



**THE PROTESTANT EPISCOPAL CHURCH
IN THE DIOCESE OF VIRGINIA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES**

*As of and for the Year Ended December 31, 2016
(with comparative totals for December 31, 2015)*

And Report of Independent Auditor

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

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Report of Independent Auditor

To the Executive Board
The Protestant Episcopal Church in the Diocese of Virginia
Richmond, Virginia

We have audited the accompanying financial statements of The Protestant Episcopal Church in the Diocese of Virginia, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities 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 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 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 Protestant Episcopal Church in the Diocese of Virginia as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Protestant Episcopal Church in the Diocese of Virginia's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedules on pages 20-27 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements as December 31, 2016 and 2015 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Cherry Bekart LLP

Richmond, Virginia
October 25, 2017

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

| | 2016 | | | | 2015 | |
|---|--------------------|----------------------|---------------------|----------------------|----------------------|----------------------|
| | Operating Funds | Designated Funds | Development Funds | Other Funds | Total | Total |
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents | \$ 3,389,720 | \$ - | \$ - | \$ - | \$ 3,389,720 | \$ 3,980,123 |
| Investments - STAMP | 732,729 | 32,209 | - | 293,095 | 1,058,033 | 1,038,516 |
| Accounts receivable: | | | | | | |
| Church pledges to the Diocese | 299,141 | - | - | - | 299,141 | 277,003 |
| Related organizations | 50,532 | - | - | - | 50,532 | 118,199 |
| Pledges receivable - current portion | - | - | 210,271 | - | 210,271 | 234,758 |
| Other | 6,316 | 77,975 | - | - | 84,291 | 87,824 |
| Prepaid expenses | 5,692 | 34,630 | - | - | 40,322 | 23,085 |
| Real estate held available for sale | - | 3,608,757 | - | - | 3,608,757 | 3,608,757 |
| Current portion of notes receivable | - | - | - | 4,575 | 4,575 | 40,790 |
| Total Current Assets | 4,484,130 | 3,753,571 | 210,271 | 297,670 | 8,745,642 | 9,409,055 |
| Investments - Trustees of the Funds | 757,715 | 875,828 | 117,267 | 19,184,998 | 20,935,808 | 20,245,252 |
| Pledges receivable - less current portion | - | - | 323,769 | - | 323,769 | 472,209 |
| Interfund amounts | (5,499,490) | 2,673,009 | 1,173,020 | 1,653,461 | - | - |
| Property and equipment - net | 194,100 | - | - | - | 194,100 | 194,832 |
| Other Assets: | | | | | | |
| Real estate | - | 55,370,998 | - | - | 55,370,998 | 54,663,798 |
| Notes receivable - less current portion | - | - | - | - | - | 8,329 |
| Beneficial interest in trusts | - | - | - | 216,682 | 216,682 | 2,330,381 |
| Total Other Assets | - | 55,370,998 | - | 216,682 | 55,587,680 | 57,002,508 |
| Assets Held as Agent: | | | | | | |
| Investments held for others | - | - | - | 659,537 | 659,537 | 626,693 |
| Less investment held for others | - | - | - | (659,537) | (659,537) | (626,693) |
| Total Other Assets | - | - | - | - | - | - |
| Total Assets | \$ (63,545) | \$ 62,673,406 | \$ 1,824,327 | \$ 21,352,811 | \$ 85,786,999 | \$ 87,323,856 |

The accompanying notes to the financial statements are an integral part of this statement.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
STATEMENT OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2016 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

| | 2016 | | | | 2015 | |
|---|----------------------------|-----------------------------|------------------------------|------------------------|----------------------|----------------------|
| | Operating Funds | Designated Funds | Development Funds | Other Funds | Total | Total |
| LIABILITIES | | | | | | |
| Current Liabilities: | | | | | | |
| Line of credit | \$ - | \$ 2,488,678 | \$ - | \$ - | \$ 2,488,678 | \$ 2,488,678 |
| Accounts payable and accrued liabilities: | | | | | | |
| Trade | 312,085 | - | 56,231 | - | 368,316 | 369,467 |
| Related organizations | - | 46,695 | - | - | 46,695 | 46,695 |
| Other | 38,728 | - | - | - | 38,728 | 66,215 |
| Prepaid rent | - | 15,500 | - | - | 15,500 | 15,500 |
| Current portion of notes payable | 1,685 | 98,077 | - | - | 99,762 | 149,157 |
| Total Current Liabilities | 352,498 | 2,648,950 | 56,231 | - | 3,057,679 | 3,135,712 |
| Long-Term Liabilities: | | | | | | |
| Deferred revenue | - | 68,660 | - | - | 68,660 | 35,289 |
| Notes payable - less current portion | - | 3,689,812 | - | - | 3,689,812 | 3,725,677 |
| Total Liabilities | 352,498 | 6,407,422 | 56,231 | - | 6,816,151 | 6,896,678 |
| NET ASSETS | | | | | | |
| Unrestricted: | | | | | | |
| Undesignated | (416,043) | - | - | 12,897,033 | 12,480,990 | 12,089,191 |
| Board designated | - | 55,000,706 | - | - | 55,000,706 | 54,880,615 |
| Total Unrestricted | (416,043) | 55,000,706 | - | 12,897,033 | 67,481,696 | 66,969,806 |
| Temporarily restricted | - | 1,194,727 | 1,064,510 | 6,064,511 | 8,323,748 | 8,219,018 |
| Permanently restricted | - | 70,551 | 703,586 | 2,391,267 | 3,165,404 | 5,238,354 |
| Total Net Assets (Deficit) | (416,043) | 56,265,984 | 1,768,096 | 21,352,811 | 78,970,848 | 80,427,178 |
| | \$ (63,545) | \$ 62,673,406 | \$ 1,824,327 | \$ 21,352,811 | \$ 85,786,999 | \$ 87,323,856 |

The accompanying notes to the financial statements are an integral part of this statement.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

| | 2016 | | | | 2015 |
|--|-----------------|------------------|-------------------|-------------|-------------|
| | Operating Funds | Designated Funds | Development Funds | Other Funds | Total |
| Operating Revenue: | | | | | |
| Camps and conferences | \$ - | \$ 472,143 | \$ - | \$ - | \$ 472,143 |
| Income from Virginia Episcopalian | 35,434 | - | - | - | 35,434 |
| Total Operating Revenue | 35,434 | 472,143 | - | - | 507,577 |
| Support and Other Revenue: | | | | | |
| Gain from sale from real estate | - | - | - | - | - |
| Gain from transfer of property | - | 707,200 | - | - | 707,200 |
| Pledges from churches | 4,228,475 | - | - | - | 4,228,475 |
| Individual pledges and gifts | 19,645 | - | - | - | 19,645 |
| Health insurance admin reimbursement | 102,919 | - | - | - | 102,919 |
| Investment income (loss) | 57,774 | 70,061 | 11,731 | 1,098,346 | 1,237,912 |
| Change in beneficial interest in trust | - | - | - | (42,400) | (42,400) |
| Retraction from Trustees in beneficial interest in trust | - | - | - | (2,071,299) | (2,071,299) |
| Other restricted income | 33,951 | 363,741 | 319,433 | 114,101 | 831,226 |
| Other | 350 | 202,122 | 183 | 54,816 | 257,471 |
| | 4,443,114 | 1,343,124 | 331,347 | (846,436) | 5,271,149 |
| Net assets released from restrictions | 730,798 | - | (409,172) | (321,626) | - |
| Total Support and Other Revenue | 5,173,912 | 1,343,124 | (77,825) | (1,168,062) | 5,271,149 |
| Total Revenue and Support | 5,209,346 | 1,815,267 | (77,825) | (1,168,062) | 5,778,726 |
| Expenses and Other Deductions: | | | | | |
| Support of our greater Church community | 767,275 | - | - | - | 767,275 |
| Ministry areas in the Diocese: | | | | | |
| Christian Formation | 271,013 | - | - | - | 271,013 |
| Strengthening our Churches | 791,064 | - | - | - | 791,064 |
| Mission and outreach | 74,898 | - | - | - | 74,898 |
| Ministry | 74,766 | - | - | - | 74,766 |
| Human Dignity and Justice | 10,007 | - | - | - | 10,007 |
| Governance and commission support | 15,017 | - | - | - | 15,017 |
| Communications and technology across the Diocese | 85,169 | - | - | - | 85,169 |

The accompanying notes to the financial statements are an integral part of this statement.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2016 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

| | 2016 | | | | 2015 | |
|---|------------------|------------------|-------------------|------------------|------------------|------------------|
| | Operating Funds | Designated Funds | Development Funds | Other Funds | Total | Total |
| Bishops, staff and support | \$ 2,785,900 | \$ - | \$ - | \$ - | \$ 2,785,900 | \$ 2,829,933 |
| Camps and conferences | - | 622,118 | - | - | 622,118 | 630,456 |
| Other operating expenses | - | 330,771 | - | - | 330,771 | 635,204 |
| Aid to individuals and organizations | - | 272,862 | - | - | 272,862 | 292,038 |
| Support services for mission and ministry | - | 201,256 | - | - | 201,256 | 641,941 |
| Contribution expense | 260,549 | - | - | - | 260,549 | 778,495 |
| Other designated and restricted fund expenditures | 470,249 | 202,142 | - | - | 672,391 | 774,950 |
| Total Expenses and Other Deductions | 5,605,907 | 1,629,149 | - | - | 7,235,056 | 8,639,273 |
| Excess (deficiency) of revenue and support over expenses and other deductions | (396,561) | 186,118 | (77,825) | (1,168,062) | (1,456,330) | (862,053) |
| Transfer of Funds: | | | | | | |
| Other | 379,041 | 68,103 | 51,355 | (498,499) | - | - |
| Total Transfers of Funds | 379,041 | 68,103 | 51,355 | (498,499) | - | - |
| Change in Net Assets: | | | | | | |
| Unrestricted | (17,520) | 120,090 | - | 409,320 | 511,890 | (450,590) |
| Temporarily restricted | - | 134,131 | (63,643) | 34,242 | 104,730 | (202,264) |
| Permanently restricted | - | - | 37,173 | (2,110,123) | (2,072,950) | (209,199) |
| | (17,520) | 254,221 | (26,470) | (1,666,561) | (1,456,330) | (862,053) |
| Net assets (deficit) - beginning of year | (398,523) | 56,011,763 | 1,794,566 | 23,019,372 | 80,427,178 | 81,289,231 |
| Net assets (deficit) - end of year | \$ (416,043) | \$ 56,265,984 | \$ 1,768,096 | \$ 21,352,811 | \$ 78,970,848 | \$ 80,427,178 |

The accompanying notes to the financial statements are an integral part of this statement.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| | <u>All Funds</u> | |
| Cash flows from operating activities: | | |
| Change in net assets | \$ (1,456,330) | \$ (862,053) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Depreciation | 40,070 | 46,388 |
| Gain on sale of real estate | - | (1,636,221) |
| Gain on transfer of real estate property | (707,200) | - |
| Unrealized loss (gain) on investments - net | (407,132) | 1,362,361 |
| Retraction from Trustees in beneficial interest in trust | 2,071,299 | - |
| Decrease in beneficial interest in trusts | 42,400 | 174,770 |
| Change in: | | |
| Accounts receivable | 221,989 | (278,517) |
| Prepaid expenses | (17,237) | 7,545 |
| Accounts payable and accrued liabilities | (28,638) | 45,647 |
| Deferred revenue | 33,371 | (85,733) |
| Net cash used in operating activities | <u>(207,408)</u> | <u>(1,225,813)</u> |
| Cash flows from investing activities: | | |
| Payments received on notes receivable | 44,544 | 54,462 |
| Purchase of investments | (320,441) | (426,410) |
| Proceeds from sale of investments | 17,500 | 221,356 |
| Proceeds from sale of real estate | - | 4,054,821 |
| Purchase of property and equipment | (39,338) | (38,795) |
| Net cash provided by (used in) investing activities | <u>(297,735)</u> | <u>3,865,434</u> |
| Cash flows from financing activities: | | |
| Payments on line of credit | - | (5,644) |
| Principal payments on notes payable | (85,260) | (88,058) |
| Net cash used in financing activities | <u>(85,260)</u> | <u>(93,702)</u> |
| Net change in cash and cash equivalents | (590,403) | 2,545,919 |
| Cash and cash equivalents - beginning of year | 3,980,123 | 1,434,204 |
| Cash and cash equivalents - end of year | <u>\$ 3,389,720</u> | <u>\$ 3,980,123</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | <u>\$ 157,873</u> | <u>\$ 148,161</u> |

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Note 1—Organization and nature of activities

The Protestant Episcopal Church in the Diocese of Virginia (“Diocese”) is a community of members and clergy in counties throughout central, northern, and northwestern Virginia. Established in 1785, the Diocese serves the world through its congregations, schools, diocesan centers, and diocesan homes.

Note 2—Summary of significant accounting policies

Reporting Entity and Related Organizations - These statements present the financial position, changes in net assets, and cash flows for funds under control of the Annual Council of the Diocese. The statements do not present such information on individual church, parish, or regional organizations or separately organized and controlled entities in the Diocese, such as Trustees of the Funds of the Protestant Episcopal Church in the Diocese of Virginia, Inc. (“Trustees of the Funds”), Memorial Trustees under the will of Annie Rose Walker and Roslyn Managers Corporation (“Memorial Trustees”), Diocesan Missionary Society of Virginia (“DMS”), Church Schools of the Diocese of Virginia (“CSDV”), The Episcopal Church Women, Virginia Diocesan Homes, and Shrine Mont, Inc. (“Shrine Mont”).

Basis of Presentation - The Diocese is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The financial statements report amounts separately by class of assets as follows:

Unrestricted - Amounts are those currently available at the discretion of the Annual Council of the Diocese for use in operations and those resources invested in property or equipment.

Temporarily Restricted - Amounts are those which are stipulated by donors for specific purposes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted - Amounts are restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

Fund Accounting - In order to ensure observance of limitations and restrictions placed on the use of resources available to the Diocese, its accounts are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Operating Funds - Operating funds include the unrestricted funds available for operations controlled by the annual Diocesan budget.

Designated Funds - Designated funds include the unrestricted funds which have been designated by the Annual Council of the Diocese for specific purposes and amounts received from donors which are classified as either temporarily restricted or permanently restricted according to donor intent.

Development Funds - Development funds include amounts raised for the Fifth Century Fund Campaign, Mustard Seed campaigns, and Shrine Mont Shout It! Campaign and are temporarily or permanently restricted based on the donor’s intent.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Note 2—Summary of significant accounting policies (continued)

Other Funds - Other funds include amounts received from donors that are either undesignated or designated as temporarily restricted or permanently restricted to primarily support capital needs, Bishop discretionary funds, and various parish and mission needs of the Diocese. Net assets are released from restrictions by incurring expenses satisfying the purpose restriction specified by the donor. Undesignated amounts also include unrestricted earnings that are available to the Annual Council of the Diocese.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents - For purposes of reporting cash flows, the Diocese considers demand deposits and investments with a purchased maturity of less than three months to be cash and cash equivalents.

Property and Equipment - Property and equipment are stated at cost. Major additions are capitalized. Repairs and renewals are expensed. Depreciation is computed using the straight-line method over a useful life of between five and seven years.

Income Tax Status - The Diocese is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Diocese has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2016.

Concentration of Credit Risk - Financial instruments which potentially subject the Diocese to concentrations of credit risk consist principally of temporary cash investments and trade receivables. The Diocese places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation provides insurance coverage for up to \$250,000 for substantially all depository accounts. The Diocese, from time to time may have amounts on deposit in excess of the insured limits; however, the Diocese has not experienced any losses in such amounts. As of December 31, 2016 the Diocese had \$2,528,727 in deposits that exceeded these insured limits.

Real Estate - The Diocese holds real estate, recorded at cost, as a part of mission development projects in various regions. The intent is to transfer the properties to the particular parishes when they are authorized to appoint their own Trustees. The real estate acquired through the property litigation has been recorded at the property's fair value at the time of acquisition. It will be carried at the acquisition date fair value until such time as it is either disposed of or the value is deemed to be permanently impaired.

Property titled to Trustees of individual congregations is not recorded by the Diocese. Under the Canon law of the Episcopal Church, this property is held in trust, in the names of the individual churches, for the benefit of the Episcopal Church and the Diocese.

Investments - Investments are recorded at their net asset value ("NAV"), or its equivalent. Investment income is recorded when interest is earned and dividends are declared. Gain or loss on investment sales is recorded on the trade-date based upon specific identification. Unrealized gains and losses on investments are recorded based on the change between cost basis and NAV of investments at year-end compared to the change in the prior year.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Note 3—Investments

Investments are reported at fair value. Investments consist of the following at December 31, 2016:

| | <u>Fair Value</u> | <u>Cost</u> |
|-------------------------------------|----------------------|----------------------|
| Investments - STAMP | \$ 1,058,033 | \$ 1,073,539 |
| Investments - Trustees of the Funds | 20,935,808 | 10,819,425 |
| | <u>\$ 21,993,841</u> | <u>\$ 11,892,964</u> |

The Diocese also has amounts invested with Trustees of the Funds of the Episcopal Diocese of Virginia (“TOTF”) through a unitized investment pool for Diocesan organizations and parishes within the Diocese of Virginia. The funds are held as part of a diversified managed endowment model portfolio. Investment earnings net of fees are allocated to the participants based on units.

Investment income included the following for December 31, 2016:

| | |
|---------------------------------------|---------------------|
| Diocesan Missionary Society | \$ 7,250 |
| STAMP income | 13,701 |
| STAMP unrealized gain | 5,815 |
| Trustees of the Funds income | 809,740 |
| Trustees of the Funds unrealized gain | 401,317 |
| Interest on notes receivable | 89 |
| | <u>\$ 1,237,912</u> |

Note 4—Investments carried at Net Asset Value or its equivalent

All amounts held by TOTF are held in two accounts (STAMP and TOTF) with no restrictive redemption provisions and no unfunded commitment requirements. TOTF is managed with the overall investment objective of preserving a steady and consistent spending stream for the support of fund participants. The asset structure reflects TOTF's needs for liquidity, preservation, purchasing power, long-term growth of principal, and risk tolerance of the TOTF. TOTF investments are comprised of three parts: a bond fund, an equity fund, and a short-term fund. Each one has specific objectives and policy guidelines.

The table below sets forth a summary of investments that are valued using Net Asset Value (“NAV”) at December 31, 2016. This category includes the following type of investment:

| | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Lock-in Period</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
|--------------------------------------|-------------------|-----------------------------|-----------------------|-----------------------------|---------------------------------|
| Trustees of the Funds ^(a) | \$ 20,935,808 | n/a | n/a | Daily | None |
| STAMP ^(b) | \$ 1,058,033 | n/a | n/a | Daily | None |

(a) This class includes investments in private real estate, publicly-traded real estate, publicly-traded energy-related equities, commodities, inflation-indexed bonds, U.S. Treasury and government agency bonds, non-U.S. dollar denominated bonds, public and private corporate debt, mortgages and asset-backed securities, and non-investment grade debt.

(b) This class includes investments in shorter-term, investment grade bonds, U.S. Treasury and government agency bonds, pooled consumer bonds, mortgages and asset-backed securities.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Note 5—Notes receivable

Notes receivable consisted of the following at December 31, 2016:

Other installment loans

Due \$594 per month, including interest at 7.00%,
 uncollateralized, final payment due April 2016.

\$ 4,575

Note 6—Pledges receivable

During 2013, the Diocese in coordination with Shrine Mont, Inc. launched a fundraising campaign to raise funds for the facilities used by the Shrine Mont Camp Program and for scholarships for young people to attend the Shrine Mont Camps Program. The Diocese has pledges receivable at December 31, 2016, as follows:

| | |
|----------------------|-------------------|
| Pledges receivable | \$ 534,040 |
| Less current portion | (210,271) |
| | <u>\$ 323,769</u> |

Gross amounts to be collected in:

| | |
|--------------------|----------------|
| Less than one year | \$ 210,271 |
| One to five years | 350,189 |
| | <u>560,460</u> |

Less:

| | |
|-------------|-----------------|
| 4% discount | <u>(26,420)</u> |
|-------------|-----------------|

| | |
|------------|-------------------|
| Fair value | <u>\$ 534,040</u> |
|------------|-------------------|

The Diocese has elected to record all pledges at fair value. The process utilizes the income approach with discounted cash flows, providing a single discounted value for all pledges.

The fair value adjustment for 2016 was \$26,420 and is included in gift income in the statement of activities. No changes in the fair value measurement were attributable to instrument specific risk.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Note 7—Property and equipment

Major classes of property and equipment consisted of the following at December 31, 2016:

| | | |
|-------------------------------|----|----------------|
| Equipment | \$ | 302,508 |
| Vehicles | | 163,061 |
| | | <u>465,569</u> |
| Less accumulated depreciation | | (271,469) |
| | \$ | <u>194,100</u> |

Note 8—Beneficial interest in trusts

The Diocese is an income beneficiary of a perpetual trust. This trust makes distributions to the Diocese based on the Diocese's percentage interest as stated in the trust documents. During the year, the Trustees of the Funds reversed a prior Board's decision that granted the entire allocation to the Diocese, which resulted in a retraction in the beneficial interest in trusts in the amount of \$2,071,299 on the statement of activities. The fair value of the interest in the trusts is \$216,682 at December 31, 2016, which has been recorded as an asset and is adjusted each year to reflect the change in value. The Diocese has also been named as a beneficiary in a charitable lead trust. No financial information is currently available to value this interest. Annual receipts on this trust are included in gift income.

Note 9—Related-party transactions

The Diocese provides administrative and accounting services to several related organizations. Trustees of the Funds ("TOTF") and Diocesan Missionary Society ("DMS") reimburse the Diocese for a portion of the salary and benefits of the accounting staff under a "common paymaster" arrangement. Under this arrangement, any person employed by several related organizations is compensated by one organization, which is reimbursed by the other organizations. During 2016, salary costs incurred and subsequently reimbursed were \$285,892 and \$26,397 for Trustees of the Funds and Diocesan Missionary Society, respectively. As of December 31, 2016, the Diocese also had related-party receivables with the TOTF, DMS, and Memorial Trustees in the amount of \$21,374, \$26,461, and \$2,697, respectively.

Trustees of the Funds, a nonstock, nonprofit corporation, was established in 1892 to receive, hold, and invest gifts and bequests of real and personal property for the Diocese, including the Mayo Memorial House, which is used as the general offices of the Diocese. The Diocese receives free use of the Mayo Memorial House. The value of this non-exchange transaction is not reflected in the financial statements.

The Diocese runs camps and conferences as a part of their summer programs. These activities are held at Shrine Mont, which is a separate Diocesan retreat facility. During 2016, the Diocese paid \$388,137 for room and board to Shrine Mont as a part of these programs.

In 2016, the Diocese paid \$260,549 of construction costs on Shrine Mont's behalf for renovation of the camps' facilities.

The Diocesan Missionary Society provides loans to organizations within the Diocese that are in financial need. Five loans to the Diocese are outstanding as of December 31, 2016, with a balance of \$3,789,574.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Note 10—Pension plan

The Diocese has a defined contribution pension plan for all lay employees working at least 20 hours per week in accordance with the requirements of the Canons of the Episcopal Church. Plan contribution expense for 2016 was \$147,882. In addition, clergy employees of the Diocese participate in the defined benefit pension plan of the Church Pension Fund in accordance with the Canons of the Episcopal Church. Pension plan expense on behalf of clergy employees of the Diocese in 2016 was \$139,694.

Note 11—Notes payable and line of credit

Notes payable consisted of the following as of December 31, 2016:

| | |
|--|---------------------|
| Note payable to DMS - collateralized by real property, due in monthly installments of \$1,429, including interest at 5.50%, with the remaining principal due in full August 2028, assuming all future 5-year extensions are granted. | \$ 143,970 |
| Note payable to DMS - collateralized by real property, due in monthly installments of \$3,536, including interest at 6.5%, with the remaining principal due in full October 2022, assuming all future 5-year extensions are granted. | 209,631 |
| Note payable to DMS - collateralized by real property, due in quarterly installments of interest only at 2.80%, with remaining principal due in full April 2019, assuming all future 5-year extensions are granted. | 1,550,536 |
| Note payable to DMS - collateralized by real property, due in monthly installments of \$568, including interest at 6.50%, with the remaining principal due in full October 2017, assuming all future 5-year extensions are granted. | 2,240 |
| Note payable to DMS - collateralized by real property, due in monthly installments of \$11,117, including interest at 4.5%, with remaining principal due in full May 2039. | 1,883,197 |
| | <u>3,789,574</u> |
| Less current portion | <u>(99,762)</u> |
| | <u>\$ 3,689,812</u> |

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Note 11—Notes payable and line of credit (continued)

Estimated future principal payments on notes payable for years ending December 31 follow:

| | | |
|------------|----|------------------|
| 2017 | \$ | 99,762 |
| 2018 | | 95,360 |
| 2019 | | 1,651,068 |
| 2020 | | 105,994 |
| 2021 | | 111,761 |
| Thereafter | | 1,725,629 |
| | \$ | <u>3,789,574</u> |

The Diocese has a \$2,500,000 line of credit available from SunTrust Bank to fund cash requirements through October 31, 2017. As of December 31, 2016, the Diocese had an outstanding balance on this line of \$2,488,678. The line of credit carries an interest rate of the British Bankers Association London Interbank Offered Rate ("LIBOR") plus 1.15% (1.767% at December 31, 2016). Repayment of the line of credit is due in full upon the sale of real estate located in Prince William County, Virginia or at October 31, 2017, whichever occurs first. Advances are limited to 80% of the unrestricted market securities held in Trustees of the Funds. The line is collateralized by the pledge of the unrestricted market securities at the Trustees of the Funds and the real estate located in Prince William County.

Note 12—Lease commitments

The Diocese has noncancelable operating lease agreements for copiers and equipment. The copier leases require payment of an excess copy charge in addition to the monthly lease payment.

Minimum lease commitments for future years ending December 31, 2016 are as follows:

| | | |
|------|----|---------------|
| 2017 | \$ | 19,992 |
| 2018 | | 19,992 |
| 2019 | | 19,992 |
| 2020 | | 17,682 |
| 2021 | | 14,091 |
| | \$ | <u>91,749</u> |

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Note 12—Lease commitments (continued)

The Diocese leases real estate property owned to tenants under noncancelable, operating leases with the terms of five to fifteen years. The following is a schedule by years of future minimum rentals under the leases at December 31, 2016:

| | | |
|------------|----|------------------|
| 2017 | \$ | 201,529 |
| 2018 | | 224,575 |
| 2019 | | 227,712 |
| 2020 | | 193,230 |
| 2021 | | 120,000 |
| Thereafter | | <u>1,240,000</u> |
| | \$ | <u>2,207,046</u> |

Note 13—Commitments and contingencies

The Diocese has guaranteed a \$6,000,000 twenty-year tax-exempt bond issuance by Memorial Trustees. The bonds were originally issued in September 2001 and subsequently re-issued in 2012 at \$4,025,000. The outstanding balance on the bonds at December 31, 2016 was \$3,371,170. No liability has been accrued with respect to either guarantee.

The Diocese has outstanding commitments at year-end of approximately \$277,023 with respect to the Annual Council conventions for 2017 through 2018. This convention typically takes place in the last week of January each year.

The Diocese entered into an assignment of contract during 2006 with DMS to purchase 13.6 acres in Hanover County, Virginia. Under the terms of the contract, DMS assumed the Diocese purchase commitment and the Diocese agreed to purchase the property from DMS within five years of the settlement date of June 9, 2006. After another extension in May of 2016, the agreement calls for settlement by September 30, 2018. The Diocese agreed to purchase the property from DMS for the original purchase price plus any expenses DMS incurs related to acquiring, investing, and developing the property. At December 31, 2016, this amounted to \$1,288,404.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Note 14—Restricted net assets

The Diocese had restrictions on net assets as follows at December 31, 2016:

| | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> |
|---|-----------------------------------|-----------------------------------|
| Development funds | \$ 1,064,510 | \$ 703,586 |
| Diocesan programs | 2,608,385 | - |
| Bishop's programs | 4,650,853 | 2,245,136 |
| Beneficial interest in perpetual trusts | - | 216,682 |
| | <u>\$ 8,323,748</u> | <u>\$ 3,165,404</u> |

Note 15—Functional expenses

Expenses of the Diocese are reported in the statement of activities according to the budget classifications. A breakdown of expenses by function for the year ended December 31, 2016 is as follows:

| | <u>Operating Funds</u> | <u>Designated Funds</u> | <u>Development Funds</u> | <u>Other Funds</u> |
|----------------------------|----------------------------|-----------------------------|------------------------------|------------------------|
| Program | \$ 3,441,971 | \$ 1,629,149 | \$ - | \$ - |
| Administrative and general | 2,057,072 | - | - | - |
| Fundraising | 106,864 | - | - | - |
| | <u>\$ 5,605,907</u> | <u>\$ 1,629,149</u> | <u>\$ -</u> | <u>\$ -</u> |

Note 16—Fair value measurements

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Diocese has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Note 16—Fair value measurements (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during 2016.

Beneficial Interest in Trusts: Valued using the fair value of the underlying assets of the trust as an estimate for the present value of the expected future cash flows.

Pledges Receivable: Pledges receivable are reported at a net realizable value if at the time the promise is made payment is expected to be received in one year or less. Pledges receivable that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods. Fair value is calculated as the present value of the expected future pledges to be received using a discount rate.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Diocese believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Diocese's assets at fair value as of December 31, 2016:

| Assets at Fair Value as of December 31, 2016 | | | | |
|---|----------------|----------------|-------------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Beneficial interest in trusts | \$ - | \$ - | \$ 216,682 | \$ 216,682 |
| Pledges receivable | - | - | 534,040 | 534,040 |
| Total assets measured at NAV | - | - | - | 21,993,841 |
| Total assets at fair value | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 750,722</u> | <u>\$ 22,744,563</u> |

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Note 16—Fair value measurements (continued)

Level 3 Gains and Losses - The table below sets forth a summary of changes in the fair value of the Diocese's Level 3 investment assets for 2016.

| | Beneficial Interest in Trusts | Pledges Receivable |
|---|--|-------------------------------|
| Balance – beginning of year | <u>\$ 2,330,381</u> | <u>\$ 706,967</u> |
| New pledges | - | 104,612 |
| Pledge payments received | - | (239,453) |
| Retraction from Trustees in beneficial interest in trust | (2,071,299) | - |
| Change in fair value | <u>(42,400)</u> | <u>(38,086)</u> |
| Net decrease | <u>(2,113,699)</u> | <u>(172,927)</u> |
| Balance – end of year | <u><u>\$ 216,682</u></u> | <u><u>\$ 534,040</u></u> |

Note 17—Endowment funds

The Diocese's endowment consists of twenty-eight individual funds held in the Other Funds group and one individual fund held in the Designated Funds group. These funds are all donor-restricted endowment funds and were established for a variety of purposes. As required by generally accepted accounting principles ("GAAP"), net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The management of donor-restricted endowment funds is governed by state law under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as adopted by the Virginia state legislature in 2008. The law gives guidance for investment and spending practices, giving consideration for donor intent and the organization's overall resources and charitable purpose. Based on its interpretation of law and in compliance with donor intent, the Diocese classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The portion of the donor-restricted endowment that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

The Diocese appropriates amounts for expenditure based upon accumulated earnings in the funds and the needs of the organization. The primary objective is long-term capital appreciation and total return. The Diocese utilizes diversified investment classes that provide the opportunity to achieve the return objectives without exposing the funds to unnecessary risk.

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

Note 17—Endowment funds (continued)

A summary of the activity in endowment funds for the year ended December 31, 2016 is as follows:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets-- beginning of year | \$ (18,853) | \$ 3,527,804 | \$ 2,253,882 | \$ 5,762,833 |
| Investment return: | | | | |
| Investment income | 13,086 | 73,765 | 2,086 | 88,937 |
| Net realized and unrealized losses | (9,155) | 123,509 | 742 | 115,096 |
| Appropriation for expenditure | - | (13,000) | - | (13,000) |
| Endowment net assets-- end of year | <u>\$ (14,922)</u> | <u>\$ 3,712,078</u> | <u>\$ 2,256,710</u> | <u>\$ 5,953,866</u> |

All of the above temporarily restricted net assets are from purpose-restricted endowment. Amounts shown as unrestricted at year-end represent funds where the fair value of assets has fallen below the level required to be held as permanently restricted. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions.

Note 18—Comparative totals

The summarized amounts shown for 2015 in the accompanying financial statements are included to provide a basis for comparison with 2016 and are not intended to present all information necessary for a fair presentation of the summarized 2015 statements in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Diocese's financial statements for 2015, from which the summarized information was derived.

Note 19—Subsequent events

In preparing these financial statements, the Diocese has evaluated events and transactions for potential recognition or disclosure through October 25, 2017, the date the financial statements were available to be issued.

The Diocese has entered into a contract, in 2017, to sell the Lee Highway in Prince William County property for approximately \$3,000,000. This could result in a gain on sale of property of approximately \$2,700,000 in 2017.

The Diocese has extended the contract to sell the Centreville Road property in Fairfax County, which is now expected to be sold in 2017 for approximately \$2,700,000. This could result in a gain on sale of property of approximately \$1,700,000 in 2017.

The Diocese has sold the Ridgefield Parkway property in Richmond for approximately \$1.2 million, which resulted in a loss on sale of property of approximately \$470,000 in 2017.

SUPPLEMENTAL SCHEDULES

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
SCHEDULE OF OPERATING FUNDS, BUDGETARY COMPARISON
OF SUPPORT AND REVENUES AND EXPENSES

YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | | 2015 | Budget Variance | |
|--|------------------|------------------|------------------|-----------------------------------|--------------|
| | Budget | Actual | Actual | Favorable (Unfavorable) Amount | Percent |
| Support and Revenue: | | | | | |
| Pledges from churches | \$ 4,427,625 | \$ 4,228,475 | \$ 4,244,810 | \$ (199,150) | -4.50% |
| Other gifts, grants and pledges | 103,500 | 53,596 | 138,898 | (49,904) | -48.22% |
| Investment income (loss) | 26,000 | 57,774 | (13,164) | 31,774 | 100.00% |
| Income from Virginia Episcopalian | 50,000 | 35,434 | 32,907 | (14,566) | -29.13% |
| Health insurance administration | 90,000 | 102,919 | 106,386 | 12,919 | 14.35% |
| Miscellaneous income | - | 350 | 64,179 | 350 | 0.00% |
| | 4,697,125 | 4,478,548 | 4,574,016 | (218,577) | -4.65% |
| Net assets released from restrictions | 442,200 | 730,798 | 982,844 | 288,598 | 65.26% |
| Total Support and Revenue | 5,139,325 | 5,209,346 | 5,556,860 | 70,021 | 1.36% |
| Expenses: | | | | | |
| Ministry areas: | | | | | |
| General Church Support | 765,317 | 767,275 | 852,895 | (1,958) | -0.26% |
| Christian Formation: | | | | | |
| Committee on Christian Formation | 231,308 | 200,076 | 204,959 | 31,232 | 13.50% |
| Youth ministry development | 12,000 | 11,437 | 6,697 | 563 | 4.69% |
| Clergy and diocesan conferences | 13,490 | 56,457 | 22,156 | (42,967) | -318.51% |
| Education for ministry program | 2,500 | 3,043 | 2,520 | (543) | -21.72% |
| | 259,298 | 271,013 | 236,332 | (11,715) | -4.52% |
| Strengthening Our Churches: | | | | | |
| Aid to mission churches | 624,500 | 577,395 | 592,355 | 47,105 | 7.54% |
| Aid to mountain missions | 87,458 | 77,938 | 83,649 | 9,520 | 10.89% |
| Special ministries and other committees | 58,500 | 77,260 | (3,192) | (18,760) | -32.07% |
| Other areas for strengthening our churches | 56,900 | 58,471 | 46,664 | (1,571) | -2.76% |
| | 827,358 | 791,064 | 719,476 | 36,294 | 4.39% |
| Mission and Outreach: | | | | | |
| Committee on Mission and Outreach | 27,700 | 21,648 | 14,951 | 6,052 | 21.85% |
| Other mission and outreach areas | 63,250 | 53,250 | 53,250 | 10,000 | 15.81% |
| | 90,950 | 74,898 | 68,201 | 16,052 | 17.65% |
| Ministry: | | | | | |
| Commission on Ministry | 126,618 | 74,766 | 83,153 | 51,852 | 40.95% |
| Human Dignity and Justice: | | | | | |
| Areas for Human Need and Justice | 17,170 | 10,007 | 10,904 | 7,163 | 41.72% |
| Total ministry areas | 2,086,711 | 1,989,023 | 1,970,961 | 97,688 | 4.68% |

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
SCHEDULE OF OPERATING FUNDS, BUDGETARY COMPARISON
OF SUPPORT AND REVENUES AND EXPENSES (CONTINUED)

YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | | 2015 | Budget Variance | |
|---|------------------|------------------|------------------|-----------------------------------|----------------|
| | Budget | Actual | Actual | Favorable (Unfavorable) Amount | Percent |
| Expenses (continued) | | | | | |
| Governance & Committee Support: | | | | | |
| Standing Committee | \$ 3,000 | \$ 1,573 | \$ 817 | \$ 1,427 | 47.57% |
| Executive Board, Deans and Presidents | 3,700 | 1,419 | 2,904 | 2,281 | 61.65% |
| Other committee support | 32,025 | 12,025 | 11,786 | 20,000 | 62.45% |
| | <u>38,725</u> | <u>15,017</u> | <u>15,507</u> | <u>23,708</u> | <u>61.22%</u> |
| Communications & Technology: | | | | | |
| Virginia Episcopalian and eCommunique | 64,000 | 45,730 | 46,797 | 18,270 | 28.55% |
| Other communications expenses | 28,500 | 39,439 | 22,991 | (10,939) | -38.38% |
| | <u>92,500</u> | <u>85,169</u> | <u>69,788</u> | <u>7,331</u> | <u>7.93%</u> |
| Bishops, Staff and Support: | | | | | |
| The Episcopate: | | | | | |
| Bishops | 493,666 | 487,878 | 490,144 | 5,788 | 1.17% |
| Episcopal office staff | 526,890 | 476,089 | 462,126 | 50,801 | 9.64% |
| Other expenses of the Office of the Bishop | 5,500 | 3,065 | 5,032 | 2,435 | 44.27% |
| Bishops and Episcopal office travel | 88,350 | 20,475 | 36,921 | 67,875 | 76.83% |
| | <u>1,114,406</u> | <u>987,507</u> | <u>994,223</u> | <u>126,899</u> | <u>11.39%</u> |
| Staff: | | | | | |
| Professional staff | 1,316,918 | 924,792 | 1,307,537 | 392,126 | 29.78% |
| Staff travel | 32,216 | 133,139 | 113,593 | (100,923) | -313.27% |
| Other staff expenses | 12,450 | 361,354 | 42,989 | (348,904) | -2802.44% |
| | <u>1,361,584</u> | <u>1,419,285</u> | <u>1,464,119</u> | <u>(57,701)</u> | <u>-4.24%</u> |
| Support: | | | | | |
| Automobile expenses | 48,000 | 16,646 | 71,938 | 31,354 | 65.32% |
| Office supplies, equipment and services | 117,300 | 121,778 | 112,557 | (4,478) | -3.82% |
| Building related expenses | 103,400 | 160,046 | 40,641 | (56,646) | -54.78% |
| Professional fees | 50,000 | 71,657 | 112,021 | (21,657) | -43.31% |
| Other expenses | 2,900 | 8,981 | 34,434 | (6,081) | -209.69% |
| | <u>321,600</u> | <u>379,108</u> | <u>371,591</u> | <u>(57,508)</u> | <u>-17.88%</u> |
| Total Bishop's staff and support | <u>2,797,590</u> | <u>2,785,900</u> | <u>2,829,933</u> | <u>11,690</u> | <u>0.42%</u> |
| Expended assets released from restrictions: | | | | | |
| Aid to individuals and organizations | - | 730,798 | 982,844 | - | - |
| Total expenses | <u>5,015,526</u> | <u>5,605,907</u> | <u>5,869,033</u> | <u>(590,381)</u> | <u>-11.77%</u> |

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
SCHEDULE OF OPERATING FUNDS, BUDGETARY COMPARISON
OF SUPPORT AND REVENUES AND EXPENSES (CONTINUED)

YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | | 2015 | Budget Variance Favorable (Unfavorable) | |
|---|------------------|--------------------|--------------------|--|------------------|
| | Budget | Actual | Actual | Amount | Percent |
| Excess (deficiency) of support and revenue over expenses | \$ 123,799 | \$ (396,561) | \$ (312,173) | \$ (520,360) | -420.33% |
| Transfer of funds: | | | | | |
| Reserve accounts | - | 51,664 | (29,920) | 51,664 | 100.00% |
| Shrine Mont camp program support | (122,500) | (122,500) | (122,500) | - | 0.00% |
| Other | - | 449,877 | 401,711 | 449,877 | 100.00% |
| | <u>(122,500)</u> | <u>379,041</u> | <u>249,291</u> | <u>501,541</u> | <u>-409.42%</u> |
| Total changes in net assets after transfers | <u>\$ 1,299</u> | <u>\$ (17,520)</u> | <u>\$ (62,882)</u> | <u>\$ (18,819)</u> | <u>-1448.73%</u> |

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
SCHEDULE OF DESIGNATED FUNDS

DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|---|-------------------|-------------------|
| Aheron Scholarship | \$ (2,486) | \$ 14 |
| Annual Council Fund | (100,365) | (49,878) |
| Atlee Mission Fund | (305,682) | (304,172) |
| Auto Reserve | (44,250) | (21,191) |
| Biggar/Power Fund | 600 | 600 |
| Bishop Johnston Vestments | 46,000 | - |
| Bishops & Staff Reserve | 500 | 500 |
| Bishop's Designated for Tanzania | 53,725 | 56,125 |
| Bishop's DMS Grant | (2) | (2) |
| Box Hill Income Fund | 94,732 | 94,732 |
| Building Repairs Reserve | (53,551) | (19,456) |
| Commission on Ministry Reserve | 34,849 | 34,849 |
| Committee on Aging | 6,234 | 6,234 |
| Committee on Race Relations | 3,000 | 3,000 |
| Communications Reserve | 25,191 | 25,191 |
| Congo | 11,018 | 6,494 |
| Congregational Development & Revitalization | 23,697 | 23,697 |
| Council Scholarship Fund | 310 | 275 |
| Cursillo in the Diocese of VA | 5,344 | 5,344 |
| DaySpring | 1,075,329 | 1,371,440 |
| DaySpring Real Estate Fund | 38,896,220 | 38,896,220 |
| Deacons Reserve | 47,484 | 47,484 |
| Des - Intern - M&O | (2,500) | 5,000 |
| Des - St. Andrew's Charlottesville | 87,474 | 107,258 |
| Des - Trinity Highland Springs | 31,341 | 2,074 |
| Diaconal Formation Institute | (35,121) | (37,953) |
| Diocesan Cemetery Fund | 9,352 | 2,198 |
| Diocesan Historic Property Fund | 1,110 | 19,115 |
| Diocesan Intern Program | 5,000 | 5,000 |
| Diocesan Program Office | 21,110 | 21,110 |
| Diocese of Madagascar | 100 | 100 |
| Diocese of Renk -- Sudan | 10,343 | 19,805 |
| Diocese of Tanzania | 133,013 | 146,543 |
| East End Initiative | 30,066 | 68,919 |
| Ecumenical and Interfaith Committee | 960 | 960 |
| Education for Ministry | 965 | 965 |
| EPIC Moms | 990 | 981 |
| Episcopal Art Series | (21,717) | (21,717) |
| Episcopal Transition Reserve | 10,000 | 8,000 |
| General Convention | 26,334 | 16,334 |
| Haiti | 809 | 1,282 |
| Interim Ministry Development | 1,080 | 1,080 |
| John G Hayes Jr Income Fd | 8,205 | 9,511 |
| John G Hayes Missionary Fund | 1,112 | (129) |
| La Iglesia de Santa Maria | (32,362) | (32,362) |
| Lambeth Convention | 142,047 | 165,813 |
| Subtotal (carried forward) | <u>40,247,608</u> | <u>40,687,387</u> |

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
SCHEDULE OF DESIGNATED FUNDS (CONTINUED)

DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Subtotal (brought forward) | \$ 40,247,608 | \$ 40,687,387 |
| Latino Ministry | (2,415) | (2,415) |
| Liberia | 1,577 | 2,077 |
| Mental Health Committee Reserve | 20 | 15 |
| Micro-Economic Development | 72,750 | 72,750 |
| Mission Development | 90,750 | 90,750 |
| Mission Maintenance & Repair Reserve | 21,000 | 21,000 |
| Missioner for World Mission | 70,412 | 79,789 |
| Mountain Mission Reserve | 31,553 | 28,148 |
| Native American Ministry | 8,685 | 7,652 |
| Office Equipment Reserve | 6,932 | 6,932 |
| Omisol Road - Reserve | 9,368 | 1,897 |
| Payroll Acct - St Margaret's Woodbridge | 4,668 | 82,668 |
| Prevention of Misconduct Reserve | 4,000 | 4,000 |
| Property & Opr Exp - St Pauls Haymarket | (10,984) | (3,221) |
| Property Exp - Church Hill Dr. Woodbridge | 69,580 | 27,311 |
| Property Exp - Epiphany Herndon | 54,787 | 55,410 |
| Property Exp - Main St, Fairfax (Truro) | (11,527) | - |
| Property Exp - Pickett Road/Braddock Rd | (7,016) | - |
| Property Fund | 11,599 | 9,404 |
| Property Maintenance Fund | 27,969 | 28,403 |
| Real Estate Value Fund | 13,498,767 | 12,756,306 |
| Region 2 Mission (Deltaville) | 72,058 | 65,811 |
| Reserve-2015 Unrestricted Reserve | 1,062,880 | 1,140,157 |
| Risk Management Program | 15,756 | 26,156 |
| Rockingham Property Fund (Reg 14) | 12,811 | 12,811 |
| Santa Maria Stewardship (DuPont Grant) | 56,000 | - |
| Shelton Shop Rd Property | 133,475 | 114,356 |
| St Clare's (W Henrico) Mission | (126,417) | (126,417) |
| St Francis Mission Fd (Goochland) | (179,357) | (179,357) |
| ST Investments | 32,209 | 31,613 |
| St Margarets Ruther Glenn | 135 | 135 |
| Stewardship Committee Reserve | 467 | 467 |
| Stewardship of Creation Grant Fund | 8,801 | 8,801 |
| Trinity, Beaverdam | 10,734 | 8,149 |
| Trustees of the Funds | 875,828 | 847,277 |
| Virginia Diocesan Library | (21,960) | (4,687) |
| YASC - A Cameron | (380) | (630) |
| YASC - A Jacobs | 25 | - |
| YASC - A Russell | 973 | - |
| YASC - C Belous | 980 | - |
| YASC - A. Davis | 25 | - |
| Young Priests Initiative | 9,888 | 9,888 |
| Youth Ministry | 100,970 | 100,970 |
| Total designated funds | \$ 56,265,984 | \$ 56,011,763 |

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
SCHEDULE OF DEVELOPMENT FUNDS

DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|--|---------------------|---------------------|
| Bishop Jones' Evangelism Fund | \$ 660 | \$ 500 |
| Bishop Lee Fund for Small Church Vitality | 500 | 134,877 |
| B Maxwell Art Camp Scholarship Fund | 51,205 | 1,906 |
| Camp Equipment | 121,291 | 13,155 |
| Camp Program TOF Investments | 11,578 | 114,994 |
| Camp Scholarship Annual Fund | 511,064 | 18,271 |
| FCF - Unrestricted | 484,061 | 121,289 |
| Mustard Seed Grant Fund | 13,155 | 18,101 |
| Pledges Receivable - SM Shout It! Campaign | 534,040 | 648,835 |
| Shrine Mont Shout It! Campaign | 19,613 | 683,991 |
| St. Georges Camp | 19,337 | 19,337 |
| W Stanley Camp Scholarship Fund | 792 | 692 |
| Youth Mission Vouchers 2006 | (6,750) | 450 |
| Youth Mission Vouchers 2007 | 3,000 | 3,000 |
| Youth Mission Vouchers 2008 | 2,150 | 2,150 |
| Youth Mission Vouchers 2009 | 3,600 | 3,600 |
| Youth Mission Vouchers 2010 | 9,941 | 9,941 |
| Youth Mission Vouchers 2011 | 1,205 | 1,605 |
| Youth Mission Vouchers 2012 | (687) | 1,513 |
| Youth Mission Vouchers 2013 | 4,495 | 5,295 |
| Youth Mission Vouchers 2014 | (9,167) | (5,167) |
| Youth Mission Vouchers 2015 | (6,987) | (3,769) |
| Total development funds | \$ 1,768,096 | \$ 1,794,566 |

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
SCHEDULE OF OTHER FUNDS

DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|--|------------------|------------------|
| A.H. & C.J. Robinson Fund | \$ 76,560 | \$ 178,750 |
| Albert Baker Fund | 135,234 | 101,460 |
| Alison Gibson Fund | 621 | 607 |
| Ball Fund | 144,859 | 135,651 |
| Bishop Goff's Discretionary Fund | 6,182 | 14,702 |
| Bishop Goodwin Memorial Scholarship Fd | 12,860 | 12,860 |
| Bishop Gulick's Discretionary Fund | 11,731 | 14,253 |
| Bishop Johnston's Discretionary Fund | (7,588) | 2,966 |
| Bishop Jones' Discretionary Fund | 24,304 | 31,758 |
| Bishop Jones Evangelism Grant Fund | 6,920 | 5,179 |
| Bishop Jones' Sabbatical Fund | 6,711 | 6,707 |
| Bishop Mason Memorial Fund | 1,770 | 1,770 |
| Bishops Combined Discretionary Fund | 9,945 | 7,734 |
| Bishop's Emergency Needs Fund | 84,739 | 99,704 |
| Bishop's Investment Fund | (23,786) | (23,786) |
| Bishop's Theological Education Fund | 19,409 | 16,272 |
| Bp PJL Disc Fd | 648 | 644 |
| Bp R. F. Gibson Memorial Fund | 1,453 | 1,432 |
| Bp R. F. Gibson Property Foundation | 10,393 | 10,178 |
| Bruce Fund | 50,407 | 44,428 |
| Canon Wingo Discretionary Fund | 3,539 | 2,494 |
| Charles Norse Fund | 2,155 | 2,113 |
| Columbia Walker Memorial Missions Fund | 49,532 | 48,885 |
| David Lewis Memorial Fund | 5,585 | 5,613 |
| Disabled Clergy Fund | 720,744 | 668,778 |
| Diocesan Fund for Human Need | 15,073 | 12,602 |
| Diocesan Fund for World Mission | 15,581 | 23,019 |
| Dickinson Memorial Fund | (41,250) | (27,500) |
| Diocesan Cemetery Fund | - | 7,017 |
| Diocesan Historic Property Fund | - | (18,017) |
| Dooley Fund | 130,610 | 129,955 |
| duPont Diocesan Enrichment Fund | 2,148 | (82) |
| duPont Small Church Clergy Development | 17,050 | 17,050 |
| E Holcombe Palmer Fund | 3,301 | 4,480 |
| ECW Gift - Bishop Goff | 589 | 589 |
| Ellen Goldsborough Fund | 35,726 | 26,715 |
| Episcopal Fund | 16,414 | 92,326 |
| Fear Not Fund | 350 | - |
| Forest Fund | 49,000 | 43,188 |
| Francis Edmonia Newman Fund | 35,236 | 35,236 |
| Freda W Kipps Income Fund | 35,134 | 31,670 |
| Gilliatt Campus Ministry Fund | 10,149 | 10,539 |
| Hugh McGuire Taylor Fund | 35,623 | 35,266 |
| Subtotal (carried forward) | <u>1,715,661</u> | <u>1,815,205</u> |

THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF VIRGINIA
SCHEDULE OF OTHER FUNDS (CONTINUED)

DECEMBER 31, 2016 AND 2015

| | 2016 | 2015 |
|---|----------------------|----------------------|
| Subtotal (brought forward) | \$ 1,715,661 | \$ 1,815,205 |
| Ida B Gale Fund | 36,247 | 35,858 |
| J. B. duPont - Technology Grant | (680) | (680) |
| Julia A Ward Income Fund | 802 | 802 |
| John and Ethel Davis Fund | 1,247 | 1,215 |
| John Lyons Fund | 5,938 | 5,929 |
| Katherine G Cook Scholarship | 2,106 | 2,166 |
| Lucille McGriff Fund | 814 | 802 |
| M Thorpe Disc Fd | 955 | 955 |
| Mary Amanda Stewart Fund | 10,498 | 10,402 |
| MEZ Grant | 14,426 | 20,007 |
| Moncure Memorial Fund | 16,291 | 14,358 |
| Pearl Leone Hecht Fund | 178 | 178 |
| Philip A. Arthur Memorial Fund | 550 | 547 |
| Scott Fdn Grant 2010 | 6,646 | 51,646 |
| Smoot Bequest Income Fund | (104,078) | (104,078) |
| Smoot Bequest to Dio Fund | (109,408) | (109,408) |
| South African Bishops Fund | 9,699 | 9,699 |
| ST Investments - Restricted | 293,095 | 287,689 |
| St John's Waldrop Fund | 33,176 | 33,176 |
| St. John's Greensprings Fund | 18,441 | 18,791 |
| UTO Fund | 187 | 187 |
| Widows & Orphans Fund | (1,660) | (625) |
| Subtotal | 1,951,131 | 2,094,821 |
| Funds invested with the Trustees of the Funds | 19,184,998 | 18,594,170 |
| Beneficial interest in trusts | 216,682 | 2,330,381 |
| Total other funds | \$ 21,352,811 | \$ 23,019,372 |