

EISNERAMPER

**THE FUND FOR THE DIACONATE
OF THE EPISCOPAL CHURCH
IN THE UNITED STATES**

FINANCIAL STATEMENTS

JULY 31, 2020 and 2019



THE FUND FOR THE DIACONATE OF THE EPISCOPAL CHURCH IN THE UNITED STATES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Fund for the Diaconate of the
Episcopal Church in the United States

Report on the Financial Statements

We have audited the accompanying financial statements of The Fund for the Diaconate of the Episcopal Church in the United States (the "Fund") which comprise the statements of financial position as of July 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for each of the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Fund's 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit 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 due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 Fund for the Diaconate of the Episcopal Church in the United States as of July 31, 2020 and 2019, and the changes in its net assets and its cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP
New York, New York
May 28, 2021



THE FUND FOR THE DIACONATE OF THE EPISCOPAL CHURCH IN THE UNITED STATES

Statements of Financial Position

	July 31,	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 23,334	\$ 76,013
Interest and dividends receivable	1,623	133
Investments	<u>8,103,523</u>	<u>7,790,226</u>
	<u>\$ 8,128,480</u>	<u>\$ 7,866,372</u>
LIABILITIES		
Accrued expenses	<u>\$ 18,470</u>	<u>\$ 17,500</u>
NET ASSETS		
Without donor restrictions	8,094,714	7,833,576
With donor restrictions:		
Perpetual in nature	<u>15,296</u>	<u>15,296</u>
Total net assets	<u>8,110,010</u>	<u>7,848,872</u>
	<u>\$ 8,128,480</u>	<u>\$ 7,866,372</u>

THE FUND FOR THE DIACONATE OF THE EPISCOPAL CHURCH IN THE UNITED STATES

Statement of Activities
Year Ended July 31, 2020

(with summarized information for the year ended July 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
Public support and revenue:				
Contributions and grants	\$ 2,755	\$ -	\$ 2,755	\$ 3,933
Interest and dividends from investments	109,166	-	109,166	102,712
Net realized and unrealized gains on investments	<u>390,782</u>	<u>-</u>	<u>390,782</u>	<u>159,042</u>
Total public support and revenue	<u>502,703</u>	<u>-</u>	<u>502,703</u>	<u>265,687</u>
Expenses:				
Program services	187,450	-	187,450	127,956
General and administrative	45,722	-	45,722	64,115
Fundraising	<u>8,393</u>	<u>-</u>	<u>8,393</u>	<u>5,406</u>
Total expenses	<u>241,565</u>	<u>-</u>	<u>241,565</u>	<u>197,477</u>
Increase in net assets	261,138	-	261,138	68,210
Net assets, beginning of year	<u>7,833,576</u>	<u>15,296</u>	<u>7,848,872</u>	<u>7,780,662</u>
Net assets, end of year	\$ 8,094,714	\$ 5,296	\$ 8,110,010	\$ 7,848,872

THE FUND FOR THE DIACONATE OF THE EPISCOPAL CHURCH IN THE UNITED STATES

Statement of Activities
Year Ended July 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue:			
Contributions and grants	\$ 3,933	\$ -	\$ 3,933
Interest and dividends from investments	102,712	-	102,712
Net realized and unrealized gains on investments	<u>159,042</u>	<u>-</u>	<u>159,042</u>
Total public support and revenue	<u>265,687</u>	<u>-</u>	<u>265,687</u>
Expenses:			
Program services	127,956	-	127,956
General and administrative	64,115	-	64,115
Fundraising	<u>5,406</u>	<u>-</u>	<u>5,406</u>
Total expenses	<u>197,477</u>	<u>-</u>	<u>197,477</u>
Increase in net assets	68,210	-	68,210
Net assets, beginning of year	<u>7,765,366</u>	<u>15,296</u>	<u>7,780,662</u>
Net assets, end of year	<u>\$ 7,833,576</u>	<u>\$ 15,296</u>	<u>\$ 7,848,872</u>

THE FUND FOR THE DIACONATE OF THE EPISCOPAL CHURCH IN THE UNITED STATES

Statements of Functional Expenses
Years Ended July 31, 2020 and 2019

	Program Services		Supporting Services			Total Expenses
	Grant Making and Grant Administration	General and Administrative			Total	
		Administrative	Fund-raising			
2020						
Grants	\$ 167,550	\$ -	\$ -	\$ -	\$ -	\$ 167,550
Grant coordinating services	10,350	-	-	-	-	10,350
Audit and accounting fees	-	25,859	-	25,859	25,859	25,859
Fund-raising consulting	-	-	8,393	8,393	8,393	8,393
Board meetings, travel and meals	9,550	9,549	-	9,549	19,099	19,099
Office expenses	-	8,370	-	8,370	8,370	8,370
Insurance	-	1,944	-	1,944	1,944	1,944
Total expenses	\$ 187,450	\$ 45,722	\$ 8,393	\$ 54,115	\$ 241,565	

	Program Service		Supporting Services			Total Expenses
	Grant Making and Grant Administration	General and Administrative			Total	
		Administrative	Fund-raising			
2019						
Grants	\$ 94,725	\$ -	\$ -	\$ -	\$ -	\$ 94,725
Grant coordinating services	13,400	-	-	-	-	13,400
Legal fees	-	6,875	-	6,875	6,875	6,875
Audit and accounting fees	-	29,500	-	29,500	29,500	29,500
Fund-raising consulting	-	-	5,406	5,406	5,406	5,406
Board meetings, travel and meals	19,831	19,831	-	19,831	39,662	39,662
Office expenses	-	5,965	-	5,965	5,965	5,965
Insurance	-	1,944	-	1,944	1,944	1,944
Total expenses	\$ 127,956	\$ 64,115	\$ 5,406	\$ 69,521	\$ 197,477	

THE FUND FOR THE DIACONATE OF THE EPISCOPAL CHURCH IN THE UNITED STATES

Statements of Cash Flows

	Year Ended July 31,	
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase in net assets	\$ 261,138	\$ 68,210
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Net realized and unrealized gains on investments	(390,782)	(159,042)
Changes in:		
Interest and dividends receivable	(1,490)	668
Accrued expenses	<u>970</u>	<u>(14,781)</u>
Net cash used in operating activities	<u>(130,164)</u>	<u>(104,945)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	347,126	860,676
Purchases of investments	<u>(269,641)</u>	<u>(682,833)</u>
Net cash provided by investing activities	<u>77,485</u>	<u>177,843</u>
Net change in cash and cash equivalents	(52,679)	72,898
Cash and cash equivalents, beginning of year	<u>76,013</u>	<u>3,115</u>
Cash and cash equivalents, end of year	<u>\$ 23,334</u>	<u>\$ 76,013</u>

THE FUND FOR THE DIACONATE OF THE EPISCOPAL CHURCH IN THE UNITED STATES

Notes to Financial Statements July 31, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

The Fund for the Diaconate of the Episcopal Church in the United States (the "Fund") was organized in New York in 1927. The Fund is operated for the benefit of the Episcopal Church in the United States to provide allowances to those ordained to the ministry of the Episcopal Church, who have insufficient provisions for their needs.

The Fund qualifies as a charitable organization as defined by Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code"), and accordingly is exempt from federal income taxes under Section 509(a)(3) as a Type 1 supporting organization of the Code, and from state and local taxes under comparable laws.

[2] Basis of accounting:

The accompanying financial statements of the Fund have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires the Fund's management to make estimates and assumptions that affect the reported amount of assets, liabilities, public support and revenue and expenses and the disclosure of commitments and contingencies. Actual results could differ from those estimates.

[4] Cash and cash equivalents:

The Fund considers all highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents.

[5] Investments:

Investments in mutual funds are reported at their fair values in the statements of financial position based on quoted market prices. The Fund's investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in assets without donor restrictions unless the use of which is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investments' costs to their fair values at the end of each year. The earnings from dividends and interest are recognized when earned.

THE FUND FOR THE DIACONATE OF THE EPISCOPAL CHURCH IN THE UNITED STATES

Notes to Financial Statements July 31, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Net assets:

The net assets of the Fund and changes therein are classified and reported as follows:

(i) *Net assets without donor restrictions:*

Net assets without donor restrictions represent those resources for which there are no donor restrictions as to their use.

(ii) *Net assets with donor restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor imposed restrictions, such as specific purposes and/or the passage of time. Also included within net assets with donor restrictions are donor restrictions that are perpetual in nature and are subject to the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). These donors have stipulated that those resources be maintained in perpetuity with the resultant income and net capital appreciation arising from the underlying assets to be used in satisfaction of the wishes of those donors. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, or funds are appropriated through an action of the Board of Directors, net assets with donor restrictions are reclassified to net assets without donor restriction and are reported in the statements of activities as "net assets released from restrictions." Contributions received in the same year in which the donor restrictions are satisfied, are classified as without donor restrictions.

[7] Revenue recognition:

Contributions and grants to the Fund are recognized as revenue upon the receipt of either cash or other assets, or of unconditional pledges. Contributions and grants are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recognized when the donor's conditions have been met by requisite actions of the Fund's management or necessary events take place, and if received in advance, are recognized in the statements of financial position as funds received in advance. The Fund records bequest income at the time it has an established right to a bequest and the proceeds are measurable. Contributions to be received over periods longer than a single year, if any, are discounted at an interest rate commensurate with the risk involved.

[8] Grant awards:

Grants awarded to those ordained in the Episcopal Church are recorded as expenses and liabilities at the time of approval by the Board of Directors. Grants are generally awarded and paid within each fiscal-year. At July 31, 2020 and 2019, respectively, there were no grants due to be paid in the subsequent fiscal year.

[9] Functional allocation of expenses:

The costs of providing the Fund's programs and activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by natural classification and function. Natural expenses attributable to more than one expense category are allocated by management based on time and effort. The program-related expenses include all expenses related to the administration of grants, and other expenses directly related to the programs of the Fund.

THE FUND FOR THE DIACONATE OF THE EPISCOPAL CHURCH IN THE UNITED STATES

Notes to Financial Statements July 31, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] Income taxes:

The Fund is subject to the provisions of the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to the accounting and reporting for uncertainty in income taxes. Because of the Fund's general tax-exempt status, ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Fund's financial statement.

[11] Subsequent events:

The Fund has evaluated subsequent events through May 28, 2021, the date on which the financial statements were available to be issued.

NOTE B - INVESTMENTS

At each fiscal year-end, investments consisted of the following:

	July 31,			
	2020		2019	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Equity mutual funds	\$ 5,886,402	\$ 4,962,362	\$ 5,697,412	\$ 4,961,053
Fixed-income mutual fund	<u>2,127,121</u>	<u>2,057,901</u>	<u>2,092,814</u>	<u>2,057,901</u>
	<u>\$ 8,103,523</u>	<u>\$ 7,020,263</u>	<u>\$ 7,790,226</u>	<u>\$ 7,018,954</u>

During each fiscal year, investment returns consisted of the following:

	Year Ended July 31,	
	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 109,166	\$ 102,712
Realized gains	78,794	558,756
Unrealized gains	<u>311,988</u>	<u>(399,714)</u>
	<u>\$ 499,948</u>	<u>\$ 261,754</u>

THE FUND FOR THE DIACONATE OF THE EPISCOPAL CHURCH IN THE UNITED STATES

Notes to Financial Statements July 31, 2020 and 2019

NOTE B - INVESTMENTS (CONTINUED)

The FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1 Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments, at the reporting date.
- Level 2 Valuations are based on (i) quoted prices for similar investments in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.
- Level 3 Valuations are based on pricing inputs that are unobservable and include situations where (i) there is little, if any, market activity for the investments, or (ii) the investments cannot be independently valued.

The Fund's investments are valued entirely under Level 1 of the fair-value hierarchy.

The availability of available market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfers of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period. Investment fees are embedded in investment transactions.

THE FUND FOR THE DIACONATE OF THE EPISCOPAL CHURCH IN THE UNITED STATES

Notes to Financial Statements July 31, 2020 and 2019

NOTE D - NET ASSETS WITH DONOR RESTRICTIONS AND ENDOWMENT

[1] The endowment:

The Fund's endowment consists of a donor-restricted fund established to exist in perpetuity and to provide income to be used for the Fund's purposes.

[2] Interpretation of relevant law:

NYPMIFA is applicable to all of the Fund's institutional funds, including its donor-restricted fund. The Board of Directors adheres to NYPMIFA's requirements.

[3] Changes in net assets during each fiscal year:

There were no contributions to endowment net assets during either fiscal year 2020 or 2019, and all investment income earned on the endowment fund is appropriated for expenditure by the Board of Directors, in the fiscal year it is earned.

[4] Return objectives, risk parameters and strategies employed for achieving objectives:

The Board of Directors evaluates the long-term asset allocation in meeting its fiduciary responsibilities for funding programs and protecting its endowment resources. To satisfy its long-term rate-of-return objectives, the Fund relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Fund maintains a diversified asset base within prudent risk constraints.

[5] Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA may require the Fund to retain as a fund of perpetual duration. Under the terms of NYPMIFA, the Fund has no responsibility to restore such decreases in value. There were no such deficiencies as of July 31, 2020 and 2019.

THE FUND FOR THE DIACONATE OF THE EPISCOPAL CHURCH IN THE UNITED STATES

Notes to Financial Statements July 31, 2020 and 2019

NOTE E - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Fund's financial assets available for general use within one year of the statements of financial position date for general expenditure are as follows:

	<u>July 31,</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 23,334	\$ 76,013
Interest and dividends receivable	1,623	133
Investments	<u>8,103,523</u>	<u>7,790,226</u>
 Total financial assets available within one year	 <u>8,128,480</u>	 <u>7,866,372</u>
 Less: Amounts unavailable for general expenditure within one year due to restrictions by donors for:		
Perpetual in nature	<u>(15,296)</u>	<u>(15,296)</u>
 Total financial assets available to meet cash needs for general expenditure within one year	 <u>\$ 8,113,184</u>	 <u>\$ 7,851,076</u>

Liquidity policy:

As part of the Fund's liquidity management, it maintains a sufficient level of operating cash and investments to be available as its general expenditures, liabilities, and other obligations that come due.

NOTE F - OTHER UNCERTAINTIES

The extent of the impact of the coronavirus ("COVID-19") outbreak on the operational and financial performance of the Fund will depend on the continued future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of COVID-19 on the overall availability of contributions towards the Fund's program, all of which are highly uncertain and cannot be predicted. If contributions towards the Fund's program are impacted for an extended period, results of operations may be materially adversely affected.