

ADMINISTRATIVE OFFICES

**Financial Statements and
Supplementary Information**

Year Ended December 31, 2001

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee of the Diocese of New Jersey
ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

We have audited the accompanying statement of financial position of **ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY** ("the Diocese") as of December 31, 2001, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Diocese'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 Diocese's 2000 financial statements, and in our report dated July 25, 2001, we expressed a qualified 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.

As explained in note K to the financial statements, Statement of Financial Accounting Standards (SFAS) No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions, accrual and disclosure requirements are not recorded in the financial statements. Accounting principles generally accepted in the United States of America require SFAS No. 106 be followed when applicable. It was not practicable to determine the effects of the unrecorded cost and disclosure requirements of postretirement benefits on the financial statements.

In our opinion, except for the effects of not recording the cost of postretirement benefits, the financial statements referred to above present fairly, in all material respects, the financial position of **ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY** as of December 31, 2001, 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 made for the purpose of forming an opinion on the basic financial statements of **ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY** taken as a whole. The accompanying information on

pages 13 through 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, 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.

July 12, 2002

ADMINISTRATIVE OFFICES

STATEMENT OF FINANCIAL POSITION
December 31, 2001
(With Comparative Totals for 2000)

	2001	2000
ASSETS		
Cash and cash equivalents	\$ 2,416,666	\$ 2,353,761
Investments in shares of Diocesan Investment Trust (Notes A and C) (334,532 and 321,800 shares @ \$45.59 and \$50.63 per share, respectively)	15,251,301	16,292,719
Diocesan fair share contributions receivable (Notes A and D)	204,772	94,520
Loans receivable (Notes A and E)	1,280,643	1,042,151
Dental, health, and life insurance premiums receivable, net of allowance for doubtful accounts of \$3,430 (2001) and \$9,500 (2000)	63,576	172,438
Other receivables and prepaid expenses (Note A)	26,675	98,334
Property and equipment (Note F)	171,167	92,044
Total Assets	\$ 19,414,800	\$ 20,145,967
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses		
Medical benefits	\$ 83,117	\$ 263,041
Other	58,592	79,514
Accrued payroll	14,867	13,050
Accrued settlement (Note M)	241,797	698,686
Other liabilities	170,704	127,113
Total Liabilities	569,077	1,181,404
Net Assets		
Unrestricted net assets (deficit)	808,685	(379,862)
Temporarily restricted (Note G)	6,918,892	7,351,207
Permanently restricted (Note G)	11,118,146	11,993,218
Total Net Assets	18,845,723	18,964,563
Total Liabilities and Net Assets	\$ 19,414,800	\$ 20,145,967

See notes to financial statements.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2001
(With Comparative Totals for the Year Ended December 31, 2000)

See notes to financial statements.

STATEMENT OF ACTIVITIES (Continued)

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ADMINISTRATIVE OFFICES

Year Ended December 31, 2001
(With Comparative Totals for the Year Ended December 31, 2000)

See notes to financial statements.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2001
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ADMINISTRATIVE OFFICES

(With Comparative Totals for the Year Ended December 31, 2000)

	2001	2000
Cash Flows from Operating Activities		
Change in net assets	\$ 118,840)	\$ 490,161
Adjustments		
Unrealized loss on investments in DIT	1,638,425	41,374
Realized gain on sale of investments	-	(145)
Loss from sale of equity interest in real estate	-	21,918
Depreciation	7,429	2,900
Allowance for doubtful accounts	(6,070)	-
Changes in assets and liabilities		
Diocesan fair share contribution receivable	(110,252)	(5,012)
Dental, health, and life insurance premiums receivable	114,932	55,165
Loans receivable	(238,492)	157,637
Other receivables and prepaid expenses	71,659	(63,811)
Accounts payable, accrued expenses and payroll	(199,029)	(228,821)
Accrued settlement	(456,889)	(205,755)
Other liabilities	43,591	77,794
Net cash provided by operating activities	<u>746,464</u>	<u>343,405</u>
Cash Flows from Investing Activities		
Purchases of equipment	(86,552)	(18,201)
Diocesan investment trust purchases, net	(498,019)	(33,693)
Diocesan investment trust dividends reinvested	(98,988)	(72,949)
Proceeds from sale of other investments, net	-	678,295
Net cash (used in) provided by investing activities	<u>(683,559)</u>	<u>553,452</u>
Net increase in cash and cash equivalents	62,905	896,857
Cash and cash equivalents, beginning of year	<u>2,353,761</u>	<u>1,456,904</u>
Cash and cash equivalents, end of year	<u><u>\$2,416,666</u></u>	<u><u>\$2,353,761</u></u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Nature of Organization**

The **ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY** (the "Diocese") are an administrative division of the Episcopal Church covering parishes and missions in central and southern New Jersey.

Basis of Accounting

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. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Diocese 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.

Investments in Shares of Diocesan Investment Trust

The Diocese carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash includes unrestricted highly liquid investments with an initial maturity of three months or less. In addition, the statement of cash flows excludes permanently restricted cash.

Public Support and Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Diocese that is, in substance, unconditional. 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 Statement 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 Statement of Activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Receivables

Management considers fair share contributions receivable, loans and other receivables to be fully collectible, accordingly no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to expense when that determination is made.

Property and Equipment

The accounting principles of the Episcopal Church require that real property be 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 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 improvements 15 years
Furniture and fixtures 10 years
Equipment 5 years

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

B. CONCENTRATION OF RISK AND UNCERTAINTIES

The Diocese maintains cash balances which may exceed federally insured limits. It historically has not experienced any related cash in bank losses.

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

programs and activities.

C. INVESTMENTS IN SHARES OF DIOCESAN INVESTMENT TRUST

Investments in shares of Diocesan Investment Trust are summarized as follows:

	December 31,	
	2001	2000
	Fair Value	Fair Value
Unrestricted	\$ 516,054	\$ 306,771
Temporarily restricted	6,589,625	7,148,601
Permanently restricted	8,145,622	8,837,347
Total DIT	\$ 15,251,301	\$ 16,292,719

Investment in Diocesan Investment Trust consists of the following:

	December 31,	
	2001	2000
	Fair Value	Fair Value
<u>Temporarily restricted</u>		
C&R loan fund - Shannon Trust	\$ 303,629	\$ 321,957
Eisenhart Fund	2,460,932	2,732,962
Missionary Fund	101,131	112,312
T.A. Conover Memorial Fund	34,056	37,821
Mary C. Bishop Fund	13,084	14,531
Edgar Cummings Sanborn Fund	5,380	5,974
Malcolm Stoney Estate	207,530	220,058
S. Robinson Knight Estate	75,853	80,432
Helen Parkhill Fund	53,138	56,345
St. Mark's Carteret	45,362	50,377
Archdeacon Fund	21,463	22,758
Episcopal Residence Fund	105,313	43,568
RB & RW Shepherd Fund	229,278	243,118
Van Duzer Scholarship Fund	82,327	87,296
Mary E.H. Pullan Fund	58,907	62,463
Walter P. Wilson Fund	18,530	19,648
Walter C. Scott Fund	29,390	31,164
Walters Fund Com. Scholarship	33,131	35,131

ADMINISTRATIVE OFFICES
Notes to Financial Statements

Bruker Fund	381,132	423,267
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C. INVESTMENTS IN SHARES OF DIT (CONTINUED)

	December 31,	
	2001	2000
	Fair Value	Fair Value
Widows and Orphans Fund	642,865	713,933
Eleanor P. Trend Estate	4,103	4,557
Rebecca Wain Shepherd Fund	15,759	17,501
H. Martin Estate	3,465	3,848
Aged & Infirm Clergy Fund	497,432	552,424
Jane O. Turner Fund	826,131	875,999
Mary O'Neil Fund	24,652	26,140
Christian Knowledge Society Fund	36,426	40,453
Hunger Task Force	5,155	8,194
Episcopal Fund	251,742	279,572
Endowment Fund TCP	22,329	24,798
Total Temporarily Restricted DIT Funds	6,589,625	7,148,601
<u>Permanently restricted</u>		
VIM Endowment Fund	3,192,741	3,545,700
Harriet Procter Matthews Fund	3,649,415	4,300,616
Herbert Stanley Smith Fund	68,750	6,350
Katherine W. Kean Legacy	590,624	655,962
Emma T. Theurer Fund	411,127	-
Bishop Knight Memorial Fund	10,121	1,240
Harold E. Pancoast Estate	191,569	212,747
Stevens & Conover Fund	1,687	1,873
Eleanor Merritt Estate	29,588	32,859
Total Permanently Restricted DIT Funds	8,145,622	8,837,347
<u>Unrestricted</u>		
Church Planting Fund	239,821	-
De Voe Fund	83,475	92,704
Mary N. Perce Fund	1,185	1,317
Endowment Fund (Misc.)	191,573	212,750
Total Unrestricted DIT Funds	516,054	306,771
Total Investment in DIT	<u>\$ 15,251,301</u>	<u>\$ 16,292,719</u>

D. DIOCESAN FAIR SHARE CONTRIBUTIONS RECEIVABLE

As of December 31, 2001 and 2000, Fair Share Contributions receivable consisted of support from parishes and missions enabling the Diocese to fulfill its mission.

E. LOANS RECEIVABLE

Loans receivable are from parishes and missions. Interest charged on the loans varies from 0% to 7½%. The loans are due from 2001 through 2006 (see schedule on page 19-20).

Summary of loans receivable:

	December 31,	
	2001	2000
Current portion	\$ 306,552	\$ 223,437
Long-term portion	974,091	818,714
Total	<u>\$ 1,280,643</u>	<u>\$ 1,042,151</u>

F. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	2001	2000
Equipment and furniture and fixtures	\$ 120,400	\$ 78,728
Building improvements	61,095	16,215
Cathedral House	1	1
Subtotal	181,496	94,944
Accumulated depreciation	10,329	2,900
Total	<u>\$ 171,167</u>	<u>\$ 92,044</u>

Depreciation expense for 2001 and 2000 amounted to \$7,429 and \$2,900, respectively.

G. RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes and periods:

	December 31,	
	2001	2000
For the support of Diocesan programs		
for subsequent periods	<u>\$ 6,918,892</u>	<u>\$ 7,351,207</u>

Net assets were released from donor restrictions as follows:

	Year ended December 31,	
	2001	2000
Purpose restriction accomplished:		
Expenses incurred to satisfy donor restrictions	\$ 494,905	\$ 621,716

Permanently Restricted Net Assets

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.

H. LITIGATION

The Diocese was involved in an action with a former priest of a Diocesan parish in which the Diocese was obligated to cover legal and related costs of both the priest and itself. Such costs were not covered by insurance. The cumulative amount spent as of December 31, 2001 is \$579,214. The matter has been subject to a notice of appeal. The Diocese believes it is not liable for costs of appeal.

I. PENSION PLAN

During the years ended December 31, 2001 and 2000, 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 target benefit plan with contributions calculated at 11.25% of eligible salaries. For the years ended December 31, 2001 and 2000, pension expense amounted to \$85,963 and \$79,065, respectively.

J. INCOME TAXES

The Diocese and its related parishes and missions are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

K. RETIRED CLERGY HEALTH INSURANCE

The Diocese also provides certain health benefits for retired clergy for which a significant future unfunded obligation has not been recorded under SFAS No. 106. SFAS No. 106 has not been implemented because information needed for its proper recording and disclosure is not available and no estimation of such obligation can reasonably be made. For the years ended December 31, 2001 and 2000, retired clergy health insurance expense amounted to \$301,685 and \$284,371, respectively.

L. BEQUESTS

Bequests consist of the following:

	Year Ended December 31,	
	2001	2000
Robert W. Burniston Estate	\$ 385,111	\$ -
John C.W. Linsley Estate	17,122	177,677
Emma T. Theurer	-	203,761
Total	<u>\$ 402,233</u>	<u>\$ 381,438</u>

M. SETTLEMENT

Pursuant to the Agreement made on March 11, 1999 between the Diocese of New Jersey and Bishop Doss upon his resignation effective September 30, 2001, the following was the initially accrued obligation of the Diocese to be paid from January 1, 2001 to September 30, 2006:

Salary and benefits - January 1, 1999 to September 30, 2001	\$ 412,500
Retroactive and present increases in compensation packages	100,000
Supplemental to the Bishop's retirement income	200,000
Educational expenses of Bishop's children	200,000
Mortgage repayment	150,000
Bishop residential repairs in connection with its sale	15,000
Relocation and miscellaneous expenses	30,000
Motor vehicle replacement costs	<u>20,000</u>
	1,127,500
Less: Paid during the years ended December 31, 2001, 2000, and 1999	850,808
Adjustment to reconcile accrued obligation to actual payments and to reflect proper December 31, 2001 liability	<u>34,895</u>
Accrued settlement balance	<u>\$ 241,797</u>

The agreement consists of fixed and variable portions. The variable portion with a balance amounting to \$75,132 will be paid upon satisfaction of the appropriate conditions.

The fixed amount is scheduled to be paid as follows:

Year Ending December 31,	
2002	\$ 33,333
2003	33,333
2004	33,333
2005	33,333
2006	<u>33,333</u>
	<u>\$ 166,665</u>

The funding of the agreement is comprised of budgeted operating funds and funds borrowed from and to be repaid to the Harriett Procter Matthews Fund in subsequent years.

N. PROCEEDS FROM SALE OF PARISH ASSETS

Proceeds consist of the following:

Proceeds from sale of St. Andrews Church, Highlands	\$ 153,605
Transfer of St. Andrews Church shares of DIT	89,365
Proceeds from sale of Priest residence of Christ Church, Flemington	<u>188,565</u>
	<u>\$ 431,535</u>

O. RECLASSIFICATIONS

Certain 2001 amounts have been reclassified to conform with current year presentation.

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENSES COMPARED TO BUDGET

Year Ended December 31, 2001

	Budget		
	(Unaudited)	Actual	(Over)Under
Parish Support and Development			
Stewardship	\$ 7,500	\$ 2,905	\$ 4,595
Liturgy and music	2,200	1,080	1,120
Ecumenism	6,000	6,108	(108)
Youth ministry	16,000	12,988	3,012
Communications	87,000	100,067	(13,067)
Missions Program	425,000	376,200	48,800
Missions	5,500	854	4,646
Hispanic commission	10,000	7,192	2,808
Christian formation	3,000	3,580	(580)
Cathedral support	21,965	21,965	-
Visiting bishops	5,000	6,511	(1,511)
Commission on ministry	15,000	21,487	(6,487)
Commission on scholarship	36,274	43,415	(7,141)
Committee on the Diaconate	33,350	23,560	9,790
Aged and Infirm Clergy	23,568	16,700	6,868
Clergy conferences	5,000	764	4,236
Grant	30,000	27,000	3,000
St. Michael's Chapel	15,000	15,000	-
Crisis management	25,000	25,617	(167)
Sexual Misconduct Training	-	6,209	(6,209)
Province II Covenant	9,700	8,921	779
Congregational Development	10,000	8,539	1,461
Clergy Development	8,000	3,924	4,076
Other Gatherings	28,000	18,798	9,202
Committee on Architecture	300	-	300
Archival Expenses	-	8,980	(8,980)
Total parish support and development	828,357	767,914	60,443
Diocesan Ministries			
Court costs	-	481	(481)

SCHEDULE OF EXPENSES COMPARED TO BUDGET (Continued)

Year Ended December 31, 2001

	Budget		(Over)
	(Unaudited)	Actual	Under
Deployment Background			
Checking	-	1,645	(1,645)
Episcopal Charities	6,000	598	5,402
Anti-Racism	40,000	33,421	6,579
Migrant Ministry	6,260	5,177	1,083
Companion Diocese	13,750	13,750	-
Hunger Task Force	2,000	1,467	533
Trinity Counseling Service	11,000	11,000	-
Institutional Ministries	500	529	(29)
Canons and Constitution	300	-	300
Widows and Widowers Fund	31,563	9,142	22,421
Widows and orphans health insurance	95,000	125,991	(30,991)
Total diocesan ministries	206,373	203,201	3,172
Retired clergy health insurance	260,500	301,685	(41,185)
Beyond the Diocese			
Other Conferences	3,500	12,347	(8,847)
General convention accrual	13,332	13,332	-
ECW Triennium accrual	3,255	3,255	-
Convocations	4,000	-	4,000
House of Bishops	6,000	4,700	1,300
Total beyond the diocese	30,087	33,634	(3,547)
Professional Salaries			
Bishop	83,400	72,905	10,495
Chief of staff	37,483	34,933	2,550
Missioner	-	-	-
Chief financial officer	63,097	63,097	-
Assisting Bishop	33,666	29,366	4,300
Associates	285,000	250,818	34,182
Total professional salaries	502,646	451,119	51,527
Housing Allowances			
Bishop	46,400	56,895	(10,495)

SCHEDULE OF EXPENSES COMPARED TO BUDGET (Continued)

Year Ended December 31, 2001			
Assisting Bishop	18,000	18,000	-
Chief of staff	29,450	32,000	(2,550)
Total housing allowances	<u>93,850</u>	<u>106,895</u>	<u>(13,045)</u>
Other Professional Allowances			
Bishop	4,000	6,935	(2,935)
Chief of staff	11,692	12,574	(882)
Chief financial officer	2,000	71	1,929
Assisting Bishop	8,000	9,960	(1,960)
Total other professional allowances	<u>25,692</u>	<u>29,540</u>	<u>(3,848)</u>
Employee Benefits			
Health insurance	78,000	43,455	34,545
Dental insurance	11,000	6,969	4,031
Life insurance	4,800	8,923	(4,123)
Long term disability	3,700	1,695	2,005
Pensions	80,000	85,963	(5,963)
Total employee benefits	<u>177,500</u>	<u>147,005</u>	<u>30,495</u>
Social Security Offset			
Bishop	6,200	6,200	-
Chief of staff	5,120	5,120	-
Payroll taxes	20,000	16,778	3,222
Chief financial officer	4,827	4,827	-
Total social security offset	<u>36,147</u>	<u>32,925</u>	<u>3,222</u>
Cathedral House			
Property maintenance	16,000	17,365	(1,365)
Utilities	19,500	19,751	(251)
Hospitality	4,000	5,773	(1,773)
Total Cathedral House	<u>39,500</u>	<u>42,889</u>	<u>(3,389)</u>
General and Administrative			
Equipment purchase and repair	68,500	48,064	20,436
Supplies	20,000	16,891	3,109
Telephone usage	20,500	10,186	10,314
Printing and postage	28,000	27,202	798
Journal	16,750	6,514	10,236
Insurance	42,000	12,018	29,982
Dues and memberships	-	2,164	(2,164)

ADMINISTRATIVE OFFICES
Supplementary Information

SCHEDULE OF EXPENSES COMPARED TO BUDGET (Continued)

Year Ended December 31, 2001			
Audit	22,000	21,500	500
Continuing education	1,000	1,667	(667)
Depreciation and other expenses	-	7,429	(7,429)
Bad debt allowance adjustment	-	(6,070)	6,070
Episcopal search process	25,000	25,000	-
Miscellaneous	-	(23,765)	23,765
General management	18,074	16,091	1,983
Total general and administrative	261,824	164,891	96,933
Total program services	<u>\$ 2,201,976</u>	<u>\$1,980,013</u>	<u>\$221,963</u>

ADMINISTRATIVE OFFICES
Supplementary Information

SCHEDULE OF EXPENSES COMPARED TO BUDGET

Year Ended December 31, 2000

Budget

	(Unaudited)	Actual	(Over) Under
Parish Support and Development			
Stewardship	\$ 5,000	\$ 3,906	\$ 1,094
Liturgy and music	1,250	1,862	(612)
Ecumenism	1,000	300	700
Youth ministry	13,500	4,293	9,207
Communications	90,000	82,550	7,450
Missions Program	3,750	3,806	(56)
Missions	484,000	442,300	41,700
Hispanic commission	5,000	3,437	1,563
Christian formation	3,000	3,074	(74)
Cathedral support	20,444	20,444	-
Visiting bishops	2,500	7,574	(5,074)
Diocesan conventions	35,654	21,731	13,923
Commission on ministry	8,325	7,383	942
Commission on scholarship	36,274	25,839	10,435
Committee on the Diaconate	26,000	18,745	7,255
Clergy conferences	7,000	1,183	5,817
Grant	7,000	7,000	-
St. Michael's Chapel	10,000	10,000	-
Crisis management	10,000	1,416	8,584
Sexual Misconduct Training	-	3,191	(3,191)
Province II Covenant	9,846	9,846	-
Congregational Development	-	588	(588)
Clergy Development	3,000	1,922	1,078
Other Gatherings	2,000	-	2,000
Convocation of deans	4,000	-	4,000
Total parish support and development	788,543	682,390	106,153
Diocesan Ministries			
Church attorney	32,200	23,098	9,102
Respondent's attorney	32,200	70,252	(38,052)
Court costs	24,000	153,608	(129,608)
Church and Society Ministries	51,800	40,976	10,824
Trinity Counseling Service	10,000	10,000	-
Institutional Ministries	500	960	(460)
Widows and orphans health Insurance	72,000	115,289	(43,289)
Total diocesan ministries	222,700	414,183	(191,483)
Retired clergy health insurance	210,000	284,371	(74,371)

**ADMINISTRATIVE OFFICES
Supplementary Information**

SCHEDULE OF EXPENSES COMPARED TO BUDGET (Continued)

Year Ended December 31, 2000			
	Budget (Unaudited)	Actual	(Over) Under
Beyond the Diocese			
Other Conferences	-	15,650	(15,650)
General convention accrual	31,200	28,601	2,599
ECW Triennium accrual	9,765	2,367	7,398
House of Bishops	4,500	1,616	2,884
Total beyond the diocese	45,465	48,234	(2,769)
Professional Salaries			
Bishop	69,667	81,302	(11,635)
Chief of staff	46,920	47,506	(586)
Missioner	14,123	37,064	(22,941)
Chief financial officer	61,200	61,200	-
Youth coordinators	-	6,000	(6,000)
Deployment Officer	60,000	50,000	10,000
Assisting Bishop	5,625	5,625	-
Bishop	-	1,731	(1,731)
Associates	270,000	255,969	14,031
Total professional salaries	527,535	546,397	(18,862)
Housing Allowances			
Bishop	36,667	54,165	(17,498)
Housing Bishop Donovan	1,599	1,599	-
Chief of staff	18,000	25,738	(7,738)
Missioner	3,176	6,000	(2,824)
Total housing allowances	59,442	87,502	(28,060)
Other Professional Allowances			
Bishop	12,000	7,092	4,908
Bishop Donovan	1,533	1,042	491
Chief of staff	8,692	3,003	5,689
Chief financial officer	2,000	22	1,978
Missioner	4,248	-	4,248
Assisting Bishop	-	7,525	(7,525)
Deployment Officer	4,000	2,869	1,131
Total other professional allowances	32,473	21,553	10,920

ADMINISTRATIVE OFFICES
Supplementary Information

SCHEDULE OF EXPENSES COMPARED TO BUDGET (continued)

Year Ended December 31, 2000

Employee Benefits			
Health insurance	70,000	74,352	(4,352)
Dental insurance	12,000	6,870	5,130
Life insurance	4,500	5,192	(692)
Long term disability	3,500	-	3,500
Pensions	86,650	79,065	7,585
Total employee benefits	176,650	165,479	11,171
Social Security Offset			
Bishop	5,683	5,683	-
Missioner	944	1,954	(1,010)
Deployment Officer	4,590	3,825	765
Chief of staff	4,966	4,966	-
Chief financial officer	4,692	4,682	10
Total social security offset	20,875	21,110	(235)
Cathedral House			
Property maintenance	15,000	15,743	(743)
Utilities	18,500	18,331	169
Hospitality	1,500	3,303	(1,803)
Total Cathedral House	35,000	37,377	(2,377)
General and Administrative			
Equipment purchase and repair	20,000	10,487	9,513
Capital improvement	10,000	-	10,000
Contracts and rentals	45,000	56,888	(11,888)
Consultants	5,000	5,644	(644)
Supplies	14,000	26,364	(12,364)
Telephone usage	22,000	11,994	10,006
Telephone rental	7,500	3,858	3,642
Postage	18,000	14,294	3,706
Printing	16,000	4,312	11,688
Journal	10,000	7,980	2,020
Insurance	42,000	51,979	(9,979)
Dues and memberships	-	1,306	(1,306)
Audit	20,500	21,950	(1,450)
Continuing education	1,000	250	750
Depreciation and other expenses	-	43,655	(43,655)
General management	13,000	19,481	(6,481)
Total general and administrative	244,000	280,442	(36,442)
Total program services	\$ 2,362,683	\$ 2,589,038	\$(226,355)

ADMINISTRATIVE OFFICES
Supplementary Information

SCHEDULE OF LOANS RECEIVABLE

December 31, 2001

	Current	Long-Term	Total
Capital and Revolving Loan Fund			
Barnegat Light	\$ 5,000	\$ 68,333	\$ 73,333
Berlin	1,800	2,550	4,350
Clementon	2,500	22,292	24,792
Hammonton	1,300	4,658	5,958
Hunterdon County	-	30,000	30,000
Lumberton	1,200	1,450	2,650
Lumberton	4,000	18,334	22,334
New Brunswick	279	-	279
New Brunswick	693	-	693
Red Bank	6,000	45,136	51,136
Wenonah	89,000	-	89,000
Williamstown	23,340	-	23,340
Total Capital and Revolving Loan Fund	135,112	192,753	327,865
R. Bowden Shepherd Loan Fund			
Barnegat Light	3,711	69,990	73,701
Clementon	2,917	21,923	24,840
Hammonton	1,198	4,804	6,002
Total R. Bowden Shepherd Loan Fund	7,826	96,717	104,543
Venture in Mission Loan Fund			
Cranbury	6,976	-	6,976
Fair Haven	4,649	2,843	7,492
Lebanon	21,211	189,992	211,203
Linden	1,145	-	1,145
Lumberton	3,922	21,308	25,230
Matawan	3,160	-	3,160
Monmouth Junction	22,583	277,417	300,000
Pennington	10,834	35,565	46,399
Plainfield	13,938	37,327	51,265
South Amboy	69,196	32,745	101,941
Williamstown	-	7,895	7,895
Yardville	6,000	79,529	85,529
Total Venture in Mission Loan Fund	163,614	684,621	848,235
Total loans receivable	<u>\$306,552</u>	<u>\$974,091</u>	<u>\$1,280,643</u>

ADMINISTRATIVE OFFICES
Supplementary Information

SCHEDULE OF LOANS RECEIVABLE

December 31, 2000

	Current	Long-Term	Total
Capital and Revolving Loan Fund			
Berlin	\$ 1,800	\$ 3,450	\$ 5,250
Cape May	572	858	1,430
Highlands	2,600	18,200	20,800
Hunterdon County	-	30,000	30,000
Laurel Springs	3,452	-	3,452
Lumberton	1,200	2,750	3,950
Lumberton	4,000	22,667	26,667
New Brunswick	1,954	-	1,954
New Brunswick	2,037	-	2,037
Red Bank	6,818	44,318	51,136
Wenonah	10,400	83,725	94,125
Williamstown	13,992	9,348	23,340
Total Capital and Revolving Loan Fund	48,825	215,316	264,141
R. Bowden Shepherd Loan Fund			
Dunellen	16,926	-	16,926
Venture in Mission Loan Fund			
Bridgeton	6,841	-	6,841
Cranbury	16,328	17,530	33,858
Fair Haven	11,871	-	11,871
Lebanon	18,818	212,377	231,195
Linden	1,145	-	1,145
Lumberton	4,240	25,278	29,518
Matawan	4,446	-	4,446
Pennington	13,323	44,103	57,426
Plainfield	5,697	9,651	15,348
Plainfield	4,652	39,108	43,760
Rahway	1,280	-	1,280
South Amboy	13,477	93,046	106,523
Trenton	23,298	76,702	100,000
Williamstown	9,071	16,160	25,231
Yardville	23,199	69,443	92,642
Total Venture in Mission Loan Fund	157,687	603,398	761,084
Total loans receivable	\$223,437	\$818,714	\$1,042,151

SCHEDULES OF TEMPORARILY RESTRICTED NET ASSETS

December 31, 2001

Investments in Diocesan Investment Trust	\$ 6,589,625
Capital and Revolving Fund	134,135
R. Bowden Shepherd Fund	185,323
Venture in Mission Loan Fund	<u>9,809</u>
Total Temporarily Restricted Net Assets	<u>\$ 918,892</u>

December 31, 2000

Investments in Diocesan Investment Trust	\$ 7,148,601
Capital and Revolving Fund	72,938
R. Bowden Shepherd Fund	76,990
Venture In Mission Loan Fund	<u>52,678</u>
Total Temporarily Restricted Net Assets	<u>\$ 7,351,207</u>

SCHEDULES OF PERMANENTLY RESTRICTED NET ASSETS

December 31, 2001

Investments in Diocesan Investment Trust	\$ 8,145,622
Capital and Revolving Fund	432,408
Venture in Mission	<u>2,540,116</u>
Total Permanently Restricted Net Assets	<u>\$11,118,146</u>

December 31, 2000

Investments in Diocesan Investment Trust	\$ 8,837,347
Venture in Mission	2,752,110
Bequest	<u>403,761</u>
Total Permanently Restricted Net Assets	<u>\$11,993,218</u>

BISHOP'S DISCRETIONARY FUND

**Financial Statements and
Supplementary Information**

Year Ended December 31, 2001

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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** as of December 31, 2001, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of management. 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 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 **DIOCESE OF NEW JERSEY BISHOP'S DISCRETIONARY FUND** as of December 31, 2001, 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 schedule on page nine is presented for the purposes of additional analysis and is 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.

May 1, 2002

STATEMENT OF FINANCIAL POSITION

December 31, 2001

ASSETS

Cash	\$ 50,177
Diocesan Investment Trust (3,918.81 shares at \$45.59 per share)	178,659
Due from Diocese of New Jersey	2,116
Total Assets	<u>\$ 230,952</u>

NET ASSETS

Unrestricted	\$ 50,177
Temporarily restricted	180,775
Total Net Assets	<u>\$ 230,952</u>

STATEMENT OF ACTIVITIES

Year Ended December 31, 2001

	Unrestricted	Temporarily Restricted	Total
Revenues and support			
Visitations and offerings	\$15,413	\$ -	\$ 15,413
Other contributions	479	-	479
Net assets released from restrictions	8,261	(8,261)	-
Total revenues and support	<u>24,153</u>	<u>(8,261)</u>	<u>15,892</u>
Expenses and loss on investments			
Contributions and gifts	8,548	-	8,548
Alms, charity, and other pious purposes	7,841	-	7,841
Investment loss	-	11,285	11,285
Total expenses and loss on investments	<u>16,389</u>	<u>11,285</u>	<u>27,674</u>
Change in net assets	7,764	(19,546)	(11,782)
Net assets, beginning of year	42,413	200,321	242,734
Net assets, end of year	<u>\$50,177</u>	<u>\$ 180,775</u>	<u>\$230,952</u>

STATEMENT OF CASH FLOWS

Year Ended December 31, 2001

Cash Flows from Operating Activities	
Change in net assets	\$ (11,782)
Adjustments	
Unrealized losses on investments in DIT	19,750
Decrease in cash from	
Due from Diocese of New Jersey	(2,116)
Due to Diocese of New Jersey	<u>(3,000)</u>
Net cash provided by operating activities and	
increase in cash	2,852
Cash, beginning of year	<u>47,325</u>
Cash, end of year	<u><u>\$ 50,177</u></u>

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Revenues of 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 which is subject to donor restrictions.

Neither the National Episcopal Church nor the **DIOCESE OF NEW JERSEY** has issued canons or guidelines regarding the administration of a Bishop's Discretionary 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 and state:

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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.

Cash

For the purpose of the statement of cash flows, cash includes unrestricted time deposits, certificates of deposit and highly liquid debt instruments with original maturities of three months or less.

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.

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 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

Investments are comprised of Diocesan Investment Trust shares, which consist of equity securities and mutual funds. The Fund carries investments in marketable securities and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes

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

B. DIOCESAN INVESTMENT TRUST

Investments in Diocesan Investment Trust are stated at fair value. Fair values and unrealized losses for the year ended December 31, 2001 are summarized as follows:

	Fair Value 12/31/2001	Fair Value 12/31/2000	Unrealized Losses
Edward Baker Fund	\$ 18,612	\$ 20,669	\$ (2,057)
Mrs. J. Conover Fund	24,205	26,881	(2,676)
Estate of Elizabeth Ink	25,929	28,796	(2,867)
Merrit Memorial Fund	11,408	12,669	(1,261)
Hanford Smith Fund	5,061	5,620	(559)
Louisa Vought Fund	39,597	43,974	(4,377)
Bishop Discretionary Fund	53,847	59,800	(5,953)
	<u>\$ 178,659</u>	<u>\$ 198,409</u>	<u>\$ (19,750)</u>

The following schedule summarizes the investment return for year ended December 31, 2001 and its classification in the statement of activities:

	Temporarily Restricted
Dividend income	\$ 8,465
Unrealized loss	(19,750)
Total investment loss	<u>\$ (11,285)</u>

C. DUE FROM DIOCESE OF NEW JERSEY

A portion of dividend income, amounting to \$2,116, which belongs to the Fund, was included in the amounts paid to the Diocese of New Jersey by Diocesan Investment Trust during the fourth quarter of 2001. The funds were transferred from the Diocese of New Jersey to the Fund in April 2002.

D. 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.

D. RESTRICTIONS ON NET ASSETS (CONTINUED)

Temporarily restricted net assets are comprised of the following:

Fair value of shares in Diocesan Investment Trust	\$ 178,659
Dividend income receivable	<u>2,116</u>
Total	<u>\$ 180,775</u>
Purpose restriction accomplished:	
Expenses incurred to satisfy donor restrictions	<u>\$ 8,261</u>

Net assets were released from donor restrictions as follows:

Purpose restriction accomplished:	
Expenses incurred to satisfy donor restrictions	<u>\$ 8,261</u>

SUPPLEMENTARY INFORMATION

SCHEDULE OF VISITATIONS AND OFFERINGS

Year Ended December 31, 2001

<u>Source</u>		<u>AMOUNT</u>
Alexandria, St. Thomas Church	\$	96
Avalon, St. John's by the Sea		4,000
Belford, St. Clement's Episcopal Church		106
Berlin, Church of Good Shepherd		141
Brick, St. Raphael's		152
Bridgeton, St. Andrew's Church		126
Camden, St. Augustine's Church		100
Camden, St. Paul's Episcopal Church		183
Cape May, Church of the Advent		200
Cherry Hill, St. Bartholomew's Church		300
Cranbury, St. David's Episcopal Church		512
Cranford, Trinity Church		216
Flemington, Christ Church		89
Freehold, St. Peter's Episcopal Church		159
Gloucester, Church of the Ascension		200
Hammonton, St. Mark's Church		146
Helmetta, St. Georges Episcopal Church		65
Lambertville, St. Andrew's Church		73
Little Silver, St. John's Church		260
Long Branch, St. James Church		610
Mantoloking, Church of St. Simon by the Sea		526
Maple Shade, St. John's Church		161
Mercerville, Grace St. Paul's		123
Metuchen, St. Luke's Church		255
Moorestown, Trinity Episcopal Church		557
Navesink, All Saints Memorial Church		150
New Brunswick, Christ Church		359
New Brunswick, St. John the Evangelist		150
New Providence, St. Andrew's Church		150
North Wildwood, St. Simeon's by the Sea		185
Palmyra, Christ Church		80

SCHEDULE OF VISITATIONS AND OFFERINGS (Continued)

Year Ended December 31, 2001

<u>Source</u>	<u>AMOUNT</u>
Pennington, St. Matthew's Church	452
Perth Amboy, St. Peter's Church	367
Princeton, All Saints Church	159
Princeton, Trinity Church	300
Rahway, Church of the Holy Comforter	301
Riverton, Parish of Christ Church	222
Shrewsbury, Christ Church	250
Somerspoint, Christ Church	322
Spotswood, St. Peter's Church	434
Stone Harbor, St. Mary's Church	259
Timber-Creek Area Ministry	71
Toms River, Christ Church	238
Trenton, St. Andrew's Church	47
Ventnor, Church of the Epiphany	200
Vincentown, Trinity Church	172
Villas, St. Barnabas by the Bay	100
Wall, St. Michael's Church	160
Williamstown, St. Mark's at the Crossing	229
Woodbury, Christ Church	200
Woodbridge, Trinity Church	500
Total	<u>\$ 15,413</u>

TREASURER'S REPORT

Dear Friends,

Following this memorandum you will find the Revised Preliminary Diocesan Budget for Fiscal Year (FY) 2003 and the Proposed Preliminary Diocesan Budget for FY 2004, supporting the mission and ministry of the Diocese of New Jersey for the next two years, which I am submitting for your consideration on behalf of the Diocesan Council, the Finance and Budget Committee and the financial offices of the Diocese. Other documents that follow this memorandum describe the current financial position of the Diocese, including preliminary budget results for FY 2002.

General Comments

As we strive to build the Servant Church in the Diocese of New Jersey, we are continuing to focus our finances more explicitly on our mission, and the budget documents are designed to reflect that. Implicit in the Servant Church is the concept that our congregations are outposts in the local community, directly responsible for the church's mission and ministry, and the purpose of the Diocese is to assist the congregations in carrying out their mission.

We do two things through the Diocese: we pay for the structure and services that support all of our congregations – basically, we pay for the thing that we get; and we do part of our ministry – the part that we share with all of our sister congregations. Bishop Joslin describes our shared ministry as being of three types: ministry to the needs of our sister congregations; ministry that can be done more effectively when we do work as a single unit, or in cooperation with congregations; and ministry that reaches beyond our diocesan boundaries, to the rest of the church, the nation, and the world.

Accordingly, the allocations in our budget support our foundational expenses – the things that we get – and provide Support for Our Congregations, Our Ministry Together, and Reaching Beyond Our Borders.

The Fiscal Year 2003 Budget

The first accompanying exhibit presents the proposed budget for the Mission of the Church in the Diocese of New Jersey in FY 2003, which is being submitted for adoption by the Convention.

Voluntary Fair Share pledge requests for the FY 2003 budget were based on the Fair Share Asking formula for the Voluntary Pledge and the level of expenses that were adopted as part of the revision of the budget at last year's Convention:

Fair Share Asking Formula for the FY 2003 Budget, as adopted in March 2002:

5% on income up to \$25,000;
 14.7% on income from \$25,000 to \$100,000; and
 19.6% on income above \$100,000.

Voluntary Pledge forms for FY 2003 were mailed to parishes in the Fall of 2002. As of the January 21st, 2003 meeting of the Finance and Budget Committee, we had received responses to the Voluntary Pledge request from approximately three-fourths of our congregations. For the congregations that had not yet submitted a pledge, the Diocesan Council and the Finance and Budget Committee have estimated pledges equal to the amounts that were pledged for FY 2002. Each year's budget includes an anticipated pledge shortfall, reflecting that we receive, in the aggregate, about 97% of the total pledged amount.

The total amount of pledged revenue for FY 2003 equals \$2,671,710, which is an increase of about \$300,000 from FY 2002 and represents approximately 70% of the total Fair Share asking; this is about \$300,000 lower than we had initially projected. Including trust and other income, the FY 2003 budget anticipates total revenue of \$3,214,868.

In spite of the \$300,000 shortfall, we have been able to raise many of our allocations for FY 2003 to, or close to, the levels that were requested; a notable exception is our support for the National Church, which is approximately \$175,000 lower than our full Fair Share asking and the allocation in our preliminary budget, but is still \$175,000 higher than was provided in 2002.

Following is a detailed explanation of the proposed expenses for FY 2003:

Support for Congregations

The first part of our shared mission and ministry provides 1% of parish pledges for support of our Cathedral, \$400,000 in direct support payments to mission congregations – which has been allocated by the Diocesan Council (see Exhibit VI for the allocations) and is subject to further consideration by the Board of Missions – and \$30,000 to support the ministry grant program of the H.P. Matthews Trust Fund. Additional funds are allocated to support Congregational Development (this is the line item that, in 2002, supported the October Workshop Day at the Cathedral), to provide for studies that will guide ministry in our Diocese on a regional basis (the first such study, of the greater Atlantic City area, was completed in 2002), to continue to provide the Church Reports that each congregation receives (a workshop on these reports is being offered at the Convention), and to provide support for parochial crises, and for stewardship and Christian formation (also known as Christian education).

TREASURER'S REPORT

Other allocations support communications – including our communications program, our historian/archivist and the production of the Journal – and our clergy. Clergy support includes the development of new priests under the guidance of the Commission on Ministry (COM), provision of seminary scholarships through our trust funds and a new COM program that will sponsor internships in our Diocese for college students who may be considering the priesthood as a vocation. It also continues our program for development and training of vocational, or permanent deacons, and support for active clergy directly and through Trinity Counseling Service.

One item that has not been funded in 2003 is the staff assistant for ordination matters. That position had originally been intended to replace the Rev. Bob Ripson, who retired last June; however, it has now been determined that – except for the ongoing search for a Communications Director – new executive positions will not be filled until after the election and consecration of our new Bishop.

We will also be spending less money to provide health insurance to retired clergy, widows and orphans in 2003, as a result of a decision by the Church Pension Fund (CPF). Because of the success of its investments, the CPF currently has surplus funds, from which they will be providing enhanced insurance benefits to clergy who are receiving a pension from CPF. Since our health insurance coverage is designed to dovetail around the other insurance that retirees have, the new benefit from CPF will reduce our insurance costs. Other support for retired clergy includes the chaplain and trust fund support for retirees and widows who need additional income assistance.

Support for Congregations in the 2003 budget also includes the cost of the Diocesan Convention, clergy and lay leader conferences.

Our Ministry Together

Social ministry that is provided under this second section of the FY 2003 budget includes support for the Environmental Committee, grants from the Hunger Task Force, continuance of the Migrant Ministry program and the program of providing Day-by-Day literature for use in prisons. Our ethnic ministry continues the anti-racism effort that has been extant in this Diocese for several years, and is now charged with the responsibility of implementing the General Convention's resolution requiring anti-racism training, and support for the Hispanic Commission.

As we have – finally – secured the services of a full-time Youth Director (as of February 1 of this year), we have increased our allocation for youth activities. We also continue to support the ministry of St. Michael's Chapel at Rutgers University.

Reaching Beyond Our Borders

TREASURER'S REPORT

Our allocations in this, third section of our budget include \$400,000 in support for the National Church. Unfortunately, due to budget constraints, we are not able to reach the full amount of our Fair Share Covenant in FY 2003. However, we are able to move approximately halfway toward our full covenant from the \$225,000 in support that we provided in 2002; \$400,000 represents that halfway step.

Our ministry beyond the borders of the Diocese of New Jersey includes our Province II covenant (Province II includes dioceses in the States of New Jersey and New York, the American Church in Europe and two dioceses in the Caribbean), support for ecumenical relations and for our companion diocese (El Salvador), which has been increased to assist the young people from the Diocese of El Salvador who will be visiting our Diocese during the summer of 2003.

This section of our budget also funds church meetings and gatherings that we participate in, including the Lambeth Conference, meetings of the House of Bishops, the General Convention, ECW Triennium and Province II. (Some of these gatherings occur less frequently than annually; for these, a portion of the expense is accrued in each year.)

Building the Foundation

The foundational expenses of our Diocese include the cost to support our staff and facilities – the compensation package for Bishop Joslin that was arranged when he came to our Diocese, the Canon to the Ordinary (currently the Rev. Canon Tom Kerr, who, because he had recently retired when he accepted the call to succeed the Rev. Canon Glenn Druce, receives less than the customary full salary for the position), the Chief Financial Officer, the Canon for Ministry Development, the new Youth Director and the Administrative staff. [Note that the Canon for Ministry Development is not a new position; that position had previously been funded as part of the Administrative staff but, in a quirk of IRS regulations, when the position of Staff Assistant for Ordination was eliminated from the budget that caused this position to bump up into a separate line item.]

Insurance, bonding and audit costs and expenses for maintenance of the facilities are also part of the foundational expenses, as is the cost of the Doss agreement (which is detailed in Exhibit VII of this report). Funding for potential Title IV expenses (Title IV is the section of the national canons that details the disciplinary procedures to be followed in the event that a cleric is accused of misconduct) have been accrued in previous fiscal years, so they needn't be funded in this budget.

The Fiscal Year 2004 Budget

The second accompanying exhibit presents the proposed budget for the Mission of the Church in the Diocese of New Jersey in FY 2004, which is also being submitted for adoption by the Convention.

Pursuant to the work of the Bishop's Financial Task Force, the Diocesan Council and the Finance and Budget Committee are recommending the adoption of a Fair Share Asking formula for FY 2004 that matches their recommendations, which is:

Recommended Fair Share Asking Formula for the FY 2004 Budget:

- a tithe on income, to fund obligatory congregational support in the budget, plus
- 3% of income above \$50,000, and an additional 3% of income above \$100,000, to fund our shared mission and ministry.

The Diocesan Council and the Finance and Budget Committee are also recommending an additional contribution of 1% of income above \$100,000, which is to be held in trust to support the funding of new mission initiatives and is therefore not included in the expenses of the 2004 budget.

As created by the Finance and Budget Committee and approved by the Diocesan Council, the FY 2004 budget proposes to spend \$2,581,811 on obligatory congregational support, \$2,513,123 of which would come from congregational tithes, and \$1,310,058 on shared mission and ministry, of which \$922,189 would be funded from congregational mission pledges. Thus, a total budget of \$3,000,000 is proposed, including \$3,435,312 in total congregational pledges.

In the interest of trying to achieve at least a little brevity in this memorandum, I will not repeat explanations for expenses in the FY 2004 budget that have already been explained in the previous section. Following is a detailed explanation of the changes in expenses for FY 2004 from FY 2003:

Congregational Obligations

The budget format has been rearranged for FY 2004 to reflect the recommendations of the Task Force on Finances that the cost of basic, obligatory congregational support – all of the things that we, as congregations, receive through the Diocese – be funded by a tithe on congregational income. Those expenses are included in this section of the FY 2004 budget.

The salary for the 11th Bishop of New Jersey, which is included here as a single amount, was proposed and approved as part of the Episcopal Search budget at last year's Convention. The precise allocation of this amount among the various components of the compensation package will be determined in consultation with the new Bishop, after the Episcopal Election.

TREASURER'S REPORT

An amount also remains in the FY 2004 budget to fund the Episcopal Search Process, even though that process will have been completed by next year. Under our canons, the cost of our Episcopal Search, Election and Consecration is funded over three years from the date of the beginning of the search process, irrespective of when the actual expenses are incurred. Our process began on October 1, 2001, so funding continues until September 30, 2004.

Compensation for the Canon to the Ordinary (or a similar position that may have a different name), who will be selected by the new Bishop, has been returned to its normal, full-time level. Two new compensation line items have been added in FY 2004: a line item for a Communicates Director (who may be hired in 2003, and is currently included as part of the FY 2003 Communications line item), and a line item for a new senior position. The exact nature of this new position would be determined in consultation between the new Bishop, the Diocesan Council and others in the Diocese; the positions that are most commonly cited in current discussions are Congregational Development Officer, or Canon for Social and Urban Ministry. Funding for the Administrative staff has increased, recognizing that the additional senior staff will require additional administrative support.

Only one notable change has occurred to allocations for facilities: funding for capital improvements has been increased substantially in FY 2004. This reflects the deferred maintenance that has accumulated over the past several years when, due to budget constraints, we were unable to fund necessary work on the roofing and other significant parts of the diocesan offices.

The Communication line item now includes only funding for the communications program, expenses for the Director having been moved to a separate line.

Our Fair Share Covenant to the National Church is represented differently in the FY 2004 budget from the way that it has been presented in previous budgets and in the FY 2003 budget. Based on the Financial Task Force's recommendations, we are asking congregations in our Diocese to tithe to support the basic services that the Diocese provides, and to contribute an additional amount as their share of the ministry that is done through the offices and organizations of the Diocese. It is only fair that we, as a Diocese, be willing to live by the same rules that we are asking our congregations to accept. Thus, we are committing a tithe of Diocesan income to support the basic services that the national offices provide to dioceses and congregations, which is included as our ECUSA Tithe in this section of our budget. The remaining portion of our Fair Share is our share of the national mission and ministry, and is included as our ECUSA Mission Covenant in the next section of the budget. Together, they fund our full Fair Share Covenant to the National Church.

Shared Mission and Ministry

The Task Force on Finances recommended that our shared ministry be funded by a contribution of 3% of congregational income above \$50,000, and an additional 3% of congregational income above \$100,000. Those expenses are included in this section of the FY 2004 budget.

Support for Congregations

In furtherance of our Servant Church effort, direct support for congregations has been revised and increased. \$300,000 has been provided for undesignated assistance to mission congregations; another \$200,000 has been allocated to revise and expand Ministry Grants to congregations, formerly provided exclusively from the Matthews Fund, into a full programmatic ministry. These ministry grants will be available to assisted congregations; they will also be available to independent parishes who wish to sponsor ministry to their local community, but do not have the resources to support it. These two lines represent a substantial increase in funding for direct congregational support; they also represent a shift in the focus of our direct congregational support that, when fully implemented, will see a substantially higher portion of our resources dedicated directly to ministry in our cities and urban communities, struggling and declining rural communities, and other areas where ministry is most desperately needed.

As a companion to that effort, smaller amounts have also been allocated to begin programs of direct support for ministry that is sponsored by several congregations in a local region, or by whole convocations. These new line items operate analogously to the Congregational Ministry Grants.

Support for parish development includes two items that are not part of the FY 2003 budget; support for program run by the Board of Missions is returned to the budget, and a new line item supports the National Church's 20/20 church growth effort (which is the goal to double membership in the Episcopal Church by the year 2020) in our Diocese. Support for Liturgy, Music and Worship returns to the budget in 2004, and a new line item to support programs that encourage pastoring and faith development in congregations is included.

Our Ministry Together

A new line item is introduced into our diocesan social ministry: funding has been provided to support urban ministry, an area that we have too long neglected. Significant increases are also provided for anti-racism and for youth ministry.

TREASURER'S REPORT

Support for educational institutions has been raised significantly; we have increased funding for St. Michael's Chapel at Rutgers University, introduced funding for our other major university chapel, at Princeton University, and provided an allocation to reinvigorate chaplaincies at our local, county and community colleges.

The ECUSA Mission Covenant that is listed in *Reaching Beyond Our Borders* is the remaining portion of our Fair Share Covenant to the National Church, as described earlier in this report.

EXHIBIT I: Budget for Fiscal Year 2003

	Preliminary 2003 Budget	Proposed 2003 Budget
<u>Revenue</u>		
1 Fair Share Pledges	2,977,471	2,671,696
2 Anticipated Shortfall	(74,437)	(66,779)
3 Trust Income	608,772	574,951
4 Other Income	<u>30,000</u>	<u>35,000</u>
Total	3,541,806	3,214,868
<u>Outlays</u>		
I. Support for Congregations		
<i>Direct Support</i>		
101 Trinity Cathedral	27,272	26,717
102 Assisted Congregations	500,000	400,000
103 Congregational Ministry Grants	49,500	30,000
<i>Parish Development</i>		
111 Congregational Development	10,000	10,000
112 Parish Crisis Response	15,000	10,000
113 Regional Ministry Studies	*	27,700
114 Church Reports	*	12,300
<i>* These expenses were part of line 102 in the preliminary budget.</i>		
<i>Support for Ministries</i>		
121 Stewardship	7,500	7,500
122 Christian Formation	6,000	10,000
<i>Communications</i>		
131 Communications (support for program and Director's salary)	100,000	100,000
132 Historian/Archivist	11,000	10,000
133 Production of the Journal	10,500	13,000
<i>Support for Clergy</i>		
141 Commission on Ministry	18,000	23,000
142 Seminary Scholarships	46,800	41,600
143 COM Internship Program	-	3,000
144 Committee on the Diaconate	30,000	42,600
145 Clergy Support & Development	9,000	9,000
146 Trinity Counseling Service	11,000	11,000

EXHIBIT I: Budget for Fiscal Year 2003 (Continued)

	Preliminary 2003 Budget	Proposed 2003 Budget
147 Staff Assistance - Ordination	55,275	-
151 Retired Clergy Chaplain	600	600
152 Retired Clergy Health Ins.	260,000	200,000
153 Widows/Orphans Health Ins.	105,000	100,000
154 Retired Clergy Fund	20,000	20,000
155 Widows/Orphans Fund	20,000	20,000
<i>Gatherings of the Diocese</i>		
161 Diocesan Convention	25,000	28,000
162 Clergy Conference	2,000	2,000
163 Lay Leader Conferences	6,500	6,500
II. Our Ministry Together		
<i>Social Ministry</i>		
201 Environmental Committee	500	500
202 Hunger Task Force	1,500	2,500
203 Migrant Ministry	5,500	6,960
204 Prison Ministries	500	500
<i>Ethnic Ministry</i>		
211 Anti-Racism	40,000	40,000
212 Hispanic Commission	7,500	12,000
<i>Youth Ministry</i>		
221 Youth Activities	18,000	27,000
<i>Educational Institutions</i>		
231 St. Michael's Chapel, Rutgers	15,000	15,000
III. Reaching Beyond Our Borders		
<i>Programs & Covenants</i>		
301 National Church Covenant	570,000	400,000
302 Province II Covenant	9,612	9,612
303 Ecumenism	5,000	2,500
304 Companion Diocese	15,000	23,000
<i>Gatherings of the Church</i>		
311 Lambeth	1,000	1,000
312 House of Bishops	6,000	6,000
313 General Convention	13,333	13,333
314 ECW Triennium	3,255	3,255
315 Province II Meetings	4,500	4,500

EXHIBIT I: Budget for Fiscal Year 2003 (Continued)

	Preliminary 2003 Budget	Proposed 2003 Budget
IV. Building the Foundation		
<i>The Episcopacy</i>		
<i>The Assisting Bishop</i>		
401 Salary & Housing	113,550	113,550
402 Social Security	8,650	8,650
403 Retirement Supplements	13,800	13,800
404 Professional Allowance	6,000	6,000
405 Transportation	10,000	10,000
406 Visiting Bishops	6,000	6,000
407 Episcopal Search Process	56,364	47,792
408 11th Bishop of New Jersey	40,000	40,000
<i>The Canon to the Ordinary</i>		
411 Salary & Housing	71,008	45,000
412 Social Security	5,432	-
413 Continuing Education	1,000	1,000
414 Professional Allowance	7,000	7,000
415 Transportation	4,800	4,800
<i>The Chief Financial Officer</i>		
421 Salary	67,591	66,546
422 Social Security	5,171	5,090
423 Professional Allowance	2,000	2,000
<i>The Canon for Ministry Development</i>		
431 Salary & Housing	*	50,486
432 Social Security	*	3,862
* These expenses were part of line 441 in the preliminary budget.		
<i>The Youth Director</i>		
441 Salary & Housing	67,275	67,275
442 Social Security	5,147	5,147
443 Professional Allowance	2,000	4,000
444 Transportation	-	4,200
<i>Administration</i>		
451 Administrative Staff	350,000	295,652
452 Health Insurance	72,000	72,000
453 Dental Insurance	9,300	9,300
454 Life Insurance	3,800	3,800
455 Long Term Disability	3,500	3,000

DIOCESAN BUDGET

EXHIBIT I: Budget for Fiscal Year 2003 (Continued)

	Preliminary 2003 Budget	Proposed 2003 Budget
456 Pensions	108,000	120,000
<i>Finance</i>		
461 Insurance & Bonding	34,000	46,000
462 Audit	21,500	24,000
<i>Facilities</i>		
471 Property Maintenance	20,000	33,000
472 Utilities	21,525	18,000
473 Capital Improvements	25,000	35,000
474 Equipment	65,000	50,000
475 Telephone	14,000	10,000
476 Office Supplies	20,000	20,000
477 Printing & Postage	39,000	46,000
478 Meeting Expenses	10,000	10,000
479 General Management	7,131	11,626
480 Hospitality	6,500	6,500
501 <i>Title IV</i>	-	-
<i>The Doss Agreement</i>		
511 Loan Repayment	123,282	123,282
512 Retirement Supplement	33,333	33,333
Total	3,541,806	3,214,868
<i>Balance</i>	0	0

EXHIBIT II: Budget for Fiscal Year 2004

Congregational Obligations		
	Revenue	
1	Parish Tithes	2,513,123
2	Anticipated Shortfall	(62,828)
3	Trust Income	<u>131,516</u>
	Total	2,581,811
The Episcopacy		
The 11th Bishop of New Jersey		
100 to 105	(Salary, Housing, Social Security, Professional & Transportation Allowance)	164,000
The Doss Agreement		
106	Loan Repayment	123,282
107	Retirement Supplement	33,333
108	Visiting Bishops	6,000
109	Episcopal Search Process	35,844
The Staff		
The Canon to the Ordinary		
110	Salary & Housing	73,443
111	Social Security	5,618
112	Continuing Education	1,000
113	Professional Allowance	7,000
114	Transportation	5,000
The Chief Financial Officer		
120	Salary	67,677
121	Social Security	5,177
122	Professional Allowance	2,000
The Canon for Ministry Development		
130	Salary & Housing	51,344
131	Social Security	3,928
The Youth Director		
140	Salary & Housing	68,419
141	Social Security	5,234
142	Professional Allowance	4,000
143	Transportation	4,200
150	Communications Director	65,000

EXHIBIT II: Budget for Fiscal Year 2004 (Continued)

160	Congregational Development Officer or Canon for Social & Urban Ministry		65,000
170	Administrative Staff		330,000
171	Health Insurance		84,000
172	Dental Insurance		10,500
173	Life Insurance		4,500
174	Long Term Disability		3,500
175	Pensions		135,000
	Finance		
180	Insurance & Bonding		55,000
181	Audit		24,000
	Facilities		
190	Property Maintenance		35,000
191	Utilities		20,000
192	Capital Improvements		135,000
193	Equipment		68,500
194	Telephone		18,000
195	Office Supplies		20,000
196	Printing & Postage		50,000
197	Meeting Expenses		10,000
198	General Management		17,693
199	Hospitality		10,000
	Communications		
200	Communications		50,000
201	Historian/Archivist		10,000
	General Obligations		
210	Production of the Journal		10,000
211	Retired Clergy Health Ins.		180,000
212	Widows/Orphans Health Ins.		90,000
213	Title IV Costs		-
	Gatherings of the Church		
	Within the Diocese		
220	Diocesan Convention		30,000
221	Clergy Conference		5,000
222	Lay Leader Conferences		10,000
	Among the Larger Church		
223	Lambeth		1,000
224	House of Bishops		6,000

EXHIBIT II: Budget for Fiscal Year 2004 (Continued)

225	General Convention		13,333
226	ECW Triennium		3,255
227	Province II Meetings		2,500
230	ECUSA Tithe		343,531
	Total		2,581,811
	<i>Balance</i>		<i>0</i>
Shared Mission and Ministry			
	<u>Revenue</u>		
51	Parish Pledges		922,189
52	Anticipated Shortfall		(23,055)
53	Trust Income		375,794
54	Other Income		<u>35,130</u>
	Total		1,310,058
	<u>Outlays</u>		
	Support for Congregations		
	<i>Direct Support</i>		
300	Trinity Cathedral		34,353
301	Assisted Congregations		300,000
302	Congregational Ministry Grants		200,000
303	Regional Ministry Grants		10,000
304	Convocational Ministry Grants		15,000
	<i>Parish Development</i>		
310	Congregational Development		10,000
311	Regional Ministry Studies		27,700
312	Church Reports		12,300
313	Parish Crisis Response		25,000
314	Board of Missions		7,500
315	20/20 Program		10,000
	<i>Congregational Ministries</i>		
320	Stewardship		15,000
321	Christian Formation		24,072
322	Liturgy, Music & Worship		5,000
323	Pastoring & Faith Development		10,000

EXHIBIT II: Budget for Fiscal Year 2004 (Continued)

	<i>Support for New Clergy</i>		
330	Commission on Ministry		20,000
331	Seminary Scholarships		41,600
332	COM Internship Program		5,000
333	Committee on the Diaconate		42,600
	<i>Support for Active Clergy</i>		
334	Clergy Support & Development		15,000
335	Trinity Counseling Service		11,000
	<i>Support for Retired Clergy</i>		
336	Retired Clergy Chaplain		1,000
337	Retired Clergy Fund		20,000
338	Widows/Orphans Fund		20,000
	<i>Our Ministry Together</i>		
	<i>Social Ministry</i>		
400	Environmental Committee		500
401	Hunger Task Force		5,000
402	Migrant Ministry		6,960
403	Prison Ministries		500
404	Urban Ministry		10,000
	<i>Ethnic Ministry</i>		
410	Anti-Racism		50,000
411	Hispanic Commission		10,000
	<i>Youth Ministry</i>		
420	Youth Activities		35,000
	<i>Educational Institutions</i>		
430	St. Michael's Chapel, Rutgers		20,000
431	Princeton University		10,000
432	Local Chaplaincies		15,000
	<i>Reaching Beyond Our Borders</i>		
	<i>Programs & Covenants</i>		
500	ECUSA Mission Covenant		220,811
501	Province II Covenant		9,162
502	Ecumenism		5,000
503	Companion Diocese		30,000
	Total		1,310,058
	<i>Balance</i>		<i>0</i>

EXHIBIT III: Congregational Fair Share Pledges

EXHIBIT III: Congregational Fair Share Pledges (Continued)

EXHIBIT III: Congregational Fair Share Pledges (Continued)

EXHIBIT IV: Preliminary Results as of December 31, 2002

	2002 Budget	Preliminary Results
<u>Revenue</u>		
1 Fair Share Pledges	2,333,185	2,229,669
2 Anticipated Shortfall	(58,329)	N.A.
3 Trust Income	608,772	665,533
4 Other Income	<u>30,000</u>	<u>44,440</u>
Total	2,913,628	2,939,642
<u>Outlays</u>		
I. Support for Congregations		
<i>Direct Support</i>		
101 Trinity Cathedral	23,332	23,332
102 Assisted Parishes	500,000	430,000
103 Parish Program Grants	30,000	6,794
<i>Parish Development</i>		
111 Congregational Development	10,000	11,316
112 Parish Crisis Response	15,000	3,750
113 Board of Missions	1,000	12,143
<i>Support for Ministries</i>		
121 Stewardship	7,500	1,404
122 Liturgy, Music & Worship	1,000	-
123 Christian Formation	4,000	3,962
<i>Communications</i>		
131 Communications	50,000	59,719
132 Historian/Archivist	6,750	6,764
133 Production of the Journal	10,000	12,940
<i>Support for Clergy</i>		
141 Commission on Ministry	18,000	8,905
142 Seminary Scholarships	46,800	85,500
143 Committee on the Diaconate	30,000	24,006
144 Clergy Support & Development	8,000	7,443
145 Trinity Counseling Service	11,000	11,000
146 Staff Assistance - Ordination	53,440	24,356
151 Retired Clergy Chaplain	600	655
152 Retired Clergy Health Ins.	260,000	185,705
153 Widows/Orphans Health Ins.	105,000	92,987
154 Retired Clergy Fund	18,000	16,377
155 Widows/Orphans Fund	18,000	7,885

EXHIBIT IV: Preliminary Results as of December 31, 2002
(Continued)

	2002 Budget	Preliminary Results
<i>Gatherings of the Diocese</i>		
161 Diocesan Convention	25,000	28,912
162 Clergy Conference	2,000	2,443
163 Lay Leader Conferences	5,000	-
II. Our Ministry Together		
<i>Social Ministry</i>		
201 Environmental Committee	500	-
202 Hunger Task Force	1,000	1,400
203 Migrant Ministry	5,500	5,166
204 Detention Center	500	500
205 Institutional Ministries	500	705
<i>Ethnic Ministry</i>		
211 Anti-Racism	35,000	35,884
212 Hispanic Commission	7,500	6,633
<i>Youth Ministry</i>		
221 Youth Activities	15,000	19,092
222 Choir Camp	2,500	2,500
<i>Educational Institutions</i>		
231 St. Michael's Chapel, Rutgers	15,000	15,000
III. Reaching Beyond Our Borders		
<i>Programs & Covenants</i>		
301 National Church Covenant	225,000	225,000
302 Province II Covenant	8,800	8,800
303 Ecumenism	5,000	1,525
304 Companion Diocese	15,000	15,000
<i>Gatherings of the Church</i>		
311 Lambeth	1,000	1,000
312 House of Bishops	6,000	3,994
313 General Convention	13,333	13,333
314 ECW Triennium	3,255	3,255
315 Province II Meetings	1,000	181
IV. Building the Foundation		
<i>The Episcopacy</i>		
<i>The Assisting Bishop</i>		
401 Salary & Housing	113,550	113,550
402 Social Security	8,650	8,650

EXHIBIT IV: Preliminary Results as of December 31, 2002
(Continued)

	2002 Budget	Preliminary Results
403 Retirement Supplements	13,800	13,800
404 Professional Allowance	6,000	8,821
405 Transportation	10,000	13,647
406 Visiting Bishops	6,000	3,954
407 Episcopal Search Process	56,364	56,364
<i>The Canon to the Ordinary</i>		
411 Salary & Housing	69,276	82,956
412 Social Security	5,300	5,300
413 Continuing Education	1,000	1,000
414 Professional Allowance	7,000	3,408
415 Transportation	4,800	5,725
<i>The Chief Financial Officer</i>		
421 Salary	65,305	65,305
422 Social Security	4,996	4,996
423 Professional Allowance	2,000	407
<i>The Youth Director</i>		
431 Salary & Housing	32,500	-
432 Social Security	2,486	-
433 Professional Allowance	1,000	-
<i>Administration</i>		
441 Administrative Staff	286,000	310,134
442 Health Insurance	68,000	53,456
443 Dental Insurance	9,000	6,888
444 Life Insurance	3,500	2,646
445 Long Term Disability	3,000	1,380
446 Pensions	100,000	98,067
<i>Finance</i>		
451 Insurance & Bonding	30,000	43,984
452 Audit	21,000	24,450
<i>Facilities</i>		
461 Property Maintenance	18,000	31,030
462 Utilities	20,500	14,505
463 Capital Improvements	16,000	12,103
464 Equipment	63,000	43,248
465 Telephone	12,500	8,543
466 Office Supplies	19,000	17,617
467 Printing & Postage	36,000	44,002
468 General Management	14,476	30,898

EXHIBIT IV: Preliminary Results as of December 31, 2002
(Continued)

	2002 Budget	Preliminary Results
469 Hospitality	6,200	6,088
501 <i>Title IV</i>	-	-
<i>The Doss Agreement</i>		
511 Loan Repayment	123,282	123,282
512 Retirement Supplement	33,333	33,333
Total	2,913,628	2,720,803
<i>Balance</i>	-	218,839

EXHIBIT V: Trust Funds

Name of Fund	DIT Shares, Dec. 31, 2002	Market Value, Dec. 31, 2002	2003 Income	Other Restrictions
				38.37
General Funds				2.04
Eisenhart Fund	53,978.77	2,071,165	110,117	<i>small churches & clergy crises</i>
VIM Endowment Fund	70,031.61	2,687,113	142,864	
Harriet Procter Matthews Fund	80,048.58	3,071,464	163,299	<i>program</i>
Loan Funds				
Emergency Loan Fund	n.a.	n.a.	25,000	<i>temporary loans</i>
Shannon Trust	7,018.50	269,300	14,318	
Capital & Revolving Fund	n.a.	290,885	3,842	
R. Bowden Shepherd Fund	n.a.	198,703	2,759	
VIM Loan Fund	n.a.	394,561	6,150	
Endowment Funds				
DeVoe Fund	1,831.00	70,255	3,735	
Mary N. Perce Fund	26.00	998	53	
Miscellaneous Funds	4,202.09	161,234	8,572	
Operating Funds				
Katherine W. Kean Legacy Bishop Knight Memorial Fund	12,956.00	497,122	26,430	
Harold E. Pancoast Estate	222.00	8,518	453	<i>diocesan house</i>
Stevens & Conover Fund	4,202.00	161,231	8,572	<i>youth</i>
Eleanor Merritt Estate	37.00	1,420	75	
	649.00	24,902	1,324	

DIOCESAN BUDGET

EXHIBIT V: Trust Funds (Continued)

Name of Fund	DIT Shares, Dec. 31, 2002	Market Value, Dec. 31, 2002	2003 Income	Other Restrictions
Episcopal Fund	5,521.87	211,874	11,265	
Endowment Fund TCP	489.78	18,793	999	
Property Funds				
Episcopal Residence Fund	2,310.01	88,635	4,712	<i>diocesan property</i>
RB & RW Shepherd Fund	5,299.84	203,355	10,812	<i>missions: land & building purchase</i>
Mission Funds				
Missionary Fund	2,218.28	85,115	4,525	
T.A. Conover Memorial Fund	747.00	28,662	1,524	
Mary C. Bishop Fund	287.00	11,012	585	
Edgar Cummings Sanborn Fund	118.00	4,528	241	
Malcolm Stoney Estate	4,797.16	184,067	9,786	<i>small churches</i>
S. Robinson Knight Estate	1,753.37	67,277	3,577	
Helen Parkhill Fund	1,228.30	47,130	2,506	
Conference Funds				
Bruker Fund	8,056.00	309,109	16,434	
Berkeley Twp. Prop. Fund	304.00	11,664	620	
Education Funds				
Mary E.H. Pullan Fund	1,361.65	52,247	2,778	<i>seminary scholarship</i>
Walter P. Wilson Fund	428.32	16,435	874	<i>seminary for students native to NJ</i>
Walter C. Scott Fund	679.36	26,067	1,386	<i>seminary scholarship</i>

DIOCESAN BUDGET

EXHIBIT V: Trust Funds (Continued)

Name of Fund	DIT Shares, Dec. 31, 2002	Market Value, Dec. 31, 2002	2003 Income	Other Restrictions
Walters Scholarship Fund	1,588.01	60,932	3,240	<i>seminary scholarship</i>
Walters Scholarship Fund	n.a.	n.a.	47,702	<i>seminary scholarship</i>
Etta V. Shur Estate	n.a.	n.a.	3,676	<i>male seminarians</i>
Van Duzer Scholarship Fund	1,903.01	73,018	3,882	<i>youth</i>
Clergy, Widows & Orphans Funds				
Aged & Infirm Clergy Fund	4,166.67	159,875	8,500	
Aged & Infirm Clergy Fund	6,744.33	258,780	13,758	
Widows & Orphans Fund	8,333.33	319,750	17,000	
Widows & Orphans Fund	5,767.67	221,305	11,766	
Eleanor B. Trend Estate	90.00	3,453	184	<i>widows, widowers & orphans of clergy</i>
Rebecca W. Shepherd Fund	345.66	13,263	705	<i>widows, widowers & orphans of clergy</i>
H. Martin Estate	76.00	2,916	155	<i>widows, widowers & orphans of clergy</i>
New Church Funds				
St Mark's Carteret	995.00	38,178	2,030	
St. Andrews Highlands	5,543.54	212,706	11,309	
Georgina M.E. Bevan Estate		427,047	12,384	
City Ministry Funds				
St. James Fund (Atlantic City)	33,352.92	1,279,752	68,040	
Elizabeth Fund	8,069.57	309,629	16,462	
Plainfield Fund	7,833.97	300,589	15,981	

DIOCESAN BUDGET

EXHIBIT V: Trust Funds (Continued)

Name of Fund	DIT Shares, Dec. 31, 2002	Market Value, Dec. 31, 2002	2003 Income	Other Restrictions
Campus Ministry Funds				
Wm. A. Proctor Foundation	64,498.44	2,474,805	131,577	university ministry
St. Andrew's, Lambertville Funds				
Herbert Stanley Smith Fund	1,508.00	57,862	3,076	
Evergreens Funds				
Fenton Memorial Fund	10,289.00	394,789	20,990	
Leona Truax Scott Fund	326.00	12,509	665	
Evergreens Fellowship Fund	32,710.41	1,255,098	66,729	
Special Funds				
Jane O. P. Turner Fund	19,022.49	729,893	38,806	Children with terminal or incurable diseases
Mary C. O'Neil Fund	569.83	21,864	1,162	charitable purposes
Christian Knowledge Society	799.00	30,658	1,630	bibles, prayer books
Hunger Task Force	119.15	4,572	243	
Bishop's Trust Funds				
Elizabeth Ink Fund	568.75	21,823	1,160	healing
Louisa S. Vought Fund	868.54	33,326	1,772	children
Edward Baker Fund	408.24	15,664	833	discretionary fund
Juliana Conover Legacy	530.93	20,372	1,083	clergy
Merritt Memorial Fund	250.23	9,601	510	discretionary fund

DIOCESAN BUDGET

EXHIBIT V: Trust Funds (Continued)

Name of Fund	DIT Shares, Dec. 31, 2002	Market Value, Dec. 31, 2002	2003 Income	Other Restrictions
Hanford Smith Legacy	111.01	4,259	226	<i>missionary work</i>
Josiah	40.02	1,536	82	<i>discretionary fund</i>
Robbins Fund	42.03	1,613	86	<i>discretionary fund</i>
Theodore				
Eisele Estate				
H.L. Chattin	151.80	5,825	310	<i>discretionary fund</i>
Gift				
Carl J.	19.03	730	39	<i>discretionary fund</i>
Holinger Fund				
Talcott Fund	60.80	2,333	124	<i>discretionary fund</i>
Elizabeth R.H.	772.78	29,652	1,576	<i>discretionary fund</i>
Douglas				
Estate				
McKee Swift	8.50	326	17	<i>discretionary fund</i>
Memorial				
Fund				
Jay B.	86.15	3,306	176	<i>discretionary fund</i>
Thomlinson				
Estate				
Archdeacon's Trust Funds				
Montgomery	82.36	3,160	168	<i>mission</i>
Legacy				
Diademia	289.23	11,098	590	<i>mission</i>
Perce Legacy				
Christ Church,	124.52	4,778	254	<i>mission</i>
Waterford				
<u>Trust Fund Totals</u>				
Total DIT	489,869.40	18,796,289	999,334	
Investment				
All Funds: Value & Income		20,107,485	1,100,847	

EXHIBIT VI: Support for Assisted Congregations

		Assistance Payments		
Location	Congregation	2001	2002	2003*
<u>I. Inner-City Missions</u>				
Camden	Our Saviour	15,000	7,500	0
Camden	St. Andrew's	59,500	59,500	59,500
Camden	St. Wilfrid's	14,000	10,000	5,000
Elizabeth	Grace	0	0	44,000
Elizabeth	San Jose	50,000	50,000	50,000
New Brunswick	St. Alban's	22,000	35,000	20,000
Trenton	St. Andrew's	3,000	0	0
Trenton	Christo Rey	65,000	60,000	55,000
<u>II. Suburban Congregations</u>				
Bellmawr **	Holy Spirit	26,200	10,000	8,000
Westville **	St. Luke's		16,000	14,000
Hammonton	St. Mark's	20,000	15,000	12,500
Keansburg	St. Mark's	9,000	5,000	0
Palmyra	Christ	21,000	20,000	18,000
Swedesboro	Trinity	20,000	20,000	17,000
Three Bridges	Christ	36,000	36,000	30,000
Tuckerton	Holy Spirit	5,000	3,000	0
Union	St. Luke & All Saints		0	0
Vineland	Trinity	0	55,000	50,000
Williamstown	St. Mark's	13,300	35,000	7,000
Willingboro	Christ the King	0	14,000	10,000

* Assistance payments were approved by the Diocesan Council in January of 2003 and are subject to adjustment upon the advice of the Board of Missions.

** Note: Bellmawr and Westville are yoked congregations.

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EXHIBIT VII: The Doss Settlement

**THE EPISCOPAL EVERGREENS
FELLOWSHIP FUND, INC.**

Financial Statements

Year Ended December 31, 2001

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THE EPISCOPAL EVERGREENS FELLOWSHIP FUND, INC.
INDEPENDENT AUDITORS' REPORT

To the Officers and Trustees of
THE EPISCOPAL EVERGREENS FELLOWSHIP FUND, INC.

We have audited the accompanying statement of financial position of **THE EPISCOPAL EVERGREENS FELLOWSHIP FUND, INC.** as of December 31, 2001, 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.

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 EPISCOPAL EVERGREENS FELLOWSHIP FUND, INC.** as of December 31, 2001, 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.

March 28, 2002

THE EPISCOPAL EVERGREENS FELLOWSHIP FUND, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2001

ASSETS	
Cash	\$ 14,777
Diocesan Investment Trust (33,123.764 shares at \$45.59/share)	<u>1,510,112</u>
Total Assets	<u><u>\$1,524,889</u></u>
NET ASSETS	
Temporarily restricted net assets	<u><u>\$1,524,889</u></u>

STATEMENT OF ACTIVITIES

Year Ended December 31, 2001

	Temporarily		
	Un	Restricted	Total
	restricted		
Support and revenues			
Pledges and contributions	\$ -	\$ 10,817	\$ 10,817
Net assets released from restrictions	<u>88,132</u>	<u>(88,132)</u>	<u>-</u>
Total support and revenues	<u>88,132</u>	<u>(77,315)</u>	<u>10,817</u>
Expenses and losses			
Support to The Evergreens	80,000	-	80,000
Office expenses	6,011	-	6,011
Professional fees	2,121		2,121
Investment losses	<u>-</u>	<u>95,095</u>	<u>95,095</u>
Total expenses and losses	<u>88,132</u>	<u>95,095</u>	<u>183,227</u>
Change in net assets	-	(172,410)	(172,410)
Net assets, beginning of year	<u>-</u>	<u>1,697,299</u>	<u>1,697,299</u>
Net assets, end of year	<u><u>\$ -</u></u>	<u><u>\$ 1,524,889</u></u>	<u><u>\$ 1,524,889</u></u>

THE EPISCOPAL EVERGREENS FELLOWSHIP FUND, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2001

Cash Flows from Operating Activities	
Change in net assets	\$ (172,410)
Adjustments	
Unrealized losses incurred by DIT shares	191,218
Realized gain from sale of DIT shares	<u>(24,222)</u>
Net cash used in operating activities	<u>(5,414)</u>
Cash Flows from Investing Activities	
Purchases of DIT shares	(71,741)
Redemptions of DIT shares	<u>80,000</u>
Net cash provided by investing activities	<u>8,259</u>
Net increase in cash	2,845
Cash, beginning of year	<u>11,932</u>
Cash, end of year	<u><u>\$ 14,777</u></u>

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

THE EPISCOPAL EVERGREENS FELLOWSHIP FUND, INC. (the "Fund"), located in Trenton, New Jersey, is a private, non-profit organization established in 1990 whose charitable purpose is obtaining funds and property by gift, bequest or devise, to invest and reinvest the same and to apply the income and principal thereof, as the Board of Trustees may determine, either by payment directly to or for the benefit of The Evergreens, a retirement facility, for the purpose of providing support to The Evergreens so that it is able to provide its services and facilities to Episcopalians who may not be financially able to pay for their care in full.

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. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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 only temporarily restricted net assets.

Cash

For the purpose of the statement of cash flows, cash includes unrestricted time deposits, certificates of deposit and highly liquid debt instruments with original maturities of three months or less.

Public Support and Revenue Recognition

Contributions 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 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 statement of activities as net assets released from restrictions.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Diocesan Investment Trust

Diocesan Investment Trust shares consist of equity securities and mutual funds. The Fund carries these investments at their fair market values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Income Taxes

The Fund has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170 (b)(1)(A).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets totaling \$1,524,889 at December 31, 2001 are available for the purpose of providing support to The Evergreens so that it is able to provide its services and facilities to Episcopalians who may not be financially able to pay for their care in full.

Net assets were released from donor restrictions as follows during 2001:

Purpose restriction accomplished:

Expenses incurred to satisfy donor restrictions	<u>\$ 88,132</u>
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C. INVESTMENTS

Investments are stated at fair value and consist of Diocesan Investment Trust shares. Fair value and unrealized appreciation at December 31, 2001 are summarized as follows:

	Cost	Fair Value	Unrealized Appreciation
			<u> </u>

THE EPISCOPAL EVERGREENS FELLOWSHIP FUND, INC
Notes to Financial Statements

Temporarily restricted	\$ 1,093,819	\$ 1,510,112	\$ 416,293
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THE EPISCOPAL EVERGREENS FELLOWSHIP FUND, INC
Notes to Financial Statements

C. INVESTMENTS (Continued)

The following schedule summarizes the investment loss and its classification in the Statement of Activities for the year ended December 31, 2001:

	Temporarily Restricted
Interest income	\$ 160
Dividend income	71,741
Net realized and unrealized losses	(166,996)
Total investment loss	<u>\$ (95,095)</u>

D. CONCENTRATION OF RISK

The Fund maintains all of its investments in the Diocesan Investment Trust. They historically have not experienced any credit related losses.

