

**EPISCOPAL DIOCESE OF ALBANY**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2010 and 2009**

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## INDEPENDENT AUDITORS' REPORT

To the Bishop, Trustees and Council of the  
Episcopal Diocese of Albany

We have audited the accompanying Statements of Financial Position of the Episcopal Diocese of Albany (the "Diocese") (a nonprofit organization) as of December 31, 2010 and 2009, and the related Statements of Activities and Changes in Net Assets, and Cash Flows for the years then ended. These financial statements are the responsibility of the Diocese's management. Our responsibility is to express an opinion on these financial statements based on our 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Episcopal Diocese of Albany as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Statements of Financial Position by Fund and Statements of Activities and Changes in Net Assets by Fund on pages 14-17 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.

April 19, 2011

  
**ROSS RIGBY & PATTEN** LLP

**EPISCOPAL DIOCESE OF ALBANY**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2010 and 2009

<b>ASSETS</b>	<u>2010</u>	<u>2009</u>
<b>ASSETS:</b>		
Cash	\$1,041,362	\$1,071,557
Accounts Receivable	42,046	36,843
Other Receivables	17,838	66,932
Diocesan Cash Receivable	427,285	381,198
Prepaid Expenses	34,159	36,650
Investments	5,351,369	5,159,190
Loans Receivable from Parishes	285,896	380,457
Net Property and Equipment	9,916,078	10,192,413
Other Assets	44,628	38,618
	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<b><u><u>\$17,160,661</u></u></b>	<b><u><u>\$17,363,858</u></u></b>
 <b>LIABILITIES AND NET ASSETS</b>  		
<b>LIABILITIES:</b>		
Accounts Payable and Accrued Expenses	\$236,715	\$304,719
Deferred Revenue	427,285	381,198
Post-retirement Health Care Liability	1,882,299	1,882,299
	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES</b>	<b><u><u>\$2,546,299</u></u></b>	<b><u><u>\$2,568,216</u></u></b>
 <b>NET ASSETS:</b>		
Unrestricted	\$9,650,942	\$9,987,079
Temporarily Restricted	1,442,612	1,288,015
Permanently Restricted	3,520,808	3,520,548
	<u>                    </u>	<u>                    </u>
<b>TOTAL NET ASSETS</b>	<b><u><u>\$14,614,362</u></u></b>	<b><u><u>\$14,795,642</u></u></b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b><u><u>\$17,160,661</u></u></b>	 <b><u><u>\$17,363,858</u></u></b>

**EPISCOPAL DIOCESE OF ALBANY**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Year Ended December 31, 2010

	2010			TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	
<b>REVENUES:</b>				
Dividends and Interest	\$89,141	\$141,292	\$0	\$230,433
Fees and Related Income	1,089,965	0	0	1,089,965
Contributions and Bequests	1,138,713	1,135	0	1,139,848
Parish Assessments	1,203,868	0	0	1,203,868
<b>TOTAL REVENUES</b>	<b>\$3,521,687</b>	<b>\$142,427</b>	<b>\$0</b>	<b>\$3,664,114</b>
<b>EXPENSES:</b>				
<b>Program:</b>				
Distributions from Trust Accounts	\$3,791	\$96,220	\$0	\$100,011
Ministries and New Initiatives	697,695	250	0	697,945
Clergy Benefits and Education	100,308	18,000	0	118,308
Special Facilities Costs	1,828,363	517	0	1,828,880
<b>Management and General:</b>				
Diocesan Headquarters Operations	919,993	0	0	919,993
Professional Fees	34,162	0	0	34,162
Depreciation and Amortization	290,884	0	0	290,884
<b>TOTAL EXPENSES</b>	<b>\$3,875,196</b>	<b>\$114,987</b>	<b>\$0</b>	<b>\$3,990,183</b>
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER ITEMS</b>	<b>\$(353,509)</b>	<b>\$27,440</b>	<b>\$0</b>	<b>\$(326,069)</b>
<b>OTHER ITEMS:</b>				
Realized and Unrealized Gain on Investments	11,710	128,086	0	139,796
Related Fund Transfers	5,662	0	260	5,922
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$(336,137)</b>	<b>\$155,526</b>	<b>\$260</b>	<b>\$(180,351)</b>
<b>NET ASSETS:</b>				
Beginning of Year	9,987,079	1,288,015	3,520,548	14,795,642
Net Asset Additions (Reductions)	0	(929)	0	(929)
End of Year	<u>\$9,650,942</u>	<u>\$1,442,612</u>	<u>\$3,520,808</u>	<u>\$14,614,362</u>

**EPISCOPAL DIOCESE OF ALBANY**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Year Ended December 31, 2009

	2009			TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	
<b>REVENUES:</b>				
Dividends and Interest	\$254,705	\$187,514	\$0	\$442,219
Fees and Related Income	1,167,077	0	0	1,167,077
Contributions and Bequests	1,134,865	0	10,598	1,145,463
Parish Assessments	1,168,941	0	0	1,168,941
Proceeds from Extinct Property	40	1,237	0	1,277
Released from Restriction	0	45,200	0	45,200
<b>TOTAL REVENUES</b>	<b>\$3,725,628</b>	<b>\$233,951</b>	<b>\$10,598</b>	<b>\$3,970,177</b>
<b>EXPENSES:</b>				
<b>Program:</b>				
Distributions from Trust Accounts	\$4,985	\$112,044	\$0	\$117,029
Ministries and New Initiatives	664,162	0	0	664,162
Clergy Benefits and Education	86,938	39,553	0	126,491
Special Facilities Costs	1,857,249	0	0	1,857,249
<b>Management and General:</b>				
Diocesan Headquarters Operations	920,684	0	0	920,684
Professional Fees	30,332	0	0	30,332
Depreciation and Amortization	292,912	0	0	292,912
Other Expenses	0	75	0	75
<b>TOTAL EXPENSES</b>	<b>\$3,857,262</b>	<b>\$151,672</b>	<b>\$0</b>	<b>\$4,008,934</b>
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER ITEMS</b>	<b>\$(131,634)</b>	<b>\$82,279</b>	<b>\$10,598</b>	<b>\$(38,757)</b>
<b>OTHER ITEMS:</b>				
Realized and Unrealized Gain on Investments	32,116	297,675	0	329,791
Post-Retirement Health Care	311,155	0	0	311,155
Related Fund Transfers	20,859	0	2,460	23,319
Gain on Sale of Properties	1,838	0	0	1,838
<b>INCREASE IN NET ASSETS</b>	<b>\$234,334</b>	<b>\$379,954</b>	<b>\$13,058</b>	<b>\$627,346</b>
<b>NET ASSETS:</b>				
Beginning of Year	9,752,745	866,214	3,507,490	14,126,449
Net Asset Additions	0	41,847	0	41,847
End of Year	<u>\$9,987,079</u>	<u>\$1,288,015</u>	<u>\$3,520,548</u>	<u>\$14,795,642</u>

**EPISCOPAL DIOCESE OF ALBANY**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH PROVIDED BY (USED FOR):</b>		
<b>OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$(180,351)	\$627,346
Adjustments to Reconcile Increase in Net Assets to Cash Used in Operating Activities:		
Depreciation and Amortization	290,884	292,912
Realized and Unrealized (Gains) Losses on Investments	(139,796)	(329,791)
Gain on Sale of Properties	0	(1,838)
Changes in:		
Accounts Receivable	(5,203)	(12,643)
Other Receivables	49,094	11,755
Prepaid Expenses	2,491	(11,958)
Loans Receivable	94,561	(9,923)
Other Assets	(6,010)	7,323
Post Retirement Health Care Liability	0	(311,155)
Accounts Payable and Accrued Liabilities	(68,004)	39,582
	<u>\$37,666</u>	<u>\$301,610</u>
<b>NET OPERATING ACTIVITIES</b>		
<b>INVESTING ACTIVITIES:</b>		
Net Change in Property and Equipment	\$(14,549)	\$(34,699)
Net Proceeds from Sale and Purchase of Investments	(52,383)	(95,286)
	<u>\$(66,932)</u>	<u>\$(129,985)</u>
<b>NET INVESTING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$(29,266)</b>	<b>\$171,625</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of Year	1,071,557	858,085
Net Asset Additions (Reductions)	(929)	41,847
End of Year	<u>\$1,041,362</u>	<u>\$1,071,557</u>

**EPISCOPAL DIOCESE OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

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**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Episcopal Diocese of Albany (the "Diocese") is the governing entity of the Episcopal Church in Northeast New York State. The financial operations of the Diocese are directed by the Bishop and the Diocesan Convention.

**PROGRAMS AND FUNDS**

The financial statements include all programs, funds and activities under the management of the Diocese. The following is a brief description of the various activities of the Diocese.

**Trust Funds** – These funds are comprised of trusts, legacies and certain other accounts, some of which are restricted to a specific use. The trust funds are managed by the Trustees of the Diocese.

**Diocesan Development** – This fund is used principally to make loans to parishes within the Diocese. The average interest rate on these loans approximates 6.5%. The fund is managed by the Diocesan Development Fund Committee.

**Diocesan Operations** – Revenues are received from Parishes in the form of annual apportionments and contributions. Funds are disbursed primarily for administrative costs and to support various ministries of the diocese. The net cost of real property and equipment owned by the Diocese, the Spiritual Life Center and certain special facilities (see Note E), are also included in Diocesan operations. The operations of the Diocese are managed by the Bishop, the Diocesan Council and the Standing Committee of the Diocese.

**NET ASSET CLASSIFICATIONS**

In the accompanying financial statements, funds which have similar characteristics are combined and classified into three net asset categories: permanently restricted, temporarily restricted and unrestricted.

Permanently restricted net assets, such as endowment funds, contain donor-imposed restrictions that stipulate that the resources be maintained in perpetuity, but permit the Diocese to expend part or all of the income derived from the donated assets for either specified or unspecified purposes. Permanently restricted net assets are comprised of restricted trusts and funds, with each providing for the expenditure of current income for board designated purposes. Donor-imposed restrictions for permanently restricted net assets include, among other things, restrictions for the funding of clergy sabbaticals, educational programs, certain parish operations, and other Diocesan programs and expenditures. Such expenditures are included in distributions from trust accounts on the statements of activities.

Temporarily restricted net assets contain donor-imposed restrictions that permit the Diocese to use or expend the assets as specified. Donor-imposed restrictions for temporarily restricted net assets include, restrictions for the funding of clergy

**EPISCOPAL DIOCESE OF ALBANY**  
**NOTES**

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**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**  
**NET ASSET CLASSIFICATIONS (CONTINUED)**

sabbaticals, retired clergy, seminarians, counseling, and other Diocesan programs and expenditures. The restrictions are satisfied either by the passage of time or by the actions of the Diocese. Temporarily restricted net assets also include the market value appreciation of those investments, and related dividends and interest for those funds held as permanently restricted.

Unrestricted net assets represent resources over which Board of Trustees of the Diocese has full discretion with respect to use.

**CASH**

The Diocese deposits its cash with high credit quality financial institutions. Occasionally, such deposits exceed FDIC insurance limits. For purposes of the Statement of Cash Flows, the Diocese considers all highly liquid debt instruments with an initial maturity of three months or less to be cash and cash equivalents.

**CONTRIBUTIONS**

Contributions, including legally enforceable promises to give, are recognized as revenue when received and are considered to be available for use unless specifically restricted by the donor. Conditional contributions, when applicable, are recognized as revenue when the conditions on which they depend have been substantially met. Contributions receivable are recorded at their net realizable value.

The Diocese records contributions as either permanently or temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor time restriction ends or a purpose restriction is fulfilled, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**CONTRIBUTED SERVICES AND FACILITIES**

When applicable, contributed services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically would need to be purchased if not provided by donation. Contributed services that do not meet the above criteria or are not quantifiable are not recognized as revenue and are not reported in the accompanying financial statements.

The Diocese provides certain office facilities under an arrangement with two affiliates: Episcopal Charities of Albany, Inc. ("Charities") and Albany Diocesan Investment Trust ("ADIT"). During 2010 and 2009, Charities and ADIT provided the Diocese with reimbursement for certain allocated administrative costs of approximately \$160,204 each year, shown as a reduction of related expenses on the statement of activities and changes in net assets. Similar reimbursements were also provided in prior years. Other services, which have not been quantified and have been deemed immaterial by the Diocese, have not been recorded as either revenue or expense in the accompanying statement of activities.

**EPISCOPAL DIOCESE OF ALBANY  
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**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
INVESTMENTS**

Investments in marketable securities with readily determinable fair values are comprised of investments in Albany Diocesan Investment Trust and are valued at fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

**PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost. Expenditures for maintenance and repairs are expensed as incurred. The cost and related accumulated depreciation of property and equipment sold or otherwise disposed of are removed from the accounts and any gain or loss is reported as current year's revenue or expense. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets.

**POST RETIREMENT HEALTH CARE COSTS**

Post-retirement health care costs are based on the most recent actuarial calculations and charged to employee benefits expense.

**INCOME TAXES**

No provision is made for income taxes as the Diocese is exempt from taxes under the Internal Revenue Code.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(B) INVESTMENTS**

The Diocese invests all available funds with the Albany Diocesan Investment Trust (ADIT), which operates under the direction of the Trustees of the Diocese. The Trustees have engaged the professional services of J.P. Morgan Chase Bank and have implemented performance objectives that seek a sustainable, balanced return of growth and income. Through October 31, 2009, the ADIT trustees engaged six investment managers, each with mandated investment objectives and allocations. In November 2009, the Trustees voted to change investment managers to J.P. Morgan Chase Bank and all assets were subsequently transferred.

The combined realized and unrealized gains on investments totaled \$139,796 and \$329,791 for the years ended December 31, 2010 and 2009, respectively.

The Diocese owned 186,915 and 184,984 shares of ADIT at December 31 2010 and 2009, respectively, or approximately 27% of total ADIT shares outstanding. At December 31, 2010, the net asset value per ADIT share was \$28.63, an increase of \$0.74 compared with the net asset value at December 31, 2009.

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**(B) INVESTMENTS (CONTINUED)**

ADIT made annual distributions, paid quarterly, of \$1.09 and \$1.45 per share in 2010 and 2009, respectively. Distributions are received as either cash payments or reinvested in ADIT shares. In 2010, the Trustees reduced the third and fourth quarter distributions by 50% in order to stem further erosion of the share's value in the wake of an ongoing economic recession.

ADIT follows the practice of recording the quarterly distribution to shareholders as of the last day of each calendar quarter. In this regard, the December 31<sup>st</sup> distribution paid in January is reflected on the Statement of Financial Position under the caption "Other Receivables."

The investment in shares of the Albany Diocesan Investment Trust are as follows:

	<b>December 31, 2010</b>			<b>December 31, 2009</b>		
	<b><u>Trust Funds</u></b>	<b><u>Diocesan Development Fund</u></b>	<b><u>Total</u></b>	<b><u>Trust Funds</u></b>	<b><u>Diocesan Development Fund</u></b>	<b><u>Total</u></b>
Cost of shares	<b>\$3,856,117</b>	<b>\$355,839</b>	<b>\$4,211,956</b>	\$3,803,760	\$355,839	\$4,159,599
Unrealized gain/(loss)	<b><u>1,143,704</u></b>	<b><u>(4,291)</u></b>	<b><u>1,139,413</u></b>	<u>1,012,969</u>	<u>(13,378)</u>	<u>999,591</u>
Fair value of shares	<b><u>\$4,999,821</u></b>	<b><u>\$351,548</u></b>	<b><u>\$5,351,369</u></b>	<b><u>\$4,816,729</u></b>	<b><u>\$342,461</u></b>	<b><u>\$5,159,190</u></b>

**(C) DIOCESAN CASH RESERVES**

The Albany Diocesan Investment Trust holds funds in an interest bearing savings for the Episcopal Diocese of Albany. Until received by the Diocese, the funds are reflected as "Diocesan Cash Receivable" and "Deferred Revenue" on the Statements of Financial Position.

**(D) LOAN GUARANTEES**

From time to time, ADIT may purchase Diocesan Development Fund loans. Loans are purchased from the Diocese at face value (the unamortized amount of principal) with a guarantee of full recourse, including interest, in the event of a default. For the years ended December 31, 2010 and 2009 no such losses have been recorded. The balance of outstanding loans plus accrued interest held by ADIT on December 31, 2010 and 2009 was \$222,168 and \$259,062, respectively.

**(E) PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<b><u>2010</u></b>	<b><u>2009</u></b>
Buildings and Improvements	<b>\$1,329,701</b>	\$1,329,701
Furniture, Equipment and Other	<b>402,736</b>	396,782
Spiritual Life Center	<b><u>11,185,361</u></b>	<u>11,176,766</u>
Total Property and Equipment	<b><u>\$12,917,798</u></b>	<b><u>\$12,903,249</u></b>

**EPISCOPAL DIOCESE OF ALBANY  
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**(E) PROPERTY AND EQUIPMENT (CONTINUED)**

Less: Accumulated Depreciation	<u><b>(3,001,720)</b></u>	<u>(2,710,836)</u>
Net Property and Equipment	<u><b>\$ 9,916,078</b></u>	<u><b>\$10,192,413</b></u>

Depreciation expense was \$290,884 and \$292,912 for the years ended December 31, 2010 and 2009, respectively.

**(F) SPECIAL FACILITIES**

The Diocese has owned and operated certain special facilities which are included under Diocesan operations on the statements of activities. The Spiritual Life Center, located in the Adirondack region of upstate New York, is a conference and meeting facility which began operations in late 2004. A schedule of special facilities revenues and expenses, the substantial portion of which relates to the Spiritual Life Center, follows:

<u><b>Revenues:</b></u>	<u><b>2010</b></u>	<u><b>2009</b></u>
Dividends and Interest	\$14,586	\$17,479
Fees and Related Income	921,781	984,676
Contributions	729,791	871,218
<b>Total Revenues:</b>	<u><b>\$1,666,158</b></u>	<u><b>\$1,873,373</b></u>
<u><b>Expenses:</b></u>		
<b>Program Expenses:</b>		
Personnel	\$1,207,604	\$1,142,938
Kitchen	200,940	225,358
Summer Camp	55,815	58,470
Property	237,045	245,637
Equipment	6,189	10,966
Administrative	120,770	173,880
<b>Total Program Expenses:</b>	<u><b>\$1,828,363</b></u>	<u><b>\$1,857,249</b></u>
<b>Management and General Expenses:</b>		
Professional Fees	<u><b>\$6,658</b></u>	<u><b>\$5,601</b></u>
 <b>Total Expenses:</b>	 <u><b>\$1,835,021</b></u>	 <u><b>\$1,862,850</b></u>

In addition, depreciation related to special facilities for the years ended December 31, 2010 and 2009 was \$240,990 and \$241,222, respectively. Depreciation is recorded under the caption "Depreciation and Amortization" on the Statements of Activities and Changes in Net Assets.

**(G) PENSION PLAN**

The Diocese maintains two pension plans (the "Plans") which cover substantially all clergy and lay employees of Diocesan Headquarters. One of the plans is a non-contributory defined benefit plan; the other is a defined contribution plan which allows employee contributions. The fiduciaries of the Plans are Church Life Insurance

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**(G) PENSION PLAN (CONTINUED)**

Company and The Church Pension Fund. Total pension plan expense for 2010 and 2009 was \$114,643 and \$93,305, respectively.

**(H) POST-RETIREMENT HEALTH CARE BENEFITS**

The Diocese provides post-retirement health care benefits covering substantially all clergy of the Diocese and their spouses through an unfunded plan. The following table, as determined by the Diocese's actuaries as of December 31, 2009 (the most recently completed actuarial analysis), sets forth the plan's status and amounts shown in the Diocese's financial statements.

Benefit obligation at beginning of year	\$870,478
Service cost	13,379
Interest cost	39,973
New data loss	54,121
Actuarial loss	(202,023)
Benefits paid	<u>(58,610)</u>
 Benefit obligation at end of year	 <u>\$717,318</u>
 Funded status	 \$(717,318)
Unrecognized actuarial gain	1,096,084
Unrecognized prior service cost	<u>(2,261,065)</u>
 Accrued benefit cost	 <u>\$(1,882,299)</u>

The weighted-average assumptions as of December 31, 2009 are as follows:

Discount rate	5.75%
Expected return on plan assets	0.00%

The following table provides information related to the unrecognized prior service cost for the fiscal year ended December 31, 2009:

Unrecognized amount beginning of year	\$2,526,449
Amount recognized	<u>(265,384)</u>
Unrecognized prior service cost at end of year	<u>\$2,261,065</u>

The following table provides the components of net periodic benefit for the fiscal year ended December 31, 2009:

Service cost	\$13,379
Interest cost	39,973
Amortization of net loss from prior periods	98,344
Amortization of unrecognized prior service costs	<u>(265,384)</u>
 Net periodic benefit	 <u>\$(113,688)</u>

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**(H) POST-RETIREMENT HEALTH CARE BENEFITS (CONTINUED)**

The following estimated benefit payments, which reflect expected future service, are expected to be paid:

First year	<b>\$59,778</b>
Second year	<b>59,208</b>
Third year	<b>58,624</b>
Fourth year	<b>57,885</b>
Fifth year	<b>57,348</b>
Next five years	<b>277,878</b>

Since the Diocese's cost is limited as described below, the assumed health care cost trend rates may not have a significant effect on the future amounts reported.

Prior to 2005, the Diocese paid a maximum of 80% of the Medicare Supplement cost, and elective enhanced premium plan. The plan was subsequently amended and, under this amendment, the Diocese's cost was limited to a \$71 monthly premium for those retirees and spouses that elect the enhanced premium plan. As a result of this plan amendment, the accumulated post-retirement benefit obligation was reduced by approximately \$3.7 million. This reduction in benefit obligation is being amortized into the net periodic post-retirement benefit cost over a 14 year period and, as such, a reduction in future years benefit expense will likely be realized.

**(I) FAIR VALUE MEASUREMENTS**

Effective January 1, 2009, the Organization adopted FASB ASC 820, *Fair Value Measurements and Disclosures*, which provides a framework for measuring fair value under GAAP. FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2010 and 2009, are as follows:

**Fair Value Measurements at Reporting Date Using Quoted Prices**

	<b>Fair Value</b>	<b>Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)</b>
December 31, 2010:		
Trading securities	<b>\$5,351,369</b>	<b>\$5,351,369</b>

**EPISCOPAL DIOCESE OF ALBANY  
NOTES**

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**(I) FAIR VALUE MEASUREMENTS (CONTINUED)**

December 31, 2009

Trading securities	\$5,159,190	\$5,159,190
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**(J) CLERGY DISCRETIONARY FUNDS**

Management has elected to include four Clergy discretionary cash account balances as part of the audited financial statements for the years ended December 31, 2009 and 2010. The accounts are included in "Cash" on the Statements of Financial Position and as "Net Asset Additions (Reductions)" on the Statements of Activities.

**(K) RECLASSIFICATION OF PRIOR YEAR'S FINANCIAL STATEMENTS**

The prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications have no effect on previously reported change in net assets or net asset balances.

**(L) EVENTS OCCURRING AFTER REPORTING DATE**

The Diocese has evaluated events and transactions that occurred between December 31, 2010 and April 19, 2011, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

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**EPISCOPAL DIOCESE OF ALBANY**  
**STATEMENT OF FINANCIAL POSITION BY FUND**  
December 31, 2010

ASSETS	Trust Funds	Diocesan Development	Diocesan Operations	Spiritual Life Center	Total
<b>ASSETS:</b>					
Cash	\$430,672	\$264,151	\$215,906	\$130,633	\$1,041,362
Accounts Receivable	24,504	0	75	17,467	42,046
Other Receivables	1,930	3,987	9,707	2,214	17,838
Diocesan Cash Receivable	0	0	427,285	0	427,285
Prepaid Expenses	0	0	18,101	16,058	34,159
Investments	4,999,821	351,548	0	0	5,351,369
Loans Receivable from Parishes	0	285,896	0	0	285,896
Net Property and Equipment	0	0	197,870	9,718,208	9,916,078
Other Assets	0	0	25,085	19,543	44,628
<b>TOTAL ASSETS</b>	<b>\$5,456,927</b>	<b>\$905,582</b>	<b>\$894,029</b>	<b>\$9,904,123</b>	<b>\$17,160,661</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES:</b>					
Accounts Payable and Accrued Expenses	\$5,244	\$0	\$119,462	\$112,009	\$236,715
Deferred Revenue	427,285	0	0	0	427,285
Post-retirement Health Care Liability	0	0	1,882,299	0	1,882,299
<b>TOTAL LIABILITIES</b>	<b>\$432,529</b>	<b>\$0</b>	<b>\$2,001,761</b>	<b>\$112,009</b>	<b>\$2,546,299</b>
<b>NET ASSETS:</b>					
Unrestricted	\$101,896	\$905,582	\$(1,148,650)	\$9,792,114	\$9,650,942
Temporarily Restricted	1,401,694	0	40,918	0	1,442,612
Permanently Restricted	3,520,808	0	0	0	3,520,808
<b>TOTAL NET ASSETS</b>	<b>\$5,024,398</b>	<b>\$905,582</b>	<b>\$(1,107,732)</b>	<b>\$9,792,114</b>	<b>\$14,614,362</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$5,456,927</b>	<b>\$905,582</b>	<b>\$894,029</b>	<b>\$9,904,123</b>	<b>\$17,160,661</b>

**EPISCOPAL DIOCESE OF ALBANY**  
**STATEMENT OF FINANCIAL POSITION BY FUND**  
December 31, 2009

ASSETS	Trust Funds	Diocesan Development	Diocesan Operations	Spiritual Life Center	Total
<b>ASSETS:</b>					
Cash	\$387,424	\$265,644	\$215,202	\$203,287	\$1,071,557
Accounts Receivable	1,070	0	2,233	33,540	36,843
Other Receivables	48,468	4,451	9,745	4,268	66,932
Diocesan Cash Receivable	0	0	381,198	0	381,198
Prepaid Expenses	0	0	21,780	14,870	36,650
Investments	4,816,729	342,461	0	0	5,159,190
Loans Receivable from Parishes	0	380,457	0	0	380,457
Net Property and Equipment	0	0	241,811	9,950,602	10,192,413
Other Assets	0	1,008	22,070	15,540	38,618
<b>TOTAL ASSETS</b>	<b>\$5,253,691</b>	<b>\$994,021</b>	<b>\$894,039</b>	<b>\$10,222,107</b>	<b>\$17,363,858</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES:</b>					
Accounts Payable and Accrued Expenses	\$6,226	\$100,639	\$103,406	\$94,448	\$304,719
Deferred Revenue	381,198	0	0	0	381,198
Post-retirement Health Care Liability	0	0	1,882,299	0	1,882,299
<b>TOTAL LIABILITIES</b>	<b>\$387,424</b>	<b>\$100,639</b>	<b>\$1,985,705</b>	<b>\$94,448</b>	<b>\$2,568,216</b>
<b>NET ASSETS:</b>					
Unrestricted	\$99,551	\$893,382	\$(1,133,513)	\$10,127,659	\$9,987,079
Temporarily Restricted	1,246,168	0	41,847	0	1,288,015
Permanently Restricted	3,520,548	0	0	0	3,520,548
<b>TOTAL NET ASSETS</b>	<b>\$4,866,267</b>	<b>\$893,382</b>	<b>\$(1,091,666)</b>	<b>\$10,127,659</b>	<b>\$14,795,642</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$5,253,691</b>	<b>\$994,021</b>	<b>\$894,039</b>	<b>\$10,222,107</b>	<b>\$17,363,858</b>

See Notes to Financial Statements

**EPISCOPAL DIOCESE OF ALBANY**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUND**  
For the Year Ended December 31, 2010

	Trust Funds			Diocesan Development (Unrestricted)		Diocesan Operations		Spiritual Life Center (Unrestricted)		Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
<b>REVENUES:</b>										
Dividends and Interest	\$4,877	\$141,292	\$0	\$33,120	\$36,558	\$0	\$14,586	\$230,433		
Fees and Related Income	0	0	0	0	168,184	0	921,781	1,089,965		
Contributions and Bequests	65,093	1,135	0	0	343,829	0	729,791	1,139,848		
Parish Assessments	0	0	0	0	1,203,868	0	0	1,203,868		
<b>TOTAL REVENUES</b>	<b>\$69,970</b>	<b>\$142,427</b>	<b>\$0</b>	<b>\$33,120</b>	<b>\$1,752,439</b>	<b>\$0</b>	<b>\$1,666,158</b>	<b>\$3,664,114</b>		
<b>EXPENSES:</b>										
<b>Program:</b>										
Distributions from Trust Accounts	\$3,791	\$96,220	\$0	\$0	\$0	\$0	\$0	\$100,011		
Ministries and New Initiatives	0	250	0	30,000	667,695	0	0	697,945		
Clergy Benefits and Education	0	18,000	0	0	100,308	0	0	118,308		
Special Facilities Costs	0	517	0	0	0	0	1,828,363	1,828,880		
<b>Management and General:</b>										
Diocesan Headquarters Operations	372	0	0	0	919,621	0	0	919,993		
Professional Fees	0	0	0	6	27,498	0	6,658	34,162		
Depreciation and Amortization	0	0	0	0	49,894	0	240,990	290,884		
<b>TOTAL EXPENSES</b>	<b>\$4,163</b>	<b>\$114,987</b>	<b>\$0</b>	<b>\$30,006</b>	<b>\$1,765,016</b>	<b>\$0</b>	<b>\$2,076,011</b>	<b>\$3,990,183</b>		
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER ITEMS</b>	<b>\$65,807</b>	<b>\$27,440</b>	<b>\$0</b>	<b>\$3,114</b>	<b>\$(12,577)</b>	<b>\$0</b>	<b>\$(409,853)</b>	<b>\$(326,069)</b>		
<b>OTHER ITEMS:</b>										
Realized and Unrealized Gain on Investments	2,624	128,086	0	9,086	0	0	0	139,796		
Related Fund Transfers	(66,086)	0	260	0	(2,560)	0	74,308	5,922		
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$2,345</b>	<b>\$155,526</b>	<b>\$260</b>	<b>\$12,200</b>	<b>\$(15,137)</b>	<b>\$0</b>	<b>\$(335,545)</b>	<b>\$(180,351)</b>		
<b>NET ASSETS:</b>										
Beginning of Year	99,551	1,246,168	3,520,548	893,382	(1,133,513)	41,847	10,127,659	14,795,642		
Net Asset Additions (Reductions)	0	0	0	0	0	(929)	0	(929)		
End of Year	<b>\$101,896</b>	<b>\$1,401,694</b>	<b>\$3,520,808</b>	<b>\$905,582</b>	<b>\$(1,148,650)</b>	<b>\$40,918</b>	<b>\$9,792,114</b>	<b>\$14,614,362</b>		

**EPISCOPAL DIOCESE OF ALBANY**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUND**  
For the Year Ended December 31, 2009

	Trust Funds			Diocesan Development (Unrestricted)		Diocesan Operations		Spiritual Life Center (Unrestricted)		Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
		Temporarily Restricted	Permanently Restricted							
<b>REVENUES:</b>										
Dividends and Interest	\$147,763	\$187,514	\$0	\$40,061	\$0	\$49,402	\$0	\$17,479	\$0	\$442,219
Fees and Related Income	0	0	0	0	0	182,401	0	984,676	0	1,167,077
Contributions and Bequests	0	0	10,598	0	0	263,647	0	871,218	0	1,145,463
Parish Assessments	0	0	0	0	0	1,168,941	0	0	0	1,168,941
Proceeds from Extinct Property Released from Restriction	40	1,237	0	0	0	0	0	0	0	1,277
	0	45,200	0	0	0	0	0	0	0	45,200
<b>TOTAL REVENUES</b>	<b>\$147,803</b>	<b>\$233,951</b>	<b>\$10,598</b>	<b>\$40,061</b>	<b>\$0</b>	<b>\$1,664,391</b>	<b>\$0</b>	<b>\$1,873,373</b>	<b>\$0</b>	<b>\$3,970,177</b>
<b>EXPENSES:</b>										
<b>Program:</b>										
Distributions from Trust Accounts	\$4,985	\$112,044	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$117,029
Ministries and New Initiatives	0	0	0	0	0	664,162	0	0	0	664,162
Clergy Benefits and Education	0	39,553	0	0	0	86,938	0	0	0	126,491
Special Facilities Costs	0	0	0	0	0	0	0	1,857,249	0	1,857,249
<b>Management and General:</b>										
Diocesan Headquarters Operations	26,867	0	0	0	0	893,817	0	0	0	920,684
Professional Fees	0	0	0	184	0	24,547	0	5,601	0	30,332
Depreciation and Amortization	0	0	0	0	0	51,690	0	241,222	0	292,912
Other Expenses	0	75	0	0	0	0	0	0	0	75
<b>TOTAL EXPENSES</b>	<b>\$31,852</b>	<b>\$151,672</b>	<b>\$0</b>	<b>\$184</b>	<b>\$0</b>	<b>\$1,721,154</b>	<b>\$0</b>	<b>\$2,104,072</b>	<b>\$0</b>	<b>\$4,008,934</b>
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER ITEMS</b>	<b>\$115,951</b>	<b>\$82,279</b>	<b>\$10,598</b>	<b>\$39,877</b>	<b>\$39,877</b>	<b>\$(56,763)</b>	<b>\$0</b>	<b>\$(230,699)</b>	<b>\$0</b>	<b>\$(38,757)</b>
<b>OTHER ITEMS:</b>										
Realized and Unrealized Gain on Investments	7,190	297,675	0	24,926	0	0	0	0	0	329,791
Post-Retirement Health Care Related Fund Transfers	0	0	0	0	0	311,155	0	0	0	311,155
Gain on Sale of Properties	(115,783)	0	2,460	0	0	155,384	0	(18,742)	0	23,319
	0	0	0	0	0	0	0	1,838	0	1,838
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$7,358</b>	<b>\$379,954</b>	<b>\$13,058</b>	<b>\$64,803</b>	<b>\$64,803</b>	<b>\$409,776</b>	<b>\$0</b>	<b>\$(247,603)</b>	<b>\$0</b>	<b>\$627,346</b>
<b>NET ASSETS:</b>										
Beginning of Year	92,193	866,214	3,507,490	828,579	828,579	(1,543,289)	0	10,375,262	0	14,126,449
Net Asset Additions	0	0	0	0	0	0	41,847	0	0	41,847
End of Year	\$99,551	\$1,246,168	\$3,520,548	\$893,382	\$893,382	\$(1,133,513)	\$41,847	\$10,127,659	\$0	\$14,795,642