

**THE ADMINISTRATIVE OFFICES OF THE  
EPISCOPAL DIOCESE OF WESTERN MASSACHUSETTS  
AND AFFILIATE**

***CONSOLIDATED FINANCIAL STATEMENTS***

***DECEMBER 31, 2017 AND 2016  
WITH SUPPLEMENTARY INFORMATION***

**VIOLA, CHRABASCZ, REYNOLDS & CO. LLP**

***Certified Public Accountants***

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE  
OF WESTERN MASSACHUSETTS AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS**

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## INDEPENDENT AUDITOR'S REPORT

To the Diocesan Council of  
The Administrative Offices of the  
Episcopal Diocese of Western Massachusetts and Affiliate  
37 Chestnut Street  
Springfield, MA 01103

We have audited the accompanying consolidated financial statements of the Administrative Offices of the Episcopal Diocese of Western Massachusetts and Affiliate (the "Diocese"), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

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

### **Basis for Qualified Opinion**

As more fully described in Note 2 to the consolidated financial statements, certain buildings are recorded at management's estimated value; no depreciation is recorded on these buildings. Effective January 1, 1997, the Diocese started capitalizing property and equipment additions at cost and recognizing depreciation. Property and equipment used in operations should be stated at cost and depreciation should be recorded.

As more fully described in Note 9 to the consolidated financial statements, certain retirement and other postretirement benefit plans are updated once every five years and actuarial calculations and disclosure requirements are not available in order to conform with accounting principles generally accepted in the United States of America.

The effects on the accompanying consolidated financial statements of the above practices have not been determined.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Administrative Offices of the Episcopal Diocese of Western Massachusetts and Affiliate as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Diocese's 2016 consolidated financial statements, and we expressed a qualified audit opinion on those audited consolidated financial statements in our report dated June 16, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Viola, Chrabasz, Reynolds & Co. LLP*

**THE ADMINISTRATIVE OFFICES OF THE  
EPISCOPAL DIOCESE OF WESTERN MASSACHUSETTS  
AND AFFILIATE**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2017 AND 2016**

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE  
OF WESTERN MASSACHUSETTS AND AFFILIATE**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016**

***ASSETS***

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash	\$ 904,940	\$ 896,505
Accounts receivable, net	41,570	44,483
Distribution receivable	387,400	374,666
Prepaid expenses	14,908	18,110
Due from parishes	55,839	-
Notes receivable	284,031	295,446
Investments held and managed by EDWMA	230,401	224,753
Interest in net assets of the Trustees for the Diocese of Western Massachusetts	<u>33,061,366</u>	<u>29,892,691</u>
Assets, less property and equipment	<u>34,980,455</u>	<u>31,746,654</u>
 <b>Property and equipment used in operations</b>		
Buildings and improvements	875,388	1,300,388
Equipment	49,554	39,789
Furniture and fixtures	22,099	22,099
Vehicle	<u>31,155</u>	<u>31,155</u>
	978,196	1,393,431
Accumulated depreciation	<u>(112,817)</u>	<u>(96,670)</u>
Property and equipment used in operations, net	<u>865,379</u>	<u>1,296,761</u>
 <b>Property and equipment to be disposed of by sale</b>	<u>-</u>	<u>100,000</u>
 <b>Total assets</b>	 <u>\$ 35,845,834</u>	 <u>\$ 33,143,415</u>

**LIABILITIES AND NET ASSETS**

	<u>2017</u>	<u>2016</u>
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 30,925	\$ 35,535
Refundable advances	30,000	35,827
Agency obligations	123,752	133,422
Amounts held on behalf of others	26,703	31,731
Line of credit	275,000	-
Retirement benefit obligations	-	107,231
Other postretirement benefit obligations	<u>1,909,182</u>	<u>1,909,182</u>
<b>Total liabilities</b>	<u>2,395,562</u>	<u>2,252,928</u>
 <b>Net assets</b>		
Unrestricted	345,588	955,343
Unrestricted - board designated	10,341,147	8,890,528
Temporarily restricted	18,670,197	16,951,276
Permanently restricted	<u>4,093,340</u>	<u>4,093,340</u>
<b>Total net assets</b>	<u>33,450,272</u>	<u>30,890,487</u>
 <b>Total liabilities and net assets</b>	 <u>\$ 35,845,834</u>	 <u>\$ 33,143,415</u>

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



**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE  
OF WESTERN MASSACHUSETTS AND AFFILIATE**

**CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>Support and revenues</b>					
Common ministry	\$ 1,109,045	\$ -	\$ -	\$ 1,109,045	\$ 1,099,709
Other income	<u>394,415</u>	<u>-</u>	<u>-</u>	<u>394,415</u>	<u>269,232</u>
	<u>1,503,460</u>	<u>-</u>	<u>-</u>	<u>1,503,460</u>	<u>1,368,941</u>
<b>Operating expenses</b>					
Administrative and finance	480,512	-	-	480,512	443,937
Congregational development	472,859	-	-	472,859	504,544
Diocesan agency	173,548	-	-	173,548	176,015
Episcopal oversight	557,346	-	-	557,346	615,236
Leadership development and clergy support	319,036	-	-	319,036	351,547
Wider church	610,850	-	-	610,850	576,000
Fanning the flames	282,762	-	-	282,762	204,753
Episcopal missions activity	<u>94,689</u>	<u>-</u>	<u>-</u>	<u>94,689</u>	<u>231,779</u>
Total operating expenses	<u>2,991,602</u>	<u>-</u>	<u>-</u>	<u>2,991,602</u>	<u>3,103,811</u>
<b>Excess of expenses over support and revenues</b>	<u>(1,488,142)</u>	<u>-</u>	<u>-</u>	<u>(1,488,142)</u>	<u>(1,734,870)</u>

(Continued)

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



**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE  
OF WESTERN MASSACHUSETTS AND AFFILIATE**

**CONSOLIDATED STATEMENT OF ACTIVITIES (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>Change in net assets of the Trustees for the Diocese of Western Massachusetts</b>					
Investment activity, net of release of restrictions	\$ 2,280,425	\$ 1,718,921	\$ -	\$ 3,999,346	\$ 2,125,272
<b>Change in net assets before other changes</b>	792,283	1,718,921	-	2,511,204	390,402
<b>Other changes</b>					
Investment income, net	9,863	-	-	9,863	11,094
Gain (loss) on sale of assets	433,340	-	-	433,340	211,029
Adjustment of property to net realizable value	(425,000)	-	-	(425,000)	(51,963)
Transfer of property and equipment	(67,666)	-	-	(67,666)	(145,871)
Adjustment to employee benefit obligations	98,044	-	-	98,044	-
<b>Change in net assets</b>	840,864	1,718,921	-	2,559,785	414,691
<b>Net assets, beginning of year</b>	9,845,871	16,951,276	4,093,340	30,890,487	30,475,796
<b>Net assets, end of year</b>	\$ 10,686,735	\$ 18,670,197	\$ 4,093,340	\$ 33,450,272	\$ 30,890,487

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

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE  
OF WESTERN MASSACHUSETTS AND AFFILIATE**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 2,559,785	\$ 414,691
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	16,147	12,377
(Gain) loss on sale of property and equipment	(433,340)	(211,029)
Adjustment of assets to net realizable value	425,000	50,000
Gain on employee benefit obligations	(98,044)	-
Change in net assets of the Trustees	(3,999,346)	(2,125,272)
Change in value of life insurance	-	(81,105)
Unrealized and realized (gains) losses from investments	(3,366)	(3,834)
Changes in operating assets and liabilities:		
Receivables	(9,821)	(22,735)
Prepaid expenses	3,202	734
Due from parishes	(55,839)	-
Cash value of life insurance	-	(2,468)
Accounts payable and accrued expenses	(4,610)	10,012
Refundable advances	(5,827)	5,827
Agency obligations	(9,670)	(3,172)
Amounts held on behalf of others	(5,028)	(7,704)
Retirement benefit obligations	(9,187)	(23,491)
Net cash used by operating activities	<u>(1,629,944)</u>	<u>(1,987,169)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment and development costs	(21,425)	(31,155)
Proceeds on sale of property and equipment	545,000	214,211
Repayments on note receivable	11,415	190,887
Purchase of investments held by EDWMA	(2,282)	(116,388)
Proceeds from sale of investments held by EDWMA	-	109,128
Proceeds from life insurance	-	555,949
Net cash provided by investing activities	<u>532,708</u>	<u>922,632</u>
<b>Cash flows from financing activities</b>		
Payments on long term debt	-	(3,830)
Line of credit, net	275,000	(175,000)
Proceeds from / transfers to interest in net assets of the Trustees, net	830,671	1,430,425
Net cash provided by financing activities	<u>1,105,671</u>	<u>1,251,595</u>
Net increase in cash	8,435	187,058
Cash, beginning of year	896,505	709,447
Cash, end of year	<u>\$ 904,940</u>	<u>\$ 896,505</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	\$ 6,579	\$ 399

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

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE  
OF WESTERN MASSACHUSETTS AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**1. NATURE OF ACTIVITIES:**

The consolidated financial statements of the Administrative Offices of the Episcopal Diocese of Western Massachusetts and Affiliate (the "Diocese") include the following:

Administrative Offices of the Episcopal Diocese of Western Massachusetts	"EDWMA" was incorporated in accordance with the provisions of Chapter 180 of the General Laws of the Commonwealth of Massachusetts as a religious corporation, for the purpose of the support and advancement of the Christian religion according to the Doctrine, Discipline and Worship of the Protestant Episcopal Church in the United States.
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Episcopal Missions of Western Massachusetts	"EMWM" was incorporated in accordance with the provisions of Chapter 180 of the General Laws of the Commonwealth of Massachusetts as a religious corporation created for the purpose of holding all rights, title and interest of "EDWMA" in certain land and buildings.
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Principles of consolidation**

The consolidated financial statements include the accounts of the Administrative Offices of the Episcopal Diocese of Western Massachusetts and the Episcopal Missions of Western Massachusetts (collectively known as the "Diocese"). All significant intercompany accounts and transactions have been eliminated.

EDWMA follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") for Not-for-Profit Entities and Consolidation. The standard provides guidance on evaluating the nature of the relationship between entities and reporting requirements.

EDWMA has control over and an economic interest in EMWM as it was organized to hold certain land and buildings of EDWMA. In accordance with FASB ASC standards, the accounts of EMWM are consolidated with EDWMA.

EDWMA provides pastoral and financial oversight for approximately sixty congregations, seeking to carry on Christ's ministry of transformation and reconciliation in the Western Massachusetts area. In accordance with FASB ASC standards, the accounts of these congregations are not consolidated with EDWMA.

**Basis of presentation**

The accompanying consolidated financial statements of the Diocese have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

**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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE  
OF WESTERN MASSACHUSETTS AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Net assets**

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Diocese, the accompanying consolidated financial statements are classified for accounting and reporting purposes into classes of net assets in accordance with the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Unrestricted net assets represent net assets, including operating accounts, not subject to donor imposed stipulations.

Net assets unrestricted for operations represent the ongoing activity of the Diocese, exclusive of certain activities designated by the Diocesan Council (the "Board"). Designated net assets consist of unrestricted assets designated by the Board. Any portion of board-designated funds may be expended with the approval of the Board.

- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Diocese is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Diocese pursuant to those stipulations.

Temporarily restricted net assets also include, under Massachusetts law, cumulative appreciation and reinvested gains on permanently restricted endowment funds which are subject to prudent appropriation by the Board in accordance with provisions of Massachusetts law.

- Permanently restricted net assets represent contributions and other inflows of assets whose use by the Diocese is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of the Diocese pursuant to those stipulations.

Permanently restricted net assets include permanently restricted endowment funds held by the Trustees for the Diocese of Western Massachusetts (the "Trustees") on behalf of the Diocese.

**Support and revenue**

The Diocese utilizes the accrual method of accounting whereby revenue is recorded when earned and expenses are recorded when incurred.

Contributions, including unconditional promises to give, are recognized as revenues in the period in which they are earned. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues in the unrestricted net asset class.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Support and revenue (continued)**

Contributions of land, buildings, and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Diocese reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Donated materials and services**

Donated materials are recorded as contributions in the year received at their estimated values at date of receipt if an objective basis is available to measure such values.

Donated services are recorded as contributions when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. No amounts have been reflected in the accompanying consolidated financial statements for donated services as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the activities of the Diocese without compensation.

**Accounts receivable**

Accounts receivable consist of amounts due from the parishes of the Diocese for Common Ministry assessments, outstanding reimbursements for payroll and insurance transactions conducted by the Diocese on behalf of the parishes. Accounts receivable are recorded at the aggregate unpaid amount less any allowance for doubtful accounts.

The Diocese provides an allowance for uncollectible accounts based on management's evaluation of outstanding accounts receivable. With the approval of the Diocesan Council, amounts are written off against the allowance when collection appears doubtful. No allowance was deemed necessary by management for the years ended December 31, 2017 and 2016.

**Distribution receivable**

Distribution receivable consists of amounts due from the Trustees for the Diocese's quarterly distribution in accordance with the spending policy (see Note 2 "Interest in net assets of the Trustees for the Diocese of Western Massachusetts").

**Investments held and managed by EDWMA**

In accordance with FASB ASC, *Investments – Debt and Equity Securities*, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. The basis for determining the fair value of investment is the readily determinable sales price or current exchange rate of the investments based on prices or quotations for over-the-counter markets.

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Investments held and managed by EDWMA (continued)**

Net appreciation (declines) in the fair value of investments, which consists of both the realized gains and losses and the unrealized appreciation (decline) of those investments, is reported in the statement of activities. Interest and dividend income is accrued as earned. All security transactions are recorded on a trade date basis. Gains and losses on investments are generally reported as increases or decreases in unrestricted net assets unless explicit donor stipulations or law restrict their use.

The Diocese has some exposure to investment risks, including interest rate, market, and credit risk. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying consolidated financial statements.

**Interest in net assets of the Trustees for the Diocese of Western Massachusetts**

The Diocese recognizes its interest in the net assets of the Trustees in accordance with FASB ASC for *Revenue Recognition: Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. The standard requires the Diocese to recognize its interest in the net assets of the Trustees (a financially interrelated organization) and adjust that interest for its share of the change in the Trustees' net assets.

The Trustees is a corporate body established in 1902 expressly for the purpose of receiving, managing, investing and reinvesting, using and disposing of any and all monies or funds, and all real estate or other properties for the use, benefit, support, or promotion of any work, office, official, religious, or charitable institution, or other interests of the Episcopal Church within the Diocese of Western Massachusetts.

The Trustees hold investments, stated at fair value using methodologies as discussed in Note 4, consisting of donor restricted endowment funds and funds functioning as quasi-endowment funds. Donor restricted endowments consist of gifts received with a donor stipulation that require the funds to be invested in perpetuity. Quasi-endowment funds consist of board designated and donor restricted purpose funds. Board designated funds consist of monies internally designated. Donor restricted purpose funds consist of gifts received with a donor stipulation to be used for a particular purpose, but with no requirement for the funds to be invested in perpetuity and for which a fund was established to function as an endowment.

In addition, the Diocese follows FASB ASC for *Presentation of Financial Statements: Classification of Donor-Restricted Endowment Funds Subject to UPMIFA*. The standard provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") which serves as a model act for states to modernize their laws governing donor restricted endowment funds. The standard also requires additional disclosures about endowments (both donor restricted funds and quasi-endowment funds) for all organizations, including those that are not yet subject to an enacted version of UPMIFA.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Interest in net assets of the Trustees for the Diocese of Western Massachusetts (continued)**

The Board and the Trustees have interpreted UPMIFA as requiring unrealized and realized gains and losses ("total return") of donor restricted endowment funds to be classified as temporarily restricted, absent explicit donor stipulations to the contrary, until appropriated by the Board and expended. Under this interpretation, the historic dollar value of the original gift that establishes a donor restricted endowment fund (and any subsequent gifts) is classified as permanently restricted.

UPMIFA allows prudent appropriation of the total return on donor restricted endowment funds taking into consideration the Diocese's long and short-term needs, present and anticipated financial requirements, expected future total return on its investments, price level trends and general economic conditions. Under the applicable spending policy, each quarter up to 5% of the average of the fair value of donor restricted endowment funds at the end of the previous twelve quarters, multiplied by 25%, is appropriated to support current operations. This policy is designed to preserve the value of donor restricted endowment funds in real terms (after inflation) and provide a predictable flow of funds to support operations. Although not required by state law, the same spending policy is followed for the quasi-endowment funds. Appreciation utilized under this policy was approximately \$1,476,000 and \$1,450,000 for the years ended December 31, 2017 and 2016, respectively.

The investments held by the Trustees for the benefit of the Diocese are exposed to various risks, such as interest rate, market and credit risk. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments and related activity reported on the consolidated financial statements.

**Property and equipment used in operations**

Accounting principles generally accepted in the United States of America require property and equipment used in operations to be recorded at cost less accumulated depreciation. Certain buildings, for which original cost information was not available, have been recorded at management's estimated value. No depreciation is recorded on these buildings.

Effective January 1, 1997, the Diocese began capitalizing all long-lived assets at cost and providing for depreciation on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 40 years.

The Diocese charges the cost of maintenance and repairs to expense and capitalizes significant renewals and betterments. Depreciation expense for the years ended December 31, 2017 and 2016 totaled \$16,147 and \$12,377, respectively.

The cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of sale or retirement. Any resulting gain or loss is credited or charged to net assets.

**Property and equipment to be disposed of by sale**

Accounting principles generally accepted in the United States of America require property and equipment to be disposed of by sale to be recorded at the lesser of the carrying amount or the fair value, less costs to sell. The value of the buildings (including land), improvements, and equipment to be disposed of by sale have been recorded at appraised values.



**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Income taxes**

The Diocese qualifies as a tax-exempt organization under an exemption received by The Domestic and Foreign Missionary Society of the Protestant Episcopal Church from the Internal Revenue Service. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

**Liquidity information**

In order to provide information about liquidity, assets have been sequenced according to their nearness to conversion to cash, and liabilities have been sequenced according to the nearness of their resulting use of cash.

**Allocation of expenses**

The costs of providing the various programs and other activities of the Diocese have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among activities that benefited. Activities of the Diocese include the following:

- Administrative and Finance oversees and performs the business transactions of the Diocese which includes accounts payable and receivable, financial reporting, audits, canonically required reports, real estate and property concerns, insurance, and budgeting.
- Congregational Development provides support, collaboration, and consulting with senior members of the Bishop's staff with a focus on developing healthy, mission focused congregations.
- Diocesan Agency oversees and performs the human resources functions of the diocesan office and serves as an agency for those functions at the level of congregations including payroll and full benefits administration along with support and advising.
- Episcopal Oversight is the role of the Bishop and his ecclesiastical function as president of the Convention, shepherd to the clergy, and administers the sacrament of confirmation.
- Leadership Development and Clergy Support oversees and performs the hiring function of ordained people, and focuses on leadership development and training for clergy. Funding is available for group trainings as well as continuing education.
- Wider Church is the designation for support and collaboration of ministries outside the Diocese. Included is the Diocese support for the Episcopal Church, the Mass Council of Churches, and various ministries and programs around the globe.
- Fanning the Flames oversees the strategic investments in ministry which will yield tangible results. Funds will be used exclusively to invest in ministry to fan the flames of places where the Holy Spirit seems to be already at work.
- Episcopal Missions activity includes the Episcopal Missions of Western Massachusetts created for the purpose of holding all rights, title and interest in the real estate assets of the Diocese. The expenses related to this area are for legal work and property management.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**Fair value of financial instruments**

The carrying values of the Diocese's cash, receivables, payables, and accrued expenses approximated their fair value based on their maturities as of December 31, 2017 and 2016.

**Fair value measurements**

The Diocese follows *Fair Value Measurements and Disclosures* as required by the FASB ASC. This standard defines fair value, establishes a consistent framework for measuring fair value and expands the related disclosure requirements. The standard also establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**Reclassifications**

Certain items in the consolidated financial statements for the year ended December 31, 2016 have been reclassified to conform to the 2017 presentation. There was no change to the December 31, 2016 change in net assets as a result of these reclassifications.

**Summarized financial information for 2016**

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Diocese's consolidated financial statements for the year ended December 31, 2016, from which the summarized information was derived.

**New accounting pronouncements**

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2018. The Organization is evaluating the impact this standard will have on the financial statements.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

**New accounting pronouncements (continued)**

In February 2016, the FASB issued ASU 2016-02, Leases. Under this guidance, lessees will need to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. This new standard is effective for fiscal years beginning after December 15, 2019, with early application permitted. The Organization is evaluating the impact this standard will have on the financial statements.

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which makes targeted changes to the not-for-profit financial reporting model. Under the new ASU, the existing three-category classification of net assets (i.e. unrestricted, temporarily restricted, and permanently restricted) will be replaced with a model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions". Differences in the nature of donor restrictions will be disclosed in the notes, with an emphasis on how and when the resources can be used. The guidance for classifying deficiencies in endowment funds ("underwater endowments") and on accounting for the lapsing of restrictions on gifts to acquire property, plant and equipment have also been clarified. New disclosures will highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Entities will be required to disclose (on the face of the statement or in notes) the extent to which the balance sheet comprises financial assets, the extent to which those assets can be converted to cash within one year, and any limitations that would preclude their current use. This ASU is effective for fiscal years beginning after December 15, 2017, with early application permitted. This ASU should be applied on a retrospective basis in the year that the ASU is first applied. The Organization is evaluating the impact this standard will have on the financial statements.

**3. INVESTMENTS HELD AND MANAGED BY EDWMA:**

The Board, as the governing authority, is responsible for oversight of the Diocese investments, establishment and implementation of an investment policy, including the establishment of investment guidelines and the selection of investment managers. Investments authorized by the Board include marketable equity, fixed income securities, and other types of investments.

Unrealized gains and losses result from changes in the fair value of investments. Realized gains and losses from the sale of investments are computed based on the difference between the proceeds received and the carrying value of the asset. Realized gains and losses resulting from sales or maturities of individual equity or debt securities are calculated on a specific identification basis.



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**3. INVESTMENTS HELD AND MANAGED BY EDWMA: (CONTINUED)**

The following summarizes the investments held and managed by EDWMA as of December 31, 2017:

	<u>Cost or Contributed Value</u>	<u>Fair Value</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Certificate of deposit	\$ 110,973	\$ 110,973	\$ -
Mutual funds - multi-sector fixed income	119,200	119,428	228
Total investments	<u>\$ 230,173</u>	<u>\$ 230,401</u>	<u>\$ 228</u>

The following summarizes the investments held and managed by EDWMA as of December 31, 2016:

	<u>Cost or Contributed Value</u>	<u>Fair Value</u>	<u>Cumulative Unrealized Gain (Loss)</u>
Certificate of deposit	\$ 109,541	\$ 109,541	\$ -
Mutual funds - multi-sector fixed income	118,350	115,212	(3,138)
Total investments	<u>\$ 227,891</u>	<u>\$ 224,753</u>	<u>\$ (3,138)</u>

Investment return is summarized as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividend income, net of fees	\$ 6,497	\$ 7,260
Net realized gains (losses)	-	(2,910)
Net unrealized gains (losses)	3,366	6,744
Total investment income (loss)	<u>\$ 9,863</u>	<u>\$ 11,094</u>

**4. INTEREST IN NET ASSETS OF THE TRUSTEES FOR THE DIOCESE OF WESTERN MASSACHUSETTS:**

The Diocese's interest in the net assets of the Trustees consists of approximately 130 individual funds (both donor-restricted funds and funds designated by the Diocese Council to function as endowments, see Note 2) established for a variety purposes, restricted for the benefit of the Diocese. The Diocesan Council, as the governing Board of the Diocese, is responsible for oversight of its interest in the net assets of the Trustees. Establishment and implementation of investment policy, including the establishment of investment guidelines and the selection of investment managers, has been delegated by the Diocesan Council to the Trustees. Investments authorized by the Trustees include high quality, readily marketable equity and fixed income securities, alternative investments and community enterprise loans, whose allocation of assets is specified in the Trustees' Investment Policy Statement.

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**4. INTEREST IN NET ASSETS OF THE TRUSTEES FOR THE DIOCESE OF WESTERN MASSACHUSETTS:  
(CONTINUED)**

The following schedule summarizes the interest in the net assets of the Trustees for the benefit of the Diocese and its classification in the consolidated statement of financial position at December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated funds	\$ 10,341,147	\$ -	\$ -	\$ 10,341,147
Donor restricted purpose funds	-	452,092	-	452,092
Donor restricted endowment funds	-	18,174,787	4,093,340	22,268,127
Interest in the net assets of the Trustees	<u>\$ 10,341,147</u>	<u>\$ 18,626,879</u>	<u>\$ 4,093,340</u>	<u>\$ 33,061,366</u>

The following schedule summarizes the change in net assets of the Trustees for the benefit of the Diocese and its classification in the consolidated statement of financial position at December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest in the net assets of the Trustees, January 1, 2017	\$ 8,890,528	\$ 16,908,823	\$ 4,093,340	\$ 29,892,691
Investment results	1,224,900	2,774,446	-	3,999,346
Spending policy distributions	(419,383)	(1,056,390)	-	(1,475,773)
Transfers	645,102	-	-	645,102
Other	-	-	-	-
Interest in the net assets of the Trustees, December 31, 2017	<u>\$ 10,341,147</u>	<u>\$ 18,626,879</u>	<u>\$ 4,093,340</u>	<u>\$ 33,061,366</u>

The following schedule summarizes the change in net assets of the Trustees for the benefit of the Diocese and its classification in the consolidated statement of activities for the year ended December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Unrealized gains (losses)	\$ 1,140,113	\$ 2,574,892	\$ -	\$ 3,715,005
Realized gains (losses)	(3,275)	964	-	(2,311)
Interest and dividends, net	88,062	198,590	-	286,652
Other	(865)	865	-	-
Release of restrictions	1,056,390	(1,056,390)	-	-
Change in net assets	<u>\$ 2,280,425</u>	<u>\$ 1,718,921</u>	<u>\$ -</u>	<u>\$ 3,999,346</u>

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**4. INTEREST IN NET ASSETS OF THE TRUSTEES FOR THE DIOCESE OF WESTERN MASSACHUSETTS:  
(CONTINUED)**

The following schedule summarizes the interest in the net assets of the Trustees for the benefit of the Diocese and its classification in the consolidated statement of financial position at December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated funds	\$ 8,890,528	\$ -	\$ -	\$ 8,890,528
Donor restricted purpose funds	-	417,746	-	417,746
Donor restricted endowment funds	-	16,491,077	4,093,340	20,584,417
Interest in the net assets of the Trustees	<u>\$ 8,890,528</u>	<u>\$ 16,908,823</u>	<u>\$ 4,093,340</u>	<u>\$ 29,892,691</u>

The following schedule summarizes the change in net assets of the Trustees for the benefit of the Diocese and its classification in the consolidated statement of financial position at December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest in the net assets of the Trustees, January 1, 2016	\$ 8,532,432	\$ 16,572,072	\$ 4,093,340	\$ 29,197,844
Investment results	577,376	1,376,317	-	1,953,693
Spending policy distributions	(410,242)	(1,039,566)	-	(1,449,808)
Transfers	19,383	-	-	19,383
Other	171,579	-	-	171,579
Interest in the net assets of the Trustees, December 31, 2016	<u>\$ 8,890,528</u>	<u>\$ 16,908,823</u>	<u>\$ 4,093,340</u>	<u>\$ 29,892,691</u>

The following schedule summarizes the change in net assets of the Trustees for the benefit of the Diocese and its classification in the consolidated statement of activities for the year ended December 31, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Unrealized gains (losses)	\$ 233,018	\$ 558,394	\$ -	\$ 791,412
Realized gains (losses)	230,970	547,495	-	778,465
Interest and dividends, net	113,388	270,428	-	383,816
Other	171,579	-	-	171,579
Release of restrictions	1,038,935	(1,038,935)	-	-
Change in net assets	<u>\$ 1,787,890</u>	<u>\$ 337,382</u>	<u>\$ -</u>	<u>\$ 2,125,272</u>

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**4. INTEREST IN NET ASSETS OF THE TRUSTEES FOR THE DIOCESE OF WESTERN MASSACHUSETTS:  
(CONTINUED)**

The investment portfolio, held and managed by the Trustees, consists of an investment pool in which a large number of individual funds (donor restricted endowment funds and funds functioning as quasi-endowment funds) participate in order to benefit from the diversification and economies of scale. The primary investment objective of the investment portfolio is growth of principal sufficient to preserve purchasing power and to provide income to support current and future activities. Long term, the total return on the portfolio should equal the rate of inflation, plus the payout rate which is used to support current activities, plus an amount reinvested to support future activities. Thus, the Trustees' desired investment objective is a long-term rate of total return on investments of 6% in excess of the Consumer Price Index. Actual returns in any given year may vary from this objective.

Temporarily restricted interest in the net assets of the Trustees includes cumulative appreciation and reinvested gains on donor restricted endowment funds and donor restricted purpose funds (quasi-endowments) which are subject to donor-imposed stipulations. Permanently restricted interest in the net assets of the Trustees includes the original contribution on donor restricted endowment funds (historic gift value).

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the historic dollar value of the original gift ("historic gift value"). In accordance with accounting principles generally accepted in the United States of America, the historic gift value of donor restricted endowment funds is classified as permanently restricted and cannot be reduced for any excess losses. Any excess losses shall reduce temporarily restricted net assets to the extent there is net appreciation on the related funds. Any remaining excess losses shall reduce unrestricted net assets. There were no funds underwater as of December 31, 2017 and 2016.

Approximately 20% of the Diocese's interest in the net assets of the Trustees, consisting of investments, is reported at fair value based on quoted prices in active markets or significant other observable inputs. The remaining percentage of investments (80%) is reported at fair value based on data provided by the external investment managers, updated for capital calls and distributions and other market activity. The investment strategy of the Trustees includes investment vehicles that are structured as limited partnerships (Level 3) versus separate accounts or mutual funds. Approximately 75% of Level 3 investments are collective trusts that invest in Level 1 holdings priced daily. Certain Level 3 investment valuations involve appraisals, assumptions, and methods that are reviewed by the Trustees' management. Accordingly, such values may differ from the values that would have been used had a ready market for these investments existed. Such differences could be material.

**5. CASH VALUE OF LIFE INSURANCE:**

The Diocese was the owner and beneficiary of life insurance policies. Proceeds from the policies were received during the year ended December 31, 2016, totaling approximately \$556,000.



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**6. NOTES RECEIVABLE:**

The Diocese granted notes receivable to buyers (outside parties) of mission properties held for resale. As of December 31, notes receivable consisted of the following:

	<u>2017</u>	<u>2016</u>
Note receivable dated January 8, 2014 in the original amount of \$325,000 to be collected in 240 monthly installments due in full January 2034. The initial interest rate is 4.75% per annum; on the fifth, tenth and fifteenth anniversary date the rate will be adjusted to the Federal Home Loan Bank – Boston Amortizing Advance Five Year Rate / 20 year in effect plus 3.5% per annum. The minimum interest during the term of the note will not be less than 4.75% and no individual increase shall be greater than 1.25% over the preceding period. The note is secured by real estate.	\$ <u>284,031</u>	\$ <u>295,446</u>

Future maturities of the notes receivable are as follows:

<u>For the Year Ending December 31</u>	
2018	\$ 11,970
2019	12,551
2020	13,160
2021	13,799
2022	14,469
Thereafter	218,082
Total	\$ <u>284,031</u>

The notes receivable are stated at the unpaid principal balances. No allowance was deemed necessary by management as of December 31, 2017 and 2016.

**7. PROPERTY AND EQUIPMENT:**

Accounting principles generally accepted in the United States of America require property and equipment used in operations to be recorded at cost less accumulated depreciation. The Diocese's consolidated financial statements do not conform with accounting principles generally accepted in the United States of America. The independent auditor's opinion has been qualified as a result of this departure (see Independent Auditor's Report).

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**7. PROPERTY AND EQUIPMENT: (CONTINUED)**

**Property and equipment used in operations**

Property and equipment used in operations consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Buildings and improvements		
Buildings reported at management's estimated value	\$ 750,000	\$ 1,175,000
Buildings reported at cost	50,000	50,000
Building improvements reported at cost	75,388	75,388
Total buildings and improvements	875,388	1,300,388
Equipment	49,554	39,789
Furniture and fixtures	22,099	22,099
Vehicle	31,155	31,155
	978,196	1,393,431
Accumulated depreciation	(112,817)	(96,670)
Property and equipment used in operations, net	\$ 865,379	\$ 1,296,761

Buildings reported at management's estimated value consisted of the following at December 31, 2017:

**Mission Churches**

Ashfield (St. John's)	Lenox (St. Helena's)
Blackinton (St. Andrew's)	Millville (St. John's)
Lanesboro (St. Luke's)	

The change in buildings reported at management's estimated value (write-downs and transfers) for the year ended December 31, 2017 totaled \$425,000 (see also Note 15, page 28 schedule).

**Property and equipment to be disposed of by sale**

Property and equipment to be disposed of by sale consisted of the following at December 31, 2017:

**Mission Churches**

Otis (St. Paul's)	Chicopee (Grace)
Pittsfield (St. Martin's)	North Grafton (St. Andrew's)
	Turners Falls (St. Andrew's)

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**8. LINE OF CREDIT:**

The Diocese maintains a demand line of credit with a financial institution which provides for maximum borrowings of \$1,500,000, with interest payable monthly based on the Wall Street Journal prime rate less .50% (4.00% and 3.25% at December 31, 2017 and 2016, respectively) but not less than 2.75% per annum. The line of credit includes a covenant that certain investments held by the Trustees for the Diocese of Western Massachusetts be unrestricted in an amount not less than \$1,425,000.

This line of credit also allows individual parishes and missions of the Diocese to borrow funds that, in the event of default by the parishes or missions, would be paid by the Diocese from the line of credit. The loans to the parishes, missions and the Diocese, not to exceed \$1,500,000 in the aggregate at any given time, require prior approval of the Diocese and include payment terms up to ten years.

The outstanding balance on the line of credit was \$275,000 as of December 31, 2017. There was no outstanding balance on the line of credit as of December 31, 2016. The total loans outstanding from parishes and missions guaranteed by the Diocese were approximately \$545,000 and \$680,000 for the years ended December 31, 2017 and 2016, respectively.

**9. RETIREMENT AND OTHER POSTRETIREMENT BENEFITS:**

Accounting principles generally accepted in the United States of America requires organizations to recognize the over-funded or under-funded status of defined benefit pension and other postretirement plans as assets or liabilities on their statement of financial position in accordance with FASB ASC *Compensation – Retirement Benefits: Defined Benefit Plans – Other Postretirement*. In addition, changes in the funded status must be recognized through the consolidated statement of activities in the year in which the changes occur and requires additional disclosures. The Diocese's consolidated financial statements do not conform with accounting principles generally accepted in the United States of America. The independent auditor's opinion has been qualified as a result of this departure (see Independent Auditor's Report). Management and the Board have chosen to update actuarial reports for the applicable plans once every five years.

**Defined contribution pension plan**

The Diocese has a defined contribution pension plan for all eligible Diocesan employees. The employees may voluntarily contribute a portion of their salary in addition to the amount contributed by the Diocese (currently 12% of annual salary). Expense under the plan totaled approximately \$53,200 and \$60,800 for the years ended December 31, 2017 and 2016, respectively.

**Supplemental retirement arrangements**

The Diocese has entered into supplemental retirement arrangements with a former employee that provides for fixed benefits, increased each year based on the Consumer Price Index, over his life. Supplemental retirement benefits totaled approximately \$10,400 and \$27,300 for the years ended December 31, 2017 and 2016, respectively.

The former employee has a survivor benefit, whereby two-thirds of his benefit will be provided to his spouse should he pre-decease her. The Diocese was the owner and beneficiary of three life insurance policies on the former employee (see Note 5).

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**9. RETIREMENT AND OTHER POSTRETIREMENT BENEFITS: (CONTINUED)**

**Supplemental retirement arrangements (continued)**

As noted previously, the Diocese has not adopted FASB ASC *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* and actuarial assumptions are calculated and required disclosures provided for the supplemental retirement arrangements once every five years, an exception qualifying the independent auditor's report.

Retirement benefit obligations based on actuarial assumptions at December 31, 2014 totaled \$156,722. The change in funded status for the year ended December 31, 2014 was recognized through the consolidated statement of activities and totaled \$116,032. Retirement benefits paid subsequent to December 31, 2014 and through the next actuarial assumption to be calculated as of December 31, 2019 will be reflected as reductions to the obligation.

**Multiemployer clergy pension plan**

The Diocese, on behalf of its clerics, is required to participate (18% assessment rate on a cleric's total assessable compensation) in the Church Pension Fund, a multiemployer defined benefit pension plan. Expense under the plan totaled approximately \$106,000 and \$110,000 for the years ended December 31, 2017 and 2016, respectively. The Diocese's position with respect to the multiemployer plan is not readily determinable. The Church Pension Group which administers the clergy pension system is 100% funded as of the most recent financial statements.

The risks of participating in these multiemployer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (c) if an organization chooses to stop participating in one of its multiemployer plans, it may be required to pay a withdrawal liability to the plan. In connection with ongoing renegotiation of participation agreements, an organization may discuss and negotiate for the complete or partial withdrawal from the multiemployer pension plan. Depending on the number of employees withdrawn in any future period and the financial condition of the multiemployer plan at the time of withdrawal, the associated withdrawal liabilities could be material to the Diocese's consolidated change in net assets in the period of the withdrawal. The Diocese has no plans to withdraw from the multiemployer clergy pension plan.

**Other postretirement benefits**

The Diocese sponsors a postretirement health care and life insurance plan covering employees who have met certain eligibility requirements. The health care plan is contributory based on the length of service of the employee, and the life insurance plan is 100% paid by the Diocese. The Diocese funds premium payments for current retirees only. Other postretirement benefits paid for each of the years ended December 31, 2017 and 2016 totaled approximately \$64,500 and \$81,500, respectively.

As noted above, the Diocese has not adopted FASB ASC *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* and actuarial assumptions are calculated and required disclosures provided for the other postretirement benefits once every five years, an exception qualifying the independent auditor's report.



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**9. RETIREMENT AND OTHER POSTRETIREMENT BENEFITS: (CONTINUED)**

**Other postretirement benefits (continued)**

Other postretirement benefit obligations based on actuarial assumptions at December 31, 2014 (the most recently completed actuarial analysis) totaled \$1,909,182. The change in funded status for the year ended December 31, 2014 and the previous actuarial analysis as of December 31, 2009 was recognized through the statement of activities and totaled \$273.

Expected annual benefit payments per the report are as follows:

<u>For the Year Ending December 31</u>	
2018	\$ 119,005
2019	122,045
2020 – 2024	695,950

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

Actuarial cost method	Projected Unit Credit
Discount rate	5.00% per annum (previously 6.00%)
Healthcare trend rates	5.00% per annum (previously 6.00%)
General inflation assumption	2.50% per annum
Compensation increases	3.00% per annum
Average remaining service	7.75 years at December 31, 2014

The healthcare cost trend rate assumption has a significant impact on the postretirement benefit costs and obligations. In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the actuarial accrued liability would increase from \$1,909,182 to \$2,486,268 or by 30.2% and the corresponding annual service cost would increase from \$98,760 to \$162,639 or by 64.7%. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the actuarial accrued liability would decrease from \$1,909,182 to \$1,653,743 or by 13.4% and the corresponding annual service cost would decrease from \$98,760 to \$75,323 or by 23.7%.

Under the Patient Protection and Affordable Care Act (PPACA), an excise tax will be imposed for tax years beginning after December 31, 2017 for high cost employer sponsored health coverage. The law specifies a 40% excise tax to be paid by the provider of such coverage. As more regulatory guidance becomes available, the calculation of the excise tax liability will evolve.

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE  
OF WESTERN MASSACHUSETTS AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**10. NATURAL EXPENSE CLASSIFICATIONS:**

The Diocese's natural expense classifications for the years ended December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Employee salary	\$ 863,172	\$ 868,483
Employee payroll taxes	72,084	74,729
Employee housing and related expenses	220,850	229,929
Employee medical and dental insurance	289,949	326,756
Employee pension benefits	161,099	164,468
Employee other benefits	13,951	11,663
Total employee expenses	<u>1,621,105</u>	<u>1,676,028</u>
Depreciation	16,147	12,377
Food and refreshments	22,901	19,283
Grants	677,492	555,863
Insurance	20,310	18,192
Interest	6,579	399
Internet	12,380	9,645
Memberships, dues and subscriptions	7,272	7,788
Miscellaneous	1,770	4,937
Office supplies	26,113	17,979
Postage and delivery	8,343	12,966
Printing and binding	14,782	18,349
Professional conferences	33,713	29,869
Professional fees	86,743	117,013
Professional services / consultants	56,346	109,342
Program expenses	135,936	196,965
Rent	85,631	83,334
Repairs and maintenance	47,692	91,214
Speaker fees and honorariums	10,250	13,100
Telephone	8,274	9,885
Travel and meals	66,846	70,355
Utilities	24,977	28,928
Total operating expenses	<u>\$ 2,991,602</u>	<u>\$ 3,103,811</u>

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE  
OF WESTERN MASSACHUSETTS AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**11. TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Religious and charitable purposes	\$ 16,590,598	\$ 15,153,292
Other purposes	1,217,001	1,113,018
Aged clergy	428,964	386,523
Scholarships	433,634	298,443
	<u>\$ 18,670,197</u>	<u>\$ 16,951,276</u>

Other purposes include, but are not limited to, temporarily restricted net assets for clergy salaries, relief for widows and orphans, assistance for children, and missionary work. Temporarily restricted net assets consist of an interest in the net assets of the Trustees, distributions receivable from the Trustees, and cash. Releases of the interest in the net assets of the Trustees are shown as part of the change in net assets of the Trustees (see Note 4).

**12. PERMANENTLY RESTRICTED NET ASSETS:**

Permanently restricted net assets are available for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Religious and charitable purposes	\$ 2,499,471	\$ 2,499,471
Other purposes	125,703	125,703
Aged clergy	134,731	134,731
Scholarships	1,333,435	1,333,435
	<u>\$ 4,093,340</u>	<u>\$ 4,093,340</u>

Other purposes include, but are not limited to, permanently restricted net assets for clergy salaries, relief for widows and orphans, assistance for children, and missionary work. Permanently restricted net assets consist of an interest in the net assets of the Trustees (see Note 4).

**13. OPERATING LEASES:**

The Diocese leases office equipment under operating leases which expire in 2018. The leases provide for monthly payments totaling approximately \$620. Total lease expense under office equipment leases was approximately \$7,500 and \$8,100 for the years ended December 31, 2017 and 2016, respectively.

Future minimum lease payments under the terms of the operating lease for the year ending December 31, 2018 total \$2,038.



**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**14. CONCENTRATIONS OF CREDIT RISK:**

The Diocese maintains cash balances at a financial institution in Western Massachusetts. At times, the Diocese's cash balances may temporarily exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits, thus exposing the Diocese to some concentration of credit risk. The Diocese has not experienced any losses on its accounts and monitors the credit-worthiness of the financial institutions with which it conducts business. Management believes the Diocese is not exposed to any significant concentration of credit risk on cash.

The Diocese also holds and manages investments. Investments are subject to both credit and market risk. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio. The Diocese has an investment policy and utilizes management oversight, and periodically reviews its investment portfolios to monitor these risks.

The Diocese also has an interest in the net assets of the Trustees (see Note 4). The Trustees invest the majority of its assets in investments. Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the amounts reported in the consolidated statement of financial position and the consolidated statement of activities and changes in net assets.

**15. FAIR VALUE MEASUREMENTS:**

Assets measured at fair value on a recurring basis were as follows:

Assets at	Total	Level 1	Level 2	Level 3
<b>December 31, 2017</b>				
Investments held and managed by EDWMA	\$ 230,401	\$ 119,428	\$ 110,973	\$ -
Interest in the net assets of the Trustees	33,061,366	-	-	33,061,366
Long-lived assets held and used	750,000	-	-	750,000
Long-lived assets held for sale	-	-	-	-
	<u>\$ 34,041,767</u>	<u>\$ 119,428</u>	<u>\$ 110,973</u>	<u>\$ 33,811,366</u>

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE  
OF WESTERN MASSACHUSETTS AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**15. FAIR VALUE MEASUREMENTS: (CONTINUED)**

Assets at	Total	Level 1	Level 2	Level 3
<b>December 31, 2016</b>				
Investments held and managed by EDWMA	\$ 224,753	\$ 115,212	\$ 109,541	\$ -
Interest in the net assets of the Trustees	29,892,691	-	-	29,892,691
Long-lived assets held and used	1,175,000	-	-	1,175,000
Long-lived assets held for sale	100,000	-	-	100,000
	<u>\$ 31,392,444</u>	<u>\$ 115,212</u>	<u>\$ 109,541</u>	<u>\$ 31,167,691</u>

**Investments held and managed by EDWMA**

Investments in common stocks, equity and bond funds are valued using market prices on active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in certificates of deposit are valued using the amount payable on demand at the report date (Level 2).

**Interest in net assets of the Trustees for the Diocese of Western Massachusetts**

The Diocese's investments are held by the Trustees for the Diocese of Western Massachusetts and are stated at fair value using methodologies as discussed in Note 4. The interest in the net assets held by the Trustees consists of an investment pool in which a large number of individual funds participate in order to benefit from the diversification and economies of scale. The Diocese owns an interest in the net assets of the Trustees and not the underlying individual investments (owns a unit of the investment pool). The fair value of its interest is considered a Level 3 input as its value is not supported by observable inputs. However, the underlying individual investments held by the Trustees on behalf of the Diocese and other organizations consist of approximately 75% values based on Level 1 and 2 inputs (per the investment policy and prior year audited financial statements of the Trustees).

**Long-lived assets held and used**

Certain buildings, for which original cost information was not available, have been recorded at management's estimated value. No depreciation is recorded on these buildings.

**Long-lived assets held for sale**

Long-lived assets held for sale have been valued using a market approach. The values were determined using market prices of similar long-lived assets.

Long-lived assets held for sale with a carrying amount of \$150,000 were written down to their fair value of \$100,000 (including costs to sell), resulting in a loss of \$50,000 which was included in other changes in unrestricted net assets on the consolidated statement of activities for the year ended December 31, 2016.

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**15. FAIR VALUE MEASUREMENTS: (CONTINUED)**

There were no changes in the valuation techniques during the current year. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Diocese believes its valuation methods are appropriate and consistent with others, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the report date. The Board reviews and approves the Diocese's fair value measurement policies and procedures. At least annually the Board determines if the valuation techniques used in fair value measurements are still appropriate.

The following schedule reconciles fair value measurements using significant unobservable inputs (Level 3) for the years ended December 31, 2017 and 2016:

	Total	Interest in the net assets of the Trustees	Long-lived assets held and used	Long-lived assets held for sale
<b>Balance, December 31, 2015</b>	\$ 30,522,844	\$ 29,197,844	\$ 1,175,000	\$ 150,000
Realized income (loss)	778,465	778,465	-	-
Unrealized income (loss)	791,412	791,412	-	-
Purchases, issuances, settlements	(875,030)	(875,030)	-	-
Write-down in value	(50,000)	-	-	(50,000)
Transfers	-	-	-	-
<b>Balance, December 31, 2016</b>	31,167,691	29,892,691	1,175,000	100,000
Realized income (loss)	(2,311)	(2,311)	-	-
Unrealized income (loss)	3,715,005	3,715,005	-	-
Purchases, issuances and settlements	(644,019)	(544,019)	-	(100,000)
Write-down in value	(425,000)	-	(425,000)	-
Transfers	-	-	-	-
<b>Balance, December 31, 2017</b>	<u>\$ 33,811,366</u>	<u>\$ 33,061,366</u>	<u>\$ 750,000</u>	<u>\$ -</u>

Total activity for the period  
included on the consolidated  
statement of activities, related  
to Level 3 assets held at:

December 31, 2017	\$ 3,574,346	\$ 3,999,346	\$ (425,000)	\$ -
December 31, 2016	\$ 2,075,272	\$ 2,125,272	\$ -	\$ (50,000)

The Diocese recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE  
OF WESTERN MASSACHUSETTS AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**16. CONDITIONAL GRANTS:**

During 2014, the Diocese received a restricted conditional grant of \$100,000, due in \$25,000 increments. Funds received in advanced are recorded as refundable advances on the consolidated statement of financial position; and will be subsequently recognized as support (other income) on the consolidated statement of activities when donor conditions are met.

	<u>2017</u>	<u>2016</u>
Cumulative conditional grant funds advanced	\$ 100,000	\$ 100,000
Cumulative expenses incurred, conditions met	<u>(100,000)</u>	<u>(94,173)</u>
Refundable advance / (receivable)	<u>\$ -</u>	<u>\$ 5,827</u>

During 2015, the Diocese received a restricted conditional grant of \$30,000. The payment was received in advance of the conditions being met (incurring expenses in accordance with the grant agreement); is recorded as refundable advance on the consolidated statement of financial position; and will be subsequently recognized as support (other income) on the consolidated statement of activities when donor conditions are met.

**17. SUBSEQUENT EVENTS:**

Subsequent events have been evaluated through June 7, 2018, which is the date the consolidated financial statements were available to be issued.

**THE ADMINISTRATIVE OFFICES OF THE  
EPISCOPAL DIOCESE OF WESTERN MASSACHUSETTS  
AND AFFILIATE**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2017 AND 2016**

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE OF WESTERN MASSACHUSETTS AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>EDWMA</u>	<u>EMWM</u>	<u>Consolidating</u>	<u>2017 Diocese Total</u>	<u>2016 Diocese Total</u>
<b>ASSETS</b>					
<b>Assets</b>					
Cash	\$ 495,254	\$ 409,686	\$ -	\$ 904,940	\$ 896,505
Accounts receivable, net	40,339	1,231	-	41,570	44,483
Due to/from affiliate	(275,639)	275,639	-	-	-
Distribution receivable	387,400	-	-	387,400	374,666
Prepaid expenses	14,037	871	-	14,908	18,110
Due from parishes	-	55,839	-	55,839	-
Notes receivable	-	284,031	-	284,031	295,446
Investments held and managed by EDWMA	230,401	-	-	230,401	224,753
Interest in net assets of the Trustees for the Diocese of Western Massachusetts	<u>33,061,366</u>	<u>-</u>	<u>-</u>	<u>33,061,366</u>	<u>29,892,691</u>
Assets, less property and equipment	<u>33,953,158</u>	<u>1,027,297</u>	<u>-</u>	<u>34,980,455</u>	<u>31,746,654</u>
<b>Property and equipment used in operations</b>					
Buildings and improvements	125,388	750,000	-	875,388	1,300,388
Equipment	49,554	-	-	49,554	39,789
Furniture and fixtures	22,099	-	-	22,099	22,099
Vehicle	<u>31,155</u>	<u>-</u>	<u>-</u>	<u>31,155</u>	<u>31,155</u>
	228,196	750,000	-	978,196	1,393,431
Accumulated depreciation	<u>(112,817)</u>	<u>-</u>	<u>-</u>	<u>(112,817)</u>	<u>(96,670)</u>
Property and equipment used in operations, net	<u>115,379</u>	<u>750,000</u>	<u>-</u>	<u>865,379</u>	<u>1,296,761</u>
<b>Property and equipment to be disposed of by sale</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
<b>Total assets</b>	<u>\$ 34,068,537</u>	<u>\$ 1,777,297</u>	<u>\$ -</u>	<u>\$ 35,845,834</u>	<u>\$ 33,143,415</u>

(Continued)



**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE OF WESTERN MASSACHUSETTS AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION (Continued)**  
**DECEMBER 31, 2017 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>EDWMA</u>	<u>EMWM</u>	<u>Consolidating</u>	<u>2017 Diocese Total</u>	<u>2016 Diocese Total</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 27,468	\$ 3,457	\$ -	\$ 30,925	\$ 35,535
Refundable advances	30,000	-	-	30,000	35,827
Agency obligations	123,752	-	-	123,752	133,422
Amounts held on behalf of others	26,703	-	-	26,703	31,731
Line of credit	275,000	-	-	275,000	-
Retirement benefit obligations	-	-	-	-	107,231
Other postretirement benefit obligations	<u>1,909,182</u>	<u>-</u>	<u>-</u>	<u>1,909,182</u>	<u>1,909,182</u>
<b>Total liabilities</b>	<u>2,392,105</u>	<u>3,457</u>	<u>-</u>	<u>2,395,562</u>	<u>2,252,928</u>
<b>Net assets</b>					
Unrestricted	(1,428,252)	1,773,840	-	345,588	955,343
Unrestricted - board designated	10,341,147	-	-	10,341,147	8,890,528
Temporarily restricted	18,670,197	-	-	18,670,197	16,951,276
Permanently restricted	<u>4,093,340</u>	<u>-</u>	<u>-</u>	<u>4,093,340</u>	<u>4,093,340</u>
<b>Total net assets</b>	<u>31,676,432</u>	<u>1,773,840</u>	<u>-</u>	<u>33,450,272</u>	<u>30,890,487</u>
<b>Total liabilities and net assets</b>	<u>\$ 34,068,537</u>	<u>\$ 1,777,297</u>	<u>\$ -</u>	<u>\$ 35,845,834</u>	<u>\$ 33,143,415</u>



**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE OF WESTERN MASSACHUSETTS AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED 2016**

	<u>EDWMA</u>	<u>EMWM</u>	<u>Consolidating</u>	<u>2017 Diocese Total</u>	<u>2016 Diocese Total</u>
<b>Support and revenues</b>					
Common ministry	\$ 1,109,045	\$ -	\$ -	\$ 1,109,045	\$ 1,099,709
Other income	<u>333,587</u>	<u>60,828</u>	<u>-</u>	<u>394,415</u>	<u>269,232</u>
	<u>1,442,632</u>	<u>60,828</u>	<u>-</u>	<u>1,503,460</u>	<u>1,368,941</u>
<b>Operating expenses</b>					
Administrative and finance	480,512	-	-	480,512	443,937
Congregational development	472,859	-	-	472,859	504,544
Diocesan agency	173,548	-	-	173,548	176,015
Episcopal oversight	557,346	-	-	557,346	615,236
Leadership development and clergy support	319,036	-	-	319,036	351,547
Wider church	610,850	-	-	610,850	576,000
Fanning the flames	282,762	-	-	282,762	204,753
Episcopal missions activity	<u>-</u>	<u>94,689</u>	<u>-</u>	<u>94,689</u>	<u>231,779</u>
Total operating expenses	<u>2,896,913</u>	<u>94,689</u>	<u>-</u>	<u>2,991,602</u>	<u>3,103,811</u>
<b>Excess of expenses over support and revenues</b>	<u>(1,454,281)</u>	<u>(33,861)</u>	<u>-</u>	<u>(1,488,142)</u>	<u>(1,734,870)</u>

(Continued)

**THE ADMINISTRATIVE OFFICES OF THE EPISCOPAL DIOCESE OF WESTERN MASSACHUSETTS AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF ACTIVITIES (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED 2016**

	<u>EDWMA</u>	<u>EMWM</u>	<u>Consolidating</u>	<u>2017 Diocese Total</u>	<u>2016 Diocese Total</u>
<b>Change in net assets of the Trustees for the Diocese of Western Massachusetts</b>					
Investment activity, net of release of restrictions	\$ 3,999,346	\$ -	\$ -	\$ 3,999,346	\$ 2,125,272
<b>Change in net assets before other changes</b>	2,545,065	(33,861)	-	2,511,204	390,402
<b>Other changes</b>					
Investment income, net	9,863	-	-	9,863	11,094
Gain (loss) on sale of assets	-	433,340	-	433,340	211,029
Adjustment of property to net realizable value	-	(425,000)	-	(425,000)	(51,963)
Transfer of property and equipment	35,024	(102,690)	-	(67,666)	(145,871)
Adjustment to employee benefit obligations	<u>98,044</u>	<u>-</u>	<u>-</u>	<u>98,044</u>	<u>-</u>
<b>Change in net assets</b>	2,687,996	(128,211)	-	2,559,785	414,691
<b>Net assets, beginning of year</b>	<u>28,988,436</u>	<u>1,902,051</u>	<u>-</u>	<u>30,890,487</u>	<u>30,475,796</u>
<b>Net assets, end of year</b>	<u>\$ 31,676,432</u>	<u>\$ 1,773,840</u>	<u>\$ -</u>	<u>\$ 33,450,272</u>	<u>\$ 30,890,487</u>