

BISHOP OF THE EPISCOPAL DIOCESE OF
GEORGIA, INC. AND OPERATING ENTITY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



Holland, Bromley,
Barnhill & Brett LLP

Certified Public Accountants and Business Advisors

BISHOP OF THE EPISCOPAL DIOCESE OF
GEORGIA, INC. AND OPERATING ENTITY

CONSOLIDATED FINANCIAL STATEMENTS

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CHRISTOPHER H. HOLLAND, CPA
S. STEWART BROMLEY, CPA
RONNIE A. BARNHILL, JR., CPA
SHANNON L. BRETT, CPA, CFE

Independent Auditor's Report

To the Diocesan Council of
Bishop of the Episcopal Diocese of Georgia, Inc.

We have audited the accompanying consolidated financial statements of Bishop of the Episcopal Diocese of Georgia, Inc. and its operating entity (collectively, the "Organization") (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers" (Topic 606), ASU 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" (Topic 958) and ASU 2016-01, "Financial Instruments – Overall" (Subtopic 825-10). Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 3, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 consolidated financial statements as a whole. The consolidating supplemental schedules on pages 19-22 are presented for purposes of additional analysis and are not a required part of the consolidated 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 audit of the financial statements 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 as a whole.



Holland, Bromley, Barnhill & Brett, LLP
Savannah, Georgia
August 18, 2020

BISHOP OF THE EPISCOPAL DIOCESE OF GEORGIA, INC. AND OPERATING ENTITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	
	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 583,794	\$ 509,920
Investments	690,716	684,523
Other current assets	<u>85,902</u>	<u>79,073</u>
Total current assets	1,360,412	1,273,516
Property and equipment, net	<u>1,312,196</u>	<u>1,356,072</u>
Total assets	<u><u>\$2,672,608</u></u>	<u><u>\$2,629,588</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 96,055	\$ 99,554
Deferred revenue	6,134	5,250
Loans from Endowment Fund of the Episcopal Diocese of Georgia	<u>500,755</u>	<u>500,755</u>
Total current liabilities	602,944	605,559
Long-term debt	<u>1,065,000</u>	<u>1,075,000</u>
Total liabilities	<u>1,667,944</u>	<u>1,680,559</u>
Net assets		
Without donor restrictions	31,160	(2,551)
With donor restrictions	<u>973,504</u>	<u>951,580</u>
Total net assets	<u>1,004,664</u>	<u>949,029</u>
Total liabilities and net assets	<u><u>\$2,672,608</u></u>	<u><u>\$2,629,588</u></u>

(The accompanying notes are an integral part of the consolidated financial statements.)

BISHOP OF THE EPISCOPAL DIOCESE OF GEORGIA, INC. AND OPERATING ENTITY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total all funds</u>	
			<u>2019</u>	<u>2018</u>
Support and revenues				
Parish and aided parish pledges and donations	\$ 1,667,930	\$ -	\$ 1,667,930	\$ 1,747,953
Special purpose income	144,230	381,391	525,621	504,482
Episcopal Church camps	190,578	-	190,578	203,705
Meetings, group and lodging	112,887	-	112,887	189,641
Trust income	77,682	-	77,682	84,978
Other revenue	77,437	-	77,437	47,537
Interest income	508	-	508	588
Gain on sale of property	-	-	-	508,770
Net assets released from restrictions:	<u>359,467</u>	<u>(359,467)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>2,630,719</u>	<u>21,924</u>	<u>2,652,643</u>	<u>3,287,654</u>
Expenses				
Salaries	643,793	-	643,793	660,548
Special purpose distributions	483,281	-	483,281	586,840
Employee benefits & taxes	406,396	-	406,396	424,148
General convention assessment	229,473	-	229,473	200,000
Dining room & food costs	153,757	-	153,757	180,256
Rent & utilities	111,507	-	111,507	104,863
Diocesan support distributions	93,320	-	93,320	123,399
Insurance	84,178	-	84,178	86,143
Depreciation	80,815	-	80,815	88,401
Supplies	63,987	-	63,987	114,373
Interest	52,749	-	52,749	54,621
Travel	44,309	-	44,309	70,782
Program costs	44,056	-	44,056	61,885
Housekeeping	38,058	-	38,058	34,889
Repairs & maintenance	29,133	-	29,133	34,184
Professional fees	20,203	-	20,203	23,223
Miscellaneous	17,993	-	17,993	38,450
Total expenses	<u>2,597,008</u>	<u>-</u>	<u>2,597,008</u>	<u>2,887,005</u>
Change in net assets	<u>33,711</u>	<u>21,924</u>	<u>55,635</u>	<u>400,649</u>
Net assets - beginning of year	<u>(2,551)</u>	<u>951,580</u>	<u>949,029</u>	<u>548,380</u>
Net assets - end of year	<u>\$ 31,160</u>	<u>\$ 973,504</u>	<u>\$ 1,004,664</u>	<u>\$ 949,029</u>

(The accompanying notes are an integral part of the consolidated financial statements.)

BISHOP OF THE EPISCOPAL DIOCESE OF GEORGIA, INC. AND OPERATING ENTITY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services			Total Program Services	Supporting Services	Total
	Mission Inside the Diocese	Mission Outside the Diocese	Camp			
EXPENSES						
Salaries	\$ 480,283	\$ 48,810	\$ 47,353	\$ 576,446	\$ 67,347	\$ 643,793
Special purpose distributions	482,593	688	-	483,281	-	483,281
Employee benefits & taxes	332,038	39,539	17,604	389,181	17,215	406,396
General convention assessment	-	229,473	-	229,473	-	229,473
Dining room & food costs	13,175	-	140,582	153,757	-	153,757
Rent & utilities	11,220	-	41,354	52,574	58,933	111,507
Diocesan support distributions	56,282	37,038	-	93,320	-	93,320
Insurance	-	-	47,389	47,389	36,789	84,178
Depreciation	-	-	-	-	80,815	80,815
Supplies	11,328	-	22,141	33,469	30,518	63,987
Interest	-	-	-	-	52,749	52,749
Travel	38,608	5,701	-	44,309	-	44,309
Program costs	44,056	-	-	44,056	-	44,056
Housekeeping	-	-	-	-	38,058	38,058
Repairs & maintenance	-	-	17,392	17,392	11,741	29,133
Professional fees	1,003	-	-	1,003	19,200	20,203
Miscellaneous	6,379	-	-	6,379	11,614	17,993
Total expenses	<u>\$ 1,476,965</u>	<u>\$ 361,249</u>	<u>\$ 333,815</u>	<u>\$ 2,172,029</u>	<u>\$ 424,979</u>	<u>\$ 2,597,008</u>

(The accompanying notes are an integral part of the consolidated financial statements.)

BISHOP OF THE EPISCOPAL DIOCESE OF GEORGIA, INC. AND OPERATING ENTITY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services					
	Mission	Mission		Total Program	Supporting	Total
	Inside the	Outside the	Camp	Services	Services	
<u>Diocese</u>	<u>Diocese</u>					
EXPENSES						
Salaries	\$ 491,572	\$ 48,600	\$ 49,079	\$ 589,251	\$ 71,297	\$ 660,548
Special purpose distributions	544,088	42,752	-	586,840	-	586,840
Employee benefits & taxes	349,483	41,320	11,542	402,345	21,803	424,148
General convention assessment	-	200,000	-	200,000	-	200,000
Dining room & food costs	15,406	-	164,850	180,256	-	180,256
Diocesan support distributions	49,811	53,400	-	103,211	20,188	123,399
Supplies	-	22,429	39,461	61,890	52,483	114,373
Rent & utilities	9,930	-	39,492	49,422	55,441	104,863
Depreciation	-	-	-	-	88,401	88,401
Insurance	-	-	48,918	48,918	37,225	86,143
Travel	52,641	18,141	-	70,782	-	70,782
Program costs	61,885	-	-	61,885	-	61,885
Interest	-	-	-	-	54,621	54,621
Miscellaneous	9,238	-	3,982	13,220	25,230	38,450
Housekeeping	-	-	-	-	34,889	34,889
Repairs & maintenance	-	-	26,041	26,041	8,143	34,184
Professional fees	125	-	-	125	23,098	23,223
Total expenses	<u>\$ 1,584,179</u>	<u>\$ 426,642</u>	<u>\$ 383,365</u>	<u>\$ 2,394,186</u>	<u>\$ 492,819</u>	<u>\$ 2,887,005</u>

(The accompanying notes are an integral part of the consolidated financial statements.)

BISHOP OF THE EPISCOPAL DIOCESE OF GEORGIA, INC. AND OPERATING ENTITY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	December 31,	
	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 55,635	\$ 400,649
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	80,815	88,401
Gain on sale of property and equipment	-	(508,770)
Gain on forgiveness of bond debt	(10,000)	(90,000)
Increase in other current assets	(6,829)	(25,352)
(Decrease) increase in accounts payable and accrued expenses	(3,499)	55,627
Increase in deferred revenue	<u>884</u>	<u>2,605</u>
Net cash provided by (used for) operating activities	<u>117,006</u>	<u>(76,840)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(36,939)	(928,298)
Proceeds from sale of property and equipment	-	508,770
Net investment activity	<u>(6,193)</u>	<u>5,823</u>
Net cash used for investing activities	<u>(43,132)</u>	<u>(413,705)</u>
Cash flows from financing activities:		
Loan proceeds from Endowment Fund	<u>-</u>	<u>400,000</u>
Net cash provided by financing activities	<u>-</u>	<u>400,000</u>
Net increase (decrease) in cash and cash equivalents	73,874	(90,545)
Cash and cash equivalents - beginning of year	<u>509,920</u>	<u>600,465</u>
Cash and cash equivalents - end of year	<u>\$ 583,794</u>	<u>\$ 509,920</u>
Cash paid for interest	<u>\$ 52,749</u>	<u>\$ 54,621</u>

(The accompanying notes are an integral part of the consolidated financial statements.)

BISHOP OF THE EPISCOPAL DIOCESE OF GEORGIA, INC. AND OPERATING ENTITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 1 - PURPOSE OF ORGANIZATION

The Bishop of the Episcopal Diocese of Georgia, Inc. (the "Diocese") is a non-profit organization located in Savannah, Georgia which incorporated in Georgia in 1992. It was formerly known as The Episcopal Church in the Diocese of Georgia. The Diocese is the administrative unit of the Episcopal parishes and aided parishes within its geographical boundaries and comprises approximately the southern three-fifths of the state of Georgia.

The Georgia Episcopal Camp and Conference Center (the "Camp") is an operating entity of the Diocese. The Camp, which is also known as 'Honey Creek', spans 100 acres in Waverly, Georgia and has been in existence since the 1950s to provide a unique setting for the spiritual, community-building and educational needs of its guests. In addition to being an ideal location for spiritual camps, the facilities are utilized for a variety of other functions including weddings, reunions and retreats.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP). The consolidated financial statements include the accounts of the Diocese and the Camp (collectively referred to as 'the Organization'). All significant inter-organizational transactions and balances have been eliminated in consolidation.

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Restricted and unrestricted revenue and support

Contributions received are recorded as "with donor restrictions" or "without donor restrictions," depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in "without donor restrictions" if the restriction expires in the reporting year in which the support is recognized.

Revenue recognition

The Organization derives its revenues primarily from parish and aided parish pledges. Revenues are recognized over the course of the year in an amount that reflects the consideration the Organization expects to receive in exchange for services provided to the parishes in the Diocese. The Organization also derives revenue from its Episcopal Church camps and by providing accommodations and ancillary services to third party groups at the Camp. Revenue for events held at the Camp are recognized at the time the event occurs. Deferred revenue represents payments made by customers in advance of events to be held at the Camp.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and short-term highly liquid investments (original maturity of ninety days or less) are included as cash and cash equivalents in the accompanying consolidated financial statements.

Property

The Diocese capitalizes purchases of property and equipment which exceed \$1,000 and are expected to provide benefit for multiple years. The Camp capitalizes purchases of property and equipment which exceed \$2,000 and are expected to provide benefit for multiple years. The Organization recognizes depreciation on these assets using the straight-line method over the following estimated useful lives:

- Automobiles - 5 years
- Equipment - 5 to 10 years
- Furniture and fixtures - 5 to 7 years
- Building improvements - 15 years
- Buildings - 40 years

Assets acquired by the Diocese prior to January 1, 2009 are not included in the consolidated statements of financial position. The land, building, and facilities spanning approximately 100 acres in Waverly, Georgia and utilized for operations of the Camp are part of these excluded assets. This property was originally gifted to the Diocese in the late 1950s with certain restrictions surrounding the sale of the property. The tax value of this property was approximately \$1,345,000 at December 31, 2019.

Additionally, the office building and land located in downtown Savannah, Georgia and formerly utilized for operations of the Diocese are also excluded. This property was originally purchased for \$5,451 in 1956. In 2018, the Diocese sold this office building and land for \$508,770 and purchased a new administrative building for approximately \$897,000 using the proceeds from the sale of the old property, operating cash, and a loan from the Endowment Fund of approximately \$400,000. As the property was excluded from the consolidated statements of financial position, the entire proceeds of the sale are included in other revenue on the consolidated statements of activities and changes in net assets.

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of credit risk

The Organization maintains its cash balances with commercial banks throughout southeast Georgia in deposit accounts which at December 31, 2019 and other times throughout the year, exceeded federally insured limits. The Organization has not experienced any losses of such funds and management believes the Organization is not exposed to any significant risk on cash. The amount of uninsured cash at both December 31, 2019 and 2018 is approximately \$18,000.

Investments

The Organization carries its investments in marketable securities at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities and changes in net assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Diocese funding to the Camp

The Diocese paid the Camp \$43,372 and \$37,069 during 2019 and 2018, respectively, for lodging, camps and various conferences. These amounts have been eliminated during the consolidation.

Cost allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. These expenses are allocated based on management's analysis of employee time spent on each program and supporting function.

Income taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is classified as other than a private foundation. Therefore, no provision for income taxes has been made in these consolidated financial statements.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. Once the threshold is met, the amount recognized in the financial statements is the largest amount of tax benefit likely realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Organization does not expect the total amount of unrecognized tax benefits to significantly change in the next twelve months. Due to the tax exempt status, the Organization is not subject to U.S. federal income tax or state income tax.

The Organization is no longer subject to examination by taxing authorities for years before 2016. If incurred, the Organization would recognize interest and penalties related to unrecognized tax benefits in interest expense. The Organization has no amounts accrued for interest and penalties as of December 31, 2019 and 2018. Additionally, no interest or penalties were recorded for the years then ended.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

New accounting pronouncements

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" (Topic 958). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting pronouncements (continued)

intended to increase the usefulness of nonprofit financial statements. In addition, ASU 2016-14 removes the requirement that not-for-profit entities that chose to prepare the statements of cash flows using the direct method must also present a reconciliation (the indirect method). The Organization implemented this ASU as of and for the year ended December 31, 2018.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers" (Topic 606), or Accounting Standards Codification 606 ("ASC 606"). This guidance outlines a single, comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance issued by the FASB. Under the new revenue recognition standard, entities apply a five-step model that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, organizations identify the performance obligations within their contracts with customers, allocate the transaction price received from customers to each performance obligation identified within their contracts, and recognize revenue as the performance obligations are satisfied. The new guidance requires enhanced disclosures, including revenue recognition policies to identify performance obligations to customers and significant judgments in measurement and recognition. On January 1, 2019, the Organization adopted ASC 606 and all the related amendments for all contracts using the modified retrospective method.

The adoption of ASC 606 did not have a significant impact on the Organization's financial statements. The majority of the Organization's revenue arrangements generally consist of a single performance obligation to transfer promised services. Based on the Organization's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously are consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

In June 2018, the FASB issued ASU 2018-08, "Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The implementation of this ASU as of and for the year ended December 31, 2019 did not have a significant impact on the Organization's financial statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities", and subsequently issued related ASU 2018-03, "Technical Corrections and Improvements to Financial Instruments-Overall" (Subtopic 825-10). These standards amend certain aspects of accounting and disclosure requirements for financial instruments, including the requirement that equity investments with readily determinable fair values are to be measured at fair value with any changes in fair value recognized in the statement of changes in net assets. The implementation of this ASU as of and for the year ended December 31, 2019 did not have a significant impact on the Organization's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Organization has evaluated subsequent events through August 18, 2020, the date the financial statements were available to be issued.

NOTE 3 - ENDOWMENT FUND

An investment fund earmarked for the Camp is held by the Endowment Fund of the Episcopal Diocese of Georgia (the Endowment Fund), and a balance of \$90,140 and \$72,516 was maintained at December 31, 2019 and 2018, respectively. Because this investment is an asset of the Endowment Fund, rather than the Camp, it is not reflected on the accompanying consolidated statements of financial position. See Note 9 for a description of the amount due to the Endowment Fund as of December 31, 2019.

NOTE 4 - RELATED PARTIES

The Diocese has approximately seventy related parishes and aided parishes. The revenues received from these parishes and aided parishes are recorded as 'Parish and aided parish pledges and donations', and the related Diocesan expenses are recorded as 'Mission inside the Diocese' on the consolidated statements of functional expenses.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018 consists of the following:

	<u>Diocese</u>	<u>Camp</u>	<u>Total</u>	
			<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 970,411	\$ 540,763	\$ 1,511,174	\$ 1,486,735
Furniture and fixtures	-	65,482	65,482	65,482
Office equipment	30,458	27,336	57,794	57,794
Vehicles	26,267	9,500	35,767	35,767
Maintenance equipment	-	30,002	30,002	30,002
Kitchen equipment	-	17,409	17,409	17,409
Disc golf course	-	6,706	6,706	6,706
Computers and software	-	63,036	63,036	62,536
	<u>1,027,136</u>	<u>760,234</u>	<u>1,787,370</u>	<u>1,762,431</u>
Less - accumulated depreciation	<u>(86,569)</u>	<u>(445,408)</u>	<u>(531,977)</u>	<u>(451,162)</u>
	940,567	314,826	1,255,393	1,311,269
Construction in progress	-	12,000	12,000	-
Land	<u>44,803</u>	<u>-</u>	<u>44,803</u>	<u>44,803</u>
Total property and equipment	<u>\$ 985,370</u>	<u>\$ 326,826</u>	<u>\$ 1,312,196</u>	<u>\$ 1,356,072</u>

Depreciation expense for the years ended December 31, 2019 and 2018, totaled \$80,815 and \$88,401, respectively. The depreciation expense for December 31, 2019 consists of \$30,372 and \$50,443 for the Diocese and the Camp, respectively. The depreciation expense for December 31, 2018 consists of \$28,000 and \$60,401 for the Diocese and the Camp, respectively.

NOTE 6 - EMPLOYEE BENEFIT PLANS

The Bishop and his ordained canons participate in the national clergy pension plan of the Church Pension Fund. This is a defined benefit plan, and Diocese contributions are assessed at approximately 18% of related salaries.

As of July 1, 2012, all full-time employees of the Organization are eligible to participate in a Section 403(b) plan. The Organization contributes a total of 10% of each participant's salary to the defined contribution 403(b) plan.

Contributions to all plans for the years ended December 31, 2019 and 2018 totaled \$71,691 and \$80,142, respectively.

NOTE 7 - DONATED SERVICES AND MATERIALS

No amounts have been reflected in the consolidated financial statements for donated services or materials. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with various committees.

NOTE 8 - FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, "Fair Value Measurements", defines fair value as the price that would be received to sell an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. ASC 820 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. 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 Organization 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 or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liabilities;
- 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 asset's 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 should maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 8 - FAIR VALUE MEASUREMENTS (continued)

The following represents the Organization's assets measured at fair value as of December 31, 2019 and 2018:

<u>December 31, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government obligations	\$ 306,729		\$ -	\$ 306,729
Corporate obligations		\$ 340,763		340,763
Mutual funds	43,224			43,224
	<u>\$ 349,953</u>	<u>\$ 340,763</u>	<u>\$ -</u>	<u>\$ 690,716</u>
<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Government obligations	\$ 343,828		\$ -	\$ 343,828
Corporate obligations		\$ 337,696		337,696
Mutual funds	2,999			2,999
	<u>\$ 346,827</u>	<u>\$ 337,696</u>	<u>\$ -</u>	<u>\$ 684,523</u>

NOTE 9 - DEBT

Below is information regarding the Organization's outstanding debt at December 31, 2019.

Bond debt

During 2012 and 2011, the Diocese issued bonds totaling \$1,245,000 to 109 bondholders. The proceeds from this bond issuance were provided to the Camp for the purpose of extinguishing debt and purchasing capital assets. All issued bonds mature December 31, 2021 and require semi-annual interest payments at 5%. Bonds may be called by the Diocese at any time. From issuance through December 31, 2017, bonds totaling \$80,000 were forgiven by twelve bondholders. During 2018, bonds totaling \$90,000 were forgiven by seven bondholders. During 2019, bonds totaling \$10,000 were forgiven by two bondholders. A total of \$52,749 and \$54,621 of bond interest expense was recorded for the years ended December 31, 2019 and 2018, respectively, with no amounts accrued but not paid at December 31, 2019 or 2018.

Loans from Endowment Fund

During 2011, the Camp borrowed funds from the Endowment Fund. These funds were borrowed interest free and are due back to the Endowment Fund as soon as possible. At December 31, 2019 and 2018, a total of \$100,755 was due to the Endowment Fund.

During 2018, the Diocese borrowed funds from the Endowment Fund to assist in the purchase of the new administrative building. Under this agreement, the principal balance will be paid back at some point in the future as Diocese funds are available, however no formal repayment plan exists. Interest does not accrue on this loan. At December 31, 2019, a total of \$400,000 was due to the Endowment Fund.

NOTE 9 - DEBT (continued)

Debt agreements

While most debt agreements are accounted for as liabilities of the Camp and satisfied from the assets of the Camp, the borrower on all debt agreements is the Diocese. Assets of the Camp represent partial collateral under these agreements, but the Diocese is ultimately responsible as the borrower. Property owned by the Diocese and utilized by the Camp serves as the final collateral under these agreements.

Other

The Diocese is the guarantor on a note payable to a local financial institution by an Episcopal parish. The amount outstanding on this note payable was approximately \$151,000 and \$172,100 at December 31, 2019 and 2018, respectively. The note payable is collateralized by a security deed on real estate of the Episcopal parish, was renewed in May 2020, and matures in May 2025.

NOTE 10 - LIQUIDITY

The following reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of year-end. AmEpounts restricted by the Diocesan Administrator may be drawn upon, if necessary, to meet unexpected liquidity needs or in the event of financial distress. See Note 14 for additional information on these restricted funds.

	<u>2019</u>	<u>2018</u>
Financial assets at year-end	\$ 1,360,412	\$ 1,273,516
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	973,504	951,580
Restricted by the Diocesan Administrator	<u>287,783</u>	<u>329,568</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 99,125</u>	<u>\$ (7,632)</u>

NOTE 11 - LEGAL MATTERS

On January 16, 2010, the Diocese was added as a party to the lawsuit between Christ the King Episcopal Church, Inc. and Lowndes County Board of Equalization and Lowndes County Board of Tax Assessors (Lowndes County). Christ the King Episcopal Church, Inc. is a parish of the Diocese and was challenging a determination by Lowndes County that the first floor of the church property in Valdosta, Georgia was not exempt from ad valorem property taxation. On June 29, 2010, the Superior Court denied the Lowndes County Motion for Summary Judgment. On August 4, 2010, the Georgia Court of Appeals denied the Lowndes County Application for Interlocutory Appeal. The approximate amount of money under dispute for Christ the King Episcopal Church, Inc. was \$20,000. The claim was ultimately disposed of and dismissed, and no related amounts have been included in the accompanying financial statements.

NOTE 12 - OPERATING LEASE AGREEMENTS

The Diocese leases certain office equipment and real estate under operating lease agreements which expire at various times through 2022. The total expense under operating lease agreements was \$15,129 and \$20,831 for the years ended December 31, 2019 and 2018, respectively. The future minimum rental commitments under these non-cancelable operating leases are as follows:

<u>Year ending December 31,</u>	
2020	\$ 1,445
2021	1,445
2022	241
Thereafter	-
	<u>\$ 3,131</u>

NOTE 13 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Amounts designated by the Organization for specific purposes are noted below. The Diocesan Administrator with the approval of the Finance Committee determines these amounts. The following schedule presents the balances as of December 31, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Designated net assets without donor restrictions		
Emergency reserve	\$ 165,459	\$ 165,459
Honey Creek bond reserve	43,329	30,000
Bishop's visitation	42,817	40,692
Clergy interns	36,937	36,937
Diocesan convention	15,367	15,367
Memorials	3,405	3,405
Synod travel	2,418	2,418
Lambeth	1,500	1,500
Convention travel	(5,610)	(5,610)
Episcopal transition	(17,839)	39,400
	<u>287,783</u>	<u>329,568</u>
Undesignated net assets without donor restrictions	<u>(256,623)</u>	<u>(332,119)</u>
Total net assets without donor restrictions	<u>\$ 31,160</u>	<u>\$ (2,551)</u>

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2019 and 2018, amounts restricted by donors of the Diocese for a specific purpose or time period are noted below.

	<u>2019</u>	<u>2018</u>
St. Luke's Hawkinsville Building Fund	\$ 459,000	\$ 459,000
St. Thomas Baxley Church Fund	227,900	-
Augusta Church Plant	155,536	149,263
Epiphany Church Plant	42,571	86,780
Georgia Southern	38,159	31,765
Campaign for Mission	31,456	103,007
Youth counselor education	14,135	14,135
Clergy education	12,343	8,005
Youth Mission	9,309	8,086
St. Anna Alexander Fund	6,000	-
St. Joseph's Community Fund	4,592	111,891
DFMS Leadership Formation	1,123	1,811
Georgia Lynching Memorial Fund	1,000	-
Dominican Republic	625	625
Other	(30,245)	(22,788)
	<u>\$ 973,504</u>	<u>\$ 951,580</u>

NOTE 15 - SUBSEQUENT EVENTS

The Organization has evaluated events that occurred subsequent to December 31, 2019 for potential recognition and disclosure in these financial statements. There was a global outbreak of a new strain of coronavirus, COVID-19, which the World Health Organization declared to be a global pandemic in March 2020. To date, COVID-19 has resulted in government-imposed quarantines, certain travel restrictions and other public health safety measures. The impact of the COVID-19 outbreak on the Organization's financial condition and results of operations will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions that could impact the Organization. The impact of the COVID-19 outbreak and associated effects on the Organization and the overall economy are uncertain and cannot be predicted.

In April 2020, the Organization secured approximately \$217,000 in emergency federal funding through the Paycheck Protection Program as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) passed by U.S. Congress on March 27, 2020. The loan may be forgiven if certain requirements are met. Any unforgiven loan proceeds will accrue interest at 1.00% and mature in April 2022. Payments on the loan are initially deferred six months until October 2020.

SUPPLEMENTARY INFORMATION

BISHOP OF THE EPISCOPAL DIOCESE OF GEORGIA, INC. AND OPERATING ENTITY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

	<u>Diocese</u>	<u>Camp</u>	<u>Intercompany Eliminations</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 531,398	\$ 52,396	\$ -	\$ 583,794
Investments	690,716	-	-	690,716
Other current assets	76,960	8,942	-	85,902
Total current assets	<u>1,299,074</u>	<u>61,338</u>	-	<u>1,360,412</u>
Property and equipment, net	985,370	326,826	-	1,312,196
Total assets	<u>\$ 2,284,444</u>	<u>\$ 388,164</u>	<u>\$ -</u>	<u>\$ 2,672,608</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued expenses	\$ 82,651	\$ 13,404	\$ -	\$ 96,055
Deferred revenue	-	6,134	-	6,134
Loans from Endowment Fund of the Episcopal Diocese of Georgia	400,000	100,755	-	500,755
Total current liabilities	<u>482,651</u>	<u>120,293</u>	-	<u>602,944</u>
Long-term debt	-	1,065,000	-	1,065,000
Total liabilities	<u>482,651</u>	<u>1,185,293</u>	<u>-</u>	<u>1,667,944</u>
Net assets				
Without donor restrictions	828,289	(797,129)	-	31,160
With donor restrictions	973,504	-	-	973,504
Total net assets	<u>1,801,793</u>	<u>(797,129)</u>	<u>-</u>	<u>1,004,664</u>
Total liabilities and net assets	<u>\$ 2,284,444</u>	<u>\$ 388,164</u>	<u>\$ -</u>	<u>\$ 2,672,608</u>

BISHOP OF THE EPISCOPAL DIOCESE OF GEORGIA, INC. AND OPERATING ENTITY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

	<u>Diocese</u>	<u>Camp</u>	<u>Intercompany Eliminations</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 456,005	\$ 53,915	\$ -	\$ 509,920
Investments	684,523	-	-	684,523
Other current assets	<u>62,560</u>	<u>16,513</u>	-	<u>79,073</u>
Total current assets	1,203,088	70,428	-	1,273,516
Property and equipment, net	<u>1,015,742</u>	<u>340,330</u>	-	<u>1,356,072</u>
Total assets	<u>\$ 2,218,830</u>	<u>\$ 410,758</u>	<u>\$ -</u>	<u>\$ 2,629,588</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued expenses	\$ 84,701	\$ 14,853	\$ -	\$ 99,554
Deferred revenue	-	5,250	-	5,250
Loans from Endowment Fund of the Episcopal Diocese of Georgia	<u>400,000</u>	<u>100,755</u>	-	<u>500,755</u>
Total current liabilities	484,701	120,858	-	605,559
Long-term debt	-	<u>1,075,000</u>	-	<u>1,075,000</u>
Total liabilities	<u>484,701</u>	<u>1,195,858</u>	-	<u>1,680,559</u>
Net assets				
Without donor restrictions	782,549	(785,100)	-	(2,551)
With donor restrictions	<u>951,580</u>	-	-	<u>951,580</u>
Total net assets	<u>1,734,129</u>	<u>(785,100)</u>	-	<u>949,029</u>
Total liabilities and net assets	<u>\$ 2,218,830</u>	<u>\$ 410,758</u>	<u>\$ -</u>	<u>\$ 2,629,588</u>

BISHOP OF THE EPISCOPAL DIOCESE OF GEORGIA, INC. AND OPERATING ENTITY

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Diocese			Camp Total	Intercompany Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total			
Support and revenues						
Parish and aided parish pledges and donations	\$ 1,600,492	\$ -	\$ 1,600,492	\$ 67,438	\$ -	\$ 1,667,930
Special purpose income	135,937	381,391	517,328	8,293	-	525,621
Episcopal Church camps	-	-	-	233,950	(43,372)	190,578
Meetings, group and lodging	-	-	-	112,887	-	112,887
Trust income	77,682	-	77,682	-	-	77,682
Other revenue	48,620	-	48,620	28,817	-	77,437
Interest income	508	-	508	-	-	508
Net assets released from restrictions:	<u>359,467</u>	<u>(359,467)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>2,222,706</u>	<u>21,924</u>	<u>2,244,630</u>	<u>451,385</u>	<u>(43,372)</u>	<u>2,652,643</u>
Expenses						
Salaries	569,705	-	569,705	74,088	-	643,793
Special purpose distributions	483,281	-	483,281	-	-	483,281
Employee benefits & taxes	388,110	-	388,110	18,286	-	406,396
General convention assessment	229,473	-	229,473	-	-	229,473
Dining room & food costs	13,175	-	13,175	140,582	-	153,757
Rent & utilities	66,433	-	66,433	45,074	-	111,507
Diocesan support distributions	93,320	-	93,320	-	-	93,320
Insurance	36,789	-	36,789	47,389	-	84,178
Depreciation	30,372	-	30,372	50,443	-	80,815
Supplies	81,549	-	81,549	25,810	(43,372)	63,987
Interest	52,749	-	52,749	-	-	52,749
Travel	44,309	-	44,309	-	-	44,309
Program costs	44,056	-	44,056	-	-	44,056
Housekeeping	-	-	-	38,058	-	38,058
Repairs & maintenance	11,741	-	11,741	17,392	-	29,133
Professional fees	20,203	-	20,203	-	-	20,203
Miscellaneous	11,701	-	11,701	6,292	-	17,993
Total expenses	<u>2,176,966</u>	<u>-</u>	<u>2,176,966</u>	<u>463,414</u>	<u>(43,372)</u>	<u>2,597,008</u>
Change in net assets	<u>45,740</u>	<u>21,924</u>	<u>67,664</u>	<u>(12,029)</u>	<u>-</u>	<u>55,635</u>
Net assets - beginning of year	<u>782,549</u>	<u>951,580</u>	<u>1,734,129</u>	<u>(785,100)</u>	<u>-</u>	<u>949,029</u>
Net assets - end of year	<u>\$ 828,289</u>	<u>\$ 973,504</u>	<u>\$ 1,801,793</u>	<u>\$ (797,129)</u>	<u>\$ -</u>	<u>\$ 1,004,664</u>

BISHOP OF THE EPISCOPAL DIOCESE OF GEORGIA, INC. AND OPERATING ENTITY

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Diocese			Camp Total	Intercompany Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total			
Support and revenues						
Parish and aided parish pledges and donations	\$ 1,577,678	\$ -	\$ 1,577,678	\$ 170,275	\$ -	\$ 1,747,953
Gain on sale of property	508,770		508,770	-	-	508,770
Special purpose income	118,929	384,579	503,508	974	-	504,482
Episcopal Church camps	2,122	-	2,122	238,652	(37,069)	203,705
Meetings, group and lodging	-	-	-	189,641	-	189,641
Trust income	84,978	-	84,978	-	-	84,978
Other revenue	47,537	-	47,537	-	-	47,537
Interest income	588	-	588	-	-	588
Released from restrictions	179,508	(179,508)	-	-	-	-
Total support and revenues	<u>2,520,110</u>	<u>205,071</u>	<u>2,725,181</u>	<u>599,542</u>	<u>(37,069)</u>	<u>3,287,654</u>
Expenses						
Salaries	580,852	-	580,852	79,696	-	660,548
Special purpose distributions	586,840	-	586,840	-	-	586,840
Employee benefits & taxes	410,418	-	410,418	13,730	-	424,148
General convention assessment	200,000	-	200,000	-	-	200,000
Dining room & food costs	15,406	-	15,406	164,850	-	180,256
Diocesan support distributions	123,399	-	123,399	-	-	123,399
Supplies	101,459	-	101,459	49,983	(37,069)	114,373
Rent & utilities	61,813	-	61,813	43,050	-	104,863
Depreciation	28,000	-	28,000	60,401	-	88,401
Insurance	37,225	-	37,225	48,918	-	86,143
Travel	70,782	-	70,782	-	-	70,782
Program costs	61,885	-	61,885	-	-	61,885
Interest	54,621	-	54,621	-	-	54,621
Miscellaneous	29,153	-	29,153	9,297	-	38,450
Housekeeping	-	-	-	34,889	-	34,889
Repairs & maintenance	8,143	-	8,143	26,041	-	34,184
Professional fees	23,223	-	23,223	-	-	23,223
Total expenses	<u>2,393,219</u>	<u>-</u>	<u>2,393,219</u>	<u>530,855</u>	<u>(37,069)</u>	<u>2,887,005</u>
Change in net assets	<u>126,891</u>	<u>205,071</u>	<u>331,962</u>	<u>68,687</u>	<u>-</u>	<u>400,649</u>
Net assets - beginning of year	655,658	746,509	1,402,167	(853,787)	-	548,380
Net assets - end of year	<u>\$ 782,549</u>	<u>\$ 951,580</u>	<u>\$ 1,734,129</u>	<u>\$ (785,100)</u>	<u>\$ -</u>	<u>\$ 949,029</u>