

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2021 AND 2020

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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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Convention of the Protestant Episcopal Church of the Diocese of Maryland and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Convention of the Protestant Episcopal Church of the Diocese of Maryland's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Convention of the Protestant Episcopal Church of the Diocese of Maryland's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Convention of the Protestant Episcopal Church of the Diocese of Maryland's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Gross, Mendelson & Associates, P.A.

Baltimore, Maryland
May 26, 2022

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF MARYLAND**
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 851,377	\$ 1,190,457
Pledges receivable, net	3,824,660	478,631
Accounts receivable	148,777	85,132
Investments	27,929,936	24,597,370
Loans receivable	3,186,980	3,583,025
Prepaid expenses and other assets	661,116	24,587
Bequest receivable	-0-	454,765
Beneficial interest in irrevocable trust	919,276	912,387
Investments restricted to long-term investment	15,160,107	13,850,260
Property, net of accumulated depreciation	13,910,564	14,219,095
Total Assets	<u><u>\$ 66,592,793</u></u>	<u><u>\$ 59,395,709</u></u>
Liabilities		
Accounts payable and accrued expenses	\$ 815,961	\$ 944,896
Line of credit	-0-	149,943
Construction loan	984,200	984,200
Custodial funds held for congregations	2,599,649	2,299,200
Total Liabilities	<u><u>4,399,810</u></u>	<u><u>4,378,239</u></u>
Commitments and Contingencies (Notes 11 and 12)		
Net Assets		
Without donor restrictions	16,950,972	16,906,647
With donor restrictions	45,242,011	38,110,823
Total Net Assets	<u><u>62,192,983</u></u>	<u><u>55,017,470</u></u>
Total Liabilities and Net Assets	<u><u>\$ 66,592,793</u></u>	<u><u>\$ 59,395,709</u></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, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions and bequests	\$ 3,705,563	\$ 5,751,447	\$ 9,457,010
Claggett conference fees	872,211	-0-	872,211
Net investment return	1,282,259	3,286,162	4,568,421
Change in fair value of irrevocable trust	-0-	6,889	6,889
Interest on loans	-0-	95,784	95,784
Gain on sale of assets	530,158	-0-	530,158
Grant revenue - Paycheck Protection Program	-0-	-0-	-0-
Miscellaneous income	198,144	-0-	198,144
Reclassification of net assets	-0-	-0-	-0-
Net assets released from restrictions	2,009,094	(2,009,094)	-0-
Total Support and Revenue	8,597,429	7,131,188	15,728,617
Expenses			
Program Services:			
Claggett Conference Center	2,274,532	-0-	2,274,532
Ministry in the World	1,327,690	-0-	1,327,690
Ministry to Congregations and institutions	936,208	-0-	936,208
Ministry for Christian Formation	175,535	-0-	175,535
Ministry of Communications	109,869	-0-	109,869
Ministry of the Bishop's Office	1,806,398	-0-	1,806,398
Total Program Services	6,630,232	-0-	6,630,232
Support Services:			
Management and General	1,918,452	-0-	1,918,452
Fundraising	47,020	-0-	47,020
Total Support Services	1,965,472	-0-	1,965,472
Total Expenses	8,595,704	-0-	8,595,704
Change in Net Assets	1,725	7,131,188	7,132,913
Net Assets at Beginning of Year	16,906,647	38,110,823	55,017,470
Transfers of Assets from Parishes	42,600	-0-	42,600
Net Assets at End of Year	\$ 16,950,972	\$ 45,242,011	\$ 62,192,983

2020

Without Donor Restrictions	With Donor Restrictions	Total	Increase (Decrease)
\$ 3,437,213	\$ 1,691,404	\$ 5,128,617	\$ 4,328,393
452,894	-0-	452,894	419,317
849,041	2,200,019	3,049,060	1,519,361
-0-	5,385	5,385	1,504
-0-	109,590	109,590	(13,806)
-0-	-0-	-0-	530,158
517,660	-0-	517,660	(517,660)
316,516	-0-	316,516	(118,372)
(777,367)	777,367	-0-	-0-
1,452,547	(1,452,547)	-0-	-0-
6,248,504	3,331,218	9,579,722	6,148,895
1,845,147	-0-	1,845,147	429,385
1,255,591	-0-	1,255,591	72,099
683,303	-0-	683,303	252,905
156,987	-0-	156,987	18,548
113,515	-0-	113,515	(3,646)
1,661,709	-0-	1,661,709	144,689
5,716,252	-0-	5,716,252	913,980
2,091,453	-0-	2,091,453	(173,001)
48,071	-0-	48,071	(1,051)
2,139,524	-0-	2,139,524	(174,052)
7,855,776	-0-	7,855,776	739,928
(1,607,272)	3,331,218	1,723,946	<u>\$ 5,408,967</u>
17,370,519	34,779,605	52,150,124	
1,143,400	-0-	1,143,400	
<u>\$ 16,906,647</u>	<u>\$ 38,110,823</u>	<u>\$ 55,017,470</u>	

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

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF MARYLAND
Statement of Functional Expenses
Year Ended December 31, 2021**

	Program Expenses			
	Episcopal Diocese	Bishop Claggett Center	Sutton Scholars	Total Program
Personnel Costs:				
Salaries and wages	\$ 746,636	\$ 769,230	\$ 175,296	\$ 1,691,162
Employee benefits	595,254	136,517	11,465	743,236
Payroll taxes	17,358	54,546	37	71,941
Total personnel costs	1,359,248	960,293	186,798	2,506,339
Other direct expenses	323,097	108,060	11,253	442,410
Depreciation	238,381	292,294	-0-	530,675
Denominational apportionment	513,423	-0-	-0-	513,423
Repairs and maintenance	253,648	110,037	-0-	363,685
Congregation	602,466	-0-	-0-	602,466
Utilities	36,844	142,178	-0-	179,022
Grants and scholarships	398,757	7,178	-0-	405,935
Insurance	90,783	-0-	-0-	90,783
Communications	201,888	2,096	-0-	203,984
Contract and temporary labor	-0-	368,528	-0-	368,528
Ordained ministry	111,781	-0-	-0-	111,781
Kitchen and cafeteria	-0-	173,851	-0-	173,851
Office equipment	-0-	5,868	-0-	5,868
Computer	91	6,213	-0-	6,304
Bad debt expense	-0-	34,530	-0-	34,530
College ministry	45,000	-0-	-0-	45,000
Professional services	-0-	-0-	-0-	-0-
Telecommunication	-0-	-0-	-0-	-0-
Office supplies	-0-	22,901	29,282	52,183
Interest expense	-0-	18,748	-0-	18,748
Bank fees	-0-	4,621	-0-	4,621
Business travel	10,190	1,278	-0-	11,468
Conferences, conventions and meetings	28,040	-0-	-0-	28,040
Miscellaneous	-0-	1,132	-0-	1,132
Vehicle expense	-0-	12,530	10,144	22,674
Youth ministry	20,308	-0-	-0-	20,308
Special events	-0-	-0-	1,333	1,333
Postage	-0-	2,196	-0-	2,196
Education and training	5,922	-0-	-0-	5,922
Facility rental fee	-0-	-0-	55,243	55,243
Meals and entertainment	-0-	-0-	-0-	-0-
Dues and subscriptions	-0-	-0-	-0-	-0-
	4,239,867	2,274,532	294,053	6,808,452
Less: Eliminations	(178,220)	-0-	-0-	(178,220)
Total expenses included in the functional categories on the Statement of Activities	\$ 4,061,647	\$ 2,274,532	\$ 294,053	\$ 6,630,232

Supporting Expenses

<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
\$ 592,498	\$ -0-	\$ 2,283,660
193,613	-0-	936,849
44,336	-0-	116,277
<u>830,447</u>	<u>-0-</u>	<u>3,336,786</u>
344,209	36,961	823,580
189,169	-0-	719,844
-0-	-0-	513,423
201,284	-0-	564,969
-0-	-0-	602,466
29,238	-0-	208,260
-0-	-0-	405,935
75,532	-0-	166,315
-0-	-0-	203,984
-0-	-0-	368,528
-0-	-0-	111,781
-0-	-0-	173,851
12,364	-0-	18,232
102,116	790	109,210
4,624	-0-	39,154
-0-	-0-	45,000
42,775	-0-	42,775
38,058	-0-	38,058
3,505	113	55,801
3,552	-0-	22,300
21,114	-0-	25,735
2,152	342	13,962
8,140	-0-	36,180
-0-	-0-	1,132
-0-	-0-	22,674
-0-	-0-	20,308
-0-	8,115	9,448
3,611	-0-	5,807
2,262	699	8,883
-0-	-0-	55,243
4,300	-0-	4,300
-0-	-0-	-0-
<u>1,918,452</u>	<u>47,020</u>	<u>8,773,924</u>
<u>-0-</u>	<u>-0-</u>	<u>(178,220)</u>
 <u>\$ 1,918,452</u>	 <u>\$ 47,020</u>	 <u>\$ 8,595,704</u>

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

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

	Program Expenses			
	Episcopal Diocese	Bishop Claggett Center	Sutton Scholars	Total Program
Personnel Costs:				
Salaries and wages	\$ 733,655	\$ 760,987	\$ 131,632	\$ 1,626,274
Employee benefits	552,897	147,967	18,545	719,409
Payroll taxes	16,971	55,273	611	72,855
Total personnel costs	1,303,523	964,227	150,788	2,418,538
Other direct expenses	291,948	137,298	-0-	429,246
Depreciation	241,128	313,449	-0-	554,577
Denominational apportionment	507,815	-0-	-0-	507,815
Repairs and maintenance	187,618	106,647	-0-	294,265
Congregation	469,735	-0-	-0-	469,735
Utilities	33,723	130,845	-0-	164,568
Grants and scholarships	202,430	9,941	-0-	212,371
Insurance	64,513	-0-	-0-	64,513
Communications	202,763	4,085	-0-	206,848
Contract and temporary labor	-0-	4,796	-0-	4,796
Ordained ministry	90,264	-0-	-0-	90,264
Kitchen and cafeteria	-0-	89,952	-0-	89,952
Office equipment	-0-	8,289	-0-	8,289
Computer	4,642	3,797	-0-	8,439
Bad debt expense	-0-	10,800	30,000	40,800
College ministry	46,266	-0-	-0-	46,266
Professional services	-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	18,242	819	-0-	19,061
Conferences, conventions and meetings	3,089	-0-	-0-	3,089
Miscellaneous	-0-	8	-0-	8
Vehicle expense	-0-	10,713	-0-	10,713
Youth ministry	32,833	-0-	-0-	32,833
Special events	-0-	-0-	2,149	2,149
Postage	-0-	572	-0-	572
Education and training	3,542	-0-	-0-	3,542
Facility rental fee	-0-	-0-	1,925	1,925
Meals and entertainment	-0-	-0-	-0-	-0-
Dues and subscriptions	-0-	-0-	-0-	-0-
	3,704,074	1,845,147	192,017	5,741,238
Less: Eliminations	(24,986)	-0-	-0-	(24,986)
Total expenses included in the functional categories on the Statement of Activities	\$ 3,679,088	\$ 1,845,147	\$ 192,017	\$ 5,716,252

Supporting Expenses

<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
\$ 649,622	\$ -0-	\$ 2,275,896
193,620	-0-	913,029
47,635	-0-	120,490
<u>890,877</u>	<u>-0-</u>	<u>3,309,415</u>
248,192	41,688	719,126
192,829	-0-	747,406
-0-	-0-	507,815
354,063	-0-	648,328
-0-	-0-	469,735
26,968	-0-	191,536
-0-	-0-	212,371
56,342	-0-	120,855
-0-	-0-	206,848
-0-	-0-	4,796
-0-	-0-	90,264
-0-	-0-	89,952
12,122	-0-	20,411
133,104	233	141,776
33,774	-0-	74,574
-0-	-0-	46,266
43,211	-0-	43,211
37,515	-0-	37,515
6,432	241	35,732
6,142	-0-	29,138
24,451	-0-	28,460
1,104	-0-	20,165
11,491	-0-	14,580
6,000	-0-	6,008
-0-	-0-	10,713
-0-	-0-	32,833
-0-	5,884	8,033
5,771	25	6,368
410	-0-	3,952
-0-	-0-	1,925
919	-0-	919
100	-0-	100
<u>2,091,817</u>	<u>48,071</u>	<u>7,881,126</u>
<u>(364)</u>	<u>-0-</u>	<u>(25,350)</u>
<u>\$ 2,091,453</u>	<u>\$ 48,071</u>	<u>\$ 7,855,776</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 Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 7,132,913	\$ 1,723,946
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Bad debt expense	39,154	74,574
Discount on pledges receivable	71,185	-0-
Contribution of a bequest receivable	-0-	(30,685)
Change in fair value of irrevocable trust	(6,889)	(5,385)
Net realized and unrealized gains on investments	(4,182,622)	(3,138,060)
Depreciation	719,844	747,406
Gain on sale of property	(118,279)	-0-
Changes in operating assets and liabilities:		
Pledges receivable	(3,456,367)	(138,719)
Accounts receivable	(63,645)	52,178
Prepaid expenses and other assets	(636,529)	5,720
Bequest receivable	454,765	-0-
Accounts payable and accrued expenses	(128,935)	157,950
Net Cash Used in Operating Activities	<u>(175,405)</u>	<u>(551,075)</u>
Cash Flows from Investing Activities		
Purchase of investments	(22,846,015)	(10,691,037)
Proceeds from sale of investments	22,686,673	10,250,579
Loans made to churches and outside organizations	(525,000)	(31,904)
Principal collections of loans receivable	921,045	256,537
Proceeds from sale of property	475,379	-0-
Purchase of property	(725,814)	(440,108)
Net Cash Used in Investing Activities	<u>(13,732)</u>	<u>(655,933)</u>
Cash Flows from Financing Activities		
Net increase (decrease) in line of credit	<u>(149,943)</u>	149,943
Net Decrease in Cash and Cash Equivalents	(339,080)	(1,057,065)
Cash and Cash Equivalents at Beginning of Year	<u>1,190,457</u>	<u>2,247,522</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 851,377</u></u>	<u><u>\$ 1,190,457</u></u>

	<u>2021</u>	<u>2020</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 22,300</u>	<u>\$ 29,138</u>
Noncash Investing and Financing Activities		
Transfer of assets from parishes	<u>\$ 42,600</u>	<u>\$ 1,143,400</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, 2021 and 2020**

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 worshiping 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.

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, 2021 and 2020 of \$34,530 and \$-0-, respectively.

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF MARYLAND**
Notes to Financial Statements
December 31, 2021 and 2020

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

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. 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. Deprecation 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

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.

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
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Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

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, 2021 and 2020. 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.

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.

Reclassifications: Certain amounts previously reported in the financial statements for the year ended December 31, 2020 have been reclassified to conform to the financial statement presentation for the year ended December 31, 2021.

Subsequent Events: In preparing these financial statements, the Diocese has evaluated events and transactions for potential recognition or disclosure through May 26, 2022, the date the financial statements were available to be issued. During the period January 1, 2022 through May 26, 2022, the Diocese did not have any material recognizable subsequent events.

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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:

	2021	2020
Cash and cash equivalents	\$ 851,377	\$ 1,190,457
Pledges for general expenditures due in one year or less	200,777	478,631
Accounts receivable, net	148,777	85,132
Investments not encumbered by donor restrictions	27,929,936	24,597,370
Loans receivable in one year or less (Note 4)	237,940	267,300
Other assets	614,150	1,731
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 29,982,957</u>	<u>\$ 26,620,621</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).

Note 3: Pledges Receivable

Pledges receivable as of December 31, 2021 and 2020 consists of the following:

	2021	2020
Receivable in less than one year	\$ 1,467,167	\$ 478,631
Receivable in one to five years	2,463,208	-0-
	<u>3,930,375</u>	<u>478,631</u>
Present value discount (1.87% for 2021)	(71,185)	-0-
Allowance for uncollectible pledges	<u>(34,530)</u>	<u>-0-</u>
Net Pledges Receivable	<u>\$ 3,824,660</u>	<u>\$ 478,631</u>

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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, 2021 and 2020 was \$2,366,897 and \$2,743,463, respectively. The Diocese also made other loans bearing interest at 3% to other organizations with outstanding balances of \$820,083 and \$839,562 at December 31, 2021 and 2020, respectively. The loans mature at various dates through 2040.

Principal collections on loans receivables at December 31, 2021 are due as follows:

	Middendorf	Other	Total
2022	\$ 209,964	\$ 27,976	\$ 237,940
2023	173,651	26,995	200,646
2024	244,381	23,702	268,083
2025	441,451	24,423	465,874
2026	174,126	716,987	891,113
Thereafter	1,123,324	-0-	1,123,324
	<u>\$ 2,366,897</u>	<u>\$ 820,083</u>	<u>\$ 3,186,980</u>

Note 5: Investments

Investments consist of the following at December 31, 2021 and 2020:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Exchange - traded funds	\$ 5,941,559	\$ 6,595,455	\$ 323,543	\$ 298,782
Cash and cash equivalents	1,590,788	1,590,788	204,050	204,050
Common trust funds	35,557,696	30,182,413	37,920,037	33,516,018
	<u>\$ 43,090,043</u>	<u>\$ 38,368,656</u>	<u>\$ 38,447,630</u>	<u>\$ 34,018,850</u>

Investments are allocated on the statement of financial position as of December 31, 2021 and 2020 as follows:

	2021	2020
Investments	\$ 27,929,936	\$ 24,597,370
Investments restricted to long-term investment	15,160,107	13,850,260
	<u>\$ 43,090,043</u>	<u>\$ 38,447,630</u>

Included in the investment portfolio of the Diocese as of December 31, 2021 and 2020, are custodial funds belonging to congregations in the amount of \$2,599,649 and \$2,299,200, respectively.

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Note 5: Investments (Continued)

Net investment return consisted of the following for the years ended December 31, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 149,951	\$ 396,862	\$ 546,813
Realized gains	1,098,576	2,802,648	3,901,224
Unrealized gains	76,880	204,518	281,398
Investment fees	(43,148)	(117,866)	(161,014)
Net investment return	<u>\$ 1,282,259</u>	<u>\$ 3,286,162</u>	<u>\$ 4,568,421</u>

	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>

Note 6: Property

Property consists of the following at December 31, 2021 and 2020:

	2021	2020
Land	\$ 2,097,544	\$ 2,344,992
Buildings and building improvements	25,318,412	25,434,165
Assets under construction	670,568	113,931
Furniture and equipment	1,349,420	1,131,465
	<u>29,435,944</u>	<u>29,024,553</u>
Less: Accumulated depreciation	<u>15,525,380</u>	<u>14,805,458</u>
Net property	<u>\$ 13,910,564</u>	<u>\$ 14,219,095</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$719,844 and \$747,406, respectively. In December 2021, the Diocese entered into a contract for the renovation and addition construction of the Claggett Center barn for a total contract amount of approximately \$4 million.

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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% (1.84% and 1.94% at December 31, 2021 and 2020, 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, 2021 and 2020 was \$-0- and \$149,943, respectively.

Interest expense for this credit facility for the years ended December 31, 2021 and 2020 was \$3,552 and \$6,142, 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% (1.84% and 1.94% at December 31, 2021 and 2020, 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 each of the years ended December 31, 2021 and 2020 was \$984,200. Effective March 2022, the loan amount was increased to \$4,000,000.

Interest expense for this credit facility for the years ended December 31, 2021 and 2020 was \$18,748 and \$22,996, respectively.

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Note 9: Net Assets with Donor Restrictions

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

	2021	2020
Subject to expenditure for specified purpose:		
Ministry of Communications	\$ 5,505,874	\$ 4,897,778
Ministry of Bishop's Office	4,325,432	3,923,205
Ministry to Congregations and Institutions	1,730,600	1,546,971
Ministry in the World	390,955	341,119
Ministry for Christian Formation	2,415,712	2,108,333
Ministry of Operations	8,715,092	7,753,119
Other (primarily acquisitions and capital campaign)	2,742,310	2,414,812
Claggett Conference Center	4,186,039	400,253
Middendorf Loan Program	7,110,556	6,610,075
Sutton Scholars	247,707	243,424
	<u>37,370,277</u>	<u>30,239,089</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>\$ 45,242,011</u>	<u>\$ 38,110,823</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.

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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, 2021 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-	77,908	77,908
Net realized and unrealized gains	-0-	611,172	611,172
Investment fees	-0-	(22,434)	(22,434)
Allocation to temporarily restricted	-0-	(666,646)	(666,646)
Endowment net assets, end of year	<u>\$ -0-</u>	<u>\$ 7,871,734</u>	<u>\$ 7,871,734</u>

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December 31, 2021 and 2020

Note 9: Net Assets with Donor Restrictions (Continued)

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)
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>

Note 10: Net Assets Released from Restrictions

Net assets were released from donor restrictions during 2021 and 2020, by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows:

	2021	2020
Satisfaction of purpose restrictions:		
Ministry of Bishop's Office	\$ 156,426	\$ 158,048
Ministry to Congregations and Institutions	331,377	213,925
Ministry in the World	155,055	165,841
Ministry for Christian Formation	19,854	69,548
Ministry of Operations	47,366	117,544
Other (primarily acquisitions and capital campaign)	15,642	-0-
Claggett Conference Center	981,206	529,740
Sutton Scholars	302,168	197,901
	<u>\$ 2,009,094</u>	<u>\$ 1,452,547</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 \$117,570 and \$134,465 for the years ended December 31, 2021 and 2020, respectively.

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Notes to Financial Statements
December 31, 2021 and 2020

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 \$128,528 and \$130,851 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020 was \$17,642 and \$18,706, respectively.

As of December 31, 2021, future minimum lease payments are as follows:

2022	\$ 14,949
2023	14,369
2024	5,095
	<hr/>
	<u>\$ 34,413</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.

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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:

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

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.

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.

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, 2021, measured at fair value on a recurring basis by level within the hierarchy.

	Total	Level 1	Level 2	Level 3
Exchange-Traded Funds	\$ 5,941,559	\$ 5,941,559	\$ -0-	\$ -0-
Cash and cash equivalents	1,590,788	1,590,788	-0-	-0-
Beneficial interest in irrevocable trust	919,276	-0-	919,276	-0-
Total assets in the fair value hierarchy	8,451,623	\$ 7,532,347	\$ 919,276	\$ -0-
Common trust funds measured at net asset value as a practical expedient	35,557,696			
	<u>\$ 44,009,319</u>			

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
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December 31, 2021 and 2020

Note 13: Fair Value Measurement (Continued)

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-
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	1,439,980	<u>\$ 527,593</u>	<u>\$ 912,387</u>	<u>\$ -0-</u>
Common trust funds measured at net asset value as a practical expedient	<u>37,920,037</u>			
	<u><u>\$ 39,360,017</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, 2021 and 2020. There are no participant redemption restrictions for these investments.

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
<u>December 31, 2021</u>				
Common trust funds	\$ 35,557,696	N/A	Daily	None
<u>December 31, 2020</u>				
Common trust funds	\$ 37,920,037	N/A	Daily	None

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
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December 31, 2021 and 2020**

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 exchange-traded 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 had been recognized in income.

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

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021 AND 2020

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, 2021 and 2020, and have issued our report thereon dated May 26, 2022, 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 26, 2022

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF MARYLAND**
Combining Schedules of Financial Position By Internal Fund
December 31, 2021 and 2020

	2021				
	Episcopal Diocese	Bishop Claggett Center	Middendorf Loan Fund	Sutton Scholars	Total
Assets					
Cash and cash equivalents	\$ 5,657	\$ 506,663	\$ 197,596	\$ 141,461	\$ 851,377
Pledges receivable, net	200,777	3,584,883	-0-	39,000	3,824,660
Accounts receivable	94,652	54,125	-0-	-0-	148,777
Due (to)/from other funds	17,461	(169,624)	-0-	152,163	-0-
Investments	27,929,936	-0-	-0-	-0-	27,929,936
Loans receivable	820,083	-0-	2,366,897	-0-	3,186,980
Prepaid expenses and other assets	651,270	1,046	-0-	8,800	661,116
Bequest receivable	-0-	-0-	-0-	-0-	-0-
Beneficial interest in irrevocable trust	919,276	-0-	-0-	-0-	919,276
Investments restricted to long-term investment	10,614,044	-0-	4,546,063	-0-	15,160,107
Property, net of accumulated depreciation	8,669,568	5,240,996	-0-	-0-	13,910,564
Total Assets	\$ 49,922,724	\$ 9,218,089	\$ 7,110,556	\$ 341,424	\$ 66,592,793
Liabilities					
Accounts payable and accrued expenses	\$ 521,258	\$ 292,983	\$ -0-	\$ 1,720	\$ 815,961
Line of credit	-0-	-0-	-0-	-0-	-0-
Construction loan	-0-	984,200	-0-	-0-	984,200
Custodial funds held for congregations	2,599,649	-0-	-0-	-0-	2,599,649
Total Liabilities	3,120,907	1,277,183	-0-	1,720	4,399,810
Net Assets	46,801,817	7,940,906	7,110,556	339,704	62,192,983
Total Liabilities and Net Assets	\$ 49,922,724	\$ 9,218,089	\$ 7,110,556	\$ 341,424	\$ 66,592,793

2020

Episcopal Diocese	Bishop Claggett Center	Middendorf Loan Fund	Sutton Scholars	Total
\$ 51,587	\$ 803,707	\$ 220,778	\$ 114,385	\$ 1,190,457
468,631	10,000	-0-	-0-	478,631
82,402	2,730	-0-	-0-	85,132
(143,699)	(61,143)	82,120	122,722	-0-
24,597,370	-0-	-0-	-0-	24,597,370
839,562	-0-	2,743,463	-0-	3,583,025
14,584	203	-0-	9,800	24,587
454,765	-0-	-0-	-0-	454,765
912,387	-0-	-0-	-0-	912,387
10,286,546	-0-	3,563,714	-0-	13,850,260
9,297,933	4,921,162	-0-	-0-	14,219,095
<u>\$ 46,862,068</u>	<u>\$ 5,676,659</u>	<u>\$ 6,610,075</u>	<u>\$ 246,907</u>	<u>\$ 59,395,709</u>

\$ 648,462	\$ 292,951	\$ -0-	\$ 3,483	\$ 944,896
149,943	-0-	-0-	-0-	149,943
-0-	984,200	-0-	-0-	984,200
2,299,200	-0-	-0-	-0-	2,299,200
3,097,605	1,277,151	-0-	3,483	4,378,239
43,764,463	4,399,508	6,610,075	243,424	55,017,470
<u>\$ 46,862,068</u>	<u>\$ 5,676,659</u>	<u>\$ 6,610,075</u>	<u>\$ 246,907</u>	<u>\$ 59,395,709</u>

**CONVENTION OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF MARYLAND**
Combining Schedules of Activities By Internal Fund
Years Ended December 31, 2021 and 2020

	2021					
	Episcopal Diocese	Bishop Claggett Center	Middendorf Loan Fund	Sutton Scholars	Eliminations	Total
Support and Revenue						
Contributions and bequests	\$ 4,297,933	\$ 4,878,864	\$ -0-	\$ 398,448	\$ (118,235)	\$ 9,457,010
Claggett conference fees	-0-	932,196	-0-	-0-	(59,985)	872,211
Net investment return	4,135,960	112	432,349	-0-	-0-	4,568,421
Change in fair value of irrevocable trust	6,889	-0-	-0-	-0-	-0-	6,889
Interest on loans	27,652	-0-	68,132	-0-	-0-	95,784
Gain on sale of assets	530,158	-0-	-0-	-0-	-0-	530,158
Grant revenue - PPP	-0-	-0-	-0-	-0-	-0-	-0-
Miscellaneous income	193,386	4,758	-0-	-0-	-0-	198,144
Total Support and Revenue	9,191,978	5,815,930	500,481	398,448	(178,220)	15,728,617
Expenses						
Program Services:						
Claggett Conference Center	-0-	2,274,532	-0-	-0-	-0-	2,274,532
Ministry in the World	1,328,114	-0-	-0-	-0-	(424)	1,327,690
Ministry to Congregations and Institutions	811,211	-0-	-0-	294,053	(169,056)	936,208
Ministry for Christian Formation	184,275	-0-	-0-	-0-	(8,740)	175,535
Ministry of Communications	109,869	-0-	-0-	-0-	-0-	109,869
Ministry of the Bishop's Office	1,806,398	-0-	-0-	-0-	-0-	1,806,398
Total Program Services	4,239,867	2,274,532	-0-	294,053	(178,220)	6,630,232
Support Services:						
Management and General	1,918,452	-0-	-0-	-0-	-0-	1,918,452
Fundraising	38,905	-0-	-0-	8,115	-0-	47,020
Total Support Services	1,957,357	-0-	-0-	8,115	-0-	1,965,472
Total Expenses	6,197,224	2,274,532	-0-	302,168	(178,220)	8,595,704
Change in Net Assets	2,994,754	3,541,398	500,481	96,280	-0-	7,132,913
Net Assets at Beginning of Year	43,764,463	4,399,508	6,610,075	243,424	-0-	55,017,470
Transfer of Assets Between Funds	-0-	-0-	-0-	-0-	-0-	-0-
Transfers of Assets from Parishes	42,600	-0-	-0-	-0-	-0-	42,600
Net Assets at End of Year	\$ 46,801,817	\$ 7,940,906	\$ 7,110,556	\$ 339,704	\$ -0-	\$ 62,192,983

2020

Episcopal Diocese	Bishop Claggett Center	Middendorf Loan Fund	Sutton Scholars	Eliminations	Total	Increase (Decrease)
\$ 4,764,204	\$ 165,698	\$ -0-	\$ 203,541	\$ (4,826)	\$ 5,128,617	\$ 4,328,393
-0-	473,418	-0-	-0-	(20,524)	452,894	419,317
2,724,741	4,372	319,947	-0-	-0-	3,049,060	1,519,361
5,385	-0-	-0-	-0-	-0-	5,385	1,504
27,462	-0-	82,128	-0-	-0-	109,590	(13,806)
-0-	-0-	-0-	-0-	-0-	-0-	530,158
352,439	165,221	-0-	-0-	-0-	517,660	(517,660)
301,345	15,171	-0-	-0-	-0-	316,516	(118,372)
8,175,576	823,880	402,075	203,541	(25,350)	9,579,722	6,148,895
-0-	1,845,147	-0-	-0-	-0-	1,845,147	429,385
1,260,861	-0-	-0-	-0-	(5,270)	1,255,591	72,099
494,354	-0-	-0-	192,017	(3,068)	683,303	252,905
173,635	-0-	-0-	-0-	(16,648)	156,987	18,548
113,515	-0-	-0-	-0-	-0-	113,515	(3,646)
1,661,709	-0-	-0-	-0-	-0-	1,661,709	144,689
3,704,074	1,845,147	-0-	192,017	(24,986)	5,716,252	913,980
2,091,817	-0-	-0-	-0-	(364)	2,091,453	(173,001)
31,456	10,731	-0-	5,884	-0-	48,071	(1,051)
2,123,273	10,731	-0-	5,884	(364)	2,139,524	(174,052)
5,827,347	1,855,878	-0-	197,901	(25,350)	7,855,776	739,928
2,348,229	(1,031,998)	402,075	5,640	-0-	1,723,946	<u>\$ 5,408,967</u>
40,248,559	6,233,148	5,430,633	237,784	-0-	52,150,124	
24,275	(801,642)	777,367	-0-	-0-	-0-	
1,143,400	-0-	-0-	-0-	-0-	1,143,400	
<u>\$ 43,764,463</u>	<u>\$ 4,399,508</u>	<u>\$ 6,610,075</u>	<u>\$ 243,424</u>	<u>\$ -0-</u>	<u>\$ 55,017,470</u>	

