



FINANCIAL REPORT

DIOCESE OF THE MID-ATLANTIC

YEARS ENDED DECEMBER 31, 2017 AND 2016

DIOCESE OF THE MID-ATLANTIC
FINANCIAL REPORT
YEARS ENDED DECEMBER 31, 2017 AND 2016

CONTENTS

| | <u>Page</u> |
|-----------------------------------------------------------------|-------------|
| INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS | 1 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position | 2 |
| Statements of Activities and Changes in Net Assets | 3 |
| Statements of Cash Flows | 4 |
| Notes to Financial Statements | 5 - 8 |

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Diocese of the Mid-Atlantic
Woodbridge, Virginia

We have audited the accompanying financial statements of the Diocese of the Mid-Atlantic (the Diocese), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of the Mid-Atlantic as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



Fairfax, Virginia
July 13, 2018

DIOCESE OF THE MID-ATLANTIC

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|------------------------------------------------------|--------------------------|--------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 384,709 | \$ 347,341 |
| Accounts receivable | 318 | 922 |
| Prepaid expenses and other assets | 15,270 | 7,501 |
| Furniture, equipment and leasehold improvements, net | <u>12,868</u> | <u>15,540</u> |
| Total Assets | <u>\$ 413,165</u> | <u>\$ 371,304</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | <u>\$ 2,983</u> | <u>\$ 4,253</u> |
| Net Assets | | |
| Unrestricted | 351,866 | 362,528 |
| Temporarily restricted | <u>58,316</u> | <u>4,523</u> |
| Total Net Assets | <u>410,182</u> | <u>367,051</u> |
| Total Liabilities and Net Assets | <u>\$ 413,165</u> | <u>\$ 371,304</u> |

The Notes to Financial Statements are an integral part of these statements.

DIOCESE OF THE MID-ATLANTIC

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

| | 2017 | | | 2016 | | |
|------------------------------------------|-------------------|---------------------------|-------------------|-------------------|---------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Support and Revenue | | | | | | |
| Contributions | \$ 878,563 | \$ 54,941 | \$ 933,504 | \$ 919,022 | \$ - | \$ 919,022 |
| Other income | 21,700 | - | 21,700 | 27,191 | - | 27,191 |
| Net assets released from restriction | 1,148 | (1,148) | - | 88 | (88) | - |
| Total Support and Revenue | <u>901,411</u> | <u>53,793</u> | <u>955,204</u> | <u>946,301</u> | <u>(88)</u> | <u>946,213</u> |
| Expenses | | | | | | |
| Salaries and benefits | 532,125 | - | 532,125 | 506,065 | - | 506,065 |
| Outreach | 261,281 | - | 261,281 | 266,219 | - | 266,219 |
| Administrative expenses | 53,786 | - | 53,786 | 59,730 | - | 59,730 |
| Conferences, retreats and special events | 28,074 | - | 28,074 | 61,856 | - | 61,856 |
| Travel | 36,807 | - | 36,807 | 42,824 | - | 42,824 |
| Total Expenses | <u>912,073</u> | <u>-</u> | <u>912,073</u> | <u>936,694</u> | <u>-</u> | <u>936,694</u> |
| Change in Net Assets | (10,662) | 53,793 | 43,131 | 9,607 | (88) | 9,519 |
| Net Assets, beginning of year | <u>362,528</u> | <u>4,523</u> | <u>367,051</u> | <u>352,921</u> | <u>4,611</u> | <u>357,532</u> |
| Net Assets, end of year | <u>\$ 351,866</u> | <u>\$ 58,316</u> | <u>\$ 410,182</u> | <u>\$ 362,528</u> | <u>\$ 4,523</u> | <u>\$ 367,051</u> |

The Notes to Financial Statements are an integral part of these statements.

DIOCESE OF THE MID-ATLANTIC

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------------------------------------------------------------|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 43,131 | \$ 9,519 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 4,916 | 4,251 |
| (Increase) Decrease in | | |
| Accounts receivable | 604 | (354) |
| Prepaid expenses and other assets | (7,769) | 1,537 |
| Increase (Decrease) in | | |
| Accounts payable and accrued expenses | <u>(1,270)</u> | <u>(4,987)</u> |
| Net Cash Provided by Operating Activities | 39,612 | 9,966 |
| Cash Flows from Investing Activities | | |
| Payments for the purchase of property | <u>(2,244)</u> | <u>(6,650)</u> |
| Net Increase in Cash and Cash Equivalents | 37,368 | 3,316 |
| Cash and Cash Equivalents, beginning of year | <u>347,341</u> | <u>344,025</u> |
| Cash and Cash Equivalents, end of year | <u>\$ 384,709</u> | <u>\$ 347,341</u> |

The Notes to Financial Statements are an integral part of these statements.

DIOCESE OF THE MID-ATLANTIC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The Diocese of the Mid-Atlantic (the Diocese) is a non-profit organization incorporated under the laws of the Commonwealth of Virginia in October 2011. The primary purpose of the Diocese is to operate as an association of regional Anglican churches. The Diocese covers member churches in Virginia, Maryland, Washington DC, and northeastern North Carolina. Support provided to the Diocese comes primarily from voluntary contributions from member churches.

Method of Accounting

The financial statements of the Diocese have been prepared on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recognized when incurred.

The Diocese reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restriction.

The Diocese reports noncash gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Diocese conducts its operations at a member church located in Woodbridge, Virginia. Rent paid to the member church during the years ended December 31, 2017 and 2016 was \$18,000 annually. No noncash gifts were received during the year ended December 31, 2017. Noncash contributions totaling \$3,600 were recorded based on the estimated market value of the office space provided at December 31, 2016.

Pledges Receivable

Pledges receivable represents amounts which have been promised but not yet received. Pledges are recorded at the original value less an estimate of uncollectible pledges. Pledges due beyond one year are discounted to reflect the present value of the pledge. There were no pledges receivable at December 31, 2017 and 2016.

Donated Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills performed by people with those skills and would otherwise be purchased by the Diocese. There were no donated services during the years ended December 31, 2017 and 2016. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Statements of Cash Flows

For purposes of the statements of cash flows, the Diocese considers all investments with a maturity of three months or less to be cash equivalents. The Diocese maintains its cash balances with one financial institution which, at times, may exceed federally insured limits of \$250,000. The Diocese has not experienced any losses from such accounts.

DIOCESE OF THE MID-ATLANTIC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are reported at cost. Depreciation on all furniture, equipment and leasehold improvements are computed using the straight-line method over the estimated useful lives of the assets, which range from five to twenty years. Accumulated depreciation totaled \$20,988 and \$16,072 at December 31, 2017 and 2016, respectively.

Net Assets

Unrestricted: Unrestricted net assets represent resources over which the Standing Committee (Board) has discretionary control, and are used to carry out the operations of the Diocese in accordance with their by-laws. The Board will internally designate a portion of unrestricted net assets for specific purposes. For the years ended December 31, 2017 and 2016, the Board has internally designated unrestricted net assets for church planting, clergy retreats and conferences of \$52,110 and \$56,830, respectively.

Temporarily Restricted: Temporarily restricted net assets represent contributions which have been restricted by donors to support Anglican Church Planting, Bishop Benevolence, and the building of new Anglican Churches. Restrictions which have been met by the passage of time or expenditure of net assets are reported as net assets released from restriction on the statements of activities and changes in net assets. Temporarily restricted funds received and utilized in the same operating period are reported as unrestricted revenue and unrestricted expenses on the statements of activities and changes in net assets. For the years ended December 31, 2017 and 2016, the Diocese has temporarily restricted net assets of \$58,316 and \$4,523, respectively.

Financial Statement Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from the estimates that were used.

Income Tax Status

Under Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the Commonwealth of Virginia, the Diocese is exempt from taxes on income related to its exempt purpose.

The Diocese has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. No interest and penalties have been recorded in the accompanying financial statements related to uncertain tax positions.

The Diocese does not file an income tax return and did not have any unrelated business income during the year. The Diocese is not currently under audit by any income tax jurisdiction.

DIOCESE OF THE MID-ATLANTIC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Recent Accounting Pronouncements

ASU 2016-14

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 eliminates the distinction between resources with permanent restrictions and those with temporary restrictions from the face of not-for-profit financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions). ASU 2016-14 also requires enhanced disclosures regarding board designations, the method(s) used to allocate costs among program and support functions, underwater endowment funds, and qualitative and quantitative information that communicates how the organization will meet cash needs for general expenditures within one year of the balance sheet date. ASU 2016-14 is effective for not-for-profit entities for fiscal periods beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018, with retrospective application to all periods presented. Early application of the amendments is permitted. The amendments should be initially adopted only for an annual fiscal period or for the first interim period within the fiscal year of adoption. The Diocese is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

ASU 2016-02

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in ASU 2016-02 supersedes the lease recognition requirements in Accounting Standards Codification (ASC) Topic 840, *Leases (FAS 13)*. ASU 2016-02 requires an entity to recognize assets and liabilities on the balance sheet for the rights and obligations created by leased assets and provide additional disclosures. ASU 2016-02 is effective for non-public entities for fiscal years beginning after December 15, 2019, with early adoption permitted. The Diocese is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events

The date to which events occurring after December 31, 2017, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is July 13, 2018, which is the date on which the financial statements were available to be issued.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

| | 2017 | 2016 |
|------------------------------------------------|-----------|----------|
| Western Virginia Church Plants | \$ 34,000 | \$ - |
| Anglican Southeastern Virginia Church Building | 20,000 | - |
| Bishop Benevolence Church Plants | 2,300 | 2,300 |
| | 1,075 | 2,223 |
| | 941 | - |
| Total temporarily restricted net assets | \$ 58,316 | \$ 4,523 |

DIOCESE OF THE MID-ATLANTIC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

3. RETIREMENT PLAN

The employees of the Diocese are covered by a multiemployer 403(b) tax sheltered annuity plan with the Anglican Church in North America (ACNA) (the Plan). Employees of the ACNA, and any Anglican Church, Diocese or district that is a member of the ACNA, are eligible to participate in the Plan on their date of hire. All participants are immediately 100 percent vested in all employee and employer contributions to their account. The Plan covers clergy by allowing for a special contribution by the Diocese between 1 and 20 percent of annual compensation plus a housing allowance and includes an optional pre-tax salary reduction with an optional employer match. The Plan covers lay employees by allowing for a specialty contribution by the Diocese, which is discretionary and includes an optional pre-tax salary reduction with an optional employer match. Total Diocesan contributions made to the Plan during the years ended December 31, 2017 and 2016 amounted to \$45,269 and \$41,973, respectively.

4. CONCENTRATIONS

For the years ended December 31, 2017 and 2016, the Diocese received 42 percent of its support from two member churches.