

ADMINISTRATIVE OFFICES

Financial Statements and
Supplementary Information

Year Ended December 31, 2000

TABLE OF CONTENTS

	Page	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	260	
FINANCIAL STATEMENTS		
Statement of Financial Position	262	
Statement of Activities	263	
Statement of Cash Flows	264	
Notes to Financial Statements	265-272	
SUPPLEMENTARY INFORMATION		
Schedules of Expenses Compared To Budget	273-278	
Schedules of Loans Receivable 2000	279-280	
Schedules of Temporarily Restricted Net Assets	281	
Schedules of Permanently Restricted Net Assets	282	

INDEPENDENT AUDITORS' REPORT

To the Audit Committee of the Diocese of New Jersey
ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY

We have audited the accompanying statement of financial position of **ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY** ("the Diocese") as of December 31, 2000, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Diocese's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Diocese's 1999 financial statements, and in our report dated August 28, 2000, we expressed a qualified opinion on those financial statements.

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 of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in note L to the financial statements, Statement of Financial Standards (SFAS) No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions, accrual and disclosure requirements are not recorded in the financial statements. Accounting principles generally accepted in the United States of America require SFAS No. 106 be followed when applicable. It was not practicable to determine the effects of the unrecorded cost and disclosure requirements of postretirement benefits on the financial statements.

In our opinion, except for the effects of not recording the cost of postretirement benefits, the financial statements referred to above present fairly, in all material respects, the financial position of **ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY** as of December 31, 2000, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements of **ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY** taken as a whole. The accompanying information on pages 273 through 282 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements; and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

July 25, 2001

STATEMENT OF FINANCIAL POSITION

December 31, 2000
(With Comparative Totals for 1999)

See notes to financial statements.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2000
(With Comparative Totals for the Year Ended December 31, 1999)

See notes to financial statements

STATEMENT OF CASH FLOWS
Year Ended December 31, 2000
(With Comparative Totals for the Year Ended December 31, 1999)

	<u>2000</u>	<u>1999</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 490,161	\$ 84,008)
Adjustments		
Unrealized loss (gain) on investments		
in Diocesan Investment Trust	41,374	(305,580)
Realized (gain) loss on sale of investments	(145)	4,693
Loss from sale of equity interest in real estate	21,918	-
Depreciation	2,900	-
Allowance for doubtful accounts	-	9,500
Changes in assets and liabilities		
Diocesan fair share contribution receivable	(5,012)	177,306
Dental, health, and life insurance premiums receivable	55,165	(106,311)
Loans receivable	157,637	(255,811)
Other receivables and prepaid expenses	(63,811)	(4,971)
Accounts payable and accrued expenses	(228,821)	238,218
Accrued settlement	(205,755)	904,441
Other liabilities	<u>77,794</u>	<u>94,641</u>
Net cash provided by operating activities	<u>343,405</u>	<u>672,118</u>
Cash Flows from Investing Activities		
Purchases of equipment	(18,201)	(20,367)
DIT purchases, net	(33,693)	(18,377)
DIT dividends reinvested	(72,949)	(70,533)
(Purchases) proceeds of other investments, net	<u>678,295</u>	<u>(436,985)</u>
Net cash provided by (used in) investing activities	<u>553,452</u>	<u>(546,262)</u>
Net increase in cash and cash equivalents	896,857	125,856
Cash and cash equivalents, beginning of year	1,456,904	1,331,048
Cash and cash equivalents, end of year	<u>\$ 2,353,761</u>	<u>\$1,456,904</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The **ADMINISTRATIVE OFFICES OF THE DIOCESE OF NEW JERSEY** (the "Diocese") are an administrative division of the Episcopal Church covering parishes and missions in central and southern New Jersey.

Basis of Accounting

The financial statements of the Diocese have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Diocese is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Investments in Shares of Diocesan Investment Trust

The Diocese carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash includes unrestricted highly liquid investments with an initial maturity of three months or less. In addition, the statement of cash flows excludes permanently restricted cash.

Public Support and Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Diocese that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they are dependent are substantially satisfied.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period

in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Receivables

Management considers fair share contributions receivable, loans and other receivables to be fully collectible, accordingly no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to expense when that determination is made.

Property and Equipment

The accounting principles of the Episcopal Church require that real property be carried at cost or, where historical cost records are not available, at appraised value. If no appraisal is available real property is carried at a nominal value of \$1.

Furniture and equipment are recorded at cost. Depreciation for furniture and equipment acquired after December 31, 1999 is provided over the estimated useful lives of the assets using the straight line method. The estimated useful lives are as follows:

Furniture and fixtures 10 years
Equipment 5 years

Repairs and maintenance, which do not extend the useful lives of the related assets, are expensed as incurred.

B. CONCENTRATION OF RISK AND UNCERTAINTIES

The Diocese maintains cash balances, which may exceed federally insured limits. It historically has not experienced any credit related losses.

The major sources of non-investment revenues is Fair Share Contributions. A significant reduction in this level of support, if this were to occur, could have a significant negative effect on the Diocese's programs and activities.

C. INVESTMENTS IN SHARES OF DIOCESAN INVESTMENT TRUST

Investments in shares of Diocesan Investment Trust are summarized as follows:

	December 31	
	2000	1999
	Fair Value	Fair Value
Unrestricted	\$ 306,771	\$ 307,438
Temporarily restricted	7,148,601	6,939,032
Permanently restricted	8,837,347	9,054,673
Total Diocesan Investment Trust	\$ 16,292,719	\$ 16,301,143

Investment in Diocesan Investment Trust consists of the

	December 31,	
	2000	1999
	<u>Fair Value</u>	<u>Fair Value</u>
<u>Temporarily restricted</u>		
C&R loan fund - Shannon Trust	\$ 321,957	\$ 311,405
Eisenhart Fund	2,732,962	2,586,331
Missionary Fund	112,312	112,556
T.A. Conover Memorial Fund	37,821	37,903
Mary C. Bishop Fund	14,531	14,562
Edgar Cummings Sanborn Fund	5,974	5,987
Malcolm Stoney Estate	220,058	212,727
S. Robinson Knight Estate	80,432	77,752
Helen Parkhill Fund	56,345	54,468
St. Mark's Carteret	50,377	50,486
Archdeacon Fund	22,758	22,000
Episcopal Residence Fund	43,568	43,663
RB & RW Shepherd Fund	243,118	235,018
Van Duzer Scholarship Fund	87,296	84,388
Mary E.H. Pullan Fund	62,463	60,382
Walter P. Wilson Fund	19,648	18,994
Walter C. Scott Fund	31,164	30,126
Walters Fund Com. Scholarship	35,131	33,961
Bruker Fund	407,842	408,761
Berkerley Township Prop. Fund	15,425	15,425
Widows and Orphans Fund	713,933	715,485
Eleanor P. Trend Estate	4,557	4,567
Rebecca Waln Shepherd Fund	17,501	17,539
H. Martin Estate	3,848	3,856
Aged & Infirm Clergy Fund	552,424	553,624
Jan O. Turner Fund	875,999	848,351
Mary O'Neil Fund	26,140	25,269
Christian Knowledge Society Fund	40,453	40,540
Hunger Task Force	8,194	7,920
Episcopal Fund	279,572	280,180
Endowment Fund TCP	24,798	24,806
Total Temporarily Restricted DIT Funds	<u>7,148,601</u>	<u>6,939,032</u>

following:

C. INVESTMENTS IN SHARES OF DIOCESAN INVESTMENT TRUST (CONTINUED)

	December 31,	
	2000	1999
	<u>Fair Value</u>	<u>Fair Value</u>
<u>Permanently restricted</u>		
VIM Endowment Fund	3,545,700	3,553,404
Harriet Procter Matthews Fund	4,300,616	4,508,084
Herbert Stanley Smith Fund	76,350	76,516
Katherine W. Kean Legacy	655,962	657,388
Bishop Knight Memorial Fund	11,240	11,264
Harold E. Pancoast Estate	212,747	213,210
Stevens & Conover Fund	1,873	1,877
Eleanor Merritt Estate	<u>32,859</u>	<u>32,930</u>
Total Permanently Restricted DIT Funds	<u>8,837,347</u>	<u>9,054,673</u>
 <u>Unrestricted</u>		
De Voe Fund	92,704	92,905
Mary N. Perce Fund	1,317	1,318
Endowment Fund (Misc.)	<u>212,750</u>	<u>213,215</u>
Total Unrestricted DIT Funds	<u>306,771</u>	<u>307,438</u>
Total Investment in Diocesan Investment Trust	<u>\$ 16,292,719</u>	<u>\$ 16,301,143</u>

D. SHORT-TERM INVESTMENTS

Investments are stated at fair value and, as of December 31, 1999, consisted primarily of U.S. Treasury notes. Fair values as of December 31, are summarized as follows:

E. DIOCESAN FAIR SHARE CONTRIBUTIONS RECEIVABLE

As of December 31, 2000 and 1999, Fair Share Contributions receivable consisted of support from parishes and missions enabling the Diocese to fulfill its mission.

F. LOANS RECEIVABLE

Loans receivable are from parishes and missions. Interest charged on the loans varies from 0% to 7½%. The loans are due from 2001 through 2005 (see schedule on page 279-280).

Summary of loans receivable:

	<u>2000</u>	<u>December 31</u> <u>1999</u>
Current Portion	\$ 223,437	\$ 317,234
Long-term Portion	818,714	882,554
Total	<u>\$ 1,042,151</u>	<u>\$ 1,199,788</u>

G. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>December 31</u>	
	<u>2000</u>	<u>1999</u>
Equipment and furniture and fixtures	\$78,728	\$60,527
Building improvements	16,215	16,215
Cathedral House	<u>1</u>	<u>1</u>
Subtotal	94,944	76,743
Accumulated depreciation	<u>2,900</u>	<u>-</u>
Total	<u>\$ 92,044</u>	<u>\$ 76,743</u>

Depreciation expense for 2000 was \$2,900.

H. RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes and periods:

	<u>December 31</u>	
	<u>2000</u>	<u>1999</u>
For the support of Diocesan programs for subsequent periods	<u>\$ 7,351,207</u>	<u>\$ 7,515,461</u>

Net assets were released from donor restrictions as follows:

	<u>Year ended December 31,</u>	
	<u>2000</u>	<u>1999</u>
Purpose restriction accomplished:		
Expenses incurred to satisfy donor Restrictions	<u>\$ 621,716</u>	<u>\$ 480,999</u>

Permanently Restricted Net Assets

Permanently restricted net assets are endowment funds restricted in perpetuity to continue the purpose of the Diocese. Income generated by these assets can be used for support of Diocesan programs.

I. LITIGATION

The Diocese is involved in an action with a former priest of a Diocesan parish in which the Diocese is obligated to cover legal and related costs of both the priest and itself. Such costs are not covered by insurance. During 2000 and 1999 costs incurred totaled \$246,958, and \$88,878 respectively. The cumulative amount spent as of December 31, 2000 is \$578,733. The matter has been subject to a notice of appeal, and the appeal is pending. The Diocese believes it is not liable for costs of appeal.

J. PENSION PLAN

During the years ended December 31, 2000 and 1999, the Diocese maintained two defined contribution plans covering clergy and lay employees. Clergy were covered under the multi-employer Church Pension Plan Fund (Title 1 Canon 8 of the Episcopal Church). Contributions to the plan were calculated at 18% of each cleric's annual compensation package. Lay employees were covered under a target benefit plan with contributions calculated at 11.25% of eligible salaries. For the years ended December 31, 2000 and 1999, pension expense amounted to \$79,065 and \$64,508, respectively.

K. INCOME TAXES

The Diocese and its related parishes and missions are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

L. RETIRED EMPLOYEE HEALTH INSURANCE

The Diocese also provides certain health benefits for retired clergy for which a significant future unfunded obligation has not been recorded under SFAS No. 106. SFAS No. 106 has not been implemented because information needed for its proper recording and disclosure is not available and no estimation of such obligation can reasonably be made. For the years ended December 31, 2000 and 1999, retired employee health insurance expense amounted to \$284,371 and \$274,055, respectively.

M. BEQUEST

The balance consists of \$203,761 received from the Emma T. Theurer estate and \$177,677 received from John C.W. Linsley estate.

N. SETTLEMENT

Pursuant to the Agreement made on March 11, 1999 between the Diocese of New Jersey and Bishop Doss upon his resignation effective September 30, 2001, the following is the accrued obligation of the Diocese to be paid from January 1, 2001 to September 30, 2005:

Salary and benefits - January 1, 1999 to September 30, 2001	\$ 412,500
Retroactive and present increases in compensation packages	100,000
Supplemental to the Bishop's retirement income	200,000
Educational expenses of Bishop's children	200,000
Mortgage repayment	150,000
Bishop residential repairs in connection with its sale	15,000
Relocation and miscellaneous expenses	30,000
Motor vehicle replacement costs	20,000
	<u>1,127,500</u>
Less paid during the years ended December 31, 2000 and 1999	<u>428,814</u>
Total	<u><u>\$ 698,686</u></u>

The agreement consists of fixed and variable portions. The variable portion with a balance amounting to \$328,406 will be paid upon satisfaction of the appropriate conditions.

The fixed amount is scheduled to be paid as follows:

Year Ending December 31,	
2001	\$ 238,280
2002	33,000
2003	33,000
2004	33,000
2005	33,000
	<u><u>\$ 370,280</u></u>

O. PRIOR PERIOD ADJUSTMENT

It was determined during the year 2000 that a portion of Emma T. Theurer's bequest of \$200,000 made in 1999 should have been recorded as permanently restricted. This adjustment resulted in no change in total net assets.

P. RECLASSIFICATIONS

Certain 1999 amounts have been reclassified to conform with current year presentation.

SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENSES COMPARED TO BUDGET
Year Ended December 31, 2000

SCHEDULE OF EXPENSES COMPARED TO BUDGET (Continued)

	Year Ended December 31, 2000		
	Budget		(Over)
	(Unaudited)	Actual	Under
Beyond the Diocese			
Other Conferences	-	15,650	(15,650)
General convention accrual	31,200	28,601	2,599
ECW Triennium accrual	9,765	2,367	7,398
House of Bishops	<u>4,500</u>	<u>1,616</u>	<u>2,884</u>
Total beyond the diocese	<u>45,465</u>	<u>48,234</u>	<u>(2,769)</u>
Professional Salaries			
Bishop	69,667	81,302	(11,635)
Chief of staff	46,920	47,506	(586)
Missioner	14,123	37,064	(22,941)
Chief financial officer	61,200	61,200	
Youth coordinators	-	6,000	(6,000)
Deployment Officer	60,000	50,000	10,000
Assisting Bishop	5,625	5,625	-
Bishop	-	1,731	(1,731)
Associates	<u>270,000</u>	<u>255,969</u>	<u>14,031</u>
Total professional salaries	<u>527,535</u>	<u>546,397</u>	<u>(18,862)</u>
Housing Allowances			
Bishop	36,667	54,165	(17,498)
Housing Bishop Donovan	1,599	1,599	
Chief of staff	18,000	25,738	(7,738)
Missioner	<u>3,176</u>	<u>6,000</u>	<u>(2,824)</u>
Total housing allowances	<u>59,442</u>	<u>87,502</u>	<u>(28,060)</u>
Other Professional Allowances			
Bishop	12,000	7,092	4,908
Bishop Donovan	1,533	1,042	491
Chief of staff	8,692	3,003	5,689
Chief financial officer	2,000	22	1,978
Missioner	4,248	-	4,248
Assisting Bishop	-	7,525	(7,525)
Deployment Officer	<u>4,000</u>	<u>2,869</u>	<u>1,131</u>
Total other professional allowances	<u>32,473</u>	<u>21,553</u>	<u>10,920</u>
Employee Benefits			
Health insurance	70,000	74,352	(4,352)
Dental insurance	12,000	6,870	5,130
Life insurance	4,500	5,192	(692)
Long term disability	3,500	-	3,500
Pensions	<u>86,650</u>	<u>79,065</u>	<u>7,585</u>
Total employee benefits	<u>176,650</u>	<u>165,479</u>	<u>11,171</u>

SCHEDULE OF EXPENSES COMPARED TO BUDGET (Continued)
Year Ended December 31, 2000

	Budget <u>(Unaudited)</u>	<u>Actual</u>	(Over) <u>Under</u>
Social Security Offset			
Bishop	5,683	5,683	-
Missioner	944	1,954	(1,010)
Deployment Officer	4,590	3,825	765
Chief of staff	4,966	4,966	-
Chief financial officer	<u>4,692</u>	<u>4,682</u>	<u>10</u>
Total social security offset	<u>20,875</u>	<u>21,110</u>	<u>(235)</u>
Cathedral House			
Property maintenance	15,000	15,743	(743)
Utilities	18,500	18,331	169
Hospitality	<u>1,500</u>	<u>3,303</u>	<u>(1,803)</u>
Total Cathedral House	<u>35,000</u>	<u>37,377</u>	<u>(2,377)</u>
General and Administrative			
Equipment purchase and repair	20,000	10,487	9,513
Capital improvement	10,000	-	10,000
Contracts and rentals	45,000	56,888	(11,888)
Consultants	5,000	5,644	(644)
Supplies	14,000	26,364	(12,364)
Telephone usage	22,000	11,994	10,006
Telephone rental	7,500	3,858	3,642
Postage	18,000	14,294	3,706
Printing	16,000	4,312	11,688
Journal	10,000	7,980	2,020
Insurance	42,000	51,979	(9,979)
Dues and memberships	-	1,306	(1,306)
Audit	20,500	21,950	(1,450)
Continuing education	1,000	250	750
Depreciation and other expenses	-	43,655	(43,655)
General management	13,000	19,481	(6,481)
Total general and administrative	<u>244,000</u>	<u>280,442</u>	<u>(36,442)</u>
Total program services	<u>\$2,362,683</u>	<u>\$2,589,038</u>	<u>\$(226,355)</u>

SCHEDULE OF EXPENSES COMPARED TO BUDGET
Year Ended December 31, 1999

	Budget (Unaudited)	Actual	(Over)Under
Parish Support and Development			
Stewardship	\$ 5,000	\$ 1,946	\$ 3,054
Liturgy and music	1,250	198	1,052
Ecumenism	1,000	-	1,000
Youth ministry	13,500	7,732	5,768
Youth camp	7,500	-	7,500
Communications	-	2,392	(2,392)
Missions	431,000	433,324	(2,324)
Hispanic commission	5,000	6,177	(1,177)
Clergy development	3,000	4,094	(1,094)
Christian formation	3,000	2,790	210
Cathedral support	20,429	30,429	(10,000)
Visiting bishops	-	4,383	(4,383)
Diocesan conventions	30,000	29,213	787
Commission on ministry	8,325	4,110	4,215
Commission on scholarship	37,400	38,800	(1,400)
Committee on the Diaconate	22,100	18,530	3,570
Clergy conferences	7,000	10,574	(3,574)
UBE conference	5,000	5,000	-
Grant	47,000	41,830	5,170
St. Michael's Chapel	10,000	10,000	-
Church and society	26,800	23,149	3,651
Crisis management	44,700	29,889	14,811
Province II Covenant	9,576	9,649	(73)
Youth program-stipends	3,000	7,500	(4,500)
Convocation of deans	4,000	455	3,545
Total parish support and development	<u>745,580</u>	<u>722,164</u>	<u>23,416</u>
Diocesan Ministries			
Church attorney	55,200	54,251	949
Respondent's attorney	36,200	34,627	1,573
Trinity counseling service	40,000	-	40,000
Court costs	10,000	10,000	-
Retired employee health insurance	190,000	274,055	(84,055)
Widows and orphans health insurance	72,000	68,956	3,044
Institutional ministries	1,000	541	459
Total diocesan ministries	<u>404,400</u>	<u>442,430</u>	<u>(38,030)</u>

SCHEDULE OF EXPENSES COMPARED TO BUDGET (Continued)
Year Ended December 31, 1999

	Budget (Unaudited)	Actual	(Over) Under
Beyond the Diocese			
General convention accrual	4,000	-	4,000
House of Bishops	<u>6,000</u>	<u>2,765</u>	<u>3,235</u>
Total beyond the diocese	<u>10,000</u>	<u>2,765</u>	<u>7,235</u>
Professional Salaries			
Bishop	33,750	33,750	-
Chief of staff	46,000	44,998	1,002
Missioner	43,989	46,783	(2,794)
Chief financial officer	60,000	56,834	3,166
Youth coordinators	10,628	6,240	4,388
Associates	<u>241,949</u>	<u>240,659</u>	<u>1,290</u>
Total professional salaries	<u>436,316</u>	<u>429,264</u>	<u>7,052</u>
Housing Allowances			
Bishop	10,800	12,157	(1,357)
Chief of staff	18,000	25,000	(7,000)
Missioner	<u>15,243</u>	<u>18,000</u>	<u>(2,757)</u>
Total housing allowances	<u>44,043</u>	<u>55,157</u>	<u>(11,114)</u>
Other Professional Allowances			
Bishop	4,000	6,892	(2,892)
Chief of staff	3,613	1,864	1,749
Missioner	2,000	6,456	(4,456)
Chief financial officer	2,000	857	1,143
Youth coordinator	-	10,951	(10,951)
Total other professional allowances	<u>11,613</u>	<u>27,020</u>	<u>(15,407)</u>
Employee Benefits			
Health insurance	65,000	47,787	17,213
Dental insurance	10,000	48,808	(38,808)
Life insurance	4,000	8,259	(4,259)
Long term disability	3,000	2,974	26
Pensions	69,500	64,508	4,992
Continuing education	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total employee benefits	<u>153,500</u>	<u>172,336</u>	<u>(18,836)</u>

SCHEDULE OF EXPENSES COMPARED TO BUDGET (Continued)
Year Ended December 31, 1999

	Budget (Unaudited)	Actual	(Over) Under
Social Security Offset			
Bishop	2,582	2,582	-
Chief of staff	4,896	4,950	(54)
Missioner	4,531	4,531	-
Chief financial officer	<u>4,590</u>	<u>4,348</u>	<u>242</u>
Total social security offset	<u>16,599</u>	<u>16,411</u>	<u>188</u>
Leased Auto and Transportation			
Bishops	7,200	6,021	1,179
Chief of staff	4,692	-	4,692
Missioner	4,257	-	4,257
Total leased auto and Transportation	<u>16,149</u>	<u>6,021</u>	<u>10,128</u>
Cathedral House			
Property maintenance	11,000	24,125	(13,125)
Utilities	17,000	17,200	(200)
Hospitality	<u>1,000</u>	<u>5,002</u>	<u>(4,002)</u>
Total Cathedral House	<u>29,000</u>	<u>46,327</u>	<u>(17,327)</u>
General and Administrative			
Contracts and rentals	46,500	45,783	717
Supplies	13,000	24,710	(11,710)
Telephone usage	23,000	15,985	7,015
Telephone rental	7,000	2,901	4,099
Postage	17,000	16,756	244
Printing	15,000	16,105	(1,105)
Journal	10,000	12,987	(2,987)
Insurance and bonding	39,000	47,474	(8,474)
Audit 20,000	21,637	(1,637)	
General management	11,920	37,023	(25,103)
Total general and administrative	<u>202,420</u>	<u>241,361</u>	<u>(38,941)</u>
Total program services	<u>\$ 2,069,620</u>	<u>\$2,161,256</u>	<u>\$ (91,636)</u>

SCHEDULE OF LOANS RECEIVABLE
December 31, 2000

	Current	Long-Term	Total
Capital and Revolving Loan Fund			
Berlin	\$ 1,800	\$ 3,450	\$ 5,250
Cape May	572	858	1,430
Highlands	2,600	18,200	20,800
Hunterdon County	-	30,000	30,000
Laurel Springs	3,452	-	3,452
Lumberton	1,200	2,750	3,950
Lumberton	4,000	22,667	26,667
New Brunswick	1,954	-	1,954
New Brunswick	2,037	-	2,037
Red Bank	6,818	44,318	51,136
Wenonah	10,400	83,725	94,125
Williamstown	13,992	9,348	23,340
Total Capital and Revolving Loan Fund	48,825	215,316	264,141
R. Bowden Shepherd Loan Fund Dunellen	16,926	-	16,926
Venture in Mission Loan Fund			
Bridgeton	6,841	-	6,841
Cranbury	16,328	17,530	33,858
Fair Haven	11,871	-	11,871
Lebanon	18,818	212,377	231,195
Linden	1,145	-	1,145
Lumberton	4,240	25,278	29,518
Matawan	4,446	-	4,446
Pennington	13,323	44,103	57,426
Plainfield	5,697	9,651	15,348
Plainfield	4,652	39,108	43,760
Rahway	1,280	-	1,280
South Amboy	13,477	93,046	106,523
Trenton	23,298	76,702	100,000
Williamstown	9,071	16,160	25,231
Yardville	23,199	69,443	92,642
Total Venture in Mission Loan Fund	157,686	603,398	761,084
Total loans receivable	\$ 223,437	\$ 818,714	\$ 1,042,151

SCHEDULE OF LOANS RECEIVABLE
December 31, 1999

	Current	Long-Term	Total
Capital and Revolving Loan Fund			
Alexandria	\$ 7,500	\$ 8,500	\$ 16,000
Berlin	1,800	5,250	7,050
Cape May	572	1,430	2,002
Highlands	2,600	18,200	20,800
Hunterdon County	-	30,000	30,000
Laurel Springs	3,452	-	3,452
Lumberton	1,200	3,950	5,150
Lumberton	4,000	26,667	30,667
New Brunswick	3,381	-	3,381
New Brunswick	3,629	-	3,629
Red Bank	6,818	44,318	51,136
Wenonah	10,400	84,975	95,375
Williamstown	<u>13,992</u>	<u>9,348</u>	<u>23,340</u>
Total Capital and Revolving Loan Fund	<u>59,344</u>	<u>232,638</u>	<u>291,982</u>
R. Bowden Shepherd Loan Fund			
Dunellen	<u>20,630</u>	<u>12,215</u>	<u>32,845</u>
Venture in Mission Loan Fund			
Asbury Park	2,111	-	2,111
Bridgeton	7,122	6,067	13,189
Cranbury	16,973	42,205	59,178
Fair Haven	16,328	-	16,328
Lebanon	100,000	150,000	250,000
Linden	1,146	-	1,146
Lumberton	4,240	28,444	32,684
Matawan	4,640	4,218	8,858
Pennington	13,323	52,891	66,214
Plainfield	5,697	12,956	18,653
Plainfield	4,652	41,870	46,522
Rahway	1,280	-	1,280
South Amboy	-	120,000	120,000
Trenton	23,298	76,700	99,998
Williamstown	9,071	31,325	40,396
Yardville	4,180	-	4,180
Yardville	<u>23,199</u>	<u>71,025</u>	<u>94,224</u>
Total Venture in Mission Loan Fund	<u>237,260</u>	<u>637,701</u>	<u>874,961</u>
Total loans receivable	<u>\$ 317,234</u>	<u>\$ 882,554</u>	<u>\$ 1,199,788</u>

SCHEDULES OF TEMPORARILY RESTRICTED NET ASSETS

December 31, 2000

	<u>Cash and Investments</u>
Investments in Diocesan Investment Trust	\$ 7,148,601
Capital and Revolving Fund	72,938
R.B. Shepherd Fund	76,990
VIM Loan Fund	<u>52,678</u>
Total Temporarily Restricted Net Assets	<u>\$ 7,351,207</u>

December 31, 1999

	<u>Cash and Investments</u>
Investments in Diocesan Investment Trust	\$ 6,939,032
Capital and Revolving Fund	133,975
R.B. Shepherd Fund	149,112
VIM Loan Fund	<u>93,342</u>
Total Temporarily Restricted Net Assets	<u>\$ 7,315,461</u>

SCHEDULES OF PERMANENTLY RESTRICTED NET ASSETS

December 31, 2000

	Cash and Investments	Equity Interest in Real Estate	Total
Investments in Diocesan Investment Trust	\$ 8,837,347	\$ -	\$ 8,837,347
Capital and Revolving Fund	-	-	-
R.B. Shepherd Fund	-	-	-
Venture in Mission	2,752,110	-	2,752,110
Bequest	403,761	-	403,761
Total Permanently Restricted Net Assets	<u>\$ 11,993,218</u>	<u>\$ -</u>	<u>\$ 11,993,218</u>

December 31, 1999

	Cash and Investments	Equity Interest in Real Estate	Total
Investments in Diocesan Investment Trust	\$ 9,054,673	\$ -	\$ 9,054,673
Capital and Revolving Fund	-	37,500	37,500
R.B. Shepherd Fund	-	57,000	57,000
Venture in Mission	2,462,626	-	2,462,626
Bequest	200,000	-	200,000
Total Permanently Restricted Net Assets	<u>\$ 11,717,299</u>	<u>\$ 94,500</u>	<u>\$ 11,811,799</u>

BISHOP'S DISCRETIONARY FUND

Financial Statements and
Supplementary Information

Eleven Months Ended December 31, 2000

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	284
FINANCIAL STATEMENTS	
Statement of Financial Position	285
Statement of Activities	286
Statement of Cash Flows	287
Notes to Financial Statements	288-291
SUPPLEMENTARY INFORMATION	
Schedule of Visitations and Offerings	292

INDEPENDENT AUDITORS' REPORT

To the Audit Committee

We have audited the accompanying statement of financial position of **DIOCESE OF NEW JERSEY BISHOP'S DISCRETIONARY FUND** as of December 31, 2000, and the related statements of activities and cash flows for the eleven months then ended. These financial statements are the responsibility of management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **DIOCESE OF NEW JERSEY BISHOP'S DISCRETIONARY FUND** as of December 31, 2000, and the changes in its net assets and its cash flows for the eleven months then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedule on page nine is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

June 27, 2001

STATEMENT OF FINANCIAL POSITION

December 31, 2000

	ASSETS
Cash	47,325
DIT (3,918.81 shares at \$50.63 per share)	198,409
Total Assets	<u>\$ 245,734</u>

	LIABILITIES AND NET ASSETS
Liabilities	<u>\$ 3,000</u>
Due to Diocese of New Jersey	
Net Assets	
Unrestricted	42,413
Temporarily restricted	<u>200,321</u>
Total Net Assets	<u>242,734</u>
Total Liabilities and Net Assets	<u>\$ 245,734</u>

STATEMENT OF ACTIVITIES
 Eleven Months Ended December 31, 2000

		Temporarily	
	Unrestricted	Restricted	Total
Revenues and support			
Visitations and Offerings	\$ 14,873	\$ -	\$ 14,873
Investment return	-	12,147	12,147
Net assets released from restrictions	5,141	(5,141)	-
Total revenues and support	20,014	7,006	27,020
Expenses			
Contributions and gifts	308	-	308
Assistance to clergy	4,841	-	4,841
Total expenses	5,149	-	5,149
Change in net assets	14,865	7,006	21,871
Net assets, beginning of period	27,548	193,315	220,863
Net assets, end of period	<u>\$ 42,413</u>	<u>\$ 200,321</u>	<u>\$ 242,734</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS
Eleven Months Ended December 31, 2000

Cash Flows from Operating Activities	
Change in net assets	\$ 21,871
Adjustments	
Unrealized gains on investments in Diocesan Investment Trust	(5,094)
Increase in cash from	
Due from Bishop Doss	225
Due to Diocese of New Jersey	3,000
Net cash provided by operating activities and increase in cash	20,002
Cash, beginning of period	27,323
Cash, end of period	<u>\$ 47,325</u>

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Nature of Organization**

Revenues of the Fund are derived primarily from the following sources:

Visitations and Offerings - receipts from plate offerings and contributions from parishes and missions in connection with visitations and services by the Bishop.

Contributions - receipts from organizations and individuals, including the Bishop, other than Visitations and Offerings.

Temporarily Restricted investment return which is subject to donor restrictions.

Neither the National Episcopal Church nor the **DIocese of New Jersey** has issued canons or guidelines regarding the administration of a Bishop's Discretionary Fund. However, the Episcopal Church's guidelines for parish churches' administration of discretionary funds included in the *Manual of Business Methods in Church Affairs* issued in 1995 are referenced for guidance in administering expenditures from the Fund and state:

"The traditional uses of clergy discretionary funds are to relieve the poor of the parish church and the larger parish community. Payments for food, rent, utilities, medical bills, and the like for persons in need are always appropriate uses of the fund.

Clergy may also use the fund for expenses related to the exercise of ministry not otherwise provided in the church budget, *provided such an understanding is agreed to in general by the vestry*. Attendance at conferences, purchase of books and journals, entertainment of individuals directly related to the church's ministry, and membership in groups that are related to the exercise of ministry are examples of appropriate discretionary use in these circumstances. However, discretionary funds should not be used to sustain the ongoing operations of the church."

Basis of Accounting

The financial statements of Bishop's Discretionary Fund (the "Fund") have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Fund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Fund has no permanently restricted net assets.

Cash

For the purpose of the statement of cash flows, cash includes unrestricted time deposits, certificates of deposit and highly liquid debt instruments with original maturities of three months or less.

Public Support and Revenue Recognition

Contributions, visitations, and offerings are recognized when the donor makes a promise to give to the Fund that is, in substance, unconditional.

Conditional promises to give are recognized when the conditions on which they are dependent are substantially satisfied.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

Investments are comprised of Diocesan Investment Trust shares, which consist of equity securities and mutual funds. The Fund carries investments in marketable securities and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Income Taxes

The Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

B. DIOCESAN INVESTMENT TRUST

Investments in Diocesan Investment Trust are stated at fair value. Fair values and unrealized gains for the eleven months ended December 31, 2000 are summarized as follows:

	Fair Value <u>12/31/00</u>	Fair Value <u>01/31/00</u>	Unrealized <u>Gains</u>
Edward Baker Fund	\$ 20,669	\$ 20,138	\$ 531
Mrs. J. Conover Fund	26,881	26,193	688
Estate of Elizabeth Ink	28,796	28,056	740
Merrit Memorial Fund	12,669	12,344	325
Hadford Smith Fund	5,620	5,476	144
Louisa Vought Fund	43,974	42,845	1,129
Bishop Discretionary Fund	<u>59,800</u>	<u>58,263</u>	<u>1,537</u>
Total	<u>\$ 198,409</u>	<u>\$ 193,315</u>	<u>\$ 5,094</u>

The following schedule summarizes the investment return for the eleven months ended December 31, 2000 and its classification in the statement of activities as follows:

	Temporarily <u>Restricted</u>
Dividend income	\$ 7,053
Unrealized gains	5,094
Total investment return	<u>\$ 12,147</u>

C. DUE TO DIOCESE OF NEW JERSEY

The balance consists of a Diocese of New Jersey voluntary fair share contribution received by the Bishop's Discretionary fund.

The funds were transferred to the Diocese of New Jersey during January 2001.

D. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the purpose of the Fund as described in the Nature of Organization disclosure in Note A.

Temporarily restricted net assets are comprised of the following:

Fair value of shares in DIT	\$ 198,409
Dividend income for subsequent periods	<u>1,912</u>
Total	<u>\$ 200,321</u>

Net assets were released from donor restrictions as follows:

Purpose restriction accomplished:	
Expenses incurred to satisfy donor restrictions	<u>\$ 5,141</u>

SUPPLEMENTARY INFORMATION
SCHEDULE OF VISITATIONS AND OFFERINGS
 Eleven Months Ended December 31, 2000

<u>Source</u>	<u>Amount</u>
Asbury Park, St. Augustine's Church	\$ 325
Avalon, St. John's by the Sea	4,000
Basking Ridge, St. Mark's Episcopal Church	200
Bayhead, All Saints Church	166
Bernardsville, St. Bernard's Episcopal Church	300
Bordentown, Christ Church	233
Burlington, St. Mary's Episcopal Church	200
Chews Landing, St. John's	163
Clarksboro, St. Peters Episcopal Church	150
Delair, Holy Trinity Episcopal	100
Dunellen, St. Francis Episcopal Church	150
Elizabeth, St. Elizabeth's Church	500
Fair Haven, Church of the Holy Communion	93
Flemington, Calvary Episcopal Church	54
Gibbsboro, St. John's in the Wilderness	97
Gladstone, St. Luke's Episcopal Church	211
Highland Park, All Saints Parish	240
Keansburg, St. Mark's Episcopal Church	153
Lawnside, Church of Annunciation	58
Lumberton, St. Martin-in-the-Fields	26
Matawan, Trinity Episcopal Church	183
Monmouth, St. Barnabas Episcopal Church	64
Mount Holly, St. Andrew's Parish	245
Mullica Hills, St. Stephen's Church	225
New Brunswick, St. Albans Church	218
New Brunswick, St. John the Evangelist	100
New Providence, St. Andrew's Church	191
Plainfield, Grace Church	1,163
Princeton, All Saints Church	453
Red Bank, Trinity Church	215
Riverside, St. Stephen's Memorial	109
Scotch Plains, All Saints	222
Sea Girt, Church of the Archangel	632
Somerville, St. John's Church	250
Swedesboro, Trinity Church	108
Toms River, Christ Church	195
Trenton, Trinity Cathedral	2,017
Union, St. Luke's & All Saints	90
Vineland, Trinity Episcopal Church	100
Wenonah, Holy Trinity Episcopal	140
West Collingswood, Christ Church	100
Whiting, St. Stephen's Church	222
Woodstown, St. Luke's Episcopal Church	212
Total	<u>\$ 14,873</u>

**TREASURER'S REPORT
EXHIBIT I. SEARCH BUDGET**

General Costs	30,000
<i>Consultant(s) for Search Process</i>	
<i>Episcopal Election Committee (EEC) administrative costs</i>	
Diocesan Profile	7,500
<i>Parish surveys</i>	
<i>Acquisition of other information</i>	
<i>Production & distribution of Profile</i>	
Search Process	45,000
<i>Recruitment of candidates</i>	
<i>Acquiring, preparing and distributing information</i>	
<i>EEC Visits to prospective candidates</i>	
<i>Candidate visits for EEC interview</i>	
Communications	27,500
<i>General communications</i>	
<i>Production & distribution of Nomination Report</i>	
<i>Production & distribution of Election Booklet</i>	
<i>Candidate visits to Electing Convention and Diocese</i>	
Electing Convention	30,000
<i>Preparation and communication costs</i>	
<i>Electing Convention</i>	
Consecration & Installation	25,000
<i>Preparation and communication costs</i>	
<i>Consecration and Installation service</i>	
Relocation & Moving Expenses	15,000
Total	180,000
Compensation Package	
Salary*	100,000
Housing	35,000
Social Security	10,330
<i>*Includes retirement supplements or other deferred income</i>	
Total	145,330

EXHIBIT II. Diocesan Budget (Continued)

	2001 Results	Preliminary 2002 Budget	Proposed 2002 Budget	Proposed 2003 Budget	Old Line #
Revenue					
1 Fair Share Pledges	2,136,530	2,656,296	2,333,185	2,727,214	1
2 Anticipated Shortfall	N.A.	(132,815)	(58,329)	(68,180)	2
3 Trust Income	608,772	691,574	608,772	608,772	3
4 Other Income	<u>42,040</u>	<u>35,000</u>	<u>30,000</u>	<u>30,000</u>	4
Total	2,787,342	3,250,056	2,913,628	3,297,806	
Outlays					
I. Support for Congregations					
<i>Direct Support</i>					
101 Trinity Cathedral	21,965	26,078	23,332	27,272	34
102 Assisted Parishes	380,200	500,000	375,000	300,000	30
103 Parish Program Grants	27,000	40,000	30,000	45,000	40
<i>Parish Development</i>					
111 Congregational Development	11,311	10,000	10,000	10,000	36
112 Parish Crisis Response	25,167	15,000	15,000	15,000	35
113 Board of Missions	854	7,500	1,000	0	31
<i>Support for Ministries</i>					
121 Stewardship	3,502	7,500	7,500	7,500	1
122 Liturgy, Music & Worship	1,080	2,500	1,000	0	2
123 Christian Formation	3,580	5,000	4,000	6,000	50
<i>Communications</i>					
131 Communications	100,067	90,000	50,000	60,000	60
132 Historian/Archivist	8,979	6,750	6,750	11,000	61
133 Production of the Journal	0	10,000	10,000	10,500	180
<i>Support for Clergy</i>					
141 Commission on Ministry	23,132	18,000	18,000	18,000	54
	2001 Results	Preliminary 2002 Budget	Proposed 2002 Budget	Proposed 2003 Budget	Old Line #
142 Seminary Scholarships	43,415	36,274	46,800	46,800	56
143 Committee on the Diaconate	23,560	29,540	30,000	30,000	55
144 Clergy Support & Development	3,924	5,000	8,000	9,000	53, 58
145 Trinity Counseling Service	11,000	16,000	11,000	11,000	22
146 Staff Assistance - Ordination	47,366	53,237	53,440	55,275	130, 1, 2
151 Retired Clergy Chaplain	478	1,000	600	600	52
152 Retired Clergy Health Ins.	245,953	275,000	260,000	260,000	62
153 Widows/Orphans Health Ins.	125,991	100,000	105,000	105,000	64

EXHIBIT II. Diocesan Budget (Continued)

154	Retired Clergy Fund	16,700	23,568	18,000	20,000	63
155	Widows/Orphans Fund	9,142	31,563	18,000	20,000	65
<i>Gatherings of the Diocese</i>						
161	Diocesan Convention	18,834	28,000	25,000	25,000	71
162	Clergy Conference	22	6,500	2,000	2,000	51
163	Lay Leader Conferences	8,418	4,000	5,000	6,500	77
II. Our Ministry Together						
<i>Social Ministry</i>						
201	Environmental Committee	0	200	500	500	12
202	Hunger Task Force	2,000	3,000	1,000	1,500	13
203	Migrant Ministry	5,177	6,260	5,500	5,500	14
204	Detention Center	0	2,000	500	500	15
205	Institutional Ministries	529	500	500	500	21
<i>Ethnic Ministry</i>						
211	Anti-Racism	33,421	45,000	35,000	40,000	10
212	Hispanic Commission	7,192	10,000	7,500	7,500	20

	2001 Results	Preliminary 2002 Budget	Proposed 2002 Budget	Proposed 2003 Budget	Old Line #
--	---------------------	--------------------------------	-----------------------------	-----------------------------	-------------------

<i>Youth Ministry</i>						
221	Youth Activities	12,988	18,000	15,000	18,000	5
222	Choir Camp	0	2,500	2,500	0	3
<i>The Youth Director</i>						
223	Salary & Housing	0	65,000	32,500	67,275	140.1
224	Social Security	0	2,678	2,486	5,147	142
225	Professional Allowance	0	2,000	1,000	2,000	143
<i>Educational Institutions</i>						
231	St. Michael's Chapel, Rutgers	15,000	20,000	15,000	15,000	33

III. Reaching Beyond Our Borders

<i>Programs & Covenants</i>						
301	National Church Covenant	225,000	325,000	325,000	570,000	80
302	Province II Covenant	8,921	9,000	8,800	9,612	72a
303	Ecumenism	6,108	11,000	5,000	5,000	4
304	Companion Diocese	13,750	15,000	15,000	15,000	11
<i>Gatherings of the Church</i>						
311	Lambeth	1,000	1,000	1,000	1,000	76
312	House of Bishops	4,700	6,000	6,000	6,000	73
313	General Convention	13,333	13,333	13,333	13,333	74
314	ECW Triennium	3,255	3,255	3,255	3,255	75

EXHIBIT II. Diocesan Budget (Continued)

315 Province II Meetings	0	1,000	1,000	4,500	72b
IV. Building the Foundation					
<i>The Episcopacy</i>					
<i>The Assisting Bishop</i>					
401 Salary & Housing	113,550	113,550	113,550	113,550	100.1

EXHIBIT II. Diocesan Budget (Continued)

	2001 Results	Preliminary 2002 Budget	Proposed 2002 Budget	Proposed 2003 Budget	Old Line #
402 Social Security	8,650	8,650	8,650	8,650	102
403 Retirement Supplements	13,800	13,800	13,800	13,800	103
404 Professional Allowance	6,242	4,000	6,000	6,000	104
405 Transportation	9,067	8,000	10,000	10,000	105
406 Visiting Bishops	6,511	5,000	6,000	6,000	57
407 Episcopal Search Process	859	50,000	56,364	56,364	81
408 11th Bishop of New Jersey	0	0	0	40,000	106
<i>The Canon to the Ordinary</i>					
411 Salary & Housing	66,933	68,272	69,276	71,008	110.1
412 Social Security	5,120	5,223	5,300	5,432	112
413 Continuing Education	1,000	1,000	1,000	1,000	113
414 Professional Allowance	7,000	7,000	7,000	7,000	114
415 Transportation	5,574	4,692	4,800	4,800	115
<i>Finance</i>					
421 Insurance & Bonding	26,069	42,000	30,000	34,000	190
422 Audit	21,500	22,000	21,000	21,500	191
<i>The Chief Financial Officer</i>					
423 Salary	63,097	64,359	65,305	67,591	120
424 Social Security	4,827	4,923	4,996	5,171	121
425 Professional Allowance	1,500	2,000	2,000	2,000	122
<i>Administration</i>					
431 Administrative Staff	271,901	315,000	311,000	350,000	150
432 Health Insurance	65,193	80,000	68,000	72,000	160
433 Dental Insurance	6,969	12,000	9,000	9,300	161
434 Life Insurance	3,396	4,800	3,500	3,800	162

EXHIBIT II. Diocesan Budget (Continued)

	2001 Results	Preliminary 2002 Budget	Proposed 2002 Budget	Proposed 2003 Budget	Old Line #
435 Long Term Disability	0	3,700	3,000	3,500	163
436 Pensions	85,964	82,000	100,000	108,000	164
<i>Facilities</i>					
441 Property Maintenance	17,365	16,000	18,000	20,000	170
442 Utilities	19,751	20,000	20,500	21,525	171
443 Capital Improvements	44,880	16,000	16,000	25,000	172
444 Equipment	64,476	68,500	63,000	65,000	173,4
445 Telephone	10,186	20,500	12,500	14,000	175,6
446 Office Supplies	19,055	20,000	19,000	20,000	177
447 Printing & Postage	34,601	30,000	36,000	39,000	178,9
448 General Management	15,103	19,868	14,476	17,131	181
449 Hospitality	5,773	4,500	6,200	6,500	182
V. General Obligations					
<i>Title IV</i>					
501 Church Attorney	0	15,000	0	0	67
502 Respondent's Attorney	0	15,000	0	0	68
503 Court Costs	481	10,000	0	0	69
<i>The Doss Agreement</i>					
511 Loan Repayment	112,809	111,550	123,282	123,282	107a
512 Retirement Supplement	33,333	33,333	33,333	33,333	107b
Total	2,686,549	3,231,956	2,913,628	3,297,806	
<i>Balance</i>	100,793	18,100	0	0	

EXHIBIT II. Diocesan Budget (Continued)

	2001	Preliminary	Proposed	Proposed	Old
	Results	2002	2002	2003	Line #
		Budget	Budget	Budget	
<i>Note: the following line items have had no recent expenditures, are not recommended for allocations, and were eliminated from the new format:</i>					
2020 Program	0	8,000			6
Public Policy Network	0	500			16
Committee on Architecture	0	300			32
Constitution & Canons	0	300			66
Convocations	0	4,000			70
Consultant Costs	0	5,000			151

***Estimated. Pledge not received by January 15**

***Estimated. Pledge not received by January 15**

EXHIBIT III. Voluntary Fair Share (Continued)

***Estimated. Pledge not received by January 15**

EXHIBIT IV. Trust Funds of the Diocese

Name of Fund	DIT Shares 12/31/01	Market Value 12/31/01	2002 Income	Other Restrictions
General Funds				
Eisenhart Fund	53,978.77	2,460,892	116,594	<i>Small churches & clergy crises</i>
VIM Endowment Fund	70,031.61	3,192,741	151,268	
Harriet Procter Matthews Fund	80,048.58	3,649,415	172,905	<i>Program</i>
Loan Funds				
Emergency Loan Fund	n.a.	n.a.	25,000	<i>Temporary loans</i>
Shannon Trust	6,660.00	303,629	14,386	
Capital & Revolving Fund	n.a.	238,244	9,909	
R. Bowden Shepherd Fund	n.a.	185,323	8,117	
VIM Loan Fund	n.a.	492,214	24,352	
Endowment Funds				
DeVoe Fund	1,831.00	83,475	3,955	
Mary N. Perce Fund	26.00	1,185	56	
Miscellaneous Funds	4,202.09	191,573	9,077	
Operating Funds				
Katherine W. Kean Legacy	12,956.00	590,664	27,985	
Bishop Knight Memorial Fund	222.00	10,121	480	<i>Diocesan house</i>
Harold E. Pancoast Estate	4,202.00	191,569	9,076	<i>Youth</i>
Stevens & Conover Fund	37.00	1,687	80	
Eleanor Merritt Estate	649.00	29,588	1,402	
Episcopal Fund	5,521.87	251,742	11,927	
Endowment Fund TCP	489.78	22,329	1,058	
Property Funds				
Episcopal Residence Fund	2,310.01	105,313	4,990	<i>Diocesan property</i>
RB & RW Shepherd Fund	5,029.13	229,278	10,863	<i>Missions: land & building purchase</i>

EXHIBIT IV. Trust Funds of the Diocese (Continued)

Name of Fund	DIT Shares 12/31/01	Market Value 12/31/01	2002 Income	Other Restrictions
Mission Funds				
Missionary Fund	2,218.28	101,131	4,791	
T.A. Conover Memorial Fund	747.00	34,056	1,614	
Mary C. Bishop Fund	287.00	13,084	620	
Edgar Cummings Sanborn Fund	118.00	5,380	255	
Malcolm Stoney Estate	4,552.13	207,532	9,833	<i>Small churches</i>
S. Robinson Knight Estate	1,663.81	75,853	3,594	
Helen Parkhill Fund	1,165.56	53,138	2,518	
Conference Funds				
Braker Fund	8,056.00	367,273	17,401	
Berkeley Twp. Prop. Fund	304.00	13,859	657	
Education Funds				
Mary E.H. Pullan Fund	1,292.10	58,907	2,791	<i>Seminary scholarship</i>
Walter P. Wilson Fund	406.45	18,530	878	<i>Seminary for students native to NJ</i>
Walter C. Scott Fund	644.66	29,390	1,392	<i>Seminary scholarship</i>
Walters Scholarship Fund	726.72	33,131	1,570	<i>Seminary scholarship</i>
Walters Scholarship Fund	n.a.	n.a.	47,702	<i>Seminary scholarship</i>
Etta V. Shur Estate	n.a.	n.a.	3,676	<i>Male seminarians</i>
Van Duzer Scholarship Fund	1,805.80	82,327	3,901	<i>Youth</i>
Clergy, Widows & Orphans Funds				
Aged & Infirm Clergy Fund	4,166.67	189,958	9,000	
Aged & Infirm Clergy Fund	6,744.33	307,474	14,568	
Widows & Orphans Fund	8,333.33	379,917	18,000	
Widows & Orphans Fund	5,767.67	262,948	12,458	
Eleanor B. Trend Estate	90.00	4,103	194	<i>Widows, widowers & orphans of clergy</i>
Rebecca W. Shepherd Fund	345.66	15,759	747	<i>Widows, widowers & orphans of clergy</i>
H. Martin Estate	76.00	3,465	164	<i>Widows, widowers & orphans of clergy</i>

EXHIBIT IV. Trust Funds of the Diocese (Continued)

Name of Fund	DIT Shares 12/31/01	Market Value 12/31/01	2002 Income	Other Restrictions
New Church Funds				
St Mark's Carteret	995.00	45,362	2,149	
St. Andrews Highlands	5,260.38	239,821	11,362	
City Ministry Funds				
St. James Fund (Atlantic City)	33,389.13	1,522,210	72,121	
Elizabeth Fund	8,069.57	367,892	17,430	
Plainfield Fund	7,805.64	355,859	16,860	
Campus Ministry Funds				
Wm. A. Proctor Foundation	64,118.67	2,923,170	138,496	University ministry
St. Andrew's, Lambertville Funds				
Herbert Stanley Smith Fund	1,508.00	68,750	3,257	
Evergreens Funds				
Fenton Memorial Fund	10,289.00	469,076	22,224	
Leona Truax Scott Fund	326.00	14,862	704	
Evergreens Fellowship Fund	33,123.76	1,510,112	71,547	
Special Funds				
Jane O. P. Turner Fund	18,120.89	826,131	39,141	Children with terminal or incurable diseases
Mary C. O'Neil Fund	540.73	24,652	1,168	Charitable purposes
Christian Knowledge Society	799.00	36,426	1,726	Bibles, prayer books
Hunger Task Force	113.07	5,155	244	
Bishop's Trust Funds				
Elizabeth Ink Fund	568.75	25,929	1,229	Healing
Louisa S. Vought Fund	868.54	39,597	1,876	Children
Edward Baker Fund	408.24	18,612	882	Discretionary fund
Juliana Conover Legacy	530.93	24,205	1,147	Clergy
Merritt Memorial Fund	250.23	11,408	540	Discretionary fund
Hanford Smith Legacy	111.01	5,061	240	Missionary work
Josiah Robbins Fund	40.02	1,825	86	Discretionary fund
Theodore Eisele Estate	42.03	1,916	91	Discretionary fund
H.L. Chattin Gift	151.80	6,921	328	Discretionary fund
Carl J. Holinger Fund	19.03	868	41	Discretionary fund
Talcott Fund	60.80	2,772	131	Discretionary fund
Trust Fund Totals				
Total DIT Investment	486,554.40	22,182,015	1,050,957	
All Funds: Value & Income		23,097,796	1,169,713	

EXHIBIT V. Mission Support

Location	Congregation	2000 Information		Assistance Payments		
		Income	ASA*	2000	2001	2002**
Belford	St. Clement's	26,603	25	1,700	0	0
Camden	Our Saviour	9,623	16	15,000	15,000	6,000
Camden	St. Andrew's	40,095	149	59,500	59,500	47,600
Camden	St. Wilfrid's	16,576	22	14,500	14,000	8,000
Elizabeth	Grace	29,836	125	50,000	0	40,000
Elizabeth	San Jose	60,853	262	46,600	50,000	40,000
Hammonton	St. Mark's	63,609	55	10,300	20,000	12,000
Keansburg	St. Mark's	33,649	23	9,000	9,000	4,000
Keyport	St. Mary's	38,736	35	0	0	0
Lawnside	Annunciation	26,611	22	0	0	14,400
N. Brunswick	St. Alban's	82,367	57	10,000	22,000	28,000
Swedesboro	Trinity	80,234	78	20,000	20,000	16,000
Three Bridges	Christ Church	100,937	88	40,400	36,000	29,200
Trenton	St. Andrew's	38,523	16	12,000	3,000	0
Trenton	Christ Church	35,818	200	67,000	65,000	48,000
Tuckerton	Holy Spirit	68,287	65	7,000	5,000	2,400
Union	St. Luke & All Saints	29,488	16	0	1,200	0
Vineland	Trinity	61,886	60	55,000	0	44,400
Williamstown	St. Mark's	47,953	82	13,800	13,300	11,200
Willingboro	Christ the King	92,076	69	0	0	12,000
<u>Riverfront Ministry</u>						
Palmyra	Christ	37,768	26	0	21,000	16,000
Riverside	St. Stephen's	84,304	58			
<u>Timber Creek Ministry</u>						
Bellmawr	Holy Spirit	74,411	61	10,000	26,200	20,800
Westville	St. Luke's	53,401	54			
Gloucester	Ascension	94,700	67			
*Average Sunday Attendance						

**THE EPISCOPAL EVERGREENS
FELLOWSHIP FUND, INC.**

Financial Statements

Year Ended December 31, 2000

Table of Content

	Page
INDEPENDENT AUDITORS' REPORT	310
FINANCIAL STATEMENTS	
Statement of Financial Position	311
Statement of Activities	312
Statement of Cash Flows	313
Notes to Financial Statements	314-316

INDEPENDENT AUDITORS' REPORT

**To the Officers and Trustees of
THE EPISCOPAL EVERGREENS FELLOWSHIP FUND, INC.**

We have audited the accompanying statement of financial position of **THE EPISCOPAL EVERGREENS FELLOWSHIP FUND, INC.** (the "Fund") as of December 31, 2000, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. 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 of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **THE EPISCOPAL EVERGREENS FELLOWSHIP FUND, INC.** as of December 31, 2000, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

August 10, 2001

STATEMENT OF FINANCIAL POSITION

December 31, 2000

ASSETS	
Cash	11,932
Diocesan Investment Trust (33,287-922 shares at \$50.63/share)	1,685,367
Total Assets	1,697,299
NET ASSETS	
Temporarily restricted	<u>\$ 1,697,299</u>
Total Net Assets	<u><u>\$ 1,697,299</u></u>

Notes to financial statements

STATEMENT OF ACTIVITIES

Year Ended December 31, 2000

See notes to financial statements.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2000

Cash Flows from Operating Activities	
Change in net assets	\$ 1,257
Adjustments	
Unrealized losses incurred by DIT shares	24,794
Realized gain from sale of DIT shares	<u>(22,025)</u>
Net cash provided by operating activities	<u>4,026</u>
Cash Flows from Investing Activities	
Purchases of DIT shares	(59,702)
Redemptions of DIT shares	<u>60,000</u>
Net cash provided by investing activities	<u>299</u>
Net Increase in cash	4,325
Cash, beginning of year	7,607
Cash, end of year	11,932

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

THE EPISCOPAL EVERGREENS FELLOWSHIP FUND, INC., (the "Fund"), located in Trenton, New Jersey, is a private, non-profit organization established in 1990 whose charitable purpose is obtaining funds and property by gift, bequest or devise, to invest and reinvest the same and to apply the income and principal thereof, as the Board of Trustees may determine, either by payment directly to or for the benefit of The Evergreens, a retirement facility, for the purpose of providing support to The Evergreens so that it is able to provide its services and facilities to Episcopalians who may not be financially able to pay for their care in full.

Basis of Accounting

The financial statements of the Fund have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its

Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Fund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The fund has only temporarily restricted net assets.

Cash

For the purpose of the statement of cash flows, cash includes unrestricted time deposits, certificates of deposit and highly liquid debt instruments with original maturities of three months or less.

Public Support and Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Fund that is, in substance, unconditional.

Conditional promises to give are recognized when the conditions on which they are dependent are substantially satisfied.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Diocesan Investment Trust

Diocesan Investment Trust shares consist of equity securities and mutual funds. The Fund carries these investments at their fair market values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Income Taxes

The Fund has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170 (b)(1)(A).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets totaling \$1,697,299 at December 31, 2000 are available for the purpose of providing support to The Evergreens so that it is able to provide its services and facilities to Episcopalians who may not be financially able to pay for their care in full.

Net assets were released from donor restrictions as follows during 2000:

Purpose restriction accomplished:

Expenses incurred to satisfy donor restrictions \$ 60,157

C. INVESTMENTS

Investments are stated at fair value and consist of Diocesan Investment Trust shares. Fair value and unrealized appreciation at December 31, 2000 are summarized as follows:

Temporarily restricted	Cost	Fair Value	Unrealized Appreciation
	\$ <u>1,077,856</u>	\$ <u>1,685,367</u>	\$ <u>607,511</u>

6

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended December 31, 2000.

	Temporarily Restricted
Interest income	\$ 177
Dividend income	59,702
Net realized and unrealized losses	<u>(2,769)</u>
Total investment return	\$ <u>57,110</u>

D. CONCENTRATION OF RISK

The Fund maintains all of its investments in the Diocesan Investment Trust. They historically have not experienced any credit related losses.

