

CENTRAL DIOCESAN FUNDS
FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

December 31, 2018 and 2017

With Independent Auditors' Report

Blake Hurley McCallum & Conley, LLC • Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

The Committee on Finance
The Protestant Episcopal Church in the
Diocese of Maine

We have audited the accompanying financial statements of the Central Diocesan Funds of The Maine Episcopal Missionary Society, Incorporated (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Central Diocesan Funds of The Maine Episcopal Missionary Society, Incorporated as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules of activity by fund are presented for purposes of additional analysis and are not required parts of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Blake Hurley McCallan & Conley, LLC

Westbrook, Maine
September 19, 2019

CENTRAL DIOCESAN FUNDS

Statements of Financial Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 572,607	\$ 735,023
Accounts receivable	256,363	248,961
Deposits	-	4,516
Equipment, net of accumulated depreciation	<u>17,211</u>	<u>11,505</u>
Total assets	\$ <u>846,181</u>	\$ <u>1,000,005</u>
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ <u>144,794</u>	\$ <u>153,926</u>
Total liabilities	<u>144,794</u>	<u>153,926</u>
Net assets		
Without donor restrictions		
Available for general purposes	172,972	172,972
Designated	<u>320,729</u>	<u>433,094</u>
Total unrestricted	493,701	606,066
With donor restrictions	<u>207,686</u>	<u>240,013</u>
Total net assets	<u>701,387</u>	<u>846,079</u>
Total liabilities and net assets	\$ <u>846,181</u>	\$ <u>1,000,005</u>

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

CENTRAL DIOCESAN FUNDS

Statements of Activities

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes in net assets without donor restrictions		
Revenues and gains		
Assessments	\$ 1,353,554	\$ 1,401,993
Summer chapels	38,529	40,089
Episcopate fund income	76,359	76,276
Investment income	221,815	232,615
Other income	44,800	54,926
Episcopate transition	30,000	35,000
Additions to designated funds	<u>1,243,432</u>	<u>7,871</u>
Total unrestricted revenues and gains	3,008,489	1,848,770
Net assets released from restrictions	<u>128,637</u>	<u>178,893</u>
Total support and reclassifications	<u>3,137,126</u>	<u>2,027,663</u>
Expenses and losses		
Outside diocese	457,601	347,804
Congregational life	172,540	246,854
Ministry	147,285	94,993
Outreach and services	64,577	80,489
Diocesan council	34,955	63,124
Diocesan convention	17,829	17,911
Diocesan operations	194,867	160,990
Bishop and staff	913,010	895,856
Improvements to Loring House/Emanuel Chapel	<u>1,246,827</u>	<u>78,580</u>
Total expenses and losses	<u>3,249,491</u>	<u>1,986,601</u>
Increase (decrease) in net assets without donor restrictions	<u>(112,365)</u>	<u>41,062</u>
Changes in temporarily restricted net assets		
Investment income	63,877	61,520
Contributions	32,433	123,118
Net assets released from restrictions	<u>(128,637)</u>	<u>(178,893)</u>
Increase (decrease) in net assets with donor restrictions	<u>(32,327)</u>	<u>5,745</u>
Increase (decrease) in net assets	(144,692)	46,807
Net assets, beginning of year	<u>846,079</u>	<u>799,272</u>
Net assets, end of year	<u>\$ 701,387</u>	<u>\$ 846,079</u>

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

CENTRAL DIOCESAN FUNDS

Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (144,692)	\$ 46,807
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities		
Depreciation	2,778	4,901
(Increase) decrease in accounts receivable	(7,402)	(81,162)
(Increase) decrease in deposits	4,516	2,088
Increase (decrease) in accounts payable and accrued expenses	<u>(9,132)</u>	<u>115,162</u>
Net cash provided (used) by operating activities	<u>(153,932)</u>	<u>87,796</u>
Cash flows from investing activities		
Purchases of equipment	<u>(8,484)</u>	<u>(7,014)</u>
Net cash used by investing activities	<u>(8,484)</u>	<u>(7,014)</u>
Net increase in cash and cash equivalents	(162,416)	80,782
Cash and cash equivalents, beginning of year	<u>735,023</u>	<u>654,241</u>
Cash and cash equivalents, end of year	<u>\$ 572,607</u>	<u>\$ 735,023</u>

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

CENTRAL DIOCESAN FUNDS

Notes to Financial Statements

December 31, 2018 and 2017

Nature of Activities

The Central Diocesan Funds are the operating funds of the Maine Episcopal Missionary Society, Incorporated. The Bishop of the Diocese and the diocesan staff use these funds in the administration of the Protestant Episcopal Church in the Diocese of Maine (the Diocese). The funds are supported primarily through assessments received from the congregations and individuals of the Diocese as well as investment income.

1. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Central Diocesan Funds have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statement presentation that follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958, "Not-for-Profit Entities." In 2018 the Organization adopted ASU 2016-14 that amended FASB ASC 958. Under ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The 2017 balances have been reclassified to conform to the 2018 financial statement presentation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Cash and Cash Equivalents

The Central Diocesan Funds are maintained in bank deposit accounts, which, at times, may exceed federally insured limits. The Fund has not experienced any losses in such accounts. Management believes the Funds are not exposed to any significant risk on its cash accounts. All liquid assets with an original maturity of eighteen months or less are considered to be cash equivalents.

Income Taxes

The Maine Episcopal Missionary Society, Incorporated is a Maine not-for-profit corporation and is exempt from filing income taxes under Internal Revenue Code Section 501(c)(3).

CENTRAL DIOCESAN FUNDS

Notes to Financial Statements

December 31, 2018 and 2017

1. Summary of Significant Accounting Policies (Concluded)

Property and equipment

The Bishop and staff operate in a building that is deeded to the Trustees of Diocesan Funds (an affiliated corporation). No rent is charged but the Central Diocesan Funds are used for the upkeep and expenses of the property.

Acquisitions of equipment in excess of \$200 are capitalized. Equipment is carried at cost and is depreciated using the straight-line method over its estimated useful lives of 5 to 7 years.

Funds Held for the Benefit of Others

In the ordinary course of business, the Diocese sometimes acts as a custodian for funds owned by others and for which no benefit of income or principal is received. In these cases, the balances are treated as liabilities rather than included in net assets. The income and expenses for these accounts are not included in the Statement of Activities.

2. Net Assets

Net assets without donor restrictions represent net assets of the Central Diocesan Funds that are not restricted by donor-imposed stipulations. Unrestricted net assets include the main operating fund of the Diocese as well as those net assets that are restricted as to their use by actions of the Finance Committee of the Diocesan Council. These designated funds include funds for:

	<u>2018</u>	<u>2017</u>
Operations/fiscal emergency reserve	\$ 172,972	\$ 172,972
Path to clergy ministry reserve	81,612	82,410
Legal expense reserve	44,143	44,143
Replacement/maintenance reserve	71,292	93,119
Convention/triennial reserve	9,410	37,477
Jeremiah reserve	43,267	69,622
Emergency loan fund	20,449	31,013
Episcopate transition reserve	447	32,980
2020 Bicentennial celebration reserve	18,480	10,000
Other designated funds	<u>31,629</u>	<u>32,330</u>
Total net assets without donor restrictions	\$ <u>493,701</u>	\$ <u>606,066</u>

CENTRAL DIOCESAN FUNDS

Notes to Financial Statements

December 31, 2018 and 2017

2. Net Assets (Concluded)

Net assets with donor restrictions represent that part of the net assets of the Central Diocesan Funds resulting from the revenues 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. These restricted funds include funds for:

	<u>2018</u>	<u>2017</u>
Indian relations	\$ 844	\$ 844
Funds designated for clergy and laity continuing education and sabbatical programs		
Lovett fund	6,781	24,976
Loring fund	63,780	62,253
Wolf fund	5,083	12,977
Foundation for ministry program reserve	82,209	97,809
St. Elizabeth's pantry fund	32,867	24,914
Episcopal church women	7,990	6,608
Alzheimers dementia ministry fund	1,343	1,343
Minor asylum seekers fund	-	1,500
Other restricted funds	<u>6,789</u>	<u>6,789</u>
Total expenses and losses	\$ <u>207,686</u>	\$ <u>240,013</u>

3. Investment Income

Investment income is primarily received from certain temporarily and permanently restricted funds owned and managed by the Trustees of Diocesan Funds, a related entity responsible for managing funds for the benefit of parishes and other organizations within the Diocese. These funds approximated \$10,044,000 as of December 31, 2018 and \$10,213,000 as of December 31, 2017.

4. Retirement Plans

In accordance with policies established by the Diocese and the national Protestant Episcopal Church, the Diocese contributes to the Church Pension Fund retirement program on behalf of clergy who are part of the diocesan staff. The Church Pension Fund is an independent organization established by the national Protestant Episcopal Church. Contributions to the Church Pension fund on behalf of clergy approximated \$58,300 in 2018 and \$53,000 in 2017. The Diocese also contributes to Fidelity Investments for eligible lay employees, eighteen percent of the applicable employees' pay. Contributions to the Church Pension Fund approximated \$61,100 in 2018 and \$53,700 in 2017.

5. Subsequent Events

Subsequent events have been evaluated through September 19, 2019, which is the date the financial statements were available to be issued,

CENTRAL DIOCESAN FUNDS

Schedule of Activity by Fund - Net Assets Without Donor Restrictions

Year Ended December 31, 2018

	Operating Fund	Path to Clergy Ministry Reserve	Fiscal Emergencies Reserve	Legal Expenses Reserve	Replacement/Maintenance Reserves	Convention/Triennial Reserve	Jeremiah Reserve	Emergency Loan Fund	Episcopate Transition Reserve	2020 Bicentennial Celebration Reserve	Other Designated Funds	Total Without Donor Restrictions
Changes in unrestricted net assets												
Revenues and gains												
Assessments	\$ 1,353,554	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,353,554
Summer chapels	38,529	0	0	0	0	0	0	0	0	0	0	38,529
Episcopate fund income	76,359	0	0	0	0	0	0	0	0	0	0	76,359
Investment income	221,815	0	0	0	0	0	0	0	0	0	0	221,815
Other revenues	44,800	0	0	0	0	0	0	0	0	0	0	44,800
Episcopate transition	30,000	0	0	0	0	0	0	0	0	0	0	30,000
Additions to designated funds	0	60	0	0	1,225,000	0	0	4,822	0	0	13,550	1,243,432
Total unrestricted revenues and gains	1,765,057	60	0	0	1,225,000	0	0	4,822	0	0	13,550	3,008,489
Expenses and losses												
Outside diocese	457,601	0	0	0	0	0	0	0	0	0	0	457,601
Congregational life	142,154	0	0	0	0	0	0	30,386	0	0	0	172,540
Ministry	147,285	0	0	0	0	0	0	0	0	0	0	147,285
Outreach and services	60,982	0	0	0	0	0	0	0	0	0	3,595	64,577
Diocesan council	34,955	0	0	0	0	0	0	0	0	0	0	34,955
Diocesan convention	17,829	0	0	0	0	0	0	0	0	0	0	17,829
Diocesan operations	194,867	0	0	0	0	0	0	0	0	0	0	194,867
Bishop and staff	913,010	0	0	0	0	0	0	0	0	0	0	913,010
Improvements to Loring House/Emanuel Chapel	0	0	0	0	1,246,827	0	0	0	0	0	0	1,246,827
Total expenses and losses	1,968,683	0	0	0	1,246,827	0	0	30,386	0	0	3,595	3,249,491
Increase (decrease) in net assets	(203,626)	60	0	0	(21,827)	0	0	(25,564)	0	0	9,955	(241,002)
Changes in temporarily restricted net assets												
Transfers	74,989	(858)	0	0	0	(28,067)	(26,355)	15,000	(32,533)	8,480	(10,656)	0
Net assets released from restrictions	128,637	0	0	0	0	0	0	0	0	0	0	128,637
Increase (decrease) in net assets	0	(798)	0	0	(21,827)	(28,067)	(26,355)	(10,564)	(32,533)	8,480	(701)	(112,365)
Net assets, beginning of year	0	82,410	172,972	44,143	93,119	37,477	69,622	31,013	32,980	10,000	32,330	606,066
Net assets, end of year	\$ 0	\$ 81,612	\$ 172,972	\$ 44,143	\$ 71,292	\$ 9,410	\$ 43,267	\$ 20,449	\$ 447	\$ 18,480	\$ 31,629	\$ 493,701

See accountants' report.

CENTRAL DIOCESAN FUNDS

Schedule of Activity by Fund - Net Assets With Donor Restrictions

Year Ended December 31, 2018

	Indian Relations Fund	Lovett Fund	Other Restricted Funds	Loring Fund	Wolf Fund	FFM Programs Reserve	St. Elizabeth's Pantry Fund	Episcopal Church Women	Alzheimers Dementia Ministry Fund	Minor Asylum Seekers	Total With Donor Restrictions
Changes in temporarily restricted net assets											
Revenues and gains											
Investment income	\$ 0	\$ 5,805	\$ 0	\$ 17,558	\$ 5,956	\$ 33,176	\$ 0	\$ 1,382	\$ 0	\$ 0	\$ 63,877
Contributions	0	0	145	0	0	0	32,288	0	0	0	32,433
Total revenues and gains	0	5,805	145	17,558	5,956	33,176	32,288	1,382	0	0	96,310
Net assets released from restrictions	0	(24,000)	(145)	(16,031)	(13,850)	(48,776)	(24,335)	0	0	(1,500)	(128,637)
Increase (decrease) in net assets	0	(18,195)	0	1,527	(7,894)	(15,600)	7,953	1,382	0	(1,500)	(32,327)
Net assets, beginning of year	844	24,976	6,789	62,253	12,977	97,809	24,914	6,608	1,343	1,500	240,013
Net assets, end of year	\$ 844	\$ 6,781	\$ 6,789	\$ 63,780	\$ 5,083	\$ 82,209	\$ 32,867	\$ 7,990	\$ 1,343	\$ 0	\$ 207,686

See accountants' report.

CENTRAL DIOCESAN FUNDS

Schedule of Activity by Fund - Without Donor Restrictions

Year Ended December 31, 2017

	Operating Fund	Path to Clergy Ministry Reserve	Fiscal Emergencies Reserve	Legal Expenses Reserve	Replacement/ Maintenance Reserves	Convention/ Triennial Reserve	Jeremiah Reserve	Emergency Loan Fund	Episcopate Transition Reserve	2020 Bicentennial Celebration Reserve	Other Designated Funds	Total Without Donor Restrictions
Changes in unrestricted net assets												
Revenues and gains												
Assessments	\$ 1,401,993	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,401,993
Summer chapels	40,089	0	0	0	0	0	0	0	0	0	0	40,089
Episcopate fund income	76,276	0	0	0	0	0	0	0	0	0	0	76,276
Investment income	232,615	0	0	0	0	0	0	0	0	0	0	232,615
Other revenues	54,926	0	0	0	0	0	0	0	0	0	0	54,926
Episcopate transition	35,000	0	0	0	0	0	0	0	0	0	0	35,000
Additions to designated funds	0	225	0	0	0	0	0	4,912	0	0	2,734	7,871
Total unrestricted revenues and gains	1,840,899	225	0	0	0	0	0	4,912	0	0	2,734	1,848,770
Expenses and losses												
Outside diocese	347,804	0	0	0	0	0	0	0	0	0	0	347,804
Congregational life	246,354	0	0	0	0	0	0	500	0	0	0	246,854
Ministry	94,993	0	0	0	0	0	0	0	0	0	0	94,993
Outreach and services	73,714	0	0	0	0	0	0	0	0	0	6,775	80,489
Diocesan council	63,124	0	0	0	0	0	0	0	0	0	0	63,124
Diocesan convention	17,911	0	0	0	0	0	0	0	0	0	0	17,911
Diocesan operations	160,990	0	0	0	0	0	0	0	0	0	0	160,990
Bishop and staff	895,856	0	0	0	0	0	0	0	0	0	0	895,856
Improvements to Loring House	78,580	0	0	0	0	0	0	0	0	0	0	78,580
Total expenses and losses	1,979,326	0	0	0	0	0	0	500	0	0	6,775	1,986,601
Increase (decrease) in net assets	(138,427)	225	0	0	0	0	0	4,412	0	0	(4,041)	(137,831)
Changes in temporarily restricted net assets												
Transfers	(40,466)	(6,938)	53,980	101	(78,579)	24,477	19,309	0	32,980	10,000	(14,864)	0
Net assets released from restrictions	178,893	0	0	0	0	0	0	0	0	0	0	178,893
Increase (decrease) in net assets	0	(6,713)	53,980	101	(78,579)	24,477	19,309	4,412	32,980	10,000	(18,905)	41,062
Net assets, beginning of year	0	89,123	118,992	44,042	171,698	13,000	50,313	26,601	0	0	51,235	565,004
Net assets, end of year	\$ 0	\$ 82,410	\$ 172,972	\$ 44,143	\$ 93,119	\$ 37,477	\$ 69,622	\$ 31,013	\$ 32,980	\$ 10,000	\$ 32,330	\$ 606,066

See accountants' report.

CENTRAL DIOCESAN FUNDS

Schedule of Activity by Fund - With Donor Restrictions

Year Ended December 31, 2017

	Indian Relations Fund	Lovett Fund	Other Restricted Funds	Loring Fund	Trinity/ Jubilee Ministry Grant	Anglican Studies Fund	Wolf Fund	FFM Programs Reserve	St. Elizabeth's Pantry Fund	Episcopal Church Women	Alzheimers Dementia Ministry Fund	Minor Asylum Seekers	Total With Donor Restrictions
Changes in temporarily restricted net assets													
Revenues and gains													
Investment income	\$ 0	\$ 5,721	\$ 0	\$ 17,592	\$ 0	\$ 0	\$ 6,330	\$ 30,540	\$ 0	\$ 1,337	\$ 0	\$ 0	\$ 61,520
Contributions	25	0	6,579	0	96,129	0	0	0	20,385	0	0	0	123,118
Total revenues and gains	25	5,721	6,579	17,592	96,129	0	6,330	30,540	20,385	1,337	0	0	184,638
Net assets released from restrictions	(926)	0	(145)	(9,885)	(96,129)	(5,300)	(10,789)	(29,416)	(24,303)	0	(1,000)	(1,000)	(178,893)
Increase (decrease) in net assets	(901)	5,721	6,434	7,707	0	(5,300)	(4,459)	1,124	(3,918)	1,337	(1,000)	(1,000)	5,745
Net assets, beginning of year	1,745	19,255	355	54,546	0	5,300	17,436	96,685	28,832	5,271	2,343	2,500	234,268
Net assets, end of year	<u>\$ 844</u>	<u>\$ 24,976</u>	<u>\$ 6,789</u>	<u>\$ 62,253</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,977</u>	<u>\$ 97,809</u>	<u>\$ 24,914</u>	<u>\$ 6,608</u>	<u>\$ 1,343</u>	<u>\$ 1,500</u>	<u>\$ 240,013</u>

See accountants' report.