

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF MARYLAND**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2020 AND 2019

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Independent Auditor's Report

To the Officers and Board of Directors
Convention of the Protestant Episcopal Church
of the Diocese of Maryland

We have audited the accompanying financial statements of Convention of the Protestant Episcopal Church of the Diocese of Maryland (a nonprofit organization) which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 financial statements referred to above present fairly, in all material respects, the financial position of Convention of the Protestant Episcopal Church of the Diocese of Maryland as of December 31, 2020 and 2019, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gross, Mendelsohn & Associates, P. A.

Baltimore, Maryland
May 27, 2021

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF MARYLAND**
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 1,190,457	\$ 2,247,522
Pledges receivable, net	478,631	409,586
Accounts receivable, net	85,132	142,210
Investments	24,597,370	22,386,882
Loans receivable	3,583,025	3,807,658
Prepaid expenses and other assets	24,587	30,307
Bequest receivable	454,765	424,080
Beneficial interest in irrevocable trust	912,387	907,002
Investments restricted to long-term investment	13,850,260	12,550,705
Property, net of accumulated depreciation	14,219,095	13,382,993
Total Assets	<u>\$ 59,395,709</u>	<u>\$ 56,288,945</u>
Liabilities		
Accounts payable and accrued expenses	\$ 944,896	\$ 786,946
Line of credit	149,943	-0-
Construction loan	984,200	984,200
Custodial funds held for congregations	2,299,200	2,367,675
Total Liabilities	<u>4,378,239</u>	<u>4,138,821</u>
Commitments and Contingencies (Notes 11 and 12)		
Net Assets		
Without donor restrictions	17,684,014	17,370,519
With donor restrictions	37,333,456	34,779,605
Total Net Assets	<u>55,017,470</u>	<u>52,150,124</u>
Total Liabilities and Net Assets	<u>\$ 59,395,709</u>	<u>\$ 56,288,945</u>

The accompanying notes are an integral part of these financial statements.

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF MARYLAND
Statements of Activities
Years Ended December 31, 2020 and 2019**

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions and bequests	\$ 3,437,213	\$ 1,691,404	\$ 5,128,617
Claggett conference fees	452,894	-0-	452,894
Net investment return	849,041	2,200,019	3,049,060
Change in fair value of irrevocable trust	-0-	5,385	5,385
Interest on loans	-0-	109,590	109,590
Gain on sale of property	-0-	-0-	-0-
Grant revenue - Paycheck Protection Program	517,660	-0-	517,660
Miscellaneous income	316,516	-0-	316,516
Net assets released from restrictions	1,452,547	(1,452,547)	-0-
Total Support and Revenue	7,025,871	2,553,851	9,579,722
Expenses			
Program Services:			
Claggett Conference Center	1,855,878	-0-	1,855,878
Ministry in the World	1,254,588	-0-	1,254,588
Ministry to Congregations and Institutions	525,668	-0-	525,668
Ministry for Christian Formation	155,237	-0-	155,237
Ministry of Communications	112,932	-0-	112,932
Ministry of the Bishop's Office	1,648,538	-0-	1,648,538
Total Program Services	5,552,841	-0-	5,552,841
Support Services:			
Management and General	2,271,978	-0-	2,271,978
Fundraising	30,957	-0-	30,957
Total Support Services	2,302,935	-0-	2,302,935
Total Expenses	7,855,776	-0-	7,855,776
Change in Net Assets	(829,905)	2,553,851	1,723,946
Net Assets at Beginning of Year	17,370,519	34,779,605	52,150,124
Transfers of Assets from Parishes	1,143,400	-0-	1,143,400
Net Assets at End of Year	\$ 17,684,014	\$ 37,333,456	\$ 55,017,470

2019

Without Donor Restrictions	With Donor Restrictions	Total	Increase (Decrease)
\$ 3,856,625	\$ 794,048	\$ 4,650,673	\$ 477,944
2,118,324	-0-	2,118,324	(1,665,430)
1,456,256	3,791,871	5,248,127	(2,199,067)
-0-	88,429	88,429	(83,044)
-0-	95,914	95,914	13,676
4,039	-0-	4,039	(4,039)
-0-	-0-	-0-	517,660
179,279	-0-	179,279	137,237
844,566	(844,566)	-0-	-0-
<u>8,459,089</u>	<u>3,925,696</u>	<u>12,384,785</u>	<u>(2,805,063)</u>
2,318,133	-0-	2,318,133	(462,255)
1,178,065	-0-	1,178,065	76,523
713,505	-0-	713,505	(187,837)
179,220	-0-	179,220	(23,983)
112,877	-0-	112,877	55
1,470,098	-0-	1,470,098	178,440
<u>5,971,898</u>	<u>-0-</u>	<u>5,971,898</u>	<u>(419,057)</u>
2,306,322	-0-	2,306,322	(34,344)
20,153	-0-	20,153	10,804
<u>2,326,475</u>	<u>-0-</u>	<u>2,326,475</u>	<u>(23,540)</u>
<u>8,298,373</u>	<u>-0-</u>	<u>8,298,373</u>	<u>(442,597)</u>
160,716	3,925,696	4,086,412	<u>\$ (2,362,466)</u>
17,209,803	30,853,909	48,063,712	
-0-	-0-	-0-	
<u>\$ 17,370,519</u>	<u>\$ 34,779,605</u>	<u>\$ 52,150,124</u>	

The accompanying notes are an integral part of these financial statements.

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF MARYLAND
Statements of Functional Expenses
Year Ended December 31, 2020**

	Program Expenses			
	Episcopal Diocese	Bishop Claggett Center	Sutton Scholars	Total Program
Personnel Costs:				
Salaries and wages	\$ 812,338	\$ 760,987	\$ 131,632	\$ 1,704,957
Health insurance	180,359	87,367	-0-	267,726
Pension	152,501	60,396	-0-	212,897
Payroll taxes	16,971	55,273	611	72,855
Payroll benefits	-0-	204	18,545	18,749
Total personnel costs	<u>1,162,169</u>	<u>964,227</u>	<u>150,788</u>	<u>2,277,184</u>
Other direct expenses	199,460	148,027	-0-	347,487
Depreciation	241,128	313,449	-0-	554,577
National apportionment	507,815	-0-	-0-	507,815
Repairs and maintenance	187,618	142,536	-0-	330,154
Congregation	402,841	-0-	-0-	402,841
Housing benefits	220,037	-0-	-0-	220,037
Utilities	33,719	94,956	-0-	128,675
Grants and scholarships	142,944	-0-	-0-	142,944
Management services	-0-	-0-	-0-	-0-
General insurance	64,513	-0-	-0-	64,513
Advertising and promotion	108,768	4,085	-0-	112,853
Contract and temporary labor	93,995	4,796	-0-	98,791
Ordained ministry	90,264	-0-	-0-	90,264
Kitchen and cafeteria	-0-	89,952	-0-	89,952
Office equipment	-0-	8,291	-0-	8,291
Computer	4,327	3,797	-0-	8,124
Bad debt expense	-0-	10,800	30,000	40,800
Chaplaincy	46,266	-0-	-0-	46,266
Accounting	-0-	-0-	-0-	-0-
Telecommunication	-0-	-0-	-0-	-0-
Office supplies	-0-	21,904	7,155	29,059
Interest expense	-0-	22,996	-0-	22,996
Bank fees	-0-	4,009	-0-	4,009
Business travel	2,050	819	-0-	2,869
Workers compensation insurance	-0-	9,941	-0-	9,941
Conferences, conventions and meetings	21	-0-	-0-	21
Miscellaneous	-0-	8	-0-	8
Vehicle expense	-0-	10,713	-0-	10,713
Youth ministry	9,503	-0-	-0-	9,503
Special events	-0-	-0-	8,033	8,033
Postage	-0-	572	-0-	572
Education and training	3,542	-0-	-0-	3,542
Legal	-0-	-0-	-0-	-0-
Facility rental fee	-0-	-0-	1,925	1,925
Meals and entertainment	-0-	-0-	-0-	-0-
Dues and subscriptions	-0-	-0-	-0-	-0-
	<u>3,520,980</u>	<u>1,855,878</u>	<u>197,901</u>	<u>5,574,759</u>
Less: Eliminations	<u>(21,918)</u>	<u>-0-</u>	<u>-0-</u>	<u>(21,918)</u>
Total expenses included in the functional categories on the Statement of Activities	<u>\$ 3,499,062</u>	<u>\$ 1,855,878</u>	<u>\$ 197,901</u>	<u>\$ 5,552,841</u>

Supporting Expenses

Management and General	Fundraising	Total Expenses
\$ 649,622	\$ -0-	\$ 2,354,579
141,201	-0-	408,927
52,419	-0-	265,316
47,635	-0-	120,490
59,486	-0-	78,235
<hr/> 950,363	-0-	3,227,547
424,368	30,957	802,812
192,829	-0-	747,406
-0-	-0-	507,815
150,037	-0-	480,191
-0-	-0-	402,841
-0-	-0-	220,037
26,968	-0-	155,643
-0-	-0-	142,944
123,658	-0-	123,658
51,591	-0-	116,104
-0-	-0-	112,853
-0-	-0-	98,791
-0-	-0-	90,264
-0-	-0-	89,952
74,937	-0-	83,228
70,837	-0-	78,961
33,774	-0-	74,574
-0-	-0-	46,266
40,000	-0-	40,000
37,515	-0-	37,515
6,673	-0-	35,732
6,142	-0-	29,138
24,451	-0-	28,460
17,296	-0-	20,165
4,751	-0-	14,692
14,559	-0-	14,580
14,224	-0-	14,232
-0-	-0-	10,713
-0-	-0-	9,503
-0-	-0-	8,033
5,797	-0-	6,369
410	-0-	3,952
3,211	-0-	3,211
-0-	-0-	1,925
919	-0-	919
100	-0-	100
<hr/> 2,275,410	30,957	7,881,126
<hr/> (3,432)	-0-	(25,350)
<hr/> <hr/> \$ 2,271,978	\$ 30,957	\$ 7,855,776

The accompanying notes are an integral part of these financial statements.

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF MARYLAND
Statements of Functional Expenses
Year Ended December 31, 2019**

	Program Expenses			
	Episcopal Diocese	Bishop Claggett Center	Sutton Scholars	Total Program
Personnel Costs:				
Salaries and wages	\$ 787,885	\$ 875,923	\$ 106,792	\$ 1,770,600
Health insurance	175,020	81,877	-0-	256,897
Pension	141,135	58,942	2,638	202,715
Payroll taxes	16,570	63,826	2,374	82,770
Payroll benefits	-0-	5,144	28,138	33,282
Total personnel costs	<u>1,120,610</u>	<u>1,085,712</u>	<u>139,942</u>	<u>2,346,264</u>
Depreciation	216,685	304,594	-0-	521,279
Other direct expenses	175,258	95,870	25,568	296,696
National apportionment	506,522	-0-	-0-	506,522
Congregation	470,855	-0-	-0-	470,855
Repairs and maintenance	98,380	140,593	-0-	238,973
Kitchen and cafeteria	-0-	322,696	-0-	322,696
Utilities	34,251	152,868	-0-	187,119
Housing benefits	203,135	-0-	-0-	203,135
Management services	-0-	-0-	-0-	-0-
Grants and scholarships	166,577	-0-	-0-	166,577
General insurance	53,570	34,192	-0-	87,762
Conferences, conventions and meetings	22,138	240	-0-	22,378
Advertising and promotion	112,111	3,494	-0-	115,605
Office equipment	-0-	37,515	-0-	37,515
Bad debt expense	-0-	29,292	-0-	29,292
Ordained ministry	91,861	-0-	-0-	91,861
Computer	765	3,848	-0-	4,613
Contract and temporary labor	57,907	9,748	-0-	67,655
Interest expense	-0-	42,590	-0-	42,590
Office supplies	-0-	15,392	32,574	47,966
Telecommunication	-0-	10,464	-0-	10,464
Facility rental fee	-0-	-0-	44,990	44,990
Business travel	7,581	5,055	-0-	12,636
Chaplaincy	43,800	-0-	-0-	43,800
Accounting	-0-	-0-	-0-	-0-
Bank fees	-0-	7,101	321	7,422
Vehicle expense	-0-	5,896	25,400	31,296
Education and training	19,721	-0-	-0-	19,721
Special events	-0-	-0-	22,701	22,701
Workers compensation insurance	-0-	6,817	-0-	6,817
Youth ministry	10,819	-0-	-0-	10,819
Meals and entertainment	-0-	-0-	-0-	-0-
Postage	-0-	1,209	-0-	1,209
Miscellaneous	-0-	-0-	4,040	4,040
Property taxes	-0-	2,947	-0-	2,947
Legal	-0-	-0-	-0-	-0-
Dues and subscriptions	-0-	-0-	-0-	-0-
	<u>3,412,546</u>	<u>2,318,133</u>	<u>295,536</u>	<u>6,026,215</u>
Less: Eliminations	<u>(54,317)</u>	<u>-0-</u>	<u>-0-</u>	<u>(54,317)</u>
Total expenses included in the functional categories on the Statement of Activities	<u>\$ 3,358,229</u>	<u>\$ 2,318,133</u>	<u>\$ 295,536</u>	<u>\$ 5,971,898</u>

Supporting Expenses

Management and General	Fundraising	Total Expenses
\$ 736,742	\$ -0-	\$ 2,507,342
154,269	-0-	411,166
50,723	-0-	253,438
50,684	-0-	133,454
11,907	-0-	45,189
<hr/> 1,004,325	-0-	<hr/> 3,350,589
202,620	-0-	723,899
257,320	20,001	574,017
-0-	-0-	506,522
-0-	-0-	470,855
91,990	-0-	330,963
-0-	-0-	322,696
32,032	-0-	219,151
-0-	-0-	203,135
181,044	-0-	181,044
-0-	-0-	166,577
50,093	-0-	137,855
103,359	-0-	125,737
-0-	-0-	115,605
72,408	-0-	109,923
63,279	-0-	92,571
-0-	-0-	91,861
65,327	-0-	69,940
-0-	-0-	67,655
14,604	-0-	57,194
4,941	-0-	52,907
35,614	-0-	46,078
-0-	-0-	44,990
32,017	152	44,805
-0-	-0-	43,800
40,000	-0-	40,000
28,460	-0-	35,882
-0-	-0-	31,296
3,780	-0-	23,501
-0-	-0-	22,701
4,863	-0-	11,680
-0-	-0-	10,819
7,798	-0-	7,798
5,170	-0-	6,379
2,335	-0-	6,375
608	-0-	3,555
1,710	-0-	1,710
625	-0-	625
<hr/> 2,306,322	<hr/> 20,153	<hr/> 8,352,690
-0-	-0-	(54,317)
<hr/> <hr/> \$ 2,306,322	<hr/> <hr/> \$ 20,153	<hr/> <hr/> \$ 8,298,373

The accompanying notes are an integral part of these financial statements.

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF MARYLAND**
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,723,946	\$ 4,086,412
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Decrease in allowance for uncollectible pledges receivable	(4,900)	(35,243)
Write off of uncollectible pledges receivable	74,574	92,571
Discount on pledges receivable	-0-	(800)
Contribution of a bequest receivable	(30,685)	-0-
Change in fair value of irrevocable trust	(5,385)	(88,429)
Net realized and unrealized gains on investments	(3,138,060)	(4,907,091)
Depreciation	747,406	723,899
Gain on sale of property	-0-	(4,039)
Changes in operating assets and liabilities:		
Pledges receivable	(138,719)	156,489
Accounts receivable	57,078	23,417
Prepaid expenses and other assets	5,720	5,189
Accounts payable and accrued expenses	157,950	(15,734)
Net Cash Provided by (Used in) Operating Activities	<u>(551,075)</u>	<u>36,641</u>
Cash Flows from Investing Activities		
Purchase of investments	(10,691,037)	(36,862,824)
Proceeds from sale of investments	10,250,579	38,385,022
Loans made to churches and outside organizations	(31,904)	(960,000)
Principal collections of loans receivable	256,537	261,226
Sale of property	-0-	26,592
Purchase of property	(440,108)	(182,431)
Net Cash Provided by (Used in) Investing Activities	<u>(655,933)</u>	<u>667,585</u>
Cash Flows from Financing Activities		
Net increase (decrease) in line of credit	149,943	(443,289)
Payments on construction loan	-0-	(168,800)
Net Cash Provided by (Used in) Financing Activities	<u>149,943</u>	<u>(612,089)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,057,065)	92,137
Cash and Cash Equivalents at Beginning of Year	<u>2,247,522</u>	<u>2,155,385</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,190,457</u>	<u>\$ 2,247,522</u>

	<u>2020</u>	<u>2019</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 29,138</u>	<u>\$ 57,194</u>
Noncash Investing and Financing Activities		
Transfer of assets from parishes	<u>\$ 1,143,400</u>	<u>\$ -0-</u>

The accompanying notes are an integral part of these financial statements.

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF MARYLAND
Notes to Financial Statements
December 31, 2020 and 2019**

Note 1: Nature of Organization and Summary of Significant Accounting Policies

The mission of the Convention of the Protestant Episcopal Church of the Diocese of Maryland (the Diocese) is to be committed Christians worshipping in the Episcopal tradition and working in more than 100 faith communities through western, central and southern Maryland. We are a community of love, encountering Christ and engaging the world. Major forms of support include contributions and bequests from congregations, conference and camp center revenue, and restricted contributions.

The major programs and priorities of the Diocese are as follows:

Claggett Conference Center: The Bishop Claggett Center is a camp and conference center located in Frederick, Maryland. The Center is available to church, school and special interest groups for the purpose of spiritual growth, recreation and education.

Ministry in the World: In response to the desire to proclaim the Good News and make disciples of all nations, the Diocese will be responsive to the needs of the people of this world.

Ministry to Congregations and Institutions: In response to the desire to walk in faith with the communities, the Diocese will be responsive to the needs of the congregations and institutions.

Ministry for Christian Formation: In response to the desire to have all members of the Body of Christ to participate in a Christian Formation program, the Diocese will be responsive to the needs of all who seek to further their formation.

Ministry of Communications: In response to the desire to further Christian communication, the Diocese will strive to equip every member of the Diocese to tell his or her faith story by words and actions.

Ministry of the Bishop's Office: In response to the desire to record total Bishop's staff compensation in one category, the ministry of the Bishop's office will strive to maintain an adequate level of staffing not to exceed fifty percent of total budgeted costs.

The accounting and reporting policies of the Diocese conform to accounting principles generally accepted in the United States of America. Following is a description of the most significant of those policies:

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents: The Diocese classifies certain investments which are readily convertible to cash and which have a maturity of three months or less when purchased as cash equivalents. Cash and cash equivalents designated and held for investment purposes are included in investments and are not considered cash and cash equivalents for cash flow purposes.

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF MARYLAND
Notes to Financial Statements
December 31, 2020 and 2019**

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Pledges Receivable: Unconditional promises to give in a future period are discounted to their net present value at the time the revenue is recorded. A provision is made for uncollectible pledges based on anticipated collection losses. Estimated losses are generally determined from historical collection experience and a review of outstanding pledges receivable. Pledges receivable are written off by management when, in their determination, all appropriate collection efforts have been taken. The Diocese has recorded an allowance for uncollectible pledges for the years ended December 31, 2020 and 2019 of approximately \$-0- and \$4,900, respectively.

Investments: Investments with readily determinable fair value are reported at fair value in the statements of financial position. Investments whose fair values are not readily determinable are recorded at cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in net investment return on the statement of activities. Realized gains and losses on sales of investments are computed on a specific identification basis.

All the congregations' and the Diocese's investment portfolios are maintained on a pooled accounting basis with total earnings and investment expenses allocated to each account on a pro-rata basis. Investments restricted to long-term investment consist of donor-imposed restrictions for property acquisitions. During the year ended December 31, 2019, the Diocese restructured its investment portfolio and changed trustees. As a result, the Diocese adopted a practical expedient to measure fair value on the basis of net asset value per share for its investment in common trust funds.

Beneficial Interest in Irrevocable Trust: The Diocese was bequeathed a partial interest of an irrevocable charitable remainder trust. The Trust is to distribute 20% of the balance of the trust on the passing of the last survivor of all named beneficiaries. When the Diocese is notified of the existence of a trust, an asset and contribution revenue is recorded as donor restricted. The trust is reported at fair value with investment income, realized and unrealized net gains and losses reported on the statement of activities as change in value of irrevocable trust. Fair value of the trust has been computed as the present value of the estimated future cash flows to be received discounted at a rate of 3.50%.

Property: Property acquired prior to 1950 is stated at independently appraised values at the time of acquisition. Property acquired after 1950 is stated at cost or, if donated, at the approximate fair value at the date of donation. Subsequent to 1950 several congregation properties have been deeded to the Diocese and these properties are carried at values based on parochial reports or insurable values at that time. Expenditures for maintenance and routine repairs are charged to expense as incurred; expenditures for improvements and major repairs that materially extend the useful lives of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Building improvements	5 - 20 years
Furniture and equipment	3 - 10 years

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF MARYLAND
Notes to Financial Statements
December 31, 2020 and 2019**

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

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

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions: Contributions received are recorded as without donor restriction or with donor restriction support depending on the existence and/or nature of any donor restrictions. When the Diocese is notified of the existence of a bequest or gift, an asset and contribution revenue is recorded as net assets with donor restrictions.

Claggett Conference Fees: The Diocese generates contract revenue from its conference fees at the Bishop Claggett Center. Each rental contract is a separate performance obligation that is satisfied over time. In general, conference fees are recognized as services are rendered, and expenses are recorded when incurred. Conference reservation deposits received in advance are recorded as deferred revenue.

Income Taxes: The Diocese is a not-for-profit corporation exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Diocese had no unrelated business income for the years ended December 31, 2020 and 2019. Accordingly, no provision for income taxes is reflected in these financial statements. The Diocese's federal exempt organization income tax returns, if applicable, are subject to examination by the IRS, generally for three years after the returns are filed.

Functional Allocation of Expenses: The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities and by natural classification in the statement of functional expenses. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated on the basis of estimates of the portion of time expended by the staff on the various functions.

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
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December 31, 2020 and 2019

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements: The Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases* which will be effective for fiscal years beginning after December 15, 2021. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous guidance for leases. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the statement of financial position as either property or as a depreciable right-to-use asset and a related liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The asset will be depreciated and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. Management has elected not to early adopt this standard and will assess the future impact on any leases.

Subsequent Events: In preparing these financial statements, the Diocese has evaluated events and transactions for potential recognition or disclosure through May 27, 2021, the date the financial statements were available to be issued. During the period January 1, 2021 through May 27, 2021, the Diocese did not have any material recognizable subsequent events.

Note 2: Liquidity and Availability of Funds

A summary of the financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise the following:

	2020	2019
Cash and cash equivalents	\$ 1,190,457	\$ 2,247,522
Pledges for general expenditures due in one year or less	478,631	334,720
Accounts receivable, net	85,132	142,210
Investments not encumbered by donor restrictions	24,597,370	22,386,882
Loans receivable in one year or less (Note 4)	267,300	259,924
Other assets	1,731	10,066
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 26,620,621</u>	<u>\$ 25,381,324</u>

The Diocese receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The organization manages its liquidity following two guiding principles: operating within a prudent range of financial soundness and stability, and maintaining adequate liquid assets to fund near-term operating needs. In addition, the Diocese invests cash in excess of daily requirements in short-term investments. In the event of an unanticipated liquidity need, the Diocese also could draw upon a \$1,000,000 available operating line of credit (as further discussed in Note 7).

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF MARYLAND
Notes to Financial Statements
December 31, 2020 and 2019**

Note 3: Pledges Receivable

Pledges receivable as of December 31, 2020 and 2019 consists of the following:

	2020	2019
Pledges receivable	\$ 478,631	\$ 414,486
Allowance for uncollectible pledges	-0-	(4,900)
Net Pledges Receivable	<u>\$ 478,631</u>	<u>\$ 409,586</u>

Pledges receivable at December 31, 2020 are generally expected to be received in 2021.

Note 4: Loans Receivable

The Diocese makes unsecured loans to churches in Maryland with interest ranging from 1.5% to 4% through its Middendorf Loan Program. The balance of these loans at December 31, 2020 and 2019 was \$2,743,463 and \$2,962,187, respectively. The Diocese also made other loans bearing interest at 3% to other organizations with outstanding balances of \$839,562 and \$845,471 at December 31, 2020 and 2019, respectively. The loans mature at various dates through 2040.

Principal collections on loans receivables at December 31, 2020 are due as follows:

	Middendorf	Other	Total
2021	\$ 198,442	\$ 68,858	\$ 267,300
2022	109,709	28,188	137,897
2023	218,269	27,694	245,963
2024	374,889	24,423	399,312
2025	87,488	690,399	777,887
Thereafter	1,754,666	-0-	1,754,666
	<u>\$ 2,743,463</u>	<u>\$ 839,562</u>	<u>\$ 3,583,025</u>

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
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Notes to Financial Statements
December 31, 2020 and 2019

Note 5: Investments

Investments consist of the following at December 31, 2020 and 2019:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Exchange - traded funds	\$ 323,543	\$ 298,782	\$ 298,472	\$ 298,782
Corporate bonds and obligations	975,573	901,722	727,718	719,724
Cash and cash equivalents	204,050	204,050	822,740	822,740
Common trust funds	36,944,464	32,614,296	33,088,657	32,002,963
	<u>\$ 38,447,630</u>	<u>\$ 34,018,850</u>	<u>\$ 34,937,587</u>	<u>\$ 33,844,209</u>

Investments are allocated on the statement of financial position as of December 31, 2020 and 2019 as follows:

	2020	2019
Investments	\$ 24,597,370	\$ 22,386,882
Investments restricted to long-term investment	13,850,260	12,550,705
	<u>\$ 38,447,630</u>	<u>\$ 34,937,587</u>

Included in the investment portfolio of the Diocese as of December 31, 2020 and 2019, are custodial funds belonging to congregations in the amount of \$2,299,200 and \$2,367,675, respectively.

Net investment return consisted of the following for the years ended December 31, 2020 and 2019:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 6,273	\$ 4,803	\$ 11,076
Realized losses	(13,637)	(37,870)	(51,507)
Unrealized gains	883,648	2,305,919	3,189,567
Investment fees	(27,243)	(72,833)	(100,076)
Net investment return	<u>\$ 849,041</u>	<u>\$ 2,200,019</u>	<u>\$ 3,049,060</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 155,408	\$ 350,115	\$ 505,523
Realized gains	1,150,071	2,855,903	4,005,974
Unrealized gains	198,172	702,945	901,117
Investment fees	(47,395)	(117,092)	(164,487)
Net investment return	<u>\$ 1,456,256</u>	<u>\$ 3,791,871</u>	<u>\$ 5,248,127</u>

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
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Notes to Financial Statements
December 31, 2020 and 2019

Note 6: Property

Property consists of the following at December 31, 2020 and 2019:

	2020	2019
Land	\$ 1,268,645	\$ 1,268,645
Buildings and building improvements	26,510,512	25,128,512
Assets under construction	113,931	-0-
Furniture and equipment	1,131,465	1,043,888
	<u>29,024,553</u>	<u>27,441,045</u>
Less: Accumulated depreciation	14,805,458	14,058,052
Net property	<u>\$ 14,219,095</u>	<u>\$ 13,382,993</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$747,406 and \$723,899, respectively.

Note 7: Line of Credit

The Diocese has a \$1,000,000 revolving note agreement with Manufacturers and Traders Trust Company (M&T Bank). The agreement provides that the line of credit will accrue interest at the 30 day LIBOR rate plus 1.75% (1.94% and 3.45% at December 31, 2020 and 2019, respectively). Included in the \$1,000,000 note is a \$200,000 letter of credit. The purpose of this note is to provide working capital and overdraft protection to the Diocese. The note is due and payable on demand. The note is collateralized by a portion of the Diocese's investment accounts held with State Street Global Advisors through a control agreement with M&T Bank. The outstanding balance on the note at December 31, 2020 and 2019 was \$149,943 and \$-0-, respectively.

Interest expense for this credit facility for the years ended December 31, 2020 and 2019 was \$6,142 and \$14,604, respectively.

Note 8: Construction Loan

The Diocese has a \$3,000,000 revolving note agreement with M&T Bank, which was used during 2014 to provide funds for the construction of The Inn at Bishop Claggett Center. The agreement provides that the line of credit will accrue interest at the 30 day LIBOR rate plus 1.75% (1.94% and 3.45% at December 31, 2020 and 2019, respectively). The note is due and payable on demand. The note is collateralized by a portion of the Diocese's investment accounts held with State Street Global Advisors through a control agreement with M&T Bank. The outstanding balance on the note at both the years ended December 31, 2020 and 2019 was \$984,200.

Interest expense for this credit facility for the years ended December 31, 2020 and 2019 was \$22,996 and \$42,590, respectively.

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
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Notes to Financial Statements
December 31, 2020 and 2019**

Note 9: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Ministry of Communications	\$ 4,897,778	\$ 4,483,062
Ministry of Bishop's Office	3,923,205	3,653,675
Ministry to Congregations and Institutions	1,546,971	1,404,571
Ministry in the World	341,119	108,314
Ministry for Christian Formation	2,108,333	1,864,786
Ministry of Operations	7,753,119	6,623,959
Other (primarily acquisitions and capital campaign)	2,414,812	2,185,206
Claggett Conference Center	400,253	915,881
Middendorf Loan Program	5,832,708	5,430,633
Sutton Scholars	243,424	237,784
	<u>29,461,722</u>	<u>26,907,871</u>
Endowments:		
Subject to Diocese endowment spending policy and appropriation:		
Ordained Ministry	5,344,480	5,344,480
Theological Education	1,352,795	1,352,795
Congregational Development	402,208	402,208
Social Ministry	69,890	69,890
Lay Ministry	100,998	100,998
Benefit of congregations	378,012	378,012
Property acquisitions	223,351	223,351
Total endowments	<u>7,871,734</u>	<u>7,871,734</u>
	<u>\$ 37,333,456</u>	<u>\$ 34,779,605</u>

FASB issued guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The State of Maryland has enacted UPMIFA. This guidance also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
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Note 9: Net Assets with Donor Restrictions (Continued)

In accordance with the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA), the Diocese preserves the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary (when a donor expresses intent clearly in a written gift instrument, the Act requires that the charity follow the donor's instructions). The Diocese classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Diocese considers these net assets with donor restrictions to be endowment funds. In accordance with MUPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Diocese, and (7) the Diocese's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

Diocese funds are invested with due diligence for stability, growth and adequate diversification to achieve the Diocese's goals. In fulfilling the responsibilities of monitoring Diocese funds, the investment committee avails themselves to advisors proficient in the area of banking and finance. These advisors are consulted when necessary to secure Diocese funds in safe and equitable investments.

Spending Policy

The Diocese has a policy of appropriating for distribution each year not more than 5% of its endowment fund's average fair value of the prior 3 years. In establishing its spending policy, the Diocese considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, all of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Diocese expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 4% annually. This is consistent with the Diocese's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets during the year ended December 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -0-	\$ 7,871,734	\$ 7,871,734
Interest and dividends	-0-	1,080	1,080
Net realized and unrealized gains	-0-	494,001	494,001
Investment fees	-0-	(15,469)	(15,469)
Released from restriction	-0-	-0-	-0-
Allocation to temporarily restricted	-0-	(479,612)	(479,612)
Endowment net assets, end of year	<u>\$ -0-</u>	<u>\$ 7,871,734</u>	<u>\$ 7,871,734</u>

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Note 9: Net Assets with Donor Restrictions (Continued)

Changes in endowment net assets during the year ended December 31, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -0-	\$ 7,871,734	\$ 7,871,734
Interest and dividends	-0-	85,883	85,883
Net realized and unrealized gains	-0-	892,768	892,768
Investment fees	-0-	(29,452)	(29,452)
Released from restriction	-0-	-0-	-0-
Allocation to temporarily restricted	-0-	(949,199)	(949,199)
Endowment net assets, end of year	<u>\$ -0-</u>	<u>\$ 7,871,734</u>	<u>\$ 7,871,734</u>

Note 10: Net Assets Released from Restrictions

Net assets were released from donor restrictions during 2020 and 2019, by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows:

	2020	2019
Satisfaction of purpose restrictions:		
Ministry of Bishop's Office	\$ 158,048	\$ -0-
Ministry to Congregations and Institutions	213,925	301,827
Ministry in the World	165,841	67,889
Ministry for Christian Formation	69,548	102,572
Ministry of Operations	117,544	21,096
Claggett Conference Center	529,740	55,646
Sutton Scholars	197,901	295,536
	<u>\$ 1,452,547</u>	<u>\$ 844,566</u>

Note 11: Retirement Plans

The Diocese contributes to a Multiple Employer Defined Benefit Plan which is administered by the Church Pension Fund of the National Episcopal Church and covers clergy members. The Diocese is required to make regular assessment payments of 18% of the clergy member's assessable compensation on behalf of the clergy member as mandated by the Episcopal Church. If payments are not made, the clergy member risks losing benefits for which he or she might otherwise be eligible. Assessments are pooled, solely for investment purposes, for the benefit of all participants. The Diocese's policy is to expense amounts required to be funded by the Plan administrator. Pension expense was \$134,465 and \$124,795 for the years ended December 31, 2020 and 2019, respectively.

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
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Notes to Financial Statements
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Note 11: Retirement Plans (Continued)

The Diocese has a Defined Contribution Retirement Plan which covers substantially all lay employees. Participants must have attained age 21, worked 1,000 hours during the previous year and have 12 months of service at the Diocese. The Diocese contributes 5% of the salary of all participants to the Plan. In addition, the Diocese matches 100% of employee contributions up to 4% of their salaries. Total contributions to the Plan were \$130,851 and \$128,643 for the years ended December 31, 2020 and 2019, respectively.

Note 12: Operating Leases

The Diocese leases various equipment under operating leases which expire in 2024. Lease expense for the equipment for the years ended December 31, 2020 and 2019 was \$12,122 and \$17,302, respectively.

As of December 31, 2020, future minimum lease payments are as follows:

2021	\$ 9,702
2022	9,702
2023	9,122
2024	<u>286</u>
	<u>\$ 28,812</u>

Note 13: Fair Value Measurement

Generally accepted accounting principles (GAAP) provides a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

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 asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the assets 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.

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
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Notes to Financial Statements
December 31, 2020 and 2019**

Note 13: Fair Value Measurement (Continued)

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 need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation techniques used by the Diocese include the following:

Common Trust Funds: Valued at fair value based on unit values. Valuation of the Funds' units occurs daily. Unit values are determined by dividing the value of each Fund's net assets by the total number of participants' units outstanding on the valuation date and the net asset value is used as a practical expedient to estimate fair value. The Fund's investments are valued on the basis of market valuations, where available, as provided by independent pricing services, or if not readily available, by the Fund's Trustee.

Exchange-Traded Funds: Valued at the last sales price reported on the active market in which the individual fund is traded.

Corporate Bonds and Obligations: Valued using inputs such as benchmark yields, reported trades, broker/dealer quotes and issuer spreads.

Cash and cash equivalents: Cash and cash equivalents designated and held for investment purposes are included in investments and valued at fair value.

Beneficial Interest in Irrevocable Trust: Valued at fair value of underlying assets as reported by trustee.

In determining the appropriate levels, the Diocese performs a detailed analysis of the assets and liabilities that are subject to fair value measurement. The table below presents the balances of assets as of December 31, 2020, measured at fair value on a recurring basis by level within the hierarchy.

	Total	Level 1	Level 2	Level 3
Exchange-Traded Funds	\$ 323,543	\$ 323,543	\$ -0-	\$ -0-
Corporate bonds and obligations	975,573	-0-	975,573	-0-
Cash and cash equivalents	204,050	204,050	-0-	-0-
Beneficial interest in irrevocable trust	912,387	-0-	912,387	-0-
Total assets in the fair value hierarchy	2,415,553	\$ 527,593	\$ 1,887,960	\$ -0-
Common trust funds measured at net asset value as a practical expedient	<u>36,944,464</u>			
	<u>\$ 39,360,017</u>			

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
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December 31, 2020 and 2019**

Note 13: Fair Value Measurement (Continued)

The table below presents the balances of assets as of December 31, 2019, measured at fair value on a recurring basis by level within the hierarchy.

	Total	Level 1	Level 2	Level 3
Exchange-Traded Funds	\$ 298,472	\$ 298,472	\$ -0-	\$ -0-
Corporate bonds and obligations	727,718	-0-	727,718	-0-
Cash and cash equivalents	822,740	822,740	-0-	-0-
Beneficial interest in irrevocable trust	907,002	-0-	907,002	-0-
Total assets in the fair value hierarchy	2,755,932	<u>\$ 1,121,212</u>	<u>\$ 1,634,720</u>	<u>\$ -0-</u>
Common trust funds measured at net asset value as a practical expedient	<u>33,088,657</u>			
	<u><u>\$ 35,844,589</u></u>			

Investments Measured Using the Net Asset Value per Share Practical Expedient: The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of December 31, 2020 and 2019. There are no participant redemption restrictions for these investments.

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
<u>December 31, 2020</u>				
Common trust funds	\$ 36,944,464	N/A	Daily	None
<u>December 31, 2019</u>				
Common trust funds	\$ 33,088,657	N/A	Daily	None

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
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December 31, 2020 and 2019**

Note 14: Other Matters

Uninsured Balances: The Diocese maintains its cash balances at various financial institutions. Periodically during the year, the Diocese's cash balances may exceed federally insured limits. The Diocese has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash balances.

Financial Risk: The Diocese's investment portfolio is a professionally managed portfolio that contains common shares and bonds of publicly traded companies, United States Government obligations, municipal obligations, mutual funds and common trust funds. Such investments are exposed to various investment risks such as interest rate, market and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Litigation and Claims: The Diocese is a party to various legal actions and claims that have arisen in the ordinary course of business. In the opinion of management, the amount of any ultimate liability with respect to these actions will not have a material adverse effect on the Diocese's change in net assets or financial condition.

National Health Emergency: In March 2020, the President of the United States declared a national emergency due to a viral pandemic. The declaration of the national emergency and similar declarations made by various states, and the outbreak of the virus itself, have had far reaching social, economic, and financial impacts on the United States going forward. The pandemic continues and at this time, the impact on the operation and financial status of the Diocese cannot be determined.

In April 2020, the Diocese applied for and received funds in the amount of \$517,660 under the Paycheck Protection Program (PPP) which was created as a result of the coronavirus pandemic. The proceeds are considered a forgivable loan, assuming certain qualified expenses, primarily payroll related expenses, are incurred during a period up to 24-weeks, commencing on the date of the loan agreement (April 17, 2020). Any portion of this loan that does not qualify for forgiveness is subject to an interest rate of 1%. The original loan document required monthly principal installments plus interest over an eighteen-month period commencing on November 17, 2020 with a maturity date of April 17, 2022. The loan was forgiven on April 23, 2021. Accounting standards allow for the funds to be treated as a loan until it is forgiven or recognized as income as expenditures are incurred. Management has opted to recognize income as expenditures are incurred. As of the year ended December 31, 2020, the full amount of the loan has been recognized in income.

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
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SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020 AND 2019

Independent Auditor's Report on Supplementary Information

To the Officers and Board of Directors
Convention of the Protestant Episcopal Church
of the Diocese of Maryland

We have audited the financial statements of Convention of the Protestant Episcopal Church of the Diocese of Maryland as of and for the years ended December 31, 2020 and 2019, and have issued our report thereon dated May 27, 2021, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on the following pages is presented for purposes of additional analysis and is not a required part of the 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.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
May 27, 2021

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF MARYLAND**
Combining Schedules of Financial Position By Internal Fund
December 31, 2020 and 2019

	2020				
	Episcopal Diocese	Bishop Claggett Center	Middendorf Loan Fund	Sutton Scholars	Total
Assets					
Cash and cash equivalents	\$ 51,587	\$ 803,707	\$ 220,778	\$ 114,385	\$ 1,190,457
Pledges receivable, net	468,631	10,000	-0-	-0-	478,631
Accounts receivable, net	82,402	2,730	-0-	-0-	85,132
Due (to)/ from other funds	(143,699)	(61,143)	82,120	122,722	-0-
Investments	24,597,370	-0-	-0-	-0-	24,597,370
Loans receivable	839,562	-0-	2,743,463	-0-	3,583,025
Prepaid expenses and other assets	14,584	203	-0-	9,800	24,587
Bequest receivable	454,765	-0-	-0-	-0-	454,765
Beneficial interest in irrevocable trust	912,387	-0-	-0-	-0-	912,387
Investments restricted to long-term investment	10,286,546	-0-	3,563,714	-0-	13,850,260
Property, net of accumulated depreciation	9,297,933	4,921,162	-0-	-0-	14,219,095
Total Assets	\$ 46,862,068	\$ 5,676,659	\$ 6,610,075	\$ 246,907	\$ 59,395,709
Liabilities					
Accounts payable and accrued expenses	\$ 648,462	\$ 292,951	\$ -0-	\$ 3,483	\$ 944,896
Line of credit	149,943	-0-	-0-	-0-	149,943
Construction loan	-0-	984,200	-0-	-0-	984,200
Custodial funds held for congregations	2,299,200	-0-	-0-	-0-	2,299,200
Total Liabilities	3,097,605	1,277,151	-0-	3,483	4,378,239
Net Assets	43,740,188	5,201,150	5,832,708	243,424	55,017,470
Transfer of Assets Between Funds	24,275	(801,642)	777,367	-0-	-0-
Total Liabilities and Net Assets	\$ 46,862,068	\$ 5,676,659	\$ 6,610,075	\$ 246,907	\$ 59,395,709

2019

Episcopal Diocese	Bishop Claggett Center	Middendorf Loan Fund	Sutton Scholars	Total
\$ 373,044	\$ 1,579,131	\$ 252,869	\$ 42,478	\$ 2,247,522
334,720	31,666	-0-	43,200	409,586
62,051	80,159	-0-	-0-	142,210
(1,605,610)	801,642	649,672	154,296	-0-
22,386,882	-0-	-0-	-0-	22,386,882
845,471	-0-	2,962,187	-0-	3,807,658
28,617	1,690	-0-	-0-	30,307
424,080	-0-	-0-	-0-	424,080
907,002	-0-	-0-	-0-	907,002
10,056,938	-0-	2,493,767	-0-	12,550,705
8,330,511	5,052,482	-0-	-0-	13,382,993
\$ 42,143,706	\$ 7,546,770	\$ 6,358,495	\$ 239,974	\$ 56,288,945
\$ 454,509	\$ 329,422	\$ 825	\$ 2,190	\$ 786,946
-0-	-0-	-0-	-0-	-0-
-0-	984,200	-0-	-0-	984,200
2,367,675	-0-	-0-	-0-	2,367,675
2,822,184	1,313,622	825	2,190	4,138,821
40,248,559	6,233,148	5,430,633	237,784	52,150,124
(927,037)	-0-	927,037	-0-	-0-
\$ 42,143,706	\$ 7,546,770	\$ 6,358,495	\$ 239,974	\$ 56,288,945

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF MARYLAND**
Combining Schedules of Activities By Internal Fund
Years Ended December 31, 2020 and 2019

	2020					
	Episcopal Diocese	Bishop Claggett Center	Middendorf Loan Fund	Sutton Scholars	Eliminations	Total
Support and Revenue						
Contributions and bequests	\$ 4,764,204	\$ 165,698	\$ -0-	\$ 203,541	\$ (4,826)	\$ 5,128,617
Claggett conference fees	-0-	473,418	-0-	-0-	(20,524)	452,894
Net investment return	2,724,741	4,372	319,947	-0-	-0-	3,049,060
Change in fair value of irrevocable trust	5,385	-0-	-0-	-0-	-0-	5,385
Interest on loans	27,462	-0-	82,128	-0-	-0-	109,590
Gain on sale of property	-0-	-0-	-0-	-0-	-0-	-0-
Grant revenue - PPP	352,439	165,221	-0-	-0-	-0-	517,660
Miscellaneous income	301,345	15,171	-0-	-0-	-0-	316,516
Total Support and Revenue	8,175,576	823,880	402,075	203,541	(25,350)	9,579,722
Expenses						
Program Services:						
Claggett Conference Center	-0-	1,855,878	-0-	-0-	-0-	1,855,878
Ministry in the World	1,259,858	-0-	-0-	-0-	(5,270)	1,254,588
Ministry to Congregations and Institutions	327,767	-0-	-0-	197,901	-0-	525,668
Ministry for Christian Formation	171,885	-0-	-0-	-0-	(16,648)	155,237
Ministry of Communications	112,932	-0-	-0-	-0-	-0-	112,932
Ministry of the Bishop's Office	1,648,538	-0-	-0-	-0-	-0-	1,648,538
Total Program Services	3,520,980	1,855,878	-0-	197,901	(21,918)	5,552,841
Support Services:						
Management and General	2,275,410	-0-	-0-	-0-	(3,432)	2,271,978
Fundraising	30,957	-0-	-0-	-0-	-0-	30,957
Total Support Services	2,306,367	-0-	-0-	-0-	(3,432)	2,302,935
Total Expenses	5,827,347	1,855,878	-0-	197,901	(25,350)	7,855,776
Change in Net Assets	2,348,229	(1,031,998)	402,075	5,640	-0-	1,723,946
Net Assets at Beginning of Year	40,248,559	6,233,148	5,430,633	237,784	-0-	52,150,124
Transfers of Assets from Parishes	1,143,400	-0-	-0-	-0-	-0-	1,143,400
Net Assets at End of Year	\$ 43,740,188	\$ 5,201,150	\$ 5,832,708	\$ 243,424	\$ -0-	\$ 55,017,470

2019

Episcopal Diocese	Bishop Claggett Center	Middendorf Loan Fund	Sutton Scholars	Eliminations	Total	Increase (Decrease)
\$ 4,382,717	\$ 90,680	\$ -0-	\$ 181,840	\$ (4,564)	\$ 4,650,673	\$ 477,944
-0-	2,168,077	-0-	-0-	(49,753)	2,118,324	(1,665,430)
4,839,097	17,039	391,991	-0-	-0-	5,248,127	(2,199,067)
88,429	-0-	-0-	-0-	-0-	88,429	(83,044)
24,196	-0-	71,718	-0-	-0-	95,914	13,676
4,039	-0-	-0-	-0-	-0-	4,039	(4,039)
-0-	-0-	-0-	-0-	-0-	-0-	517,660
179,279	-0-	-0-	-0-	-0-	179,279	137,237
<u>9,517,757</u>	<u>2,275,796</u>	<u>463,709</u>	<u>181,840</u>	<u>(54,317)</u>	<u>12,384,785</u>	<u>(2,805,063)</u>
-0-	2,318,133	-0-	-0-	-0-	2,318,133	(462,255)
1,180,186	-0-	-0-	-0-	(2,121)	1,178,065	76,523
441,450	-0-	-0-	295,536	(23,481)	713,505	(187,837)
207,935	-0-	-0-	-0-	(28,715)	179,220	(23,983)
112,877	-0-	-0-	-0-	-0-	112,877	55
1,470,098	-0-	-0-	-0-	-0-	1,470,098	178,440
<u>3,412,546</u>	<u>2,318,133</u>	<u>-0-</u>	<u>295,536</u>	<u>(54,317)</u>	<u>5,971,898</u>	<u>(419,057)</u>
2,306,322	-0-	-0-	-0-	-0-	2,306,322	(34,344)
20,153	-0-	-0-	-0-	-0-	20,153	10,804
<u>2,326,475</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,326,475</u>	<u>(23,540)</u>
5,739,021	2,318,133	-0-	295,536	(54,317)	8,298,373	(442,597)
3,778,736	(42,337)	463,709	(113,696)	-0-	4,086,412	<u>\$ (2,362,466)</u>
36,469,823	6,275,485	4,966,924	351,480	-0-	48,063,712	
-0-	-0-	-0-	-0-	-0-	-0-	
<u>\$ 40,248,559</u>	<u>\$ 6,233,148</u>	<u>\$ 5,430,633</u>	<u>\$ 237,784</u>	<u>\$ -0-</u>	<u>\$ 52,150,124</u>	

