Convention of the Diocese of New York of the Protestant Episcopal Church

Financial Statements

December 31, 2013 and 2012

Independent Auditors' Report

Board of Trustees
Convention of the Diocese of New
York of the Protestant Episcopal Church

We have audited the accompanying financial statements of the Convention of the Diocese of New York of the Protestant Episcopal Church (the "Diocese"), which comprise the statements of financial position as of December 31, 2013 and 2012, 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.

Auditors' 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 audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 Diocese as of December 31, 2013 and 2012, 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.

O'Connor Davies, LLP

June 19, 2014

O'CONNOR DAVIES, LLP
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Convention of the Diocese of New York
of the Protestant Episcopal Church

Statements of Financial Position

	December 31, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	$ 2,669,817	$ 1,067,088
Cash held for others	113,326	114,921
Assessments receivable from parishes, net of estimated uncollectibles of $3,960,429 and $2,635,145	1,313,199	1,503,473
Loans receivable - Revolving Loan Fund, net of estimated uncollectibles of $110,281 and $160,281	1,462,053	1,653,672
Loans receivable from parishes and others, net of estimated uncollectibles of $805,457 and $292,399	883,407	1,150,702
Other assets and prepaid expenses	326,401	433,229
Investments	36,695,901	32,159,249
Property and equipment, net	1,072,749	1,111,588
Restricted investments	2,192,617	2,192,617
Beneficial interest in perpetual trusts	13,158,499	11,936,896
	$ 59,887,969	$ 53,323,435
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 429,614	$ 553,075
Property support grants payable	411,391	309,371
Grants payable	125,692	127,143
Funds held for parishes and others	113,326	114,921
Property improvement reserve fund	985,274	915,406
Total Liabilities	2,065,297	2,019,916
Net Assets		
Unrestricted		
Available for operations	5,760,515	6,383,085
Designated for long term investment	30,451,983	25,779,877
Investment in property and equipment	1,072,749	1,111,588
Total Unrestricted Net Assets	37,285,247	33,274,550
Temporarily restricted	5,186,309	3,899,456
Permanently restricted	15,351,116	14,129,513
Total Net Assets	57,822,672	51,303,519
	$ 59,887,969	$ 53,323,435

See notes to financial statements

Convention of the Diocese of New York
of the Protestant Episcopal Church

Statements of Activities

	Year ended December 31, 2013				Year ended December 31, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUE								
Assessments from congregations	$ 9,785,611	$ -	$ -	$ 9,785,611	$ 9,149,695	$ -	$ -	$ 9,149,695
Provision for doubtful receivables	(1,886,157)	-	-	(1,886,157)	(1,016,000)	-	-	(1,016,000)
	7,899,454	-	-	7,899,454	8,133,695	-	-	8,133,695
Contributions and grants	164,505	1,176,901	-	1,341,406	55,090	619,996	-	675,086
Allocation from investment return	1,243,576	61,636	-	1,305,212	1,156,237	99,530	-	1,255,767
Trust income	181,632	236,548	-	418,180	233,089	155,912	-	389,001
Interest on loans	113,767	-	-	113,767	155,358	-	-	155,358
Other income	424,175	403,736	-	827,911	644,153	70,340	-	714,493
Net assets released from restriction	1,155,679	(1,155,679)	-	-	1,439,539	(1,439,539)	-	-
Total Operating Revenue	11,182,788	723,142	-	11,905,930	11,817,161	(493,761)	-	11,323,400
OPERATING EXPENSES								
Program services								
Apportionments - national and provincial	767,797	-	-	767,797	610,000	-	-	610,000
Grants	2,027,980	-	-	2,027,980	1,935,283	-	-	1,935,283
Diocesan mission and programs	4,006,135	-	-	4,006,135	3,243,366	-	-	3,243,366
Episcopal function	2,152,949	-	-	2,152,949	2,270,829	-	-	2,270,829
Diocesan meetings and communications	531,015	-	-	531,015	480,361	-	-	480,361
Total Program Services	9,485,876	-	-	9,485,876	8,539,839	-	-	8,539,839
Management and general	2,025,604	-	-	2,025,604	3,007,996	-	-	3,007,996
Depreciation expense	183,670	-	-	183,670	174,899	-	-	174,899
Total Operating Expenses	11,695,150	-	-	11,695,150	11,722,734	-	-	11,722,734
Excess (Deficiency) of Operating Revenue Over Operating Expenses	(512,362)	723,142	-	210,780	94,427	(493,761)	-	(399,334)
NON-OPERATING ACTIVITIES								
Non-operating investment return	4,166,110	563,711	-	4,729,821	2,251,490	298,348	-	2,549,838
Change in beneficial interest in perpetual trusts	-	-	1,221,603	1,221,603	-	-	705,260	705,260
Gain on sale of church property	356,949	-	-	356,949	-	-	-	-
Change in Net Assets	4,010,697	1,286,853	1,221,603	6,519,153	2,345,917	(195,413)	705,260	2,855,764
NET ASSETS								
Beginning of year	33,274,550	3,899,456	14,129,513	51,303,519	30,928,633	4,094,869	13,424,253	48,447,755
End of year	$ 37,285,247	$ 5,186,309	$ 15,351,116	$ 57,822,672	$ 33,274,550	$ 3,899,456	$ 14,129,513	$ 51,303,519

See notes to financial statements

Convention of the Diocese of New York
of the Protestant Episcopal Church

Statements of Cash Flows

	Year ended December 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 6,519,153	$ 2,855,764
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	183,670	174,899
Provision for doubtful receivables	1,886,157	1,016,000
Net realized and unrealized gains on investments	(4,562,643)	(2,955,941)
Gain on sale of church property	(356,949)	-
Change in value of beneficial interest in perpetual trust	(1,221,603)	(705,260)
Changes in operating assets and liabilities		
Assessments receivable from parishes	(1,695,883)	(1,828,258)
Other assets and prepaid expenses	106,828	(70,296)
Accounts payable and accrued expenses	(123,461)	80,177
Property support grants payable	102,020	(65,867)
Grants payable	(1,451)	(1,428)
Net Cash from Operating Activities	835,838	(1,500,210)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,473,859)	(24,921,855)
Proceeds from sale of investments	1,499,850	25,491,888
Purchases of equipment	(144,831)	(54,876)
Proceeds from sale of church property	356,949	-
Funds held for parishes and others	68,273	98,510
Cash received (advanced) on loans receivable from parishes and others	267,295	118,743
Cash received on loans receivable - Revolving Loan Fund	284,787	672,509
Cash advanced on loans receivable - Revolving Loan Fund	(93,168)	(520,947)
Net Cash from Investing Activities	765,296	883,972
Net Change in Cash and Cash Equivalents	1,601,134	(616,238)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,182,009	1,798,247
End of year	$ 2,783,143	$ 1,182,009
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-cash financing activity		
Change in value of beneficial interest in perpetual trust	$ 1,221,603	$ 705,260

See notes to financial statements

1. Organization and Tax Status

The Convention of the Diocese of New York of the Protestant Episcopal Church (the "Diocese") was organized in June 1785, and geographically consists of the boroughs of Manhattan, the Bronx and Staten Island, as well as the counties of Westchester, Rockland, Putnam, Dutchess, Orange, Ulster and Sullivan.

The Diocese is part of the Episcopal Church in the United States (The Episcopal Church), and its corporate entity is the Board of Managers of the Diocesan Missionary and Church Extension Society of the Protestant Episcopal Church in the Diocese of New York (the “Board of Managers”), created in 1912. The powers of the Board of Managers are vested in the Trustees of the Diocese. The Board of Managers holds title to the financial and real assets of the Diocese.

The accompanying financial statements consist of the net assets of the Board of Managers, the Diocesan Operating Budget adopted by the Convention, the Bishop's Discretionary Funds, and the funds held for other organizations. They do not include the net assets of other entities which report to the Diocese, such as the Trustees of Estate and Property, Episcopal Charities, the Episcopal Housing Corporation, the Cathedral Church of St. John the Divine (the "Cathedral"), and the various congregations in union with the Diocese.

A description of the program services of the Diocese is as follows:

Apportionments

Amounts contributed by the Diocese toward the budget and program of The Episcopal Church, as decided by the triennial General Convention of The Episcopal Church.

Grants

Grants made by the Diocese to institutions, congregations and individuals in the Diocesan community, in accordance with specific guidelines governing the use of each fund's assets.

Diocesan Mission and Programs

Diocesan support of the regional offices, grants to congregations for property maintenance, support of Episcopal charities, college work, youth work, Diocesan programs, support of the Cathedral and, most significantly, the Congregational Support Plan ("the Plan"), a program through which operating assistance is provided to congregations. The Diocesan budget pays the compensation and fringe benefits of clergy whose congregations participate in the Plan. In return, the congregations contribute a percentage of their receipts to the budget.

1. Organization and Tax Status *(continued)*

Episcopal Function

Diocesan support of bishops, their immediate staff, and the departments that have to do with the ordination and placement of clergy.

Diocesan Meetings and Communications

Expenses related to the Diocesan convention and to the Diocesan newspaper and other communications.

Tax Status

The Diocese is exempt from federal income tax under a group exemption issued to The Episcopal Church.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

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 the Diocese and changes therein are classified and reported as follows:

Unrestricted net assets represent those resources that are not subject to donor restrictions and are available for current operations. The following "categories of funds" are presented as unrestricted by the Diocese:

- "Available for operations" is used to account for general activities of the Diocese.

- "Designated for long-term investment" is used to account for the portion of unrestricted investments held for long-term investment.

- "Investment in property and equipment" is used to account for all properties and equipment owned by the Diocese.

2. Summary of Significant Accounting Policies *(continued)*

Basis of Presentation (continued)

Temporarily restricted net assets represent those resources that are subject to donor-imposed stipulations that will be met either by actions of the Diocese and/or the passage of time. Net assets released from restrictions represent the satisfaction of the restricted purposes specified by the donor. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying statements of activities as net assets released from restrictions. Temporarily restricted contributions, the requirements of which are met in the year of donation, are reported as unrestricted.

Permanently restricted net assets represent those resources the use of which has been permanently restricted by donors. Generally, the donors permit the Diocese to use all or part of the investment income and the capital appreciation for general or specific purposes.

Measure of Operations

The Diocese includes in its measure of operations all revenues and expenses that are an integral part of its program and supporting activities, and excludes permanently restricted contributions, changes in beneficial interest in perpetual trusts, non-operating transfers, gains on sale of church property and investment return in excess of the Diocese's spend rate.

Fair Value Measurements

The Diocese follows U.S. GAAP 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.

Investments Valuation

Investments are carried at fair value. The fair value of alternative investments has been estimated using the Net Asset Value ("NAV") as reported by the management of the respective alternative investment fund. FASB guidance provides for the use of NAV as a *"Practical Expedient"* for estimating fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Diocese's interest therein and their classification within Level 2 or 3 is based on the Diocese's ability to redeem its interest in the near term.

2. 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 change in net assets.

Cash and Cash Equivalents

The Diocese classifies money-market accounts and certificates of deposit with maturities of ninety days or less when purchased as cash equivalents, with the exception of those managed as a component of the Diocese's long-term investment portfolio.

Assessments and Loans Receivable

Assessments and loans receivable are carried at their estimated net realizable value. Allowances for uncollectible accounts are calculated based on management's estimates of the parishes' ability to pay, current economic conditions and historical payment information.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated value at the date of receipt. Depreciation is computed on a straight line basis over the estimated useful lives of the depreciable assets, which range from 3 to 20 years. Costs which extend the use of the assets beyond one year are capitalized. Property and equipment purchased for less than $1,000 are expensed.

Perpetual Trusts

The Diocese has beneficial interests in perpetual trusts held by third parties. Perpetual trusts are recognized as permanently restricted contribution revenue and as an asset at the present value of estimated future cash receipts from the trusts, which generally has been determined to approximate the fair value of the Diocese's portion of the trusts' net assets. Subsequent changes in the value of perpetual trusts are reported in nonoperating activities. Income received from the trusts is recorded as unrestricted revenue, unless specifically restricted by the donor.

Functional Allocation of Expenses

Expenses are classified according to programs and are summarized on a functional basis in the accompanying statements of activities. Accordingly, expenses other than the provision for doubtful accounts and depreciation have been allocated among the programs and supporting services in ratios determined by management. Direct solicitation costs are nominal, and, accordingly, management has not allocated any expenses to a fund-raising category.

2. Summary of Significant Accounting Policies *(continued)*

Concentration of Credit Risk

Financial instruments that potentially subject the Diocese to significant concentrations of credit risk consist principally of cash and cash equivalents, investments, and receivables. At times cash balances held at financial institutions may be in excess of federally insured limits. The Diocese has not experienced any losses on its cash deposits. The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments represent a significant concentration of market risk. Concentrations of credit risk with respect to receivables are generally diversified due to the large number of entities and individuals composing of the Diocese's program and donor base.

Accounting for Uncertainty in Income Taxes

The Diocese recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Diocese had no uncertain tax positions that would require financial statement recognition.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 19, 2014.

3. Investments

At December 31, investments held by the Diocese were invested in the following:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Diocesan Investment Trust of the Diocese of New York DIT Fund	$ 6,538,548	$ 8,768,227	$ 6,309,422	$ 7,718,654
Fiduciary Trust International				
Cash equivalents	5,616,714	5,616,714	7,931,577	7,931,577
Royce Special Equity Fund	2,832,495	3,252,185	2,562,820	2,509,913
Harbor International Fund	2,831,987	4,778,343	1,833,544	3,210,080
Fernwood Foundation Fund, LP	400,000	5,439,152	400,000	4,857,810
	11,681,196	19,086,394	12,727,941	18,509,380
J.P. Morgan Equity	8,938,960	11,033,897	8,145,187	8,123,832
	$ 27,158,704	$ 38,888,518	$ 27,182,550	$ 34,351,866

Included in these investments are amounts for the Property Improvement Reserve Fund of $985,274 and $915,406 as of December 31, 2013 and 2012.

3. Investments *(continued)*

Investment return consisted of the following for the year ended December 31:

	2013	2012
Interest and dividends	$ 1,475,385	$ 851,903
Investment fees	(2,995)	(2,239)
Net realized gains on investments	2,140	844,288
Net unrealized gains on investments	4,560,503	2,111,653
	$ 6,035,033	$ 3,805,605

Investment return is reported on the statement of activities as follows:

	2013	2012
Allocation from investment return	$ 1,305,212	$ 1,255,767
Non-operating investment return	4,729,821	2,549,838
	$ 6,035,033	$ 3,805,605

4. Assets at Fair Value

The following are the classes and major categories of assets measured at fair value on a recurring basis at December 31, grouped by the fair value hierarchy:

	2013			
	Level 1	Level 2	Level 3	Total
Investments				
Mutual Funds				
Domestic - Large Blend	$ 11,033,857	$ -	$ -	$ 11,033,857
Foreign - Large Blend	4,778,343	-	-	4,778,343
Domestic - Small Cap Blend	3,252,185	-	-	3,252,185
Investment Trust	-	8,768,267	-	8,768,267
Hedge funds	-	-	5,439,152	5,439,152
Total Investments	19,064,385	8,768,267	5,439,152	33,271,804
Beneficial interest in perpetual trusts	-	-	13,158,499	13,158,499
Total Assets Measured at Fair Value	$ 19,064,385	$ 8,768,267	$ 18,597,651	$ 46,430,303

4. Assets at Fair Value *(continued)*

	2012			
	Level 1	Level 2	Level 3	Total
Investments				
Mutual Funds				
Domestic - Large Blend	$ 8,123,832	$ -	$ -	$ 8,123,832
Foreign - Large Blend	3,210,080	-	-	3,210,080
Domestic - Small Cap Blend	2,509,913	-	-	2,509,913
Investment Trust	-	7,718,654	-	7,718,654
Hedge funds	-	-	4,857,810	4,857,810
Total Investments	13,843,825	7,718,654	4,857,810	26,420,289
Beneficial interest in perpetual trusts	-	-	11,936,896	11,936,896
Total Assets Measured at Fair Value	$ 13,843,825	$ 7,718,654	$ 16,794,706	$ 38,357,185

The following is a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3) during the year ended December 31:

	2013		
	Hedge Fund	Beneficial Interest in Perpetual Trust	Total
Beginning balance	$ 4,857,810	$ 11,936,896	$ 16,794,706
Total realized/unrealized appreciation	1,181,342	1,221,603	2,402,945
Purchases, issuances and (settlements)	(600,000)	-	(600,000)
Ending balance	$ 5,439,152	$ 13,158,499	$ 18,597,651

	2012		
	Hedge Fund	Beneficial Interest in Perpetual Trust	Total
Beginning balance	$ 4,764,529	$ 11,231,636	$ 15,996,165
Total realized/unrealized appreciation	693,281	705,260	1,398,541
Purchases, issuances and (settlements)	(600,000)	-	(600,000)
Ending balance	$ 4,857,810	$ 11,936,896	$ 16,794,706

4. Assets at Fair Value *(continued)*

Information regarding Level 2 and Level 3 assets at December 31, 2013 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge Fund (see "a" below)	$ 5,439,152	$ -	Quarterly	60 days
Investment Trust (see "b" below)	8,768,267	-	Monthly	15 days
Beneficial interest in perpetual trust	13,158,499	-	N/A	N/A
Total	$ 27,365,918	$ -		

a. This category includes investments in a Fund that invest predominantly in distressed companies, convertible debentures, private debt and securities of every nature. The fair values of investments in this category have been estimated using the net asset value per share of the investments. Investments in this category may be redeemed quarterly in whole or in part, subject to 60 day written notice.

b. This category includes investments in a trust that seeks to achieve growth in principal value over time sufficient to preserve or increase the purchasing power against inflation. In order to implement these objectives, the trust is primarily invested in numerous multi-strategy funds. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. This entire category of investments can be redeemed monthly with 15 days written notice prior to month end.

5. Loans Receivable

Loans Receivable from the Revolving Loan Fund

Loans receivable from the revolving loan fund consist of 70 and 72 unsecured loans at December 31, 2013 and 2012 to provide assistance to parishes for property improvements and maintenance. Payments are made monthly, and interest on the outstanding loans is calculated at 6% per annum.

The following is an analysis by class of the past due loans receivable loans at December 31, 2013:

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 days	Total Past Due	Current	Total Revolving Loan Receivable
Parishes loans	$ 11,430	$ 10,098	$ 164,065	$ 185,593	$ 1,386,741	$ 1,572,334
Allowance	-	-	-	-	-	(110,281)
Total	$ 11,430	$ 10,098	$ 164,065	$ 185,593	$ 1,386,741	$ 1,462,053

The allowance for uncollectible accounts is 7.5% and 9.7% of gross loans receivable at December 31, 2013 and 2012. Ultimate losses, however, may vary materially from current estimates at December 31, 2013. Management reviews these estimates on an ongoing basis, and as changes become necessary, adjusts the allowance accordingly.

5. Loans Receivable *(continued)*

Loans Receivable from the Revolving Loan Fund (continued)

The following reflects the activity in the allowance for uncollectible accounts for the year ended December 31:

	2013	2012
Balance, beginning of year	$ 160,281	$ 110,281
Additional allowance	-	50,000
Decrease in allowance	(50,000)	-
Balance, end of year	$ 110,281	$ 160,281

Scheduled collections on the outstanding loans (before any application of allowance for uncollectible accounts) are to be received as follows:

2014	$ 464,051
2015	253,607
2016	225,834
2017	204,860
2018	160,336
2019 and thereafter	263,646
	$ 1,572,334

Loans Receivable from Parishes and Others

At December 31, 2013 and 2012, the Diocese had unsecured loans due from parishes and others with balances of $883,407 and $1,150,702 at varying interest rates. The loans are collectible on demand. An allowance for uncollectible accounts amounted to $805,457 and $292,399 at December 31, 2013 and 2012.

6. Property and Equipment

As detailed below, the Diocese owns or controls various real estate assets, some of which have been donated or purchased and others which consist of certain congregations' church buildings and related property, the responsibility for which has been assumed by the Diocese. Donated assets are recorded at their fair values at the dates of donation. Assumed assets have not been assigned values. Donated properties other than land are being depreciated over their estimated useful lives of 20 years:

	2013	2012
324-326 West 108th Street, including land of $300,000	$ 1,500,000	$ 1,500,000
San Andres Church, Yonkers, including land of $62,000	519,500	519,500
St. James' Church, Fordham	450,052	450,052
Equipment	544,409	399,578
	3,013,961	2,869,130
Accumulated depreciation	(1,941,212)	(1,757,542)
	$ 1,072,749	$ 1,111,588

The following are assumed assets which have not been assigned values:

St. Andrew's Church, Beacon
St. Margaret's Church, the Bronx
Church of the Holy Name, Cragsmoor
St. Andrew's Church, New Paltz
Church of St. John the Divine, Tomkins Cove
St. John's Church and Camp, Haverstraw
St. Nicholas Church, New Hamburg
St. James' Church, Dover Plains
St. Andrew's Church, South Fallsburgh
St. Luke's Church Cemetery, Staten Island

7. Beneficial Interest in Perpetual Trusts

At December 31, the Diocese had a beneficial interest in the income of the following trusts, which are managed by the Diocesan Investment Trust of the Diocese of New York:

	2013	2012
Myron and Anabel Taylor Conference Fund	$ 3,236,148	$ 2,932,240
Episcopal Fund	2,644,844	2,396,466
St. Peter and St. Paul Foundation	2,049,308	1,862,621
St. Thomas 1994 Irrevocable Endowment Trust	1,724,112	1,567,030
St. James 1999 Irrevocable Endowment Trust	999,763	918,283
Morgan Diocesan Missions Fund	704,496	622,882
Bedell Fund	643,944	578,802
Diocesan House Fund	208,995	189,369
C. Lorillard Wolfe Fund	208,959	189,335
Burtis Trust	177,719	161,030
Arthur Land	114,152	103,432
Clerical Aid Trust	105,572	95,657
Chapel of the Redeemer	85,400	77,380
St. Andrews Lovell Memorial Fund	78,307	70,953
Church of St. Luke the Beloved Physician	57,294	51,914
Rectory Aid Trust	51,889	47,801
Walter Sterling Fund	32,369	29,329
Morgan Bush	17,904	16,222
The Graham Trust	11,302	20,014
Caroline Phelps Stokes Fund	6,022	6,136
	$ 13,158,499	$ 11,936,896

Income from three of the trusts is temporarily restricted, while income from the remaining trusts is unrestricted.

8. Property Improvement Reserve Fund

The property reserve fund is a program into which parishes may contribute funds for the replacement of church roofs. The contributions are matched by the Diocese.

9. Employee Benefit Plans

The clergy employed by the Diocese are covered by The Church Pension Fund, a multi-employer defined benefit plan. Pension expense under this plan for 2013 and 2012 was $497,922 and $657,012.

The Diocese also maintains a 403(b) thrift plan to provide retirement benefits for its lay employees. The Diocese contributes 11% of each eligible employee's salary, and matches employee contributions at the lesser of 100% of the employee's contribution or 2% of the employee's salary. Plan expense for 2013 and 2012 was $168,098 and $193,200.

10. Temporarily Restricted Net Assets

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

	2013	2012
Cemetery and burial	$ 186,129	$ 198,186
Aid to women, children and the aged	589,197	484,160
Clerical and seminarian support	964,838	811,909
Support of missions and churches	1,252,939	789,439
Outreach programs	1,650,940	788,195
Accumulated temporarily restricted income from permanent endowment	542,266	827,567
	$ 5,186,309	$ 3,899,456

Temporarily restricted net assets were released from donor restrictions by incurring expenses that satisfied the following restricted purposes:

	2013	2012
Cemetery and burial	$ 11,219	$ 10,594
Aid to women, children and the aged	22,821	17,088
Clergical and seminarian support	-	72,633
Support of missions and churches	28,600	4,357
Outreach programs	807,738	831,203
Time restriction met	285,301	503,664
	$ 1,155,679	$ 1,439,539

11. Permanently Restricted Net Assets

Permanently restricted net assets are to be held in perpetuity in accordance with donor intentions. Income from these net assets is to be used to support unrestricted and donor restricted purposes.

	2013	2012
Cemetery and burial	$ 55,669	$ 55,669
Support of missions and churches	136,948	136,948
Outreach programs	2,000,000	2,000,000
Beneficial interest in perpetual trusts - for unrestricted and donor restricted purposes	13,158,499	11,936,896
	$ 15,351,116	$ 14,129,513

12. Endowments

Interpretation of Relevant Law

The Board of Trustees of the Diocese has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result of this interpretation, the Board classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Investment Policy

The Diocese utilizes a total return investment approach with its asset allocation diversified over multiple asset classes. Target allocation percentages are established for various asset classes and are modified over time. Performance is measured against a composite benchmark of investment indices reflecting the target asset allocation.

Spend Rate Policy

The Diocese has an approved spending policy from the endowment to support operating and program expenses. The spending rate is calculated as a percentage of the average market value at the end of each of the prior three fiscal years. The Investment Committee has set the spending rate at 4.5% for 2013 and 2012.

12. Endowments *(continued)*

The following is a reconciliation of the investment activity in the endowment funds for 2013 and 2012:

	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Balance, December 31, 2011	$ 24,094,210	$ 1,621,065	$ 2,192,617	$ 27,907,892
2012 Activity				
Investment income	2,749,629	464,544	-	3,214,173
Appropriation for expenditure	(1,023,831)	(253,842)	-	(1,277,673)
Balance, December 31, 2012	$ 25,820,008	$ 1,831,767	$ 2,192,617	$ 29,844,392
2013 Activity				
Additions	106,831	-	-	106,831
Investment income	5,077,455	951,839	-	6,029,294
Appropriation for expenditure	(1,044,710)	(260,502)	-	(1,305,212)
Balance, December 31, 2013	$ 29,959,584	$ 2,523,104	$ 2,192,617	$ 34,675,305

13. Prior Period Adjustments

The accompanying financial statements for 2012 have been restated to adjust for investments that management determined should not have been recorded as part of the Diocese's investment portfolio. The net effect of the restatement on each financial statement category is as follows:

	Statement of Financial Position at December 31, 2012			Statement of Activities Year ended December 31, 2012	
	Investments	Unrestricted Net Assets	Total Net Assets	Non-operating investment return	Change in net assets
Reported amounts before restatement	$ 32,639,215	$ 33,754,516	$ 51,783,485	$ 2,285,547	$ 2,889,821
1) Restatement to remove the investments of St James - Fordham	(479,966)	(479,966)	(479,966)	-	-
2) Restatement to reverse the unrealized gain on investments for St. James - Fordham	-	-	-	(34,057)	(34,057)
Reported amounts, as restated	$ 32,159,249	$ 33,274,550	$ 51,303,519	$ 2,251,490	$ 2,855,764

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