

# The Diocese of Pennsylvania of the Episcopal Church of the United States of America and Affiliates

Financial Statements  
Years Ended December 31, 2022 and 2021



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**THE DIOCESE OF PENNSYLVANIA OF THE EPISCOPAL CHURCH  
OF THE UNITED STATES OF AMERICA AND AFFILIATES**

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## INDEPENDENT AUDITOR'S REPORT

**Board of Trustees  
The Diocese of Pennsylvania of the Episcopal  
Church of the United States of America and Affiliates  
Norristown, Pennsylvania**

### ***Qualified Opinion***

We have audited the accompanying consolidated financial statements of The Diocese of Pennsylvania of the Episcopal Church of the United States of America (the "**Diocese**") and Affiliates (nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion section of our report, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Diocese and Affiliates as of December 31, 2022 and 2021, and the changes in their net assets, and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

### ***Basis for Qualified Opinion***

As more fully described in Note 1 to the financial statements, the financial statements of the Diocese and Affiliates are not consolidated with the financial statements of an affiliated organization. In our opinion, in order to conform with U.S. generally accepted accounting principles, the Diocese and Affiliates' financial statements should be consolidated with the financial statements of the affiliated organization. The effects on the financial statements of this departure have not been determined.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 the Diocese and Affiliates 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 qualified audit opinion.

### ***Prior Period Adjustment***

As discussed in Note 3, during 2022 management identified that the donor restricted endowment income distribution was understated in the years ended December 31, 2020 and 2021. As a result, a prior period adjustment was recorded at January 1, 2021 which decreased net assets with donor restrictions and increased net assets without donor restrictions by \$923,945. Also, net assets released from restrictions in the 2021 financial statements were increased by \$1,351,991. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Diocese and Affiliates' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese and Affiliates' 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 our audit.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*BBD, LLP.*

**THE DIOCESE OF PENNSYLVANIA OF THE EPISCOPAL CHURCH  
OF THE UNITED STATES OF AMERICA AND AFFILIATES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**December 31, 2022 and 2021**

	<u>Without Donor Restrictions</u>			<u>With Donor Restrictions</u>	<u>Totals</u>	
	<u>Operating</u>	<u>Designated</u>	<u>Total</u>		<u>2022</u>	<u>2021</u>
<b>ASSETS</b>						
Cash	\$ 1,468,968	\$ 1,361,040	\$ 2,830,008	\$ 654,016	\$ 3,484,024	\$ 3,264,282
Contributions receivable						
Congregation sacred ask	69,052	-	69,052	-	69,052	42,105
Other	-	-	-	19,000	19,000	19,000
Other receivables	194,161	-	194,161	-	194,161	352,474
Prepaid expenses and other assets	28,648	-	28,648	-	28,648	61,659
Investments <b>(Note 4)</b>	-	22,675,225	22,675,225	47,116,907	69,792,132	92,279,947
Real estate held for sale <b>(Note 6)</b>	-	-	-	-	-	565,001
Loans receivable <b>(Note 5)</b>	-	172,651	172,651	-	172,651	221,805
Property and equipment <b>(Note 7)</b>	11,252,626	-	11,252,626	-	11,252,626	8,756,534
Beneficial interest in perpetual trusts <b>(Note 8)</b>	-	-	-	5,472,675	5,472,675	6,878,655
<b>⚡ Total assets</b>	<b>\$ 13,013,455</b>	<b>\$ 24,208,916</b>	<b>\$ 37,222,371</b>	<b>\$ 53,262,598</b>	<b>\$ 90,484,969</b>	<b>\$ 112,441,462</b>
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 1,125,199	\$ -	\$ 1,125,199	\$ -	\$ 1,125,199	\$ 1,279,789
Postretirement benefit obligation <b>(Note 10)</b>	3,076,000	-	3,076,000	-	3,076,000	3,076,000
<b>Total liabilities</b>	<b>4,201,199</b>	<b>-</b>	<b>4,201,199</b>	<b>-</b>	<b>4,201,199</b>	<b>4,355,789</b>
<b>NET ASSETS</b>						
Without donor restrictions	8,812,256	24,208,916	33,021,172	-	33,021,172	36,998,765
With donor restrictions <b>(Note 13)</b>	-	-	-	53,262,598	53,262,598	71,086,908
<b>Total net assets</b>	<b>8,812,256</b>	<b>24,208,916</b>	<b>33,021,172</b>	<b>53,262,598</b>	<b>86,283,770</b>	<b>108,085,673</b>
<b>Total liabilities and net assets</b>	<b>\$ 13,013,455</b>	<b>\$ 24,208,916</b>	<b>\$ 37,222,371</b>	<b>\$ 53,262,598</b>	<b>\$ 90,484,969</b>	<b>\$ 112,441,462</b>

**See accompanying notes**

**THE DIOCESE OF PENNSYLVANIA OF THE EPISCOPAL CHURCH  
OF THE UNITED STATES OF AMERICA AND AFFILIATES**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year ended December 31, 2022 with comparative totals for 2021**

	Without Donor Restrictions			With Donor Restrictions	Totals	
	Operating	Designated	Total		2022	2021
<b>REVENUE AND SUPPORT</b>						
Contributions						
Congregation sacred ask	\$2,507,962	\$ -	\$ 2,507,962	\$ -	\$ 2,507,962	\$ 2,619,534
Other contributions	75,494	-	75,494	52,650	128,144	660,202
Investment income (loss)	71,431	(4,469,157)	(4,397,726)	(10,453,365)	(14,851,091)	10,005,373
Gain on forgiveness of loan payable - Paycheck Protection Program (Note 9)	-	-	-	-	-	391,597
Change in value of beneficial interest in perpetual trusts	-	-	-	(1,405,980)	(1,405,980)	525,955
Gain (loss) on sale of real estate held for sale	220,656	-	220,656	-	220,656	(59,940)
Other income	586,566	-	586,566	-	586,566	578,072
Net assets released from restrictions						
Endowment income distribution	4,396,651	(654,972)	3,741,679	(3,741,679)	-	-
Other transfers	2,789,380	(2,789,380)	-	-	-	-
<b>Total revenue and support</b>	<u>10,648,140</u>	<u>(7,913,509)</u>	<u>2,734,631</u>	<u>(15,548,374)</u>	<u>(12,813,743)</u>	<u>14,720,793</u>
<b>EXPENSES</b>						
<b>Program services</b>						
Grants and scholarships	1,697,248	-	1,697,248	-	1,697,248	1,657,809
Financially assisted congregations	1,084,812	-	1,084,812	-	1,084,812	1,298,600
Episcopal function	2,358,028	-	2,358,028	-	2,358,028	1,705,240
Diocesan meetings and communications	361,937	-	361,937	-	361,937	309,362
Investment management expenses	272,572	-	272,572	-	272,572	259,984
Wapiti	-	-	-	-	-	145,539
Other Diocesan programs	1,385,669	-	1,385,669	-	1,385,669	1,088,213
<b>Total program services</b>	<u>7,160,266</u>	<u>-</u>	<u>7,160,266</u>	<u>-</u>	<u>7,160,266</u>	<u>6,464,747</u>
<b>Supporting service</b>						
Management and general	1,012,460	-	1,012,460	-	1,012,460	825,783
<b>Unallocated national apportionment</b>	<u>815,434</u>	<u>-</u>	<u>815,434</u>	<u>-</u>	<u>815,434</u>	<u>834,480</u>
<b>Total expenses</b>	<u>8,988,160</u>	<u>-</u>	<u>8,988,160</u>	<u>-</u>	<u>8,988,160</u>	<u>8,125,010</u>
<b>CHANGE IN NET ASSETS</b>	<u>1,659,980</u>	<u>(7,913,509)</u>	<u>(6,253,529)</u>	<u>(15,548,374)</u>	<u>(21,801,903)</u>	<u>6,595,783</u>
<b>NET ASSETS</b>						
Beginning of year	<u>7,152,276</u>	<u>32,122,425</u>	<u>39,274,701</u>	<u>68,810,972</u>	<u>108,085,673</u>	<u>101,489,890</u>
<b>End of year</b>	<u>\$8,812,256</u>	<u>\$24,208,916</u>	<u>\$33,021,172</u>	<u>\$ 53,262,598</u>	<u>\$ 86,283,770</u>	<u>\$ 108,085,673</u>

**See accompanying notes**

**THE DIOCESE OF PENNSYLVANIA OF THE EPISCOPAL CHURCH  
OF THE UNITED STATES OF AMERICA AND AFFILIATES**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

Year ended December 31, 2021

	Without Donor Restrictions			With Donor	Total
	Operating	Designated	Total	Restrictions	
<b>REVENUE AND SUPPORT</b>					
Contributions					
Congregation sacred ask	\$ 2,619,534	\$ -	\$ 2,619,534	\$ -	\$ 2,619,534
Other contributions	111,700	-	111,700	548,502	660,202
Investment income	-	3,080,756	3,080,756	6,924,617	10,005,373
Gain on forgiveness of loan payable - Paycheck Protection Program (Note 9)	391,597	-	391,597	-	391,597
Change in value of beneficial interest in perpetual trusts	-	-	-	525,955	525,955
Loss on sale of real estate held for sale	(59,940)	-	(59,940)	-	(59,940)
Other income	578,072	-	578,072	-	578,072
Net assets released from restrictions					
Endowment income distribution	2,935,830	442,120	3,377,950	(3,377,950)	-
Other transfers	(628,338)	991,765	363,427	(363,427)	-
<b>Total revenue and support</b>	<b>5,948,455</b>	<b>4,514,641</b>	<b>10,463,096</b>	<b>4,257,697</b>	<b>14,720,793</b>
<b>EXPENSES</b>					
Program services					
Grants and scholarships	1,657,809	-	1,657,809	-	1,657,809
Financially assisted congregations	1,298,600	-	1,298,600	-	1,298,600
Episcopal function	1,705,240	-	1,705,240	-	1,705,240
Diocesan meetings and communications	309,362	-	309,362	-	309,362
Investment management expenses	259,984	-	259,984	-	259,984
Wapiti	145,539	-	145,539	-	145,539
Other Diocesan programs	1,088,213	-	1,088,213	-	1,088,213
<b>Total program services</b>	<b>6,464,747</b>	<b>-</b>	<b>6,464,747</b>	<b>-</b>	<b>6,464,747</b>
Supporting service					
Management and general	825,783	-	825,783	-	825,783
Unallocated national apportionment	834,480	-	834,480	-	834,480
<b>Total expenses</b>	<b>8,125,010</b>	<b>-</b>	<b>8,125,010</b>	<b>-</b>	<b>8,125,010</b>
<b>CHANGE IN NET ASSETS</b>	<b>(2,176,555)</b>	<b>4,514,641</b>	<b>2,338,086</b>	<b>4,257,697</b>	<b>6,595,783</b>
<b>NET ASSETS</b>					
Beginning of year	9,328,831	27,607,784	36,936,615	64,553,275	101,489,890
End of year	\$ 7,152,276	\$32,122,425	\$39,274,701	\$68,810,972	\$ 108,085,673

See accompanying notes

**THE DIOCESE OF PENNSYLVANIA OF THE EPISCOPAL CHURCH  
OF THE UNITED STATES OF AMERICA AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

Year ended December 31, 2022 with comparative totals for 2021

	<b>Program Services</b>				
	<b>Grants and Scholarships</b>	<b>Financially Assisted Congregations</b>	<b>Episcopal Function</b>	<b>Diocesan Meetings and Communications</b>	<b>Investment Management Expenses</b>
Salaries	\$ 45,610	\$ 317,630	\$ 679,732	\$ 99,834	\$106,750
Employee benefits	22,388	155,908	333,646	49,003	56,244
Depreciation	-	-	232,440	69,732	-
Grants and scholarships	1,610,919	521,021	-	-	-
Insurance	-	16,145	22,203	6,661	2,332
Meeting expense	3,486	1,525	51,952	7,630	-
National apportionment	-	-	-	-	-
Printing	1,184	-	17,639	2,591	-
Professional fees	1,682	51,894	235,255	3,683	89,723
Repairs and maintenance	-	-	270,751	81,225	-
Supplies	3,625	-	54,028	7,935	9,401
Telecommunications	1,465	-	21,831	3,206	-
Travel	4,609	20,689	271,659	10,089	-
Utilities	-	-	51,200	15,360	-
Miscellaneous	2,280	-	115,692	4,988	8,122
	<u>\$1,697,248</u>	<u>\$1,084,812</u>	<u>\$2,358,028</u>	<u>\$361,937</u>	<u>\$272,572</u>

See accompanying notes



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<u>Other Diocesan Programs</u>	<u>Supporting Service</u>	<u>Unallocated National Apportionment</u>	<u>Totals</u>	
	<u>Management and General</u>		<u>2022</u>	<u>2021</u>
\$ 531,463	\$ 346,170	\$ -	\$2,127,189	\$1,985,987
260,868	171,199	-	1,049,256	966,525
69,732	92,975	-	464,879	365,542
-	-	-	2,131,940	2,341,203
6,661	9,657	-	63,659	36,822
145,463	23,738	-	233,794	137,967
-	-	815,434	815,434	834,480
13,792	8,059	-	43,265	75,781
54,942	140,647	-	577,826	422,557
81,225	108,301	-	541,502	462,412
42,243	27,822	-	145,054	143,981
17,069	9,976	-	53,547	42,575
117,659	32,770	-	457,475	45,909
15,360	20,480	-	102,400	99,419
29,192	20,666	-	180,940	163,850
<u>\$1,385,669</u>	<u>\$1,012,460</u>	<u>\$815,434</u>	<u>\$8,988,160</u>	<u>\$8,125,010</u>

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**THE DIOCESE OF PENNSYLVANIA OF THE EPISCOPAL CHURCH  
OF THE UNITED STATES OF AMERICA AND AFFILIATES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

Year ended December 31, 2021

	<b>Program Services</b>				
	<b>Grants and Scholarships</b>	<b>Financially Assisted Congregations</b>	<b>Episcopal Function</b>	<b>Diocesan Meetings and Communications</b>	<b>Investment Management Expenses</b>
Salaries	\$ 43,185	\$ 291,296	\$ 623,913	\$ 94,525	\$ 80,011
Employee benefits	20,034	135,135	289,440	43,851	71,022
Depreciation	-	-	182,771	54,831	-
Grants and scholarships	1,581,915	754,288	-	-	-
Insurance	-	5,595	13,780	4,134	2,750
Meeting expense	1,986	4,375	28,688	4,346	-
National apportionment	-	-	-	-	-
Printing	2,061	-	29,774	4,511	-
Professional fees	1,017	105,564	117,885	2,226	85,092
Repairs and maintenance	-	-	231,206	69,362	-
Supplies	3,742	-	54,063	8,191	4,784
Telecommunications	1,158	-	16,727	2,534	-
Travel	269	2,347	33,265	590	-
Utilities	-	-	49,710	14,913	-
Miscellaneous	2,442	-	34,018	5,348	16,325
	<u>\$1,657,809</u>	<u>\$1,298,600</u>	<u>\$1,705,240</u>	<u>\$309,362</u>	<u>\$259,984</u>

See accompanying notes

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		<b>Supporting Service</b>		
	<b>Other Diocesan Programs</b>	<b>Management and General</b>	<b>Unallocated National Apportionment</b>	<b>Total</b>
<b>Wapiti</b>				
\$ 59,018	\$ 482,742	\$311,297	\$ -	\$1,985,987
27,379	223,949	155,715	-	966,525
-	54,831	73,109	-	365,542
-	5,000	-	-	2,341,203
-	4,134	6,429	-	36,822
2,714	82,769	13,089	-	137,967
-	-	-	834,480	834,480
2,816	23,037	13,582	-	75,781
3,866	39,091	67,816	-	422,557
-	69,362	92,482	-	462,412
5,114	41,830	26,257	-	143,981
1,582	12,942	7,632	-	42,575
368	6,304	2,766	-	45,909
-	14,913	19,883	-	99,419
42,682	27,309	35,726	-	163,850
<u>\$145,539</u>	<u>\$1,088,213</u>	<u>\$825,783</u>	<u>\$834,480</u>	<u>\$8,125,010</u>

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**THE DIOCESE OF PENNSYLVANIA OF THE EPISCOPAL CHURCH  
OF THE UNITED STATES OF AMERICA AND AFFILIATES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ (21,801,903)	\$ 6,595,783
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Realized and unrealized gain (loss) on investments	16,107,964	(8,808,501)
Bad debt expense	-	7,862
Depreciation	464,879	365,542
Gain on forgiveness of loan payable - Paycheck Protection Program	-	(391,597)
Loss on disposal of property and equipment	-	22,635
(Gain) loss on sale of real estate held for sale	(220,656)	59,940
Change in value of beneficial interest in perpetual trusts	1,405,980	(525,955)
(Increase) decrease in		
Contributions and other receivables	131,366	(254,485)
Prepaid expenses and other assets	33,011	(19,163)
Loans receivable	49,154	(100,240)
Increase (decrease) in		
Accounts payable and accrued expenses	183,072	(50,859)
Postretirement benefit obligation	-	(169,000)
<b>Net cash used for operating activities</b>	<u>(3,647,133)</u>	<u>(3,268,038)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds from sale of investments	6,379,851	1,086,562
Proceeds from sale of real estate	785,657	3,833,120
Purchase of property and equipment	<u>(3,298,633)</u>	<u>(1,537,624)</u>
<b>Net cash provided by investing activities</b>	<u>3,866,875</u>	<u>3,382,058</u>
<b>Change in cash</b>	219,742	114,020
<b>CASH</b>		
Beginning of year	<u>3,264,282</u>	<u>3,150,262</u>
<b>End of year</b>	<u>\$ 3,484,024</u>	<u>\$ 3,264,282</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Noncash operating and investing transactions		
Purchase of property and equipment	<u>\$ -</u>	<u>\$ 337,662</u>

See accompanying notes

# THE DIOCESE OF PENNSYLVANIA OF THE EPISCOPAL CHURCH OF THE UNITED STATES OF AMERICA AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

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### (1) NATURE OF OPERATIONS

#### Principles of Consolidation

U.S. generally accepted accounting principles require a nonprofit organization to consolidate the financial statements of affiliated nonprofit organizations when it has (a) certain kinds of control, or (b) other kinds of control coupled with an economic interest.

The consolidated financial statements include the accounts of The Diocese of Pennsylvania of the Episcopal Church of the United States of America (the "**Diocese**"), and the following affiliates - The Church Foundation (the "**Foundation**") and Wapiti Land Company ("**WLC**"). All significant inter-organization balances and transactions have been eliminated.

A review of the control and financial structure of the Cathedral Church of the Saviour, also known as The Philadelphia Episcopal Cathedral (the "**Cathedral**") resulted in a conclusion that the Diocese is required by U.S. generally accepted accounting principles to include the Cathedral in the Diocesan consolidated financial statements. However, because the Diocese exercises no direct control over the Cathedral other than approval of directors, and because the financial affairs of the Cathedral are entirely separate and the Diocese is not responsible for their obligations, the Diocese has concluded that it would be misleading to consolidate with the Cathedral and has not done so.

#### The Diocese of Pennsylvania of the Episcopal Church of the United States of America

The Diocese was an unincorporated association of churches formed by an act of association on May 1, 1784. In November 2019, the Diocese incorporated with the Commonwealth of Pennsylvania. The Diocese exists and operates pursuant to a Constitution (the "**Diocesan Constitution**") adopted in 1814, and subsequently amended from time to time. The Diocese is governed pursuant to certain Canons (the "**Diocesan Canons**") adopted in 1829 and subsequently amended from time to time.

#### Wapiti Land Company

The Wapiti Land Company ("**WLC**") is a Pennsylvania nonprofit corporation that was created for the purpose of holding title to 433 acres of land and building improvements located in Cecil County, Maryland. The land, building improvements and personal property were sold on April 21, 2021 for \$3,893,060. After the sale, WLC had no assets or liabilities and has had no activity.

#### The Church Foundation

The Foundation is a Pennsylvania nonprofit corporation that was created as a service organization for the Diocese. The Foundation serves as trustee, custodian and investment advisor for certain assets owned by the Diocese and churches, chapels, missions and other institutions within the Diocese and provides ministerial services with respect to real estate as directed by the Diocese.

The Foundation's primary activity is managing the Consolidated Fund, a balanced co-mingled fund of equity and fixed income securities providing a diversified investment medium for the Diocese, its parishes and other related institutions. In general, the Foundation holds title to real property of the Diocese and any improvements made thereto. In addition, the Foundation holds title to most, but not all, real property of parishes and missions of the Diocese.

The Foundation does not reflect in its statement of financial position any of the real property to which it holds title or Consolidated Fund accounts belonging to parishes and other institutions not consolidated in these financial statements.

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### (2) SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

#### **Basis of Presentation**

The Diocese and Affiliates classify their net assets, revenues, expenses, gains and losses based upon the existence or absence of donor-imposed restrictions as follows:

##### ***Without donor restrictions***

Net assets that are not subject to donor-imposed restrictions.

##### ***With donor restrictions***

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Diocese and Affiliates and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets be maintained indefinitely while permitting the Diocese and Affiliates to expend the income generated in accordance with the provisions of the contribution.

#### **Fair Value Measurements of Assets and Liabilities**

Generally accepted accounting principles ("**GAAP**") define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Diocese and Affiliates. Unobservable inputs reflect the Diocese and Affiliates' assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Valuations based on quoted prices in active markets for identical assets or liabilities that the Diocese and Affiliates have the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Valuations based on inputs that are unobservable, that is, inputs that reflect the Diocese and Affiliates' own assumptions.

#### **Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

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### **Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statements of activities. Investment income is recorded as earned.

The Diocese and Affiliates invest in a professionally-managed portfolio that contains various types of securities (**See Note 4**). Such investments are exposed to market and credit risk. 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 the near term would materially affect investment balances and the amounts reported in the financial statements.

### **Loans Receivable and Allowance for Loan Losses**

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal, adjusted for any charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest on loans is recognized to the extent of interest payments received and credited to operations based upon the principal amounts outstanding. The allowance for loan losses is maintained at an amount management deems adequate to cover estimated losses. In determining the level to be maintained, management evaluates many factors, including current economic trends, historical loss experience, the borrowers' ability to repay and repayment performance, and estimated collateral values. In the opinion of management, the present allowance is adequate to absorb reasonable, foreseeable loan losses. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions or any of the other factors used in management's determination.

### **Real Estate Held for Sale**

Real estate held for sale is recorded at the lower of its carrying amount or fair value less the cost to sell.

### **Property and Equipment**

The Diocese and Affiliates capitalize all expenditures for property and equipment in excess of \$3,000. Property and equipment is carried at cost if purchased and at fair value at the date of donation if contributed. Depreciation is computed using the straight-line method over the estimated lives of the assets.

### **Mission and Parish Property**

Active missions and parishes of the Diocese are not recorded in the consolidated financial statements because the Diocese has no control over the property and the congregations maintain beneficial use of the properties. In the event that a mission or parish is closed or deconsecrated, beneficial ownership of the property held by the congregation reverts to the Diocese and is therefore recorded as an asset on the statements of financial position and "Closed or deconsecrated congregations" on the statements of activities.

### **Beneficial Interest in Perpetual Trusts**

The beneficial interest in perpetual trusts is reported at fair market value and is equal to the Diocese and Affiliates' share of the assets in the trusts.

### **Revenue Recognition**

Contributions received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

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Unconditional contributions are recognized as revenue when the related promise to give is received. Conditional contributions are recognized as revenue when the conditions are satisfied.

Congregation pledges and assessments and sacred ask contributions for future periods are considered to be intentions to give. Intentions to give are not recognized as contributions until they become unconditional promises to give.

### **Functional Allocation of Expenses**

The costs of providing the various program and other activities have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include salaries and employee benefits which are allocated based on estimates of time and effort, utilities and repairs and maintenance which are allocated based on estimates of square footage.

### **Income Tax Status**

The Diocese and Affiliates qualify as tax-exempt organizations under the Internal Revenue Code; therefore, no provision or liability for income taxes is included in the accompanying consolidated financial statements.

### **Concentration of Credit Risk**

Financial instruments which potentially subject the Diocese and Affiliates to concentrations of credit risk are cash, other receivables and loans receivable. The Diocese and Affiliates maintain their cash at various financial institutions. At times, such deposits may exceed federally-insured limits. Other receivables consist of various amounts that management expects to collect in 2022. See Note 5 for more information on loans receivable.

### **Recent Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, Leases (Topic 842) and subsequent amendments to the initial guidance ("the lease standard"). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured in a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. This guidance was effective for the Diocese and Affiliates in 2022. The Diocese and Affiliates adopted this standard, and the standard has no impact on the financial statements.

### **Reclassifications**

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation.

### **Program Services**

Descriptions of the program services of the Diocese and Affiliates are as follows:

#### **Grants and Scholarships**

This category includes grants made by the Diocese and Affiliates to institutions and congregations in the diocesan community for repair of church plant, financial aid and other needs. Grants are also made for scholarships for seminarians and support of deacon interns.

#### **Financially Assisted Congregations (Acts 2 Churches)**

The Diocese provides support in the form of clergy salary and benefits and other financial aid for approximately six congregations.

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**Episcopal Function**

This category includes Diocesan support of bishops, their immediate staff, and the functions relating to the ordination, placement and licensing of clergy.

**Diocesan Meetings and Communications**

This category includes expenses related to the Convention of the Diocese, related governance meetings, the Diocesan newspaper and other communications.

**Investment Management Expenses**

This category includes the cost of managing the Consolidated Fund and consists principally of fees paid to the custodial agent and the administrator of participant accounts.

**Wapiti**

This category includes the cost of operating the Wapiti Retreat Center, a rural facility located on the Chesapeake Bay, which is a property held for sale. The Wapiti Retreat Center was sold on April 21, 2021.

**Other Diocesan Programs**

This category includes support of various Diocesan ministries including Christian education and training, ministry to youth and young adults, congregational development and advancement of Diocesan strategic objectives.

**(3) PRIOR PERIOD ADJUSTMENT**

During 2022, management determined that the spending policy used to calculate the amount distributed from donor restricted endowments was understated in the financial statements for the years ended December 31, 2021 and 2020. As a result, a prior period adjustment was recorded at January 1, 2021, which decreased net assets with donor restrictions and increased net assets without donor restrictions by \$923,945. The Diocese also restated the 2021 financial statements by increasing the net assets released from restrictions (endowment income distribution) for the year ended December 31, 2021 by \$1,351,991.

**(4) INVESTMENTS**

Investments consisted of the following at December 31, 2022:

	<u>Diocese</u>	<u>Foundation</u>	<u>Total</u>
Units in The Consolidated Fund of The Church Foundation	\$66,976,022	\$1,521,212	\$68,497,234
Investment in real estate	1,214,764	-	1,214,764
Other	80,134	-	80,134
	<u>\$68,270,920</u>	<u>\$1,521,212</u>	<u>\$69,792,132</u>

Investments consisted of the following at December 31, 2021:

	<u>Diocese</u>	<u>Foundation</u>	<u>Total</u>
Units in The Consolidated Fund of The Church Foundation	\$89,144,749	\$1,837,199	\$90,981,948
Investment in real estate	1,212,294	-	1,212,294
Other	85,705	-	85,705
	<u>\$90,442,748</u>	<u>\$1,837,199</u>	<u>\$92,279,947</u>

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Investment income was comprised of the following:

	<u>2022</u>	<u>2021</u>
Net realized and unrealized gain (loss)	\$(16,107,964)	\$ 8,808,501
Interest and dividends	1,364,816	1,334,788
Distributions from perpetual trusts	108,811	74,500
Investment management fees	<u>(216,754)</u>	<u>(212,416)</u>
	<u>\$ (14,851,091)</u>	<u>\$ 10,005,373</u>

**(5) LOANS RECEIVABLE**

Loans receivable consisted of the following at December 31,:

	<u>2022</u>	<u>2021</u>
Loans to congregations	\$ 634,056	\$ 683,210
Other loans	<u>38,042</u>	<u>48,815</u>
	672,098	732,025
Less allowance for loan loss	<u>(499,447)</u>	<u>(510,220)</u>
	<u>\$ 172,651</u>	<u>\$ 221,805</u>

**(6) REAL ESTATE HELD FOR SALE**

Real estate held for sale at December 31, 2021 consisted of the Church of the Crucifixion which was sold in January 2022 for net proceeds of \$785,657 and a gain of \$220,656. In April 2021, the Wapiti Retreat Center was sold, and the Diocese and affiliates received net proceeds of \$3,833,120 from the sale and a loss of \$59,940.

**(7) PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31,:

	<u>2022</u>	<u>2021</u>
Closed churches (including land)	\$ 4,852,762	\$ 4,852,762
Building and improvements	7,672,123	4,764,301
Furniture and equipment	<u>859,319</u>	<u>982,323</u>
	13,384,204	10,599,386
Less accumulated depreciation	<u>(2,131,578)</u>	<u>(1,842,852)</u>
	<u>\$ 11,252,626</u>	<u>\$ 8,756,534</u>

Closed churches consisted of the following at December 31,:

	<u>2022</u>	<u>2021</u>
Church of St. James the Less, Philadelphia	\$ 1	\$ 1
Church of the Crucifixion, Philadelphia	200,000	200,000
St. Jude and the Nativity, Lafayette Hill	900,000	900,000
St. Mary's Episcopal Church, Elverson	1	1
St. Philip-In-The-Fields, Orelan	1,000,000	1,000,000
St. Stephen's Episcopal Church, Philadelphia	<u>2,752,760</u>	<u>2,752,760</u>
	<u>\$ 4,852,762</u>	<u>\$ 4,852,762</u>

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**(8) BENEFICIAL INTEREST IN PERPETUAL TRUSTS**

The Diocese has been named as the income beneficiary in several perpetual trusts. The assets in the trusts are not the property of the Diocese. Because the Diocese will receive a perpetual stream of income from the trusts, it has recorded an asset on the consolidated statements of financial position. This asset has been recorded at the fair value of the Diocese's proportionate share of the trusts as an estimate of the present value of the perpetual income stream.

**(9) LOAN PAYABLE - PAYCHECK PROTECTION PROGRAM**

The Diocese received a \$391,597 loan under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act in March 2020 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Diocese is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

In September 2021, the Diocese was granted full forgiveness and legally released of the full loan obligation. The Diocese recognized the gain on forgiveness of \$391,597 in the 2021 consolidated statement of activities.

**(10) POSTRETIREMENT BENEFITS OTHER THAN PENSIONS**

Diocesan clergy and lay employees who meet certain residence and service requirements are covered by Diocesan plans for medical benefits during retirement. The primary plan for these benefits is one administered by an agency of the national church (the Church Pension Group), which provides for a significant share of the costs. The costs for current benefits for retirees are covered by parochial assessment.

Although there is no guarantee that the specific provisions of current plans will remain unchanged or that the share of the costs provided by various parties will not change, the Diocese has calculated its charges and liabilities as if the current arrangements are continued into the indefinite future.

The Diocesan liability at December 31, 2022 and 2021 was \$3,076,000, representing the charges for the current and prior years' service which were not funded.

The following table summarizes changes to the postretirement benefit obligation:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 3,076,000	\$ 3,245,000
Service cost	155,205	79,689
Interest cost	56,212	(162,457)
Benefit payments	<u>(212,417)</u>	<u>(86,232)</u>
Balance, end of year	<u>\$ 3,076,000</u>	<u>\$ 3,076,000</u>

The funded status of the plan was as follows:

	<u>2022</u>	<u>2021</u>
Postretirement benefit obligation	\$(2,790,000)	\$(2,911,000)
Unrecognized net actuarial gain	<u>(286,000)</u>	<u>(165,000)</u>
	(3,076,000)	(3,076,000)
Fair value of Plan assets	<u>-</u>	<u>-</u>
Accrued benefit cost	<u>\$(3,076,000)</u>	<u>\$(3,076,000)</u>

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Net periodic benefit cost was comprised of the following:

	<u>2022</u>	<u>2021</u>
Service cost	\$ 156,205	\$ 79,689
Interest cost	<u>56,212</u>	<u>(162,457)</u>
Postretirement benefit expense	<u>\$ 212,417</u>	<u>\$ (82,768)</u>

The significant assumptions used in the determination of the postretirement benefit obligation were a discount rate of 5.25% and an increase in the cost of healthcare benefits of 5%.

Assumed health care cost trend rates significantly impact reported amounts. The effect of a one-percentage-point change in assumed rates would alter the amounts of the benefit obligation and the sum of the service cost and interest cost components of postretirement benefit expense as follows for 2022:

	<u>One Percentage Point</u>	
	<u>Increase</u>	<u>Decrease</u>
Effect on the postretirement benefit obligation	\$350,887	\$(295,895)
Effect on the sum of the service cost and interest cost components	54,403	(35,208)

**(11) RETIREMENT PLANS**

The Diocese and Affiliates participate in a defined benefit plan and a defined contribution plan. The defined benefit plan is a multi-employer plan maintained for the benefit of clergy and administered by the Church Pension Fund on behalf of the Episcopal Church. The Diocese's contributions to the plan were \$239,988 for 2021 and \$223,835 for 2021. The Diocese's relative position in this plan is not readily determinable.

The defined contribution plan covers substantially all eligible lay employees. The provisions of the plan permit the employees to make tax-deferred contributions to the plan not to exceed IRS limitations. The plan also permits the Diocese to make discretionary contributions to the plan. The Diocese's contributions were \$80,733 for 2022 and \$70,373 for 2021.

**(12) NET ASSETS WITHOUT DONOR RESTRICTIONS - DESIGNATED**

	<u>Balance December 31, 2021</u>	<u>Investment loss</u>	<u>Additions (Subtractions)</u>	<u>Endowment Income Distribution</u>	<u>Balance December 31, 2022</u>
Endowment	\$30,218,964	\$(4,300,044)	\$(3,406,380)	\$(612,565)	\$21,899,975
Church of the Crucifixion parish house	-	-	583,157	-	583,157
Continuing Education	301,398	-	10,186	-	311,584
Clergy financial assistance	45,069	-	-	-	45,069
Revolving loan fund	122,984	-	(2,073)	-	120,911
Training	221,193	-	(3,358)	-	217,835
Other	303,606	-	(48,467)	-	255,139
Closed parishes (Resurrection churches)	<u>909,211</u>	<u>(169,113)</u>	<u>77,555</u>	<u>(42,407)</u>	<u>775,246</u>
	<u>\$32,122,425</u>	<u>\$(4,469,157)</u>	<u>\$(2,789,380)</u>	<u>\$(654,972)</u>	<u>\$24,208,916</u>

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**(13) NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following for the year ended December 31, 2022:

	<u>Balance December 31, 2021</u>	<u>Investment Loss</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance December 31, 2022</u>
Net assets spendable for specified purposes or periods					
Retired clergy	\$ 180,579	\$ -	\$ -	\$ 109,474	\$ 290,053
Theological education	266,358	-	-	89,067	355,425
Other	24,072	(3,984)	19,007	(18,000)	21,095
For future periods	19,000	-	-	-	19,000
	<u>490,009</u>	<u>(3,984)</u>	<u>19,007</u>	<u>180,541</u>	<u>685,573</u>
Functioning as endowments					
Retired clergy	6,390,059	(1,069,637)	-	(226,204)	5,094,218
Care of aged	2,722,192	(500,114)	-	(247,178)	1,974,900
Theological education	1,327,532	(101,799)	-	(21,528)	1,204,205
Other	1,501,860	(258,625)	33,643	(86,236)	1,190,642
	<u>11,941,643</u>	<u>(1,930,175)</u>	<u>33,643</u>	<u>(581,146)</u>	<u>9,463,965</u>
Net assets to be maintained indefinitely					
Sayers Memorial Fund	25,367,782	(4,435,699)	-	(2,119,167)	18,812,916
Nunns Memorial Endowment Fund	9,839,854	(1,647,101)	-	(348,324)	7,844,429
Church Training and Deaconess Fund	2,341,993	(392,028)	-	(82,905)	1,867,060
Newlin Fund	1,975,974	(354,632)	-	(174,901)	1,446,441
Bishop Taitt Fund for Missions	1,896,896	(331,683)	-	(158,462)	1,406,751
Merrick Fund	1,832,321	(320,392)	-	(153,068)	1,358,861
Other endowments	4,925,596	(836,376)	-	(257,247)	3,831,973
Endowments - closed parishes (resurrection churches)	1,320,249	(201,295)	-	(47,000)	1,071,954
Beneficial interest in perpetual trusts	6,878,655	(1,405,980)	-	-	5,472,675
	<u>56,379,320</u>	<u>(9,925,186)</u>	<u>-</u>	<u>(3,341,074)</u>	<u>43,113,060</u>
	<u>\$68,810,972</u>	<u>\$(11,859,345)</u>	<u>\$52,650</u>	<u>\$(3,741,679)</u>	<u>\$53,262,598</u>

Net assets with donor restrictions consisted of the following for the year ended December 31, 2021:

	<u>Balance December 31, 2020</u>	<u>Investment Income</u>	<u>Additions (Subtractions)</u>	<u>Releases</u>	<u>Balance December 31, 2021</u>
Net assets spendable for specified purposes or periods					
Retired clergy	\$ 46,731	\$ -	\$133,848	\$ -	\$ 180,579
Theological education	249,890	-	16,468	-	266,358
Other	22,132	1,743	18,197	(18,000)	24,072
For future periods	19,000	-	-	-	19,000
	<u>337,753</u>	<u>1,743</u>	<u>168,513</u>	<u>(18,000)</u>	<u>490,009</u>
Functioning as endowments					
Retired clergy	5,729,217	679,381	59,349	(77,888)	6,390,059
Care of aged	2,620,258	328,052	-	(226,118)	2,722,192
Theological education	1,216,517	149,630	(16,468)	(22,147)	1,327,532
Other	1,407,683	137,123	29,050	(71,996)	1,501,860
	<u>10,973,675</u>	<u>1,294,186</u>	<u>71,931</u>	<u>(398,149)</u>	<u>11,941,643</u>

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Net assets to be maintained indefinitely					
Sayers Memorial Fund	24,485,215	2,975,453	-	(2,092,886)	25,367,782
Nunns Memorial Endowment Fund	9,092,922	1,080,422	-	(333,490)	9,839,854
Church Training and Deaconess Fund	2,164,215	257,152	-	(79,374)	2,341,993
Newlin Fund	1,902,884	232,612	5,132	(164,654)	1,975,974
Bishop Taitt Fund for Missions	1,830,901	222,492	-	(156,497)	1,896,896
Merrick Fund	1,768,573	214,918	-	(151,170)	1,832,321
Other endowments	4,400,991	511,882	543,370	(530,647)	4,925,596
Endowments - closed parishes (resurrection churches)	1,243,446	133,757	-	(56,954)	1,320,249
Beneficial interest in perpetual trusts	<u>6,352,700</u>	<u>525,955</u>	<u>-</u>	<u>-</u>	<u>6,878,655</u>
	<u>53,241,847</u>	<u>6,154,643</u>	<u>548,502</u>	<u>(3,565,672)</u>	<u>56,379,320</u>
	<u>\$64,553,275</u>	<u>\$7,450,572</u>	<u>\$788,946</u>	<u>\$(3,981,821)</u>	<u>\$68,810,972</u>

Income from the Sayers Memorial Fund, the Nunns Memorial Endowment Fund, the Bishop Taitt Fund for Missions, the Merrick Fund, and the Newlin Fund is without donor restriction. Income from the Church Training and Deaconess Fund is donor restricted to provide scholarships to women studying theology, social work and religious education. The Diocese does not know the historic dollar value of all its endowments to be maintained indefinitely.

**(14) ENDOWMENT FUNDS**

An accounting standard exists which provides 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 ("**UPMIFA**"). The Diocese and Affiliates are not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The standard 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.

In accordance with Pennsylvania statutes, the Diocese and Affiliates have adopted investment and spending policies for their endowment assets that attempt to provide a predictable stream of funding to programs supported by their endowments while seeking to maintain the purchasing power of these endowment assets over the long-term. The Diocese and Affiliates' spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

The spending policy calculates the amount of money annually distributed from the permanently restricted endowment fund to support various programs. The current spending policy is to distribute an amount equal to 4.10% of a moving three-year average of the fair value of the endowment fund. In 2022 and 2021, the Diocese withdrew an additional 5.9% from certain funds for COVID-19 related expenses.

Changes in the endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total Endowment Net Assets</u></b>
Endowment net assets, January 1, 2021	\$25,846,896	\$ 57,862,822	\$ 83,709,718
New additions	2,275,700	34,562	2,310,262
Investment income	3,006,239	6,922,874	9,929,113
Spending policy distribution	<u>(909,871)</u>	<u>(3,377,950)</u>	<u>(4,287,821)</u>
Endowment net assets, December 31, 2021	30,218,964	61,442,308	91,661,272
Net additions (subtractions)	(4,469,157)	33,643	(4,435,514)
Investment loss	(2,419,614)	(10,449,381)	(12,868,995)
Spending policy distribution	<u>(654,972)</u>	<u>(3,922,220)</u>	<u>(4,577,192)</u>
Endowment net assets, December 31, 2022	<u>\$22,675,221</u>	<u>\$ 47,104,350</u>	<u>\$ 69,779,571</u>

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**December 31, 2022 and 2021**

**(15) LIQUIDITY AND AVAILABILITY OF RESOURCES**

The following reflects the Diocese and Affiliates' financial assets as of the statement of financial position date, which has been reduced by financial assets not available within one year.

	<u>2022</u>	<u>2021</u>
Cash	\$ 3,484,025	\$ 3,264,282
Contributions receivable	88,052	61,105
Other receivables	194,161	352,474
Investments	<u>69,792,132</u>	<u>92,279,947</u>
Total financial assets	73,558,370	95,957,808
Less: financial assets not available for general expenditures within one year		
Restricted by donors for specific purposes or periods	(10,165,291)	(12,431,652)
Restricted by donors to be maintained indefinitely	(37,640,385)	(49,500,665)
Designated financial assets	<u>(24,036,265)</u>	<u>(31,999,441)</u>
Total financial assets available within one year	<u>\$ 1,716,429</u>	<u>\$ 2,026,050</u>

**Liquidity Management**

As part of the Diocese and Affiliates' liquidity management, it invests cash in excess of daily requirements in short-term investments, typically money market funds.

**(16) ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS**

The following is a summary of assets and liabilities measured at fair value on a recurring basis and the valuation inputs used to value them:

<u>Description</u>	<u>Balance December 31, 2022</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets				
Investments	\$69,792,132	\$26,726	\$68,550,642	\$1,214,764
Beneficial interest in perpetual trusts	<u>5,472,675</u>	<u>-</u>	<u>-</u>	<u>5,472,675</u>
	<u>\$75,264,807</u>	<u>\$26,726</u>	<u>\$68,550,642</u>	<u>\$6,687,439</u>
Liabilities				
Postretirement benefit obligation	<u>\$ 3,076,000</u>	<u>\$ -</u>	<u>\$ 3,076,000</u>	<u>\$ -</u>
<u>Description</u>	<u>Balance December 31, 2021</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets				
Investments	\$92,279,947	\$32,297	\$91,035,356	\$1,212,294
Beneficial interest in perpetual trusts	<u>6,878,655</u>	<u>-</u>	<u>-</u>	<u>6,878,655</u>
	<u>\$99,158,602</u>	<u>\$32,297</u>	<u>\$91,035,356</u>	<u>\$8,090,949</u>
Liabilities				
Postretirement benefit obligation	<u>\$ 3,076,000</u>	<u>\$ -</u>	<u>\$ 3,076,000</u>	<u>\$ -</u>

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***NOTES TO CONSOLIDATED FINANCIAL STATEMENTS***

**December 31, 2022 and 2021**

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Level 3 assets had net loss of \$1,405,980 in the consolidated statement of activities in 2022.

**(17) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 25, 2024, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2022 that required recognition or disclosure in the financial statements.



**SUPPLEMENTARY INFORMATION**

**THE DIOCESE OF PENNSYLVANIA OF THE EPISCOPAL CHURCH  
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**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

**December 31, 2022**

	<u>Diocese</u>	<u>Foundation</u>	<u>Consolidated</u>
<b>ASSETS</b>			
Cash	\$ 3,309,016	\$ 175,008	\$ 3,484,024
Contributions receivable			
Congregation sacred ask	69,052	-	69,052
Other	19,000	-	19,000
Other receivables	194,161	-	194,161
Prepaid expenses and other assets	20,524	8,124	28,648
Investments	68,270,920	1,521,212	69,792,132
Loans receivable	172,651	-	172,651
Property and equipment, net	11,252,626	-	11,252,626
Beneficial interest in perpetual trusts	5,472,675	-	5,472,675
	<u>\$ 88,780,625</u>	<u>\$ 1,704,344</u>	<u>\$ 90,484,969</u>
<b>Total assets</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 1,079,685	\$ 45,514	\$ 1,125,199
Postretirement benefit obligation	3,076,000	-	3,076,000
	<u>4,155,685</u>	<u>45,514</u>	<u>4,201,199</u>
<b>Total liabilities</b>			
<b>NET ASSETS</b>			
Without donor restrictions	31,802,948	1,218,224	33,021,172
With donor restrictions	52,821,992	440,606	53,262,598
	<u>84,624,940</u>	<u>1,658,830</u>	<u>86,283,770</u>
<b>Total net assets</b>			
	<u>\$ 88,780,625</u>	<u>\$ 1,704,344</u>	<u>\$ 90,484,969</u>
<b>Total liabilities and net assets</b>			

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**CONSOLIDATING STATEMENT OF ACTIVITIES**

**Year ended December 31, 2022**

	<u>Diocese</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>REVENUE AND SUPPORT</b>				
Contributions				
Congregation sacred ask	\$ 2,507,962	\$ -	\$ -	\$ 2,507,962
Other contributions	125,120	50,858	(47,834)	128,144
Investment loss	(14,532,609)	(318,482)	-	(14,851,091)
Change in value of beneficial interest in perpetual trusts	(1,405,980)	-	-	(1,405,980)
Gain on sale of real estate held for sale	220,656	-	-	220,656
Other income	156,730	447,836	(18,000)	586,566
<b>Total revenue and support</b>	<u>(12,928,121)</u>	<u>180,212</u>	<u>(65,834)</u>	<u>(12,813,743)</u>
<b>EXPENSES</b>				
<b>Program services</b>				
Grants and scholarships	1,664,916	98,166	(65,834)	1,697,248
Financially assisted congregations	1,084,812	-	-	1,084,812
Episcopal function	2,358,028	-	-	2,358,028
Diocesan meetings and communications	361,937	-	-	361,937
Investment management expenses	-	272,572	-	272,572
Other Diocesan programs	1,385,669	-	-	1,385,669
<b>Total program services</b>	6,855,362	370,738	(65,834)	7,160,266
<b>Supporting service</b>				
Management and general	916,944	95,516	-	1,012,460
<b>Unallocated national apportionment</b>	<u>815,434</u>	<u>-</u>	<u>-</u>	<u>815,434</u>
<b>Total expenses</b>	<u>8,587,740</u>	<u>466,254</u>	<u>(65,834)</u>	<u>8,988,160</u>
<b>CHANGE IN NET ASSETS</b>	<u>(21,515,861)</u>	<u>(286,042)</u>	<u>-</u>	<u>(21,801,903)</u>
<b>NET ASSETS</b>				
Beginning of year	106,140,801	1,944,872	-	108,085,673
End of year	<u>\$ 84,624,940</u>	<u>\$1,658,830</u>	<u>\$ -</u>	<u>\$ 86,283,770</u>