Temporarily Restricted Investment Return - subject to donor restrictions.

Neither the National Episcopal Church nor the Diocese of New Jersey has issued canons or guidelines regarding the administration of the Fund. However, the Episcopal Church's guidelines for parish churches' administration of discretionary funds included in the Manual of Business Methods in Church Affairs issued in 1995 are referenced for guidance in administering expenditures from the Fund as follows:

The traditional uses of clergy discretionary funds are to relieve the poor of the parish church and the larger parish community. Payments for food, rent, utilities, medical bills, and the like for persons in need are always appropriate uses of the fund.

Clergy may also use the fund for expenses related to the exercise of ministry not otherwise provided for in the church budget, provided such an understanding is agreed to in general by the vestry. Attendance at conferences, purchase of books and journals, entertainment of individuals directly related to the church's ministry, and membership in groups that are related to the exercise of ministry are examples of appropriate discretionary use in these circumstances. However, discretionary funds should not be used to sustain the ongoing operations of the church.

Basis of Accounting

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

Basis of Presentation

The Fund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Fund has no permanently restricted net assets.

DIOCESE OF NEW JERSEY BISHOP'S DISCRETIONARY FUND

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FASB Accounting Standards Codification

Effective for financial statements issued for interim and annual periods ending after September 15, 2009, the Financial Accounting Standards Board ("FASB") issued a new standard known as the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, which became the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. As a result of this new standard, the FASB will not issue new standards in the form of Statements but instead will issue Accounting Standards Updates. This new standard also modified the GAAP hierarchy to include only two levels of GAAP: authoritative and non-authoritative. The Fund has adopted the disclosure and hierarchy requirements of this standard for the year ended December 31, 2009.

Investments in Shares of Diocesan Investment Trust

The Fund carries investments in the Diocesan Investment Trust (the "DIT"), which consists of money market funds, common stocks and mutual funds with readily determinable fair values, at their fair values in the statement of financial position. Dividends and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

The Fund adopted fair value measurements in accordance with GAAP, which defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. Fair value is defined under GAAP as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the investment in an orderly transaction between market participants on the measurement date. The Fund will value investments using quoted market prices in active markets for identical investments to the extent possible (Level 1). To the extent that such market prices are not available, the Fund will next attempt to value such investments using observable measurement criteria, including quoted market prices of similar investments in active markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Fund will develop measurement criteria based on the best information available (Level 3). An investment categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurements.

Public Support and Revenue Recognition

Contributions, visitations and offerings are recognized when the donor makes a promise to give to the Fund that is, in substance, unconditional.

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 restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

DIOCESE OF NEW JERSEY BISHOP'S DISCRETIONARY FUND

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Income Taxes

The Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Fund is required to evaluate and measure the cost/benefit of uncertain tax positions related to its exempt status under new accounting guidance. Management has evaluated its tax positions for uncertainties with respect to the financial statements as of and for the year ended December 31, 2009, and has determined that there is no liability for uncertain tax positions at December 31, 2009.

B. DIOCESAN INVESTMENT TRUST

Investments are shares of the DIT. These investments are all considered Level 3 inputs once the fair value is based upon underlying investments of the DIT, which are comprised of money market funds, common stocks and mutual funds. Fair value is provided by the DIT based upon the value of each investment within the portfolio.

The table below sets forth a summary of changes in the fair value of the Fund's Level 3 investments for the years ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Fair value, beginning of year	\$ 137,355	\$ 205,620
Investment activity		
Unrealized gain (loss)	<u>16,380</u>	<u>(68,265)</u>
Fair value, end of year	<u>\$ 153,735</u>	<u>\$ 137,355</u>

DIOCESE OF NEW JERSEY BISHOP'S DISCRETIONARY FUND

NOTES TO FINANCIAL STATEMENTS

B. DIOCESAN INVESTMENT TRUST (CONTINUED)

Investments in the DIT are stated at fair value. Fair values and unrealized gains for the years ended December 31, 2009 and 2008, are summarized as follows:

	Fair Value	
	December 31	
	2009	2008
Edward Baker Fund	\$ 16,015	\$ 14,309
Mrs. J. Conover Fund	20,828	18,609
Estate of Elizabeth Ink	22,312	19,935
Merrit Memorial Fund	9,817	8,771
Hanford Smith Fund	4,355	3,891
Louisa Vought Fund	34,073	30,442
Bishop Discretionary Funds	46,335	41,398
	<u>\$ 153,735</u>	<u>\$ 137,355</u>

The following schedule summarizes the investment return for the years ended December 31, 2009 and 2008, and its classification in the statement of activities:

	2009	2008
Dividend Income	\$ 8,606	\$ 5,270
Unrealized gain (loss)	16,380	(68,265)
Total investment return	<u>\$ 24,986</u>	<u>\$ (62,995)</u>

C. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the purpose of the Fund as described in the Nature of Organization disclosure in Note A.

Temporarily restricted net assets are comprised of the following:

	December 31,	
	2009	2008
Fair value of shares in Diocesan Investment Trust	<u>\$ 153,735</u>	<u>\$ 137,355</u>

Net assets were released from donor restrictions as follows:

	December 31,	
	2009	2008
Purpose restriction accomplished		
Expenses incurred to satisfy donor restrictions	<u>\$ 8,606</u>	<u>\$ 5,270</u>

DIOCESE OF NEW JERSEY BISHOP'S DISCRETIONARY FUND

NOTES TO FINANCIAL STATEMENTS

D. DONATED SERVICES

The Fund receives a significant amount of donated services from the Administrative Offices of the Diocese of New Jersey, which assist in the maintenance of the Fund's finances. No amounts have been recognized in the statement of activities, because the criteria for recognition under GAAP have not been satisfied.

E. SUBSEQUENT EVENTS

Management has evaluated subsequent events that occurred after the statement of financial position date but before October 7, 2011, the date the financial statements were available to be issued. Management has determined there are no disclosures required.

SUPPLEMENTARY INFORMATION

DIOCESE OF NEW JERSEY BISHOP'S DISCRETIONARY FUND

SCHEDULE OF VISITATIONS AND OFFERINGS

Year Ended December 31, 2009

All Saints Church	North Plainfield	\$	343
Christ Church	South Amboy		83
Christ Episcopal Church	Woodbury		337
Church of the Good Shepherd	Berlin		500
Church of the Holy Innocents	Beach Haven		500
Grace Church	Haddonfield		500
Grace Episcopal Church	Plainfield		1,189
Grace St. Paul's Episcopal Church	Mercerville		362
Holy Trinity Church	Wenonah		110
St. Augustine's Church	Camden		250
St. Bartholomew's Episcopal Church	Cherry Hill		100
St. Clement's Church	Belford		200
St. David's Church	Cranbury		316
St. James Episcopal Church	Paulsboro		100
St. John's Church	Bernardsville		300
St. John's Church	New Brunswick		214
St. John's Episcopal Church by the Sea	Avalon		2,000
St. Luke's Episcopal Church	Gladstone		5,582
St. Mark's Church	Williamstown		150
St. Mark's Episcopal Church	Hammonton		75
St. Martin's	Bridgewater		4,000
St. Martin in the Fields	Lumberton		96
St. Stephen's Church	Florence		182
St. Stephen's Memorial Church	Riverside		260
St. Thomas Episcopal Church	Glassboro		150
The Episcopal Church of the Holy Communion	Fairhaven		734
Trinity Episcopal Church	Swedesboro		258
Trinity Episcopal Church	Red Bank		539
Donations	various		2,360
		\$	<u>21,790</u>

DIOCESE OF NEW JERSEY BISHOP'S DISCRETIONARY FUND

SCHEDULE OF VISITATIONS AND OFFERINGS

Year Ended December 31, 2008

All Saints Church	Union	\$	135
Christ Church	Bordentown		120
Christ Church	Riverton		97
Christ Church	New Brunswick		500
Christ Church	Magnolia		241
Christ Episcopal Church of Somers Point	Somers Point		275
Church of the Advent	Cape May		250
Church of the Good Sheppard	Berlin		250
Church of the Redeemer	Longport		400
Diocese of Newark	Malvern, PA		255
Grace Church	Haddonfield		350
Holy Spirit Church	Bellmawr		121
Holy Trinity Church	Ocean City		500
Holy Trinity Church	Wenonah		165
St. Andrew's Church	Mount Holly		184
St. Andrew's Church	New Providence		480
St. Barnabas' Church	Monmouth Junction		296
St. Elizabeth's Church	Ortley Beach		500
St. John's Episcopal Church by the Sea	Avalon		4,000
St. Martin's	Bridgewater		1,000
St. Mary's Church	Burlington		258
St. Raphael's Church	Brick		250
St. Stephen's Church	Waretown		200
St. Thomas Episcopal Church	Glassboro		208
Trinity Church	Cranford		300
Donations	various		3,329
		\$	<u>14,664</u>