

Diocese of Southern Ohio and ECSF

Combined Financial Statements

December 31, 2019 and 2018

with Independent Auditors' Report



CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Bishop and Trustees
Diocese of Southern Ohio and ECSF:

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Diocese of Southern Ohio (a not-for-profit organization) and ECSF (a not-for-profit organization) which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entities' preparation and fair presentation of the combined 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 entities' 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Diocese of Southern Ohio and ECSF as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 19, 2020

Diocese of Southern Ohio and ECSF
 Combined Statements of Financial Position
 December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 2,685,723	2,912,131
Accounts and interest receivable, net	386,186	441,578
Notes receivable, net	2,880,493	2,088,875
Investments	100,951,229	88,195,246
Investment funds held in trust for others	25,475,397	21,718,050
Investment funds held for the benefit of others	85,436	76,409
Investment - gift annuity	6,034	12,588
Property and equipment, net	4,820,185	4,618,722
 Total assets	 \$ 137,290,683	 120,063,599
Liabilities		
Accounts payable and accrued liabilities	\$ 354,619	530,593
Contributions payable, net	1,270,614	1,715,569
Note payable	295,209	322,692
Postretirement benefits accrued other than pensions	3,547,490	3,112,441
Funds held for the benefit of Marjorie P. Lee Retirement Community	25,475,397	21,718,050
Funds held for the benefit of St. Luke's Episcopal Church, Cincinnati	85,436	76,409
 Total liabilities	 31,028,765	 27,475,754
Net assets		
Without donor restrictions	68,810,878	55,017,474
With donor restrictions	37,451,040	37,570,371
 Total net assets	 106,261,918	 92,587,845
 Total liabilities and net assets	 \$ 137,290,683	 120,063,599

See accompanying notes to the combined financial statements.

Diocese of Southern Ohio and ECSF
 Combined Statement of Activities
 Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and losses:			
Congregation assessments	\$ 2,549,371	-	2,549,371
Net investment return	17,548,195	-	17,548,195
Conference center use	172,795	-	172,795
Campers fees	58,298	-	58,298
Rental income	325,544	-	325,544
Gifts/principal additions	242,915	132,388	375,303
Gain on sale of property and equipment	29,417	-	29,417
Donated property	375,000	-	375,000
Other	87,432	-	87,432
Release of restrictions	<u>251,719</u>	<u>(251,719)</u>	<u>-</u>
Total revenues and gains	<u>21,640,686</u>	<u>(119,331)</u>	<u>21,521,355</u>
Expenses:			
Program	5,566,647	-	5,566,647
Management and general	1,836,799	-	1,836,799
Fundraising	<u>41,841</u>	<u>-</u>	<u>41,841</u>
Total expenses	<u>7,445,287</u>	<u>-</u>	<u>7,445,287</u>
Non-operating losses:			
Post retirement benefits loss	<u>401,995</u>	<u>-</u>	<u>401,995</u>
Change in net assets	13,793,404	(119,331)	13,674,073
Net assets, beginning of year	<u>55,017,474</u>	<u>37,570,371</u>	<u>92,587,845</u>
Net assets, end of year	\$ <u>68,810,878</u>	<u>37,451,040</u>	<u>106,261,918</u>

See accompanying notes to the combined financial statements.

Diocese of Southern Ohio and ECSF
 Combined Statement of Activities
 Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and losses:			
Congregation assessments	\$ 2,516,752	-	2,516,752
Net investment return	(5,803,506)	-	(5,803,506)
Conference center use	232,390	-	232,390
Campers fees	56,727	-	56,727
Rental income	326,481	-	326,481
Gifts/principal additions	269,180	133,682	402,862
Loss on disposal of property and equipment	(100,355)	-	(100,355)
Donated property	175,000	-	175,000
Other	61,602	-	61,602
Release of restrictions	<u>220,255</u>	<u>(220,255)</u>	<u>-</u>
Total revenues and gains	<u>(2,045,474)</u>	<u>(86,573)</u>	<u>(2,132,047)</u>
Expenses:			
Program	5,803,263	-	5,803,263
Management and general	2,046,256	-	2,046,256
Fundraising	<u>41,369</u>	<u>-</u>	<u>41,369</u>
Total expenses	<u>7,890,888</u>	<u>-</u>	<u>7,890,888</u>
Non-operating losses:			
Post retirement benefits loss	<u>183,533</u>	<u>-</u>	<u>183,533</u>
Change in net assets	(10,119,895)	(86,573)	(10,206,468)
Net assets, beginning of year	<u>65,137,369</u>	<u>37,656,944</u>	<u>102,794,313</u>
Net assets, end of year	\$ <u>55,017,474</u>	<u>37,570,371</u>	<u>92,587,845</u>

See accompanying notes to the combined financial statements.

Diocese of Southern Ohio and ECSF
 Combined Statement of Functional Expenses
 Year Ended December 31, 2019

	Program	Management and General	Fundraising	Total
Payroll, taxes and benefits	\$ 1,828,569	1,391,210	17,402	3,237,181
Grants to others	1,807,720	-	-	1,807,720
National Episcopal Church	436,709	-	-	436,709
Professional fees	14,404	170,539	-	184,943
Advertising and promotion	-	-	23,222	23,222
Office expenses	456,482	103,873	858	561,213
Maintenance	131,854	15,354	-	147,208
Information technology	29,144	14,111	-	43,255
Occupancy	143,248	13,974	-	157,222
Depreciation	340,920	48,957	-	389,877
Insurance	87,411	75,706	359	163,476
Other	290,186	3,075	-	293,261
	<u>\$ 5,566,647</u>	<u>1,836,799</u>	<u>41,841</u>	<u>7,445,287</u>

See accompanying notes to the combined financial statements.

Diocese of Southern Ohio and ECSF
 Combined Statement of Functional Expenses
 Year Ended December 31, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll, taxes and benefits	\$ 1,968,596	1,305,241	16,859	3,290,696
Grants to others	1,782,742	-	-	1,782,742
National Episcopal Church	448,707	-	-	448,707
Professional fees	12,984	227,950	-	240,934
Advertising and promotion	-	-	23,049	23,049
Office expenses	432,357	135,578	1,184	569,119
Maintenance	139,550	14,422	-	153,972
Information technology	24,586	11,905	-	36,491
Occupancy	176,884	14,512	-	191,396
Depreciation	325,180	51,239	-	376,419
Insurance	96,004	106,068	277	202,349
Bad debt	-	85,818	-	85,818
Other	395,673	93,523	-	489,196
	<u>\$ 5,803,263</u>	<u>2,046,256</u>	<u>41,369</u>	<u>7,890,888</u>

See accompanying notes to the combined financial statements.

Diocese of Southern Ohio and ECSF
 Combined Statements of Cash Flows
 Years Ended December 31, 2019 and 2018

	2019	2018
Cash flow from operating activities:		
Change in net assets	\$ 13,674,073	(10,206,468)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	389,877	376,419
(Gain on sale) loss on disposal of property and equipment	(29,417)	100,355
Donated property	(375,000)	(175,000)
Bad debt expense	-	85,818
Realized and unrealized (gains) losses on investments	(15,618,719)	7,872,126
Postretirement benefit change in coverage	498,704	342,921
Effects of change in operating assets and liabilities:		
Accounts and interest receivable	55,392	(94,855)
Accounts payable and accrued liabilities	(175,974)	149,215
Contributions payable	(444,955)	(417,571)
Postretirement benefits paid	<u>(63,655)</u>	<u>(63,655)</u>
Net cash used by operating activities	<u>(2,089,674)</u>	<u>(2,030,695)</u>
Cash flows from investing activities:		
Proceeds from investments and funds held	88,162,074	51,851,270
Purchases of investments and funds held	(85,292,784)	(50,393,104)
Proceeds from sale of property and equipment	33,089	-
Purchases of property and equipment	(220,012)	(382,935)
(Increase in) collections of notes receivable	<u>(791,618)</u>	<u>40,342</u>
Net cash provided by investing activities	<u>1,890,749</u>	<u>1,115,573</u>
Cash flows provided by financing activities:		
Borrowings on note payable	-	337,000
Repayment on note payable	<u>(27,483)</u>	<u>(14,308)</u>
Net cash (used) provided by investing activities	<u>(27,483)</u>	<u>322,692</u>
Net change in cash and cash equivalents	(226,408)	(592,430)
Cash and cash equivalents, at beginning of year	<u>2,912,131</u>	<u>3,504,561</u>
Cash and cash equivalents, at end of year	\$ <u>2,685,723</u>	<u>2,912,131</u>
Supplemental disclosure:		
Interest paid	\$ <u>15,832</u>	<u>8,153</u>

See accompanying notes to the combined financial statements.

1. ORGANIZATION:

The Diocese of Southern Ohio (Diocese) is the Episcopal Church Headquarters for seventy-two congregations in Southern Ohio. The congregations' financial activities are not included in the accompanying combined financial statements.

ECSF is a foundation that supports Episcopal Church congregations in Southern Ohio in their volunteer response to community needs for educational, poverty relief, trauma counseling, and other social services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of presentation

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

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Diocese. These net assets may be used at the discretion of the Diocese's management and the Board of Trustees.
- *Net asset with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions that are likely to be met by the actions of the Diocese or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity and only the related investment income is without donor restriction.

Revenues are reported as increases in net assets without restrictions unless use of the related assets is limited by donor-imposed restrictions. Contributions in which the donor-imposed restrictions were met within the same period are recorded in net assets without restrictions. All expenses are reported as decreases in net assets without restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Investment income in which the donor-imposed restrictions were met within the same period are recorded in net assets without restrictions.

Principles of combination

These financial statements are the result of the combination of the operations of the Episcopal Diocese of Southern Ohio (the Diocese) and ECSF. All intercompany transactions are eliminated upon combination.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities and alternative investments are valued at their fair values in the combined statements of financial position. Realized and unrealized appreciation (depreciation) on investments, along with interest, dividends and direct investment expenses are reported as net investment return on the combined statements of activities.

Property and equipment

Property and equipment are stated at cost as of the date of acquisition or fair value as of the date of donation in the case of gifts. The Diocese maintains a capitalization threshold of \$5,000. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives are as follows:

Buildings	20 - 31.5 years
Building and leasehold improvements	15 years
Equipment, furniture and fixtures	3 - 10 years

Use of estimates

Management of the Diocese has made estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities, as well as the reported amounts of revenues and expenses, to prepare these combined financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Cash equivalents

Cash equivalents consist primarily of investments in money market funds. At times, cash and money market balances may be in excess of the insurance coverage provided by the Federal Deposit Insurance Corporation. The Diocese has not experienced any losses in such accounts. The Diocese believes it is not exposed to any significant credit risk on cash and cash equivalents.

Receivables and allowance for doubtful accounts

The Diocese carries its accounts receivable and notes receivable at the amount expected to be collected less an allowance for doubtful accounts. Included in notes receivable are mortgages on churches due from the church congregations. On a periodic basis, the Diocese evaluates its accounts receivable and notes receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. An allowance for loan losses of \$1,074,342 and \$1,068,605 existed at December 31, 2019 and 2018, respectively. The Diocese has established an allowance for doubtful accounts receivable of \$133,188 at December 31, 2019. No allowance was deemed necessary at December 31, 2018.

Adoption of new accounting standards

During 2019, the Diocese adopted the following Financial Accounting Standards Board (FASB) Accounting Standards Updates (ASU):

ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard will assist entities in determining whether transactions should be recorded as a contribution (nonreciprocal) transaction or as an exchange (reciprocal) transaction. The standard also provides expanded guidance on determining whether or not a contribution is conditional. The Diocese has applied this standard on a modified prospective basis for the period beginning January 1, 2019. There was no material impact to the combined financial statements presented upon adoption of this standard.

ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* and ASU 2018-03, *Technical Corrections and Improvements to*

Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 contained a number of changes which are applicable to the Diocese including the following: (1) allows equity investments without readily determinable fair values to be measured at cost less impairment, if any, plus or minus changes in observable prices (referred to as the "measurement alternative"); and (2) changes certain presentation and disclosure requirements for financial instruments (see Note 13 Fair Value Measurements). ASU 2018-03 also clarified certain aspects of the guidance issued in ASU 2016-01, including requiring a prospective transition approach for equity investments without readily determinable fair value in which the measurement alternative is applied. There was no material impact to the combined financial statements presented upon adoption of this standard.

ASU 2018-13, *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement.* The standard addresses the disclosures required for level 3 fair value measurements, including the valuation process, transfers, purchases and issues, and simplifies the presentation of that information. The Diocese has early implemented this guidance on a modified retrospective basis to all periods presented as permitted under the ASU.

ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* The standard addresses the disclosure of net periodic pensions cost. There was no material impact to the combined financial statements presented upon adoption of this standard.

Functional expense allocations

The combined financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Diocese. Expenses are directly applied when applicable and are allocated to programs or support services based on the table shown below. The costs of providing program and other activities have been summarized on a functional basis in the combined statements of activities. Such allocations are determined by management on an equitable basis. Allocated expenses include the following:

Expense	Allocation Method
Payroll, taxes and benefits	Time and effort
Professional fees	Time and effort
Office expenses	Full time equivalents
Maintenance	Full time equivalents
Information technology	Full time equivalents
Occupancy	Full time equivalents
Depreciation	Square footage
Insurance	Full time equivalents
Other	Full time equivalents

Income taxes

The Episcopal Diocese of Southern Ohio and ECSF are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) as charitable organizations. The Diocese and ECSF are not required to file returns with the IRS under a religious exemption.

FASB has issued guidance which clarifies generally accepted accounting principles for recognition, measurement, presentation and disclosure relating to uncertain tax positions. This guidance clarifies the accounting and recognition for income tax positions taken or expected to be taken in the organizations' income tax returns. While the Diocese and ECSF are not required to file an annual information return due to their religious origins they are subject to tax on any unrelated business income. The Diocese has determined that no liability for unrelated business income tax exists as of December 31, 2019 and 2018. The Diocese and ECSF's policy with regards to interest and penalties is to recognize interest through interest expense and penalties through other expense. In evaluating the Diocese and ECSF's tax provision and tax-exempt status, interpretations and tax planning strategies were considered. The Diocese and ECSF believe their estimates are appropriate based on the current facts and circumstances.

Subsequent events

The Diocese evaluates events and transactions occurring subsequent to the date of the combined financial statements for matters requiring recognition or disclosure in the combined financial statements. The accompanying combined financial statements consider events through June 19, 2020, the date on which the combined financial statements were available to be issued.

3. NOTES RECEIVABLE:

Notes receivable, secured by mortgages, and other notes receivable are comprised of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Clergy	\$ 390,071	411,079
Congregations	<u>2,532,210</u>	<u>1,706,160</u>
	2,922,281	2,117,239
Other notes receivable	1,032,554	1,040,241
Allowance for loan losses	<u>(1,074,342)</u>	<u>(1,068,605)</u>
Total notes receivable	<u>\$ 2,880,493</u>	<u>2,088,875</u>

The interest rates on the notes receivable range from 2.0% to 5.75%. Based on current market rates, the carrying value of notes receivable approximate fair value.

Activity in the allowance for loan losses is as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	\$ 1,068,605	1,015,000
Additions	5,737	63,605
Recovery of loan losses	<u> -</u>	<u>(10,000)</u>
Balance at end of year	<u>\$ 1,074,342</u>	<u>1,068,605</u>

4. INVESTMENTS:

Investments are held for the benefit of the Diocese and ECSF at fair value as follows at December 31:

	<u>2019</u>	<u>2018</u>
Cash equivalents	\$ 2,919,232	3,940,844
Common stocks	56,515,761	45,785,146
United States government and agency securities	6,754,843	5,365,434
Proportionate share of assets in:		
Consolidated I fund	9,381,873	12,493,495
Consolidated G fund	18,889,026	14,808,117
Corporate bonds	13,772,316	11,822,723
Mutual funds	<u>18,285,045</u>	<u>15,786,534</u>
	<u>\$ 126,518,096</u>	<u>110,002,293</u>

The investments noted above are summarized on the combined statements of financial position as follows at December 31:

	<u>2019</u>	<u>2018</u>
Investments	\$ 100,951,229	88,195,246
Investment funds held in trust for others	25,475,397	21,718,050
Investment funds held for the benefit of others	85,436	76,409
Investment – gift annuity	<u>6,034</u>	<u>12,588</u>
	<u>\$ 126,518,096</u>	<u>110,002,293</u>

The Consolidated Income (I) and Consolidated Growth (G) funds are assets maintained on deposit in a bank's pooled funds. These funds consist primarily of United States government and agency securities (I fund) and common stocks of major corporations (G fund), and are being administered as open-end investment trusts. The Diocese has included its proportionate share of the assets based upon current fair values. See Note 13 for fair value disclosures.

5. GIFT ANNUITY:

ECSF is the recipient of a split-interest gift annuity consisting of common stocks with fair value of \$6,034 and \$12,588 at December 31, 2019 and 2018, respectively. The agreement for this annuity (dated December 20, 1999), provides for the irrevocable transfer of this gift to ECSF in exchange for the payment to the donors of an annuity at a rate of 7.1% or an annual sum of \$10,650. Upon death of the donors, the Trustee shall surrender the funds and distribute a payment of such proceeds as follows: 75% is retained by ECSF and 25% to St. Timothy's Episcopal Church, Anderson Township. The recorded liability is calculated by an actuary and is based on the expected lives of the donors. The gift annuity payable was \$0 and \$35,013 at December 31, 2019 and 2018, respectively, and was included in accrued liabilities until the death of the donor in October 2019.

6. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Congregation properties	\$ 1,505,798	1,108,329
Camp and conference center	7,809,541	7,689,289
Diocesan office	1,455,773	1,390,676
Procter farm	400,522	400,522
Other properties	890,968	890,968
Furniture and equipment	<u>82,951</u>	<u>97,374</u>
	12,145,553	11,577,158
Less accumulated depreciation	<u>7,325,368</u>	<u>6,958,436</u>
	<u>\$ 4,820,185</u>	<u>4,618,722</u>

7. NOTE PAYABLE - BANK:

During 2018, the Diocese executed a note payable with a bank in the amount of \$337,000 with a fixed interest rate of 5.05% per year. The note calls for principal and interest payments of \$3,610 per month and the final payment due at maturity in June 2028. At December 31, 2019 and 2018, the amount outstanding under this note payable was \$295,209 and \$322,692, respectively.

Aggregate maturities of the note payable for the years subsequent to December 31, 2019, are as follows:

2020	\$ 29,027
2021	30,527
2022	32,105
2023	33,764
2024	35,509
Thereafter	<u>134,277</u>
	<u>\$ 295,209</u>

8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for a specific purpose:		
Purpose restrictions	\$ <u>279,220</u>	<u>255,953</u>
Subject to spending policy and appropriation:		
Unappropriated endowment	1,406,054	1,548,652

Endowment held in perpetuity	<u>34,378,765</u>	<u>34,378,765</u>
Donor - restricted endowment	<u>35,784,819</u>	<u>35,927,417</u>
Other funds restricted by donor in perpetuity:		
Trust funds held by others	758,317	758,317
Loan funds	<u>628,684</u>	<u>628,684</u>
Funds restricted in perpetuity	<u>1,387,001</u>	<u>1,387,001</u>
Total net assets with donor restrictions:	\$ <u>37,451,040</u>	<u>37,570,371</u>

Net assets released from donor restrictions during 2019 and 2018 were \$251,719 and \$220,255, respectively.

9. ENDOWMENT AND QUASI-ENDOWMENT FUNDS:

Generally accepted accounting principles (GAAP) require that the net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments (quasi-endowments), are classified and reported based on the existence or absence of donor-imposed restrictions. The Diocese's endowment and quasi-endowment funds were established to provide income to operations and are both donor-restricted (endowment) and board-designated.

The Diocese has interpreted the State of Ohio Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment in perpetuity, (b) the original value of subsequent gifts to the endowment in perpetuity, (c) accumulations to the endowment in perpetuity 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 in endowment in perpetuity is classified as unappropriated endowment assets until those amounts are appropriated for expenditure by the Diocese in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Diocese and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Diocese
7. The investment policies of the Diocese

The Diocese classifies the unappropriated portion of the donor-restricted endowment fund that is not classified in endowment in perpetuity as without donor restrictions when donor stipulations have been satisfied through expenditures from other Diocesan resources.

Diocese of Southern Ohio and ECSF
Notes to the Combined Financial Statements
December 31, 2019 and 2018

Endowment and quasi-endowments fund net asset composition by type of fund is as follows at December 31, 2019:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Donor – restricted endowment	\$ -	35,784,819	35,784,819
Board – designated endowment	<u>62,007,666</u>	<u>-</u>	<u>62,007,666</u>
Total	<u>\$ 62,007,666</u>	<u>35,784,819</u>	<u>97,792,485</u>

Endowment and quasi-endowments fund net asset composition by type of fund is as follows at December 31, 2018:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Donor – restricted endowment	\$ -	35,927,417	35,927,417
Board – designated endowment	<u>48,790,292</u>	<u>-</u>	<u>48,790,292</u>
Total	<u>\$ 48,790,292</u>	<u>35,927,417</u>	<u>84,717,709</u>

Changes in endowment and quasi-endowments fund net assets are as follows for the year ended December 31, 2019:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment and quasi-endowments fund net assets at beginning of year	\$ 48,790,292	35,927,417	84,717,709
Interest and dividend income	1,964,085	-	1,964,085
Realized and unrealized gain on investments	14,856,174	-	14,856,174
Contributions	42,609	-	42,609
Spending appropriation	(3,357,981)	(142,598)	(3,500,579)
Investment fees	<u>(287,513)</u>	<u>-</u>	<u>(287,513)</u>
Endowments and quasi endowments fund net assets at end of year	<u>\$ 62,007,666</u>	<u>35,784,819</u>	<u>97,792,485</u>

Changes in endowment and quasi-endowments fund net assets are as follows for the year ended December 31, 2018:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment and quasi-endowments fund net assets at beginning of year	\$ 57,558,678	36,066,920	93,625,598
Interest and dividend income	2,112,476	-	2,112,476
Realized and unrealized loss on investments	(7,452,136)	-	(7,452,136)
Spending appropriation	(3,159,290)	(139,503)	(3,298,793)
Investment fees	<u>(269,436)</u>	<u>-</u>	<u>(269,436)</u>
Endowments and quasi endowments fund net assets at end of year	<u>\$ 48,790,292</u>	<u>35,927,417</u>	<u>84,717,709</u>

Reconciliation of endowments and quasi-endowments fund net assets to total net assets for the year ended December 31, 2019:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment and quasi-endowments fund net assets	\$ 62,007,666	35,784,819	97,792,485
Other funds net assets	<u>6,803,212</u>	<u>1,666,221</u>	<u>8,469,433</u>
Total net assets at end of year	<u>\$ 68,810,878</u>	<u>37,451,040</u>	<u>106,261,918</u>

Reconciliation of endowments and quasi-endowments fund net assets to total net assets for the year ended December 31, 2018:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment and quasi-endowments fund net assets	\$ 48,790,292	35,927,417	84,717,709
Other funds net assets	<u>6,227,182</u>	<u>1,642,954</u>	<u>7,870,136</u>
Total net assets at end of year	<u>\$ 55,017,474</u>	<u>37,570,371</u>	<u>92,587,845</u>

Return objectives and risk parameters

The Diocese has adopted investment and spending policies for endowment assets that attempt to provide long-term portfolio growth and the desired annual payout as specified in the applicable spending policy.

Under this policy as approved by the Board of Trustees, the endowment assets are invested as follows:

Equity	60% to 80%
Fixed income	20% to 40%
Alternatives	0% to 5%
Cash equivalents	0% to 10%

The performance objectives will be measured against appropriate industry benchmarks such as the MSCI ACWI Index for equities, the Bloomberg US Aggregate Bond Index for its fixed income and HFRI Fund of Funds Index for its alternative endowment investments.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Diocese relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Diocese targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Diocese has a policy of appropriating for distribution up to 5.00% of its endowment funds' average fair value over the prior 12 quarters through the December 31 fiscal year in which the distribution is planned. In establishing this policy, the Diocese considered the long-term expected return on its endowment. Accordingly, this spending policy should, over time, protect the inflation-adjusted value of the endowment and, consequently, allow inflation-adjusted spending to occur into the distant future. This is consistent with the Diocese's objective to maintain the purchasing power of the endowment in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

10. CONTRIBUTIONS PAYABLE:

The Diocese has made unconditional promises to give to various charitable organizations with terms payable from one to ten years. These unconditional promises to give have been recorded at their net present value using a discount rate of 2.61%. The following summarizes these unconditional promises to give at December 31:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
Less than one year	\$ 680,500	754,629
One to five years	585,000	965,000
More than five years	<u>20,000</u>	<u>25,000</u>
	1,285,500	1,744,629
Unamortized discount	<u>(14,886)</u>	<u>(29,060)</u>
Contributions payable, net	\$ <u>1,270,614</u>	<u>1,715,569</u>

11. EMPLOYEE BENEFIT PLANS:

The Diocese contributed \$303,673 and \$302,630 during the years ended December 31, 2019 and 2018, respectively, to multi-employer defined benefit plans. All clergy and lay employees of the Diocese are covered by multi-employer defined benefit plans. These plans are not administered by the Diocese. The plans are provided as part of the Church Pension Group. These plans require Diocese contributions equal to 18% of cash compensation for clergy and 9% of cash compensation for lay employees. During 2011, the plans were amended to include supplemental health insurance options for certain retired personnel. The Diocese may be liable, in the event of plan terminations or its withdrawal from the plans, for a portion of the plans' unfunded vested benefits. Currently there is no unfunded withdrawal liability nor does the Diocese have any present intentions to withdraw from the plans.

Information on the Diocese specific plans is detailed below:

<u>Fund name</u>	<u>Clergy Pension Plan</u>	<u>Episcopal Church Lay Employees' Retirement Plan</u>
Employee identification number	13-5562193	13-5562193
Plan number	DSOH CLER F982 CLER	DSOH LAYO F982 LAYO
Pension protection act zone status	Not Available	Not Available
Rehabilitation plan	No	No
Surcharge	No	No
Expiration of labor contract	Not Applicable	Not Applicable
Diocese contributions > 5% of the plan	No	No
Diocese contributions for 2019	\$197,192	\$106,481

The pension protection act certified zone status was not available for the plans. The following table represents the plan assets, accumulated benefit obligations and funded status as of March 31, 2019 (the most recent information available):

<u>March 31, 2019 (in thousands)</u>	<u>Clergy Pension Plan</u>	<u>Episcopal Church Lay Employees' Retirement Plan</u>
Plan net assets	\$ 10,207,974	185,258
Accumulated plan benefit obligations	<u>6,555,295</u>	<u>213,387</u>
Surplus (deficit)	\$ <u>3,652,679</u>	<u>(28,129)</u>
Funded Status	>80%	>80%

12. POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

The Diocese provides certain health care and life insurance benefits for retired lay employees based on the number of years of service rendered. Lay employees will become eligible for those benefits if they reach retirement while employed in or by the Diocese. The Diocese funds these benefits on a current basis which totaled \$76,152 and \$63,655 in 2019 and 2018, respectively.

Postretirement benefit expense was \$109,206 and \$159,388 in 2019 and 2018, respectively. The components of this expense were:

	<u>2019</u>	<u>2018</u>
Service cost of benefits earned	\$ 280,897	304,030
Interest cost on liability	138,540	126,037
Net amortization and deferral of actuarial gain	<u>(310,231)</u>	<u>(270,679)</u>
Net periodic postretirement expense	\$ <u>109,206</u>	<u>159,388</u>

The accumulated postretirement benefit obligation is as follows at December 31:

	<u>2019</u>	<u>2018</u>
Retirees	\$ 896,749	936,768
Fully eligible active plan participants	959,748	794,043
Ineligible active plan participants	<u>1,690,993</u>	<u>1,381,630</u>
Postretirement benefits accrued other than pensions	\$ <u>3,547,490</u>	<u>3,112,441</u>

For measurement purposes, the annual rate of increase in the per capita cost of covered benefits (i.e., healthcare cost trend rate) was assumed to be 7% for 2019 and 2018.

The rate was assumed to stay at 7% for subsequent years through 2024 and then 6% by the year 2025 and remain at that level thereafter. The healthcare cost trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed healthcare cost trend rates by one percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 2019, by approximately \$762,473, and the aggregate service and interest cost components of net periodic postretirement benefit cost for the years ended December 31, 2019 by approximately \$117,051. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 4.5% as of December 31, 2019.

Benefits to be paid under the plan over the next ten years are as follows:

2020		\$ 71,208
2021		71,662
2022		75,776
2023		88,154
2024		88,335
2025 – 2029		<u>624,427</u>
		 \$ <u>1,019,562</u>

Because the assumptions used in the accounting for the defined benefit plan are significant estimates, it is at least reasonably possible the amounts may change in the future, and these changes could be significant. Because of the under-funded status of the plan, a change in the assumed discount rate can have a significant impact on the resulting liability recorded on the combined financial statements.

13. FAIR VALUES MEASUREMENTS:

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value as follows:

Level 1 – Valuations based on quoted price in active markets for identical assets or liabilities that the Diocese has the ability to access. Valuation adjustments are not applied for Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these items does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

Fair value methods and assumptions on investments consisting of cash equivalents, common stocks, mutual funds and US Government securities are based on values in public exchange or Level 1 inputs. Investments in agency bonds, corporate bonds, mortgage bonds, and municipal bonds that are not quoted on an exchange, but are traded in active markets are valued on Level 2 inputs using prices obtained from our custodian, which used third party data service providers. Investments in funds held in trust for others, investments in funds held for the benefit of others and gift annuities are valued on Level 3 inputs using prices of the underlying assets invested that are obtained from our custodians, which used third party data service providers, without adjustment.

GAAP allows for the use of a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by the Diocese to value alternative investments is the net asset value (NAV) per share, or its equivalent. Because some of these investments are not readily marketable, their estimated value is subject to uncertainty and therefore may be different from the value that would have been used had a ready market for such investments existed. The net asset values provided by fund administrators consider variables such as the financial performance of underlying investments, recent sales prices of underlying investments and other pertinent information. In addition, actual market exchanges at year-end provide additional observable market inputs of the exit price. The Diocese, relying on the work of its investment consultants, reviews valuations and assumptions provided by fund administrators for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

The Diocese has a total of six private equity investments. Three of these investments allow for redemption on a quarterly basis with prior written notice between 65-100 days, one investment allows for redemption on a monthly basis with prior written notice of 60 days and one investment allows for redemption on an annual basis with prior written notice of 35 days. The other investment does not allow for redemption.

The following table presents the assets as of December 31, 2019 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

	December 31, 2019	Quoted prices in active markets for identical assets or liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<u>Investments:</u>				
Cash and equivalents	\$ 2,392,420	2,392,420	-	-
Industrials	5,943,803	5,943,803	-	-
Consumer discretionary	5,237,613	5,237,613	-	-
Consumer staples	3,784,912	3,784,912	-	-
Energy	1,063,827	1,063,827	-	-
Financial	9,214,204	9,214,204	-	-
Materials	1,621,425	1,621,425	-	-
Information technology	8,452,336	8,452,336	-	-
Real estate	1,572,333	1,572,333	-	-
Utilities	954,424	954,424	-	-
Health care	6,604,289	6,604,289	-	-
Telecommunications	3,780,484	3,780,484	-	-
International	9,848,384	9,848,384	-	-
Large cap	46,772	46,772	-	-
Mid cap	6,271,826	6,271,826	-	-
Small cap	6,362,147	6,362,147	-	-
Treasury	8,793,915	8,793,915	-	-
Agency	4,262,674	-	4,262,674	-
Corporate	10,712,243	-	10,712,243	-
Mortgage	327,625	-	327,625	-
Exchange traded funds	1,581,590	1,581,590	-	-
Other fixed income	19,417	-	19,417	-
Investment funds held in trust for others	25,475,397	-	-	25,475,397
Investment funds held for the benefit of others	85,436	-	-	85,436
Investment - gift annuity	<u>6,034</u>	<u>-</u>	<u>-</u>	<u>6,034</u>
Total assets in the fair value hierarchy	\$ 124,415,530	<u>83,526,704</u>	<u>15,321,959</u>	<u>25,566,867</u>
Investments measured at net asset value	<u>2,102,566</u>			
Total investments	\$ <u>126,518,096</u>			

The following table presents the assets as of December 31, 2018 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

	December 31, <u>2018</u>	Quoted prices in active markets for identical assets or liabilities <u>(Level 1)</u>	Significant other observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
<u>Investments:</u>				
Cash and equivalents	\$ 3,360,709	3,360,709	-	-
Industrials	3,409,478	3,409,478	-	-
Consumer discretionary	4,963,941	4,963,941	-	-
Consumer staples	2,670,847	2,670,847	-	-
Energy	2,047,038	2,047,038	-	-
Financial	6,899,599	6,899,599	-	-
Materials	864,154	864,154	-	-
Information technology	7,022,144	7,022,144	-	-
Real estate	943,923	943,923	-	-
Utilities	1,269,742	1,269,742	-	-
Health care	6,213,262	6,213,262	-	-
Telecommunications	4,096,910	4,096,910	-	-
International	8,461,564	8,461,564	-	-
Large cap	88,986	88,986	-	-
Mid cap	5,353,091	5,353,091	-	-
Small cap	4,179,383	4,179,383	-	-
Treasury	8,953,941	8,953,941	-	-
Agency	4,329,786	-	4,329,786	-
Corporate	12,588,154	-	12,588,154	-
Mortgage	316,133	-	316,133	-
Other fixed income	151,815	-	151,815	-
Investment funds held in trust for others	21,718,050	-	-	21,718,050
Investment funds held for the benefit of others	76,409	-	-	76,409
Investment - gift annuity	<u>12,588</u>	<u>-</u>	<u>-</u>	<u>12,588</u>
Total assets in the fair value hierarchy	109,991,647	<u>70,798,712</u>	<u>17,385,888</u>	<u>21,807,047</u>
Investments measured at net asset value	<u>10,646</u>			
Total investments	\$ <u>110,002,293</u>			

14. LIQUIDITY DISCLOSURES:

The Diocese is substantially supported by congregation assessments and investment income. As part of the Diocese's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Diocese invests cash in excess of daily requirements in investments as deemed appropriate.

The following table presents the financial assets available to meet cash needs for general expenditures within one year at December 31:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 2,685,723	2,912,131
Accounts and interest receivable, net	386,186	441,578
Notes receivable, current portion	182,331	146,539
Investments at fair value	<u>100,951,229</u>	<u>88,195,246</u>
Financial assets available at year-end	<u>104,205,469</u>	<u>91,695,494</u>
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with purpose restrictions	279,220	255,953
Donor restricted endowment	35,784,819	35,927,417
Board designated endowment	62,007,666	48,790,292
Funds restricted in perpetuity	<u>1,387,001</u>	<u>1,387,001</u>
	<u>99,458,706</u>	<u>86,360,663</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>4,746,763</u>	<u>5,334,831</u>

15. RECENT ACCOUNTING PRONOUNCEMENT:

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the combined statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the combined statement of activities. This standard will be effective for the Diocese's year ending December 31, 2022.

The Diocese is currently in the process of evaluating the impact of adoption of this ASU on the combined financial statements.

16. SUBSEQUENT EVENTS:

ECSF was dissolved effective January 3, 2020. The assets of ECSF were transferred to the Diocese upon dissolution.

The COVID-19 outbreak in the United States has caused business disruption through closings of our service centers and instability of significant funding sources. The effects of the pandemic have led to significant declines in stock market indices. As a result of these declines, the value of the Diocese's investments declined from approximately \$126,500,000 as of December 31, 2019, to approximately \$107,500,000 as of March 31, 2020, which is the most recent statement date available. Additionally, in May 2020, the Organization entered into a loan of \$510,000 under the Small Business Administration's Paycheck Protection Plan (PPP). The loan bears interest at 1% and is due in May 2022. The PPP program allows for a portion of the loan (up to the full amount) to be forgiven based on qualifying expenses. It is unknown at this time how much of the loan will be forgiven.

The extent of the impact of COVID-19 on the Diocese's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak. Therefore, the impact on the Diocese's operations cannot be reasonably estimated.

SUPPLEMENTARY INFORMATION

Diocese of Southern Ohio and ECSF
Schedule of Combining Financial Position by Fund Information
December 31, 2019

	DSO Funds	Church Foundation Funds	412 Sycamore Funds	IEES Funds	Endowment and Quasi- Endowment Funds	Bishop's Discret Fd	Faith-in-Life Funds	Procter Conf Ctr	ECSF	Subtotal	Eliminations	Total
Assets:												
Cash and cash equivalents	\$ 974,135	439,074	103,986	44,377	-	714,121	326,026	42,603	41,401	2,685,723	-	2,685,723
Accounts and interest receivable, net	370,606	-	-	-	-	-	-	15,580	-	386,186	-	386,186
Due from other funds	23,511	129,071	-	-	3,972,679	-	-	59,192	-	4,184,453	(4,184,453)	-
Notes receivable, net	31,664	491,193	2,329,335	-	-	28,301	-	-	-	2,880,493	-	2,880,493
Investments	1,502,724	1,106,079	-	-	94,623,933	-	2,299,199	-	1,419,294	100,951,229	-	100,951,229
Investment funds held in trust by others	-	-	-	-	25,475,397	-	-	-	-	25,475,397	-	25,475,397
Investment funds held for the benefit of others	-	-	-	-	85,436	-	-	-	-	85,436	-	85,436
Investment - gift annuity	-	-	-	-	-	-	-	-	6,034	6,034	-	6,034
Property and equipment, net	-	4,820,185	-	-	-	-	-	-	-	4,820,185	-	4,820,185
Total assets	\$ 2,902,640	6,985,602	2,433,321	44,377	124,157,445	742,422	2,625,225	117,375	1,466,729	141,475,136	(4,184,453)	137,290,683
Liabilities:												
Accounts payable and accrued liabilities	\$ 220,512	12,247	-	5,676	-	20,339	5,000	83,632	7,213	354,619	-	354,619
Contributions payable	347,500	175,500	-	-	747,614	-	-	-	-	1,270,614	-	1,270,614
Note payable	-	295,209	-	-	-	-	-	-	-	295,209	-	295,209
Postretirement benefits accrued other than pensions	3,547,490	-	-	-	-	-	-	-	-	3,547,490	-	3,547,490
Funds held for the benefit of MP Lee Retirement Community	-	-	-	-	25,475,397	-	-	-	-	25,475,397	-	25,475,397
Funds held for the benefit of St. Luke, Cincinnati	-	-	-	-	85,436	-	-	-	-	85,436	-	85,436
Due to other funds	129,678	285,000	3,436,813	7	56,513	-	-	274,760	1,682	4,184,453	(4,184,453)	-
Total liabilities	4,245,180	767,956	3,436,813	5,683	26,364,960	20,339	5,000	358,392	8,895	35,213,218	(4,184,453)	31,028,765
Net assets:												
Without donor restrictions	(1,508,123)	5,485,728	(1,003,492)	38,694	62,007,666	722,083	1,861,908	(251,420)	1,457,834	68,810,878	-	68,810,878
With donor restrictions	165,583	731,918	-	-	35,784,819	-	758,317	10,403	-	37,451,040	-	37,451,040
Total net assets	(1,342,540)	6,217,646	(1,003,492)	38,694	97,792,485	722,083	2,620,225	(241,017)	1,457,834	106,261,918	-	106,261,918
Total liabilities and net assets	\$ 2,902,640	6,985,602	2,433,321	44,377	124,157,445	742,422	2,625,225	117,375	1,466,729	141,475,136	(4,184,453)	137,290,683

See accompanying notes to the schedule.
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Diocese of Southern Ohio and ECSF
Schedule of Combining Financial Position by Fund Information
December 31, 2018

	DSO Funds	Church Foundation Funds	412 Sycamore Funds	IEES Funds	Endowment and Quasi- Funds	Bishop's Discret Fd	Faith-in-Life Funds	Procter Conf Ctr	ECSF	Subtotal	Eliminations	Total
Assets:												
Cash and cash equivalents	\$ 1,041,670	698,034	59,596	33,713	-	676,669	285,193	61,638	55,618	2,912,131	-	2,912,131
Accounts and interest receivable, net	324,738	-	-	50,000	46,945	-	-	19,895	-	441,578	-	441,578
Due from other funds	55,074	127,366	-	5,329	3,624,894	-	-	-	-	3,812,663	(3,812,663)	-
Notes receivable, net	39,351	12,425	2,000,718	-	-	36,381	-	-	-	2,088,875	-	2,088,875
Investments	1,404,761	1,467,578	-	-	82,016,810	-	2,036,617	-	1,269,480	88,195,246	-	88,195,246
Investment funds held in trust by others	-	-	-	-	21,718,050	-	-	-	-	21,718,050	-	21,718,050
Investment funds held for the benefit of others	-	-	-	-	76,409	-	-	-	-	76,409	-	76,409
Investment - gift annuity	-	-	-	-	-	-	-	-	12,588	12,588	-	12,588
Property and equipment, net	-	4,618,722	-	-	-	-	-	-	-	4,618,722	-	4,618,722
Total assets	\$ 2,865,594	6,924,125	2,060,314	89,042	107,483,108	713,050	2,321,810	81,533	1,337,686	123,876,262	(3,812,663)	120,063,599
Liabilities:												
Accounts payable and accrued liabilities	\$ 214,586	189,648	572	3,208	-	2,143	562	73,449	46,425	530,593	-	530,593
Contributions payable	420,845	323,784	-	-	970,940	-	-	-	-	1,715,569	-	1,715,569
Note payable	-	322,692	-	-	-	-	-	-	-	322,692	-	322,692
Postretirement benefits accrued other than pensions	3,112,441	-	-	-	-	-	-	-	-	3,112,441	-	3,112,441
Funds held for the benefit of MP Lee Retirement Community	-	-	-	-	21,718,050	-	-	-	-	21,718,050	-	21,718,050
Funds held for the benefit of St. Luke, Cincinnati	-	-	-	-	76,409	-	-	-	-	76,409	-	76,409
Due to other funds	146,708	285,000	3,082,391	41,449	-	13,625	-	243,490	-	3,812,663	(3,812,663)	-
Total liabilities	3,894,580	1,121,124	3,082,963	44,657	22,765,399	15,768	562	316,939	46,425	31,288,417	(3,812,663)	27,475,754
Net assets:												
Without donor restrictions	(1,120,321)	5,071,083	(1,022,649)	(3,208)	48,790,292	697,282	1,562,931	(249,197)	1,291,261	55,017,474	-	55,017,474
With donor restrictions	91,335	731,918	-	47,593	35,927,417	-	758,317	13,791	-	37,570,371	-	37,570,371
Total net assets	(1,028,986)	5,803,001	(1,022,649)	44,385	84,717,709	697,282	2,321,248	(235,406)	1,291,261	92,587,845	-	92,587,845
Total liabilities and net assets	\$ 2,865,594	6,924,125	2,060,314	89,042	107,483,108	713,050	2,321,810	81,533	1,337,686	123,876,262	(3,812,663)	120,063,599

See accompanying notes to the schedule.

The supplementary schedules have been included herein to provide information about funds which make up the combined statements of financial position. The assets, liabilities and net assets of the Diocese for internal record-keeping purposes are maintained in eight self-balancing fund groups and ECSF as follows:

- DSO Funds include net assets without donor restrictions, designated by Trustees of the Diocese, and restricted resources representing that portion of expendable funds available for the support of Diocesan operations.
- Church Foundation Funds include resources made available by the Trustees of the Church or ECSF related to property acquisition, maintenance and improvement, and funds previously expended for property.
- 412 Sycamore Funds include funds made available by Trustees of the Diocese for property acquisition and construction by congregations and Diocesan clergy.
- La Iglesia Episcopal De Espiritu Santo ("IEES") Funds include amounts that will be used when IEES becomes a stand-alone , hopefully by 2026. DSO has separated its accounting to reflect a future parish that will have its own history of operations
- Endowments and Quasi-Endowment Funds represent funds that are subject to restrictions of gift instruments requiring that principal be invested and maintained in perpetuity with only the income and certain appreciation as limited by the donor or the law being available for expenditure. Quasi-endowment funds have been established by the Trustees of the Diocese for the same purposes as endowment funds and are included in this fund group; however, any portion of these funds may be expended.
- Bishop's Discretionary Funds are used for Clergy Professional Development grants and Clergy emergency assistance. These funds are also used for closed congregation assistance to maintain the property.
- The Faith-in-Life Funds were raised during the Diocesan Second Century Campaign. The interest earned on the endowment finances the Faith-in-Life Committee's activities which are reported in its Operating Fund.
- Procter Conference Center Funds are used only for the operation of the Diocesan Camp and Conference Center.
- ECSF is organized to support Episcopal Church congregations in Southern Ohio in their volunteer response to community needs for educational, poverty relief, trauma counseling, and other social services. Following a time of discernment, the ECSF Board has decided to continue the important mission and ministry of ECSF without the burden of operating as a separate foundation. As a result ECSF was dissolved on January 3, 2020. Beginning January 1, 2020, organizational and administrative services shifted from a stand-alone foundation to a committee supported by the diocesan office of the Bishop.

