

OWEN J. FLANAGAN & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS
60 EAST 42ND STREET, SUITE 2810
NEW YORK, NEW YORK 10165

OWEN J. FLANAGAN, CPA
(1925-1996)

KEVIN C. SUNKEL, CPA
JOHN L. CORCORAN, CPA
MEREDITH A.F. KORN, CPA
LAUREN A. MARCIN, CPA

(212) 682-2783
FACSIMILE (212) 697-5843
WWW.OJFLANAGAN.COM

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS

Independent Auditor's Report

**Board of Directors of
Episcopal Charities of the Diocese of New York**

We have audited the accompanying financial statements of Episcopal Charities of the Diocese of New York ("Episcopal Charities"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 risk of material misstatement of the 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Charities of the Diocese of New York as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Episcopal Charities of the Diocese of New York's financial statements for the year ended December 31, 2017, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated June 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Change in Accounting Principle

As described in Note 2 to the financial statements, during the year ended December 31, 2018 Episcopal Charities adopted ASU 2016-14 which resulted in a change in the manner in which it presents its net assets and reports certain financial information within its financial statements. Our opinion is not modified with respect to this matter.

Owen J. Flanagan & Co.

May 29, 2019
New York, New York

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 1,185,054	\$ 990,573
Accrued income	132,010	285,549
Contributions receivable	-	86,796
Other receivables	8,978	81,192
Prepaid expenses	12,146	8,455
Investments	1,768,432	1,971,125
Fixed assets (net of accumulated depreciation)	<u>-</u>	<u>-</u>
<u>Total Assets</u>	<u>3,106,620</u>	<u>3,423,690</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Grants payable	\$ 389,530	\$ 442,782
Accounts payable	<u>92,237</u>	<u>32,792</u>
<u>Total Liabilities</u>	<u>481,767</u>	<u>475,574</u>
 <u>Net Assets</u>		
Net assets without donor restriction		
Available for use	865,328	1,062,713
Board designated	<u>1,480,311</u>	<u>1,599,743</u>
	2,345,639	2,662,456
Net assets with donor restriction		
Time or purpose restriction	20,499	-
Perpetual endowment	<u>258,715</u>	<u>285,660</u>
<u>Total Net Assets</u>	<u>2,624,853</u>	<u>2,948,116</u>
<u>Total Liabilities and Net Assets</u>	<u>3,106,620</u>	<u>3,423,690</u>

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

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	Net Assets without Donor Restriction	Net Assets with Donor Restriction		Total 2018	Total 2017
		Time or Purpose	Perpetual Endowment		
<u>Operating Revenue</u>					
<u>Contributions</u>					
General	\$ 247,116	\$ -	\$ -	\$ 247,116	\$ 195,971
Congregational gifts	61,782	50,000	-	111,782	67,901
Corporate and foundation	140,054	-	-	140,054	91,543
Endowment support	111,840	-	-	111,840	110,842
<u>Total Contributions</u>	<u>560,792</u>	<u>50,000</u>	<u>-</u>	<u>610,792</u>	<u>466,257</u>
Gala dinner					
Contributions and ticket sales	1,141,831	-	-	1,141,831	1,576,549
Less: Direct costs	231,167	-	-	231,167	257,567
	<u>910,664</u>	<u>-</u>	<u>-</u>	<u>910,664</u>	<u>1,318,982</u>
Diocesan support	100,000	-	-	100,000	120,000
Diocesan donated services and space	54,000	-	-	54,000	54,000
Investment income, spending policy	61,767	-	13,804	75,571	72,662
<u>Total Operating Revenue</u>	<u>1,687,223</u>	<u>50,000</u>	<u>13,804</u>	<u>1,751,027</u>	<u>2,031,901</u>
Net Assets Released From Restrictions	43,305	(29,501)	(13,804)	-	-
<u>Grants and Operating Expenses</u>					
Program					
Grant programs	1,274,939			1,274,939	1,288,284
Volunteer Program	95,615			95,615	21,506
	<u>1,370,554</u>			<u>1,370,554</u>	<u>1,309,790</u>
Management and general	169,729			169,729	154,514
Fundraising	387,630			387,630	375,040
<u>Total Grants and Operating Expenses</u>	<u>1,927,913</u>	<u>-</u>	<u>-</u>	<u>1,927,913</u>	<u>1,839,344</u>
Excess (Deficiency) of Operating Revenue over Grants and Operating Expenses	(197,385)	20,499	-	(176,886)	192,557

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

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	Net Assets without Donor Restriction	Net Assets with Donor Restriction		Total 2018	Total 2017
		Time or Purpose	Perpetual Endowment		
<u>Non-Operating Activities</u>					
Net investment income (loss)	(57,665)	-	(13,141)	(70,806)	283,189
Released under spending policy	<u>(61,767)</u>	<u>-</u>	<u>(13,804)</u>	<u>(75,571)</u>	<u>(72,662)</u>
<u>Total Non-Operating Activities</u>	<u>(119,432)</u>	<u>-</u>	<u>(26,945)</u>	<u>(146,377)</u>	<u>210,527</u>
Change in Net Assets for Year	(316,817)	20,499	(26,945)	(323,263)	403,084
Net Assets, beginning of year	<u>2,662,456</u>	<u>-</u>	<u>285,660</u>	<u>2,948,116</u>	<u>2,545,032</u>
Net Assets, End of Year	<u>2,345,639</u>	<u>20,499</u>	<u>258,715</u>	<u>2,624,853</u>	<u>2,948,116</u>

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

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets for Year	\$ (323,263)	\$ 403,084
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net realized gain and change in unrealized appreciation on investments	114,703	(236,606)
Depreciation expense	-	462
(Increase) decrease in assets		
Accrued income	153,539	(37,926)
Contributions receivable	86,796	(3,488)
Other receivables	72,214	105,410
Prepaid expenses	(3,691)	5,093
Increase (decrease) in liabilities		
Grants payable	(53,252)	57,907
Accounts payable	59,445	4,871
<u>Cash Provided by Operating Activities</u>	<u>106,491</u>	<u>298,807</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	721,353	972,176
Purchase of investments	(633,363)	(1,002,217)
<u>Cash Provided by (Used in) Investing Activities</u>	<u>87,990</u>	<u>(30,041)</u>
<u>Net Increase in Cash for Year</u>	<u>194,481</u>	<u>268,766</u>
Cash, beginning of year	<u>990,573</u>	<u>721,807</u>
Cash, End of Year	<u>1,185,054</u>	<u>990,573</u>

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

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	Grant Programs	Volunteer Program	Total Program	Management and General	Fundraising	Total 2018	Total 2017
Grants	\$ 1,056,599		\$ 1,056,599			\$ 1,056,599	\$ 1,031,145
Salaries and benefits	183,290	\$ 85,210	268,500	\$ 65,518	\$ 273,168	607,186	552,200
Temporary personnel	17,939	5,482	23,421	747	747	24,915	26,000
Consulting and professional fees	-	116	116	64,275	-	64,391	60,552
Occupancy	3,623	1,685	5,308	1,292	5,400	12,000	12,000
Insurance	-	-	-	3,337	-	3,337	4,329
Office supplies and expenses	7,373	670	8,043	15,922	19,289	43,254	48,819
Printing, mailings and publications	920	339	1,259	3,330	76,186	80,775	72,921
Travel and workshops	5,195	2,113	7,308	3,593	4,290	15,191	11,032
Bank and merchant fees	-	-	-	10,215	8,550	18,765	19,883
Depreciation	-	-	-	-	-	-	463
Taxes	-	-	-	1,500	-	1,500	-
	<u>1,274,939</u>	<u>95,615</u>	<u>1,370,554</u>	<u>169,729</u>	<u>387,630</u>	<u>1,927,913</u>	<u>1,839,344</u>

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

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 Organization

Pursuant to action of the 1994 Convention of the Episcopal Diocese of New York (the "Diocese"), Episcopal Charities was organized in 1995 as a New York not-for-profit corporation controlled by the Board of Managers of the Diocese with the following purposes:

- (a) to coordinate the funding of social programs related to and connected with the Diocese and its congregations;
- (b) to establish funding priorities, evaluate proposals, and award grants in support of such programs;
- (c) to provide training and support services to congregations and institutions affiliated with the Diocese that wish to apply for grants to carry out such programs; and
- (d) to carry out such other functions as shall be determined from time to time by the Board of Managers of the Church Extension and Missionary Society of the Protestant Episcopal Church in the Diocese of New York.

NOTE 2 New Accounting Pronouncement

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which became effective for fiscal years ending after December 15, 2017. As of January 1, 2018, Episcopal Charities has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of Episcopal Charities' financial statements:

- The unrestricted net asset class has been renamed net assets without donor restriction. Temporarily restricted and permanently restricted net assets have been combined and renamed net assets with donor restriction.
- The financial statements include a new disclosure regarding liquidity and availability of financial assets (Note 10).
- Investment income is presented on the statement of activities as one line, net of direct investment expenses. The underlying details are presented in the footnotes.
- The methodology used in allocating expenses between program, management and general and fundraising activities is disclosed as part of the accounting policies.

The changes have the following effect on net assets as December 31, 2017:

Net Asset Classifications	ASU 2016-14 Classifications			
	Without Donor Restrictions	With Donor Restriction		Total
		Time or Purpose Restricted	Endowment Funds	
As previously presented:				
Unrestricted net assets	\$ 1,062,713	\$ -	\$ -	\$ 1,062,713
Board designated net assets	1,599,743	-	-	1,599,743
Temporarily restricted net assets	-	-	79,847	79,847
Permanently restricted net assets	-	-	205,813	205,813
Total Net Assets	2,662,456	-	285,660	2,948,116

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 Accounting Policies

Tax-Exempt Status

Episcopal Charities is a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and is further classified as a publicly supported organization.

Accordingly, the only provision for income taxes reflected within the financial statements is \$1,500 for unrelated business income tax imposed on transit benefits provided to staff.

Measure of Operations

In its statement of activities, Episcopal Charities includes in its definition of "operating activities" all revenues and expenses that are an integral part of its programs and supporting activities. Bequests and investment income, including net realized and unrealized gains and losses, earned in excess of, or less than, Episcopal Charities authorized spending rate, is recognized as a part of non-operating activities. In 2016, due to a strong cash position and uncertainty in the investment markets, Episcopal Charities opted not to take all of its spending policy investment drawdown. This reduced the amount of investment income allocated to operating activities.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Episcopal Charities and changes therein are classified and reported as follows:

Net Assets without Donor Restriction - Net assets that are not subject to donor-imposed restrictions and Board Designated funds, which are funds reserved by the Board for a future use or a specific purpose. Although investment income and appreciation of the perpetual endowment was not restricted as to use prior to January 1, 2010, the Board of Episcopal Charities elected to maintain this money as a quasi-endowment. Certain funds previously transferred from the Diocese as well as all investment income, including appreciation and prior income on such funds, are recorded as Board Designated. The Board also decided that bequests received should be recorded as Board Designated.

Net Assets with Donor Restriction - Net assets subject to donor-imposed stipulations that will be met either by actions of Episcopal Charities or by the passage of time as well as net assets received that are to be maintained as a perpetual endowment in accordance with the original donor's intent. Earnings on the perpetual endowment are to be used for general purposes of Episcopal Charities and are shown as part of net assets with donor restriction until appropriated in accordance with its spending policy. Assets received whose restrictions will be satisfied within the current year are shown as net assets without donor restriction.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 Organization and Summary of Significant Accounting Policies (Continued)

Accrual Basis

The accompanying financial statements are prepared on the accrual basis of accounting. Revenues and related assets are recognized when earned, and expenses are recognized when incurred.

All receivables are expected to be collected within one year from the statement of financial position date.

Grants are made by Episcopal Charities to fund specific programs in the Diocese and are normally paid in periodic installments within one to three years. Grants are recorded as an expense upon approval by the Board of Directors.

Comparative Totals

The 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with Episcopal Charities' financial statements for the year ended December 31, 2017 from which the summarized information was derived. Certain prior year information has been restated to conform to current year presentation.

Use of Estimates

Management of Episcopal Charities has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses in the preparation of these financial statements. Actual results could differ from those estimates.

Fair Value Measurement of Investments

Investments are carried at fair value based on quoted market prices. Episcopal Charities follows Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investment Valuation

The fair value of the investment held with the Diocesan Investment Trust was estimated using the Net Asset Value ("NAV") as reported by the management of such fund. FASB guidance provides for the use of the NAV as a "Practical Expedient" for estimating fair value of these types of investment funds. Episcopal Charities adopted a policy to exclude investments valued at NAV from the fair value hierarchy in accordance with FASB guidance.

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 Organization and Summary of Significant Accounting Policies (Continued)

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Equipment

The cost of computer equipment purchases, which are not material in nature, are expensed when paid. Equipment purchases over \$5,000 are capitalized at cost and depreciated on a straight-line basis over its estimated useful life of 3 to 7 years.

Cash

Cash is defined as cash held in checking and money market accounts.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to various programs, management and general and fundraising activities of Episcopal Charities. These expenses include salaries and benefits, printing and publications, professional fees and other office expenses. Episcopal Charities allocates these expenses based on time and effort of staff as well as estimates of the resources used in these activities. Some types of expenses are directly allocated based on the activity benefited.

Accounting for Uncertainty in Income Taxes

Episcopal Charities recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Episcopal Charities had no uncertain tax positions that would require financial statement recognition or disclosure. Episcopal Charities is no longer subject to examinations by the applicable taxing jurisdictions for years prior to 2015.

Subsequent Events

In connection with the preparation of the financial statements, Episcopal Charities evaluated subsequent events after the statement of financial position date of December 31, 2018 through May 29, 2019 which was the date the financial statements were available to be issued.

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 Organization and Summary of Significant Accounting Policies (Continued)

Endowment Policy

Interpretation

Episcopal Charities' endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors.

The Board of Directors of Episcopal Charities has enacted a policy of preserving the fair value of the original gift as of the date the donor-restricted gift is received absent explicit donor stipulations to the contrary. Therefore, Episcopal Charities classifies as a perpetual endowment, and part of net assets with donor restriction, the original value of the donor restricted gifts. Earnings on donor-restricted funds are classified as net assets with donor restriction until those amounts are appropriated for expenditure in accordance with Episcopal Charities' spending policy, unless otherwise stipulated by the donor.

Return Objectives and Risk Parameters

Episcopal Charities has adopted an investment and spending policy in an attempt to provide a predictable stream of funding in order to support its programs. The primary investment objective is to provide for long-term growth of principal and income by maximizing total return consistent with prudent risk taking. It seeks returns during a full market cycle that will enhance the real, inflation adjusted purchasing power of Episcopal Charities' assets. The Finance/Investment Committee does not expect that in each and every year the investment objective referred to above will necessarily be achieved. Episcopal Charities has a spending rate policy for the management of its portfolio whereby up to 5% of the five-year trailing average of the total perpetual and Board Designated endowment portfolio is made available to accomplish its mission. That time frame ought to substantially smooth out the budgeted draw from year to year, which otherwise could vary significantly because of normal market volatility. The Board elected a 4.5% spending rate in 2018 and 2017.

NOTE 4 Transactions with Related Parties

At December 31, 2018 and 2017 accounts payable included liabilities of \$42,822 and \$3,455, respectively, due to the Diocese for expenses incurred by the Diocese on behalf of Episcopal Charities.

During 2017, some investments of Episcopal Charities were held and managed by The Trustees of the Estate and Property of the Diocesan Convention of New York (Diocesan Investment Trust (DIT) of the Diocese of New York). Ultimate control of DIT rests with the Diocesan Convention. Towards the end of 2017, this investment account was closed and the money was transferred out of DIT.

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 Investments

The following tabulation summarizes the cost and fair value of investments at December 31, 2018 and 2017:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fidelity Investments:				
Short term cash	\$ 16,847	\$ 16,847	\$ 28,552	\$ 28,552
Mutual funds	<u>1,752,823</u>	<u>1,751,585</u>	<u>1,760,185</u>	<u>1,942,573</u>
	<u>1,769,670</u>	<u>1,768,432</u>	<u>1,788,737</u>	<u>1,971,125</u>

All mutual funds held at Fidelity are valued using level 1 inputs at December 31, 2018 and 2017.

Investment income (loss) consisted of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 43,897	\$ 46,581
Realized gain on sale of investments	68,923	377,475
Change in unrealized appreciation	<u>(183,626)</u>	<u>(140,869)</u>
	(70,806)	283,187
Less investment income (loss) recognized under spending policy	<u>75,571</u>	<u>72,662</u>
Investment income (loss) net of authorized spending rate	<u>(146,377)</u>	<u>210,525</u>

NOTE 6 Endowment Support

In December 1997 the Diocese was awarded a \$2 million endowment grant from The Dyson Foundation. Under the terms of the grant, income, as defined by the Diocesan investment policy, is to be used to support the programs of Episcopal Charities. The Diocese received money for this endowment in 1998. In 1999, Episcopal Charities received its first drawdown of income from this endowment. The value of this endowment fund at December 31, 2018, which is invested at the discretion of the Diocese, was \$2,413,873.

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 7 Board Designated Net Assets

The following summarizes the activity within Board Designated net assets, which is included in the unrestricted net assets column on the statement of activities.

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 1,599,743	\$ 1,421,033
Investment income	(57,665)	240,010
Appropriated for expenditure	<u>(61,767)</u>	<u>(61,300)</u>
Balance, end of year	<u>1,480,311</u>	<u>1,599,743</u>

NOTE 8 Endowment Assets

Changes within the Endowment funds during 2018 and 2017 consisted of the following:

	<u>Board Designated</u>	<u>Perpetual Endowment</u>	<u>Total</u>
Balance December 31, 2016	\$ 1,421,033	\$253,843	\$ 1,674,876
Net investment earnings	240,010	42,730	282,740
Appropriated for expenditure	<u>(61,300)</u>	<u>(10,913)</u>	<u>(72,213)</u>
Balance December 31, 2017	<u>1,599,743</u>	<u>285,660</u>	<u>1,885,403</u>
Net investment earnings	(57,665)	(13,141)	(70,806)
Appropriated for expenditure	<u>(61,767)</u>	<u>(13,804)</u>	<u>(75,571)</u>
Balance December 31, 2018	<u>1,480,311</u>	<u>258,715</u>	<u>1,739,026</u>

NOTE 9 Net Assets with Donor Restriction

Net assets with donor restriction consist of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Perpetual endowment	\$ 205,813	\$ 205,813
Endowment earnings	52,902	79,847
Volunteer coordinator	<u>20,499</u>	<u>-</u>
	<u>279,214</u>	<u>285,660</u>

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 9 Net Assets with Donor Restriction (continued)

Net assets released from donor restriction during the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Endowment earnings	\$ 13,804	\$ 10,913
All our children	-	4,792
Volunteer coordinator	29,501	-
	<u>43,305</u>	<u>15,705</u>

NOTE 10 Liquidity and Availability of Financial Assets

The following reflects Episcopal Charities financial assets as of December 31, 2018, reduced by amounts not available for general use within one year of that date due to contractual or donor-imposed restrictions. As described in Note 3, investment earnings from the perpetual endowment and Board Designated funds are released annually in accordance with the spending policy to cover a portion of operating expenses.

Cash	\$ 1,185,054
Investments	1,768,432
Accrued income	132,010
Other receivables	8,978
	3,094,474
Net assets subject to purpose restriction	(20,499)
Perpetual endowment	(258,715)
Board designated net assets	(1,480,311)
Financial assets available for general expenditure within the next 12 months	<u>1,334,949</u>

NOTE 11 Concentration of Risk

During 2018, Episcopal Charities had cash in banks exceeding federally insured limits. This risk is managed through the use of large, established financial institutions.

EPISCOPAL CHARITIES OF THE DIOCESE OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 12 Grants Payable

Grants payable of \$389,530 at December 31, 2018, is expected to be paid as follows:

2019	\$ 314,482
2020	<u>77,750</u>
	392,232
Discount	<u>2,702</u>
	<u><u>389,530</u></u>

Long-term grants are discounted to present value at the risk-free rate of 5%.

NOTE 13 Donated Services

Episcopal Charities' accounting and human resource functions are donated by the controller's office of the Episcopal Diocese of New York, its affiliate. The value of these services for 2018 and 2017 is estimated to be \$42,000 and has been reflected in the financial statements as an in-kind donation and related expense.

Episcopal Charities also occupies furnished office space donated by the Diocese at no charge. During 2018 and 2017 based on an agreement between the Diocese and the Cathedral of St. John the Divine, the value of this office space has been estimated to be \$12,000.

NOTE 14 Fixed Assets

Fixed Assets consist of equipment that is fully depreciated at December 31, 2018 and 2017, but remains in use.

	<u>2018</u>	<u>2017</u>
Equipment	\$22,462	\$22,462
Less: Accumulated depreciation	<u>22,462</u>	<u>22,462</u>
	<u><u>-</u></u>	<u><u>-</u></u>

NOTE 15 Retirement Plans

Episcopal Charities contracted with the Episcopal Diocese of New York for lay retirement benefits in 2018 and 2017. Through this contract, Episcopal Charities staff members are included in the Diocesan retirement plan, which is a 401(a) defined contribution plan. Contributions by Episcopal Charities to the plan are based on 13% of an employee's salary. Total expense under this plan for 2018 and 2017 was \$54,916 and \$49,677, respectively. Additional information regarding this plan can be found in the Diocese's audit report.