

**THE EPISCOPAL CHURCH  
IN THE DIOCESE OF EL CAMINO REAL**

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2007

AND INDEPENDENT AUDITORS' REPORT

**THE EPISCOPAL CHURCH  
IN THE DIOCESE OF EL CAMINO REAL**

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**THE EPISCOPAL CHURCH  
IN THE DIOCESE OF EL CAMINO REAL**

Officers and Liaison

The Rt. Rev. Mary Gray-Reeves	President
Mr. Frank Snow	Vice President
Ms. Denise Chouinard	Secretary
Mr. Edgar H. Markham	Chief Financial Officer
The Rev. Brian Nordwick	Assistant Secretary
Ms. Nancy Mahoney Cohen	Chancellor
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Ms. Judith Sato	Recording Secretary

Board of Trustees

	<u>Term Expires</u>
The Rt. Rev. Mary Gray-Reeves	—
Mr. Frank Snow	—
Ms. Elizabeth Gonzalez	2008
Mr. Steve Dodds	2008
The Rev. Mary Elizabeth Pratt-Horsley	2008
Ms. Pat Williams	2008
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Ms. Ann Wright	2010

**INDEPENDENT AUDITORS' REPORT**

**To the Board of Trustees  
The Episcopal Church  
in the Diocese of El Camino Real  
Monterey, California**

We have audited the accompanying statement of financial position of *The Episcopal Church in the Diocese of El Camino Real (a nonprofit corporation)*, as of December 31, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of *The Episcopal Church in the Diocese of El Camino Real*. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

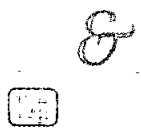
As more fully described in Note 1 to the financial statements, the Diocese has not provided for the recognition of depreciation over the estimated useful lives of its buildings. In our opinion, depreciation should be recognized over the estimated useful lives of the buildings to conform with generally accepted accounting principles. The effect of this departure from generally accepted accounting principles has on the accompanying financial statements is not reasonably determinable.

In our opinion, except for the effect of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of *The Episcopal Church in the Diocese of El Camino Real* as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements of *The Episcopal Church in the Diocese of El Camino Real* taken as a whole. The supplemental schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

June 19, 2008

*Hayashi & Wayland LLP*



**THE EPISCOPAL CHURCH  
IN THE DIOCESE OF EL CAMINO REAL  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2007  
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2006)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total</u>	<u>2006 Total</u>
<b><u>ASSETS</u></b>					
<b>CURRENT ASSETS:</b>					
Cash	\$ 633,467	\$ 239,892	\$ —	\$ 873,359	\$ 1,233,786
Pledges receivable – net	12,008	—	—	12,008	41,329
Parish receivables	77,113	—	—	77,113	97,693
Miscellaneous receivables	492	—	—	492	2,154
Insurance advance	1,121	—	—	1,121	3,066
Prepaid expenses	600	—	—	600	1,750
Total current assets	<u>724,801</u>	<u>239,892</u>	<u>—</u>	<u>964,693</u>	<u>1,379,778</u>
PROPERTY – Net	<u>3,927,323</u>	<u>—</u>	<u>—</u>	<u>3,927,323</u>	<u>3,428,512</u>
<b>OTHER ASSETS:</b>					
Notes receivable	220,322	—	—	220,322	222,678
Trust assets	—	—	—	—	100,000
Investments	<u>1,226,514</u>	<u>415,133</u>	<u>324,661</u>	<u>1,966,308</u>	<u>1,865,856</u>
Total other assets	<u>1,446,836</u>	<u>415,133</u>	<u>324,661</u>	<u>2,186,630</u>	<u>2,188,534</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,098,960</u>	<u>\$ 655,025</u>	<u>\$ 324,661</u>	<u>\$ 7,078,646</u>	<u>\$ 6,996,824</u>

**THE EPISCOPAL CHURCH  
IN THE DIOCESE OF EL CAMINO REAL**  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2007  
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2006)  
(Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total</u>	<u>2006 Total</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$ 17,851	\$ -	\$ -	\$ 17,851	\$ 17,883
Accrued expenses	210	-	-	210	5,310
Custodial accounts	<u>16,561</u>	<u>-</u>	<u>-</u>	<u>16,561</u>	<u>50,841</u>
Total current liabilities	<u>34,622</u>	<u>-</u>	<u>-</u>	<u>34,622</u>	<u>74,034</u>
<b>LONG-TERM LIABILITIES:</b>					
Funds held in trust	840,958	-	-	840,958	761,321
Annuity payable	-	-	-	-	65,423
Deferred income	<u>113,697</u>	<u>-</u>	<u>-</u>	<u>113,697</u>	<u>113,697</u>
Total long-term liabilities	<u>954,655</u>	<u>-</u>	<u>-</u>	<u>954,655</u>	<u>940,441</u>
<b>NET ASSETS:</b>					
Unrestricted:					
Undesignated	523,859	-	-	523,859	543,730
Designated	658,501	-	-	658,501	948,085
Invested in property	3,927,323	-	-	3,927,323	3,428,512
Temporarily restricted	-	655,025	-	655,025	737,400
Permanently restricted	<u>-</u>	<u>-</u>	<u>324,661</u>	<u>324,661</u>	<u>324,622</u>
Total net assets	<u>5,109,683</u>	<u>655,025</u>	<u>324,661</u>	<u>6,089,369</u>	<u>5,982,349</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,098,960</u>	<u>\$ 655,025</u>	<u>\$ 324,661</u>	<u>\$ 7,078,646</u>	<u>\$ 6,996,824</u>

See Notes to Financial Statements.

**THE EPISCOPAL CHURCH  
IN THE DIOCESE OF EL CAMINO REAL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2006)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total</u>	<u>2006 Total</u>
<b>OPERATING REVENUES, GAINS AND OTHER SUPPORT:</b>					
Parish and mission pledges	\$ 1,260,151	\$ -	\$ -	\$ 1,260,151	\$ 1,770,750
Contributions	265	59,294	-	59,559	38,263
Designated revenue	98,448	-	-	98,448	97,151
Fees	17,184	-	-	17,184	8,819
Education ministries	8,616	-	-	8,616	17,507
Other revenue	2,609	-	-	2,609	9,254
Net assets released from restrictions	188,934	(188,934)	-	-	-
 Total operating revenues, gains and other support	 <u>1,576,207</u>	 <u>(129,640)</u>	 <u>-</u>	 <u>1,446,567</u>	 <u>1,941,744</u>
<b>OPERATING EXPENSES:</b>					
Program services:					
Mission beyond the Diocese	172,962	-	-	172,962	347,700
DIEM	268,313	-	-	268,313	274,286
Ministry to congregation and clergy	60,042	-	-	60,042	71,262
Education ministries	21,383	-	-	21,383	49,862
Specialized ministries	169,492	-	-	169,492	222,400
Mission within the Diocese	246,854	-	-	246,854	116,772
Supporting services:					
Support to Mission and ministry	419,505	-	-	419,505	476,491
Office and operating	122,790	-	-	122,790	116,855
Miscellaneous expenses and fees	17,038	-	-	17,038	254,822
 Total expenses	 <u>1,498,379</u>	 <u>-</u>	 <u>-</u>	 <u>1,498,379</u>	 <u>1,930,450</u>
 CHANGE IN NET ASSETS FROM OPERATIONS	 \$ 77,828	 \$ (129,640)	 \$ -	 \$ (51,812)	 \$ 11,294

**THE EPISCOPAL CHURCH  
IN THE DIOCESE OF EL CAMINO REAL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2006)  
(Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total</u>	<u>2006 Total</u>
<b>NON-OPERATING REVENUES, (EXPENSES) AND OTHER CHANGES:</b>					
Rents	\$ 53,310	\$ -	\$ -	\$ 53,310	\$ 60,342
Investment income	78,399	53,961	39	132,399	130,962
Change in present value of trust	-	-	-	-	1,514
Trust income	-	-	-	-	8,000
Annuity payment	-	-	-	-	(8,000)
Investment expenses	(10,496)	-	-	(10,496)	(6,454)
Rental expenses	(11,091)	-	-	(11,091)	(12,815)
Miscellaneous expenses and fees	(5,055)	-	-	(5,055)	(552)
Gain/(loss) on disposal of assets	(235)	-	-	(235)	(840)
Net assets released from restrictions	<u>6,696</u>	<u>(6,696)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total non-operating revenues, (expenses) and other changes	 <u>111,528</u>	 <u>47,265</u>	 <u>39</u>	 <u>158,832</u>	 <u>172,157</u>
 CHANGES IN NET ASSETS	 189,356	 (82,375)	 39	 107,020	 183,451
 NET ASSETS, BEGINNING	 <u>4,920,327</u>	 <u>737,400</u>	 <u>324,622</u>	 <u>5,982,349</u>	 <u>5,798,898</u>
 NET ASSETS, ENDING	 <u>\$ 5,109,683</u>	 <u>\$ 655,025</u>	 <u>\$ 324,661</u>	 <u>\$ 6,089,369</u>	 <u>\$ 5,982,349</u>

See Notes to Financial Statements.

**THE EPISCOPAL CHURCH  
IN THE DIOCESE OF EL CAMINO REAL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2006)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total</u>	<u>2006 Total</u>
<b>CASH FLOWS FROM</b>					
<b>OPERATING ACTIVITIES:</b>					
Increase (decrease) in net assets	\$ 189,358	\$ (82,375)	\$ 39	\$ 107,020	\$ 183,451
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operations:					
Depreciation	10,157	--	--	10,157	9,883
Change in present value of trust	--	--	--	--	(1,514)
Allowance for shortfall	34,580	--	--	34,580	176,058
Transfer of trust asset and annuity	--	34,577	--	34,577	--
Contribution investment income restricted for endowment	--	--	(39)	(39)	(36)
Realized/unrealized gain on investments	(20,980)	(34,152)	--	(55,132)	(54,111)
(Gain)/loss on disposal of asset	235	--	--	235	840
(Increase) decrease in:					
Pledges receivable – net	(5,259)	--	--	(5,259)	(215,387)
Parish receivables	20,580	--	--	20,580	10,706
Employee receivables	--	--	--	--	3,894
Miscellaneous receivables	1,661	--	--	1,661	600
Insurance advance	1,945	--	--	1,945	(2,255)
Prepaid expenses	1,150	--	--	1,150	3,151
Increase (decrease) in:					
Accounts payable	(32)	--	--	(32)	(8,230)
Accrued expenses	(5,099)	--	--	(5,099)	(483)
Custodial accounts	(34,280)	--	--	(34,280)	(15,247)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 194,014</b>	<b>\$ (81,950)</b>	<b>\$ --</b>	<b>\$ 112,064</b>	<b>\$ 91,320</b>

**THE EPISCOPAL CHURCH  
IN THE DIOCESE OF EL CAMINO REAL  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(WITH SUMMARIZED TOTALS FOR DECEMBER 31, 2006)  
(Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total</u>	<u>2006 Total</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchase of property	\$ (509,203)	\$ -	\$ -	\$ (509,203)	\$ (5,685)
Net purchases/proceeds from investments	(35,724)	(9,557)	(39)	(45,320)	(425,309)
Proceeds from the repayment of note receivable	2,356	-	-	2,356	2,276
Increase in funds held in trust	79,637	-	-	79,637	415,390
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(462,934)</u>	<u>(9,557)</u>	<u>(39)</u>	<u>(472,530)</u>	<u>(13,328)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Contribution investment income restricted for endowment	-	-	39	39	36
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>39</u>	<u>39</u>	<u>36</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(268,920)	(91,507)	-	(360,427)	78,028
<b>CASH AT BEGINNING OF YEAR</b>	<u>902,387</u>	<u>331,399</u>	<u>-</u>	<u>1,233,786</u>	<u>1,155,758</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 633,467</u>	<u>\$ 239,892</u>	<u>\$ -</u>	<u>\$ 873,359</u>	<u>\$ 1,233,786</u>

**SUPPLEMENTAL SCHEDULE OF  
NON-CASH INVESTING AND FINANCING  
ACTIVITIES:**

Deferred rental income from loan payoff for Santa Maria Urban Mission.	<u>\$ -</u>	<u>\$ 2,107</u>
Issuance of note receivable to Santa Maria Urban Mission.	<u>\$ -</u>	<u>\$ 2,107</u>

See Notes to Financial Statements.

**THE EPISCOPAL CHURCH  
IN THE DIOCESE OF EL CAMINO REAL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities** – The Episcopal Church in the Diocese of El Camino Real (the Diocese) was formed in June 1980 from the southern portion of the Diocese of California. The Diocese is comprised of various parishes, parochial mission congregations, organized Diocesan missions, Bishop’s congregations, institutions, and agencies in San Luis Obispo, Monterey, San Benito, Santa Cruz and Santa Clara counties. The Diocese is dedicated to spreading the Gospel through the establishment, development and promotion of all aspects of church ministry on the Central California Coast.

The Diocese established a Foundation in 1999 known as The El Camino Real Foundation. The purpose of the Foundation, is the advancement of religion, specifically to further the goals and objectives of the Episcopal Diocese of El Camino Real and the Episcopal Church. The account balances related to the Foundation are included in these financial statements.

**Basis of Accounting** – The Diocese’s accounts are maintained primarily on the accrual basis. No depreciation is recorded on buildings in accordance with practices established by the Episcopal Church in the United States. Such practices are not in conformity with accounting principles generally accepted in the United States of America. The net assets, revenues, gains, and other support and expenses and other changes in the accompanying financial statements are classified based on the existence or absence of donor-imposed restrictions. Accordingly, for reporting purposes, net assets of the Diocese and changes therein are classified as follows:

- **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed stipulations. This includes certain amounts designated by the Board for various purposes.
- **Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Diocese and/or the passage of time.
- **Permanently Restricted Net Assets** – Net assets subject to donor-imposed restrictions that they be maintained permanently by the Diocese. Generally, the donors of these assets permit the Diocese to use all or a part of the income earned on related investments for general or specific purposes.

**Recognition of Donor Restrictions** – Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as “net assets released from restrictions.”

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash Equivalents** – The Diocese considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, except for money funds held in brokerage accounts.

**Pledges Receivable** – Pledges receivable are recorded using the allowance method and are presented net of the allowance for uncollectibility. At December 31, 2007 the allowance is estimated to be \$26,032.

**Investments** – Marketable debt and equity securities are stated at fair market value. Increases or decreases in market value are recognized in the period in which they occur.

**Custodial Accounts** – Monies belonging to various missions and or parishes are on deposit with the Diocese in their cash and investment accounts. This is done in order to accommodate smaller missions without checking accounts and to maximize investment earnings for parishes wishing to invest funds.

**Property** – Property purchased or constructed is recorded at cost. Donated property is recorded at fair market value on the date received. Properties transferred from the Diocese of California were recorded at values stated by the Diocese of California at the time of the transfer. Properties transferred from former parishes are recorded at fair market value based on appraisals at the date of transfer. When a mission reaches parish status, the property is transferred from the Diocese to the parish and the property and net asset are removed from the Diocese's books. Depreciation of equipment and furnishings are computed using the straight-line method over the estimated useful lives of the assets ranging from five to ten years. No depreciation is provided on buildings in accordance with practices established by the Episcopal Church in the United States.

**Income Taxes** – The Diocese is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and from state franchise tax under California Revenue and Taxation Code 23701(d).

**Contributed Services** – Contributed services are not recorded unless such services create or enhance nonfinancial assets or require specialized skills and are so essential that they would be purchased if not provided by donation.

**Functional Allocation of Expenses** – The costs of providing program services and other activities have been presented on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Estimates** – The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

**Operating Activities** – The Diocese defines certain program and support services activities as operating activities. The revenues from those activities are recognized as operating income.

**Summarized Totals for December 31, 2006** – The financial statements include certain summarized comparative information for the prior year. This information is not presented by net asset class and does not include sufficient detail to be in conformity with accounting principles generally accepted in the United States of America.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reclassification** – Certain reclassifications have been made to the prior summarized comparative financial statements to conform with the current year presentation.

**NOTE 2. PROPERTY**

As of December 31, 2007 property – net was as follows:

Cost:	
Mission churches	\$ 3,076,764
Mission vicarages	243,003
Equitable interests –	
Bishop’s Residence, Monterey	500,000
Bishop’s Ranch, Healdsburg	86,496
Equipment and furnishings	<u>105,288</u>
Total cost	4,011,551
Less: accumulated depreciation	<u>84,228</u>
Property – net	<u>\$ 3,927,323</u>

Depreciation for the year ended December 31, 2007 was \$10,157.

**NOTE 3. NOTES RECEIVABLE**

**Unrestricted –**

St. Philip’s, Scotts Valley, receivable in monthly installments of \$511 including interest at 3.5%. The note matures in November 2034.	\$ 106,625
Santa Maria Urban Mission, receivable in monthly interest only payments at a variable interest rate, then a balloon payment of the remaining balance. The note matures December 2008.	<u>113,697</u>
Total	<u>\$ 220,322</u>

**NOTE 4. INVESTMENTS**

Investments were composed of the following at December 31, 2007:

	<u>COST</u>	<u>FAIR MARKET VALUE</u>	<u>UNREALIZED GAIN (LOSS)</u>
Money funds	\$ 18,675	\$ 18,675	\$ —
Mutual funds	1,024,917	1,150,033	125,116
Corporate bonds	379,021	388,646	9,625
Government bonds	218,870	224,970	6,100
Mortgage/asset backed	163,597	171,600	8,003
Common stocks	<u>12,904</u>	<u>12,384</u>	<u>(520)</u>
 Total	 <u>\$ 1,817,984</u>	 <u>\$ 1,966,308</u>	 <u>\$ 148,324</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2007:

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
Interest/dividend income	\$ 57,419	\$ 19,809	\$ 39	\$ 77,267
Net Realized/unrealized gain on investments	<u>20,980</u>	<u>34,152</u>	<u>—</u>	<u>55,132</u>
 Total investment income	 <u>\$ 78,399</u>	 <u>\$ 53,961</u>	 <u>\$ 39</u>	 <u>\$ 132,399</u>

The Diocese has determined that, except for 1/10th of the investment return on the Eastman Education Fund, the investment return of the permanently restricted funds may be appropriated for the uses and purposes for which the endowment is established. The appropriation included in temporarily restricted funds at December 31, 2007 was a gain of \$8,719.

The Board of Directors organized The Diocesan Investment Trust in 1991 as a common fund for pooled-investing. Diocesan funds established for the benefit of any mission are invested in the trust as well as other funds as determined by the Trustees. Parishes and institutions of the Diocese may also invest in the trust in accordance with the rules and regulations of the Trustees. Of the \$1,966,308 of investments, \$840,958 are funds held in trust for Parishes. Investment returns are allocated monthly to the custodial investors based on the relationship of the market value of each account to the total market value of all accounts, adjusted for additions to or deductions from those accounts. The custodial funds had a gain of \$37,975 for the year, and \$1,869 was distributed.

The funds are held with State Street Global Investments. Investment fees for the year amount to \$10,496.

**NOTE 5. DEFERRED INCOME**

Deferred income represents future rental income to be received from Santa Maria Urban Mission as a result of the Diocese paying off the debt on their property. As the payments are received the rental income will be recognized and the note receivable detailed in Note 3 and deferred income will be decreased.

**NOTE 6. PENSIONS**

The Diocese contributes on behalf of its eligible employees to two retirement plans: (1) a defined benefit plan for the Bishop and clergy at 18% of compensation, and (2) a defined contribution 403(b) plan for lay employees at 9% of compensation. Contributions made by the Diocese to the plans were \$43,025 for 2007.

**NOTE 7. NET ASSETS**

Designated net assets at December 31, 2007 consist of the following:

Missions	\$ 138,078
Clergy Medical Fund	119,256
Higher Education	94,951
Lambeth/General Convention Travel Fund	58,917
Scholarships	45,914
Asset Replacement Fund	34,415
Building repairs and maintenance	32,161
General	31,826
Episcopal Church Women	18,066
Men and Boys From Prison	16,632
Clergy Continuing Education	16,433
Bishop's Transition Fund	11,240
DOM Reserve	8,521
Church Loans	8,404
Special Needs	8,378
Diocesan Evaluation Fund	8,084
Operating	<u>7,225</u>
Total	<u>\$ 658,501</u>

Invested in property at December 31, 2007 consist of the following:

Property – net	<u>\$ 3,927,323</u>
Total	<u>\$ 3,927,323</u>

**NOTE 7. NET ASSETS (Continued)**

Temporarily restricted net assets at December 31, 2007 consist of the following:

Education/Scholarships	\$	272,225
Church loans		110,238
Discretionary Funds		99,833
Boys Out of Prison		71,093
Missions		26,737
Capital funds		25,036
Episcopal Church Women		23,755
Episcopal Endowment		18,279
General		3,927
MDG Fund		1,184
Advertising Campaign		1,000
Health for Children		720
Seamen's Church Institute		479
Congregation Vitalization Fund		314
Restorative Justice Commission		175
Bishop Parson's Book Fund		<u>30</u>
Total	\$	<u>655,025</u>

During the course of the year, net assets whose use by the Diocese was subject to donor imposed restrictions were fulfilled by actions of the Diocese pursuant to those restrictions. These assets are shown in the statement of activities as net assets released from temporary restrictions. A detail of the net assets released from restrictions for December 31, 2007 is as follows:

Assets released for:

Operating revenues, gains and other support:

National Church Fund	\$	72,988
Annuity		34,577
Discretionary Funds		25,717
Education/Scholarships		22,544
Bishop's Transition Fund		10,137
Bishop's Purse Fund		6,865
General		6,000
Boys Out of Prison		4,352
Capital Funds		3,108
Bishop Cross Fund		2,590
Building Fund		<u>56</u>
Subtotal		<u>188,934</u>

Non-operating revenues, (expenses) and other changes:

Investment fees		<u>6,696</u>
Subtotal		<u>6,696</u>

Total temporarily restricted net assets released from restrictions	\$	<u>195,630</u>
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**NOTE 7. NET ASSETS (Continued)**

Permanently restricted net assets at December 31, 2007 consist of the following:

Scholarships	\$	181,353
Special Needs		48,616
General		35,245
Men and Boys From Prison		20,008
Clergy Continuing Education Fund		19,991
Missions		6,384
Health for Children		4,305
Church Loans		2,860
Work with Seamen		2,860
Episcopal Church Women		2,860
Books for Clergy		<u>179</u>
Total	\$	<u>324,661</u>

**NOTE 8. ECONOMIC DEPENDENCY**

The Diocese is comprised of missions and parishes which are required to pay their monthly fair share to the Diocese. The Diocese is economically dependent upon those fair shares to continue operations. The fair share revenue for the year ended December 31, 2007 was \$1,260,151.

**SUPPLEMENTAL SCHEDULE**

**THE EPISCOPAL CHURCH  
IN THE DIOCESE OF EL CAMINO REAL**  
SCHEDULE OF BUDGETED REVENUES AND EXPENSES –  
OPERATING AND NONOPERATING BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	BUDGET	ACTUAL	(OVER) UNDER BUDGET
<b>OPERATING REVENUES, GAINS AND OTHER SUPPORT:</b>			
Parish and mission pledges	\$ 1,452,182	\$ 1,260,151	\$ 192,031
Contributions	–	59,559	(59,559)
Designated revenue	75,000	98,448	(23,448)
Fees	–	17,184	(17,184)
Education ministries	–	8,616	(8,616)
Other revenue	–	2,609	(2,609)
	<u>1,527,182</u>	<u>1,446,567</u>	<u>80,615</u>
<b>OPERATING EXPENSES:</b>			
Mission beyond the Diocese:			
Domestic and foreign mission	160,462	160,462	–
Province VIII Mission Program	12,000	12,000	–
Other Outreach/Charities	–	500	(500)
DIEM:			
Clergy salaries and benefits	221,500	221,500	–
Congregational programs	26,746	26,059	687
Mission reserve	20,754	20,754	–
Ministry to congregation and clergy:			
Conference planning team	2,000	39	1,961
Conference fees	400	5,160	(4,760)
Commission on ministry	5,450	6,563	(1,113)
Communications	54,500	48,498	6,002
Standing Committee – evaluation	2,000	–	2,000
Clergy conference	–	(218)	218
Education ministries:			
Leadership program expenses	8,500	3,957	4,543
Education ministers program	10,000	1,595	8,405
Youth program expenses	10,500	8,871	1,629
Administration	8,100	5,960	2,140
Resource Center	1,000	1,000	–
Specialized ministries:			
Higher education grants	40,000	40,000	–
Peace and Justice Commission	100	–	100
Stewardship Commission	1,000	–	1,000
Santa Maria Urban Mission	30,000	30,000	–
Prison ministries	90,000	97,245	(7,245)
Stewardship program	7,500	2,247	5,253
Restorative Justice	800	–	800
Subtotal – forward	\$ 713,312	\$ 692,192	\$ 21,120

**THE EPISCOPAL CHURCH  
IN THE DIOCESE OF EL CAMINO REAL**  
SCHEDULE OF BUDGETED REVENUES AND EXPENSES –  
OPERATING AND NONOPERATING BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>(OVER) UNDER BUDGET</u>
Subtotal – forward	\$ 713,312	\$ 692,192	\$ 21,120
<b>OPERATING EXPENSES (Continued):</b>			
Mission within the Diocese:			
Discretionary fund disbursements	–	41,706	(41,706)
Education/Scholarship fund disbursements	–	22,545	(22,545)
Capital fund disbursements	–	3,446	(3,446)
Prison Ministries disbursements	–	3,692	(3,692)
Clergy Medical fund disbursements	–	8,569	(8,569)
Gonzales Community Center	–	15,183	(15,183)
Standing Committee on CV disbursements	–	1,204	(1,204)
Bishop’s Purse fund disbursements	–	6,865	(6,865)
Bishop’s Cross fund disbursements	–	2,590	(2,590)
Bishop’s Transition fund disbursements	–	106,948	(106,948)
Building repairs and maintenance disbursements	–	33,446	(33,446)
Men and boys from prison fund disbursements	–	660	(660)
Support to mission and ministry:			
Bishop’s compensation and benefits	135,000	150,883	(15,883)
Executive staff compensation and benefits	225,903	131,392	94,511
Administration staff compensation and benefits	139,097	137,230	1,867
Office and operating:			
Audit services	30,000	27,700	2,300
Automobile expenses	5,000	4,939	61
Building maintenance	12,000	7,489	4,511
Utilities	5,000	5,975	(975)
Computer services	3,600	7,450	(3,850)
Equipment maintenance and lease	7,500	10,368	(2,868)
Hospitality and entertainment	5,500	3,365	2,135
Insurance:			
Property and casualty	8,500	6,516	1,984
Worker’s compensation	4,500	2,945	1,555
Interest	100	–	100
Office supplies	7,000	6,650	350
Payroll service fees	4,500	4,486	14
Legal fees	1,000	4,712	(3,712)
Bank service fees	–	1,916	(1,916)
Postage	4,500	4,521	(21)
Printing	3,500	1,625	1,875
Publications and dues	1,500	1,097	403
Staff development	4,000	2,708	1,292
Telephone	5,000	5,336	(336)
Travel expenses	15,000	11,881	3,119
Background checks	1,800	310	1,490
Recruitment expense	3,500	801	2,699
Subtotal – forward	\$ 1,346,312	\$ 1,481,341	\$ (135,029)

**THE EPISCOPAL CHURCH  
IN THE DIOCESE OF EL CAMINO REAL**  
SCHEDULE OF BUDGETED REVENUES AND EXPENSES –  
OPERATING AND NONOPERATING BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>(OVER) UNDER BUDGET</u>
Subtotal – forward	\$ 1,346,312	\$ 1,481,341	\$ (135,029)
<b>OPERATING EXPENSES (Continued):</b>			
Miscellaneous expenses and fees:			
Convention expenses	8,370	13,659	(5,289)
Risk management fees	27,500	27,500	–
Property tax, insurance and maintenance	5,000	–	5,000
Sexual misconduct contingency	4,000	–	4,000
Ordination expenses	–	156	(156)
Office supplies	–	146	(146)
Other expenses:			
Lambeth and general convention	22,000	–	22,000
Fair share shortfall	100,000	(34,580)	134,580
Depreciation	6,000	10,157	(4,157)
Bishop’s transition process	8,000	–	8,000
Total expenses	<u>1,527,182</u>	<u>1,498,379</u>	<u>28,803</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<u>–</u>	<u>(51,812)</u>	<u>51,812</u>
<b>NONOPERATING REVENUES, (EXPENSES) AND OTHER CHANGES:</b>			
Rents	–	53,310	(53,310)
Investment income	–	132,399	(132,399)
Investment expenses	–	(10,496)	10,496
Rental property expenses	–	(11,091)	11,091
Loss on disposal of assets	–	(235)	235
Miscellaneous expenses and fees	–	(5,055)	5,055
Total nonoperating revenues, (expenses) and other changes	<u>–</u>	<u>158,832</u>	<u>(158,832)</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ –</u>	<u>\$ 107,020</u>	<u>\$ (107,020)</u>