

**TRUSTEES OF DIOCESAN FUNDS  
FOR THE DIOCESE OF MAINE**

**FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**With Independent Auditors' Report**

**Blake Hurley McCallum & Conley, LLC · Certified Public Accountants**

344 Main Street, Westbrook, Maine 04092 • Phone (207) 854-2115/Fax (207) 854-2118

**INDEPENDENT AUDITORS' REPORT**

The Trustees  
Trustees of Diocesan Funds for the Diocese of Maine

We have audited the accompanying financial statements of Trustees of Diocesan Funds for the Diocese of Maine (a nonprofit organization) as of December 31, 2018 and 2017, 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 Trustees of Diocesan Funds for the Diocese of Maine (a nonprofit organization) as of December 31, 2018 and 2017, and the results of its 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.

*Blake Hurley McCallum & Conley, LLC*

Westbrook, Maine  
September 19, 2019

**TRUSTEES OF DIOCESAN FUNDS  
FOR THE DIOCESE OF MAINE**

**Statements of Financial Position**

**December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 46,427	\$ 46,677
Funds in transit	302,960	-
Notes receivable	639,670	656,446
Investments	29,933,600	32,757,530
Real estate	<u>17,347</u>	<u>17,347</u>
<b>Total assets</b>	<b>\$ <u>30,940,004</u></b>	<b>\$ <u>33,478,000</u></b>
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
Due to Diocese	\$ 35,560	\$ 83,424
Due to congregation	<u>295,954</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>331,514</u></b>	<b><u>83,424</u></b>
<b>Total net assets</b>	<b><u>30,608,490</u></b>	<b><u>33,394,576</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>30,940,004</u></b>	<b>\$ <u>33,478,000</u></b>

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

**TRUSTEES OF DIOCESAN FUNDS  
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**Statements of Activities**

**Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Changes in net assets</b>		
<b>Additions</b>		
Dividends and interest	\$ 692,639	\$ 663,323
Realized gains	1,560,140	1,231,242
Unrealized gains (losses)	(2,695,860)	2,043,619
Contributions	<u>1,244,125</u>	<u>1,419,138</u>
<b>Total additions</b>	<u>801,044</u>	<u>5,357,322</u>
<b>Deductions</b>		
Distributions	3,473,597	1,553,776
Custodian fees	20,328	20,560
Investment fees	88,105	104,563
Other expenses	<u>5,100</u>	<u>5,100</u>
<b>Total deductions</b>	<u>3,587,130</u>	<u>1,683,999</u>
<b>Increase (decrease) in net assets</b>	<u>(2,786,086)</u>	<u>3,673,323</u>
<b>Net assets, beginning of year</b>	<u>33,394,576</u>	<u>29,721,253</u>
<b>Net assets, end of year</b>	\$ <u>30,608,490</u>	\$ <u>33,394,576</u>

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**TRUSTEES OF DIOCESAN FUNDS  
FOR THE DIOCESE OF MAINE**

**Statements of Cash Flows**

**Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ (2,786,086)	\$ 3,673,323
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Realized gains	(1,560,140)	(1,231,242)
Unrealized (gains) losses	2,695,860	(2,043,619)
(Increase) decrease in funds in transit	(302,960)	-
Increase (decrease) in due to diocese	(47,864)	57,278
Increase (decrease) in due to congregation	<u>295,954</u>	<u>-</u>
<b>Net cash provided (used) by operating activities</b>	<u>(1,705,236)</u>	<u>455,740</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	8,746,764	5,961,764
Purchases of investments	(7,058,554)	(6,439,678)
Payments received from notes receivable	<u>16,776</u>	<u>14,861</u>
<b>Net cash provided (used) by investing activities</b>	<u>1,704,986</u>	<u>(463,053)</u>
<b>Net decrease in cash and cash equivalents</b>	(250)	(7,313)
<b>Cash and cash equivalents, beginning of year</b>	<u>46,677</u>	<u>53,990</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 46,427</u>	<u>\$ 46,677</u>

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**TRUSTEES OF DIOCESAN FUNDS  
FOR THE DIOCESE OF MAINE**

**Notes to Financial Statements**

**December 31, 2018 and 2017**

**Nature of Activities**

The Trustees of Diocesan Funds for the Diocese of Maine is a Maine corporation that holds real and personal property for the benefit of organizations within the Episcopal Church in the Diocese of Maine. The Funds are supported primarily through contributions and bequests, and investment income received from funds managed by the Trustees of Diocesan Funds.

**1. Summary of Significant Accounting Policies**

**Basis of Accounting**

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

**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**

Some of the Funds are maintained in bank deposit accounts, which, at times, may exceed federally insured limits. The Funds have 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 three months or less are considered to be cash equivalents.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the statements of financial position. Unrealized gains and losses are included in statements of activities.

**Income Taxes**

The Trustees of Diocesan Funds for the Diocese of Maine is a Maine not-for-profit corporation and is exempt from filing income taxes under Internal Revenue Code Section 501(c)(3).

**TRUSTEES OF DIOCESAN FUNDS  
FOR THE DIOCESE OF MAINE**

**Notes to Financial Statements**

**December 31, 2018 and 2017**

**2. Net Assets**

Net assets of the Trustees of Diocesan Funds for the Diocese of Maine represent gifts and bequests made to the Trustees for them to hold and manage for the benefit of parishes and other organizations within the Episcopal Diocese of Maine. Additionally, parishes and other organizations within the Diocese invest their funds with the Trustees of Diocesan Funds. The funds are used to purchase units in pools of equity and/or debt securities. Earnings and losses are allocated based on weighted average unit values on a quarterly basis. Investment fees are paid to three investment-management companies. Custodian fees are paid to a financial institution for accounting and record keeping. Payments to beneficiaries represent payment of earnings as prescribed by the donor or applicable organization as well as request for principle balances to be returned to the applicable organizations. The Trustees have adopted a total return policy for the pooled equity fund. Under this spending rule policy, the payout in 2018 and 2017 was 4.75% of the average value of the pooled equity fund over the previous twelve quarters.

**3. Fair Value Measurements**

In accordance with FASB ASC 820, the organization classifies its investments into Level 1, which refers to securities traded in an active market; Level 2, which refers to securities not traded on an active market, but for which observable market inputs are readily available or Level 1 securities where there is a contractual restriction; and Level 3, which refers to securities not traded in an active market and for which no significant observable market inputs are available. As required by FASB ASC 820 at December 31, 2018 and 2017, the organization's portfolio investments were classified based on fair values as follows:

	<u>2018</u>	<u>2017</u>
Level 1	\$ 29,933,600	\$ 32,757,530
Level 2	-	-
Level 3	<u>-</u>	<u>-</u>
<b>Total portfolio investments</b>	<b>\$ <u>29,933,600</u></b>	<b>\$ <u>32,757,530</u></b>

**TRUSTEES OF DIOCESAN FUNDS  
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**Notes to Financial Statements**

**December 31, 2018 and 2017**

**4. Investments**

Investments consist of the following:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
<b><u>2018</u></b>			
Consumer staples	\$ 1,234,795	\$ 741,228	\$ 493,567
Consumer discretionary	1,455,036	1,158,298	296,738
Health care	3,788,391	2,493,274	1,295,117
Industrials	1,898,446	1,267,377	631,069
Materials	446,357	239,718	206,639
Information technology	4,404,211	2,445,370	1,958,841
Financial	1,556,874	1,180,263	376,611
Energy	845,157	1,092,487	(247,330)
Telecommunication services	880,916	591,464	289,452
U.S. Government and agency	10,378,308	10,518,190	(139,882)
Corporate bonds	2,682	3,500	(818)
Mutual funds	2,287,659	1,958,658	329,001
Short term notes	754,768	754,768	-
	<u>\$ 29,933,600</u>	<u>\$ 24,444,595</u>	<u>\$ 5,489,005</u>
<b><u>2017</u></b>			
Consumer staples	\$ 1,725,855	\$ 1,013,686	\$ 712,169
Consumer discretionary	1,752,294	1,195,538	556,756
Health care	3,782,413	2,578,022	1,204,391
Industrials	1,859,728	927,580	932,148
Materials	896,410	438,617	457,793
Information technology	5,943,054	3,154,979	2,788,075
Financial	2,236,271	1,448,167	788,104
Energy	1,282,446	1,303,218	(20,772)
Telecommunication services	70,291	63,897	6,394
U.S. Government and agency	10,691,412	10,760,655	(69,243)
Corporate bonds	3,005	3,500	(495)
Mutual funds	1,733,351	1,053,168	680,183
Short term notes	781,000	781,000	-
	<u>\$ 32,757,530</u>	<u>\$ 24,722,027</u>	<u>\$ 8,035,503</u>



**TRUSTEES OF DIOCESAN FUNDS  
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**Notes to Financial Statements**

**December 31, 2018 and 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,