

**THE DIOCESE OF PENNSYLVANIA OF THE EPISCOPAL  
CHURCH OF THE UNITED STATES OF AMERICA AND AFFILIATE  
Financial Statements  
December 31, 2023 and 2022  
With Independent Auditor's Report**

**The Diocese of Pennsylvania of the Episcopal Church  
of the United States of America and Affiliate  
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December 31, 2023 and 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
The Diocese of Pennsylvania of the Episcopal  
Church of the United States of America and Affiliate:

### 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 Affiliate (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Diocese and Affiliate as of December 31, 2023, and the changes in their net assets, and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Emphasis of Matter-Restatement

As more fully described in Note 13 to the consolidated financial statements, during the year, management discovered an error in the 2022 financial statements resulting from not including investments managed by the Church Foundation on behalf of parishes and other related organizations. The correction of this error resulted in an increase in assets and liabilities of \$74,453,627 at December 31, 2022. The restatement had no impact on the consolidated statement of activities for the year ended December 31, 2022, and no impact on the net assets as of December 31, 2022 and January 1, 2022. Our opinion is not modified with respect to that matter.

### Other Matter

The consolidated financial statements of the Diocese of Affiliate as of and for the year ended December 31, 2022, were audited by BBD, LLP who joined with WithumSmith+Brown, PC on April 1, 2024 and expressed a qualified opinion on those consolidated statements dated July 25, 2024.

The qualification of the opinion of the 2022 consolidated financial statements was for not consolidating another organization. In our opinion, upon further review, the organization was not required to be consolidated and the opinion on the 2022 consolidated financial statements should not have been qualified.

### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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 Affiliate's 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 Consolidated 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 GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the 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 Affiliate's ability to continue as a going concern for a reasonable period of time.

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary consolidated statement of financial position and the consolidating statement of activities are presented for purposes of additional analysis and are 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Withum Smith & Brown, PC*

July 22, 2025

**The Diocese of Pennsylvania of the Episcopal Church  
of the United States of America and Affiliate  
Consolidated Statements of Financial Position  
December 31, 2023 and 2022**

	Without Donor Restrictions			With Donor Restrictions	Totals	
	Operating	Designated	Total		2023	2022
<b>Assets</b>						
Cash	\$ 1,703,785	\$ 637,876	\$ 2,341,661	\$ -	\$ 2,341,661	\$ 3,484,024
Contributions receivable						
Congregation sacred ask	17,208	-	17,208	-	17,208	69,052
Other	-	-	-	19,000	19,000	19,000
Prepaid expenses and other assets	427,105	-	427,105	-	427,105	222,809
Investments (Note 3)	-	20,175,995	20,175,995	52,558,381	72,734,376	69,792,132
Investments managed on behalf of others	81,016,456	-	81,016,456	-	81,016,456	74,453,627
Loans receivable (Note 4)	-	71,489	71,489	-	71,489	172,651
Property and equipment (Note 5)	13,502,267	-	13,502,267	-	13,502,267	11,252,626
Beneficial interest in perpetual trusts	-	-	-	5,901,773	5,901,773	5,472,675
Total assets	<u>\$ 96,666,821</u>	<u>\$ 20,885,360</u>	<u>\$ 117,552,181</u>	<u>\$ 58,479,154</u>	<u>\$ 176,031,335</u>	<u>\$ 164,938,596</u>
<b>Liabilities</b>						
Accounts payable and accrued expenses	\$ 1,234,510	\$ -	\$ 1,234,510	\$ -	\$ 1,234,510	\$ 1,125,199
Funds managed on behalf of others	81,016,456	-	81,016,456	-	81,016,456	74,453,627
Postretirement benefit obligation (Note 6)	3,076,000	-	3,076,000	-	3,076,000	3,076,000
Total liabilities	<u>85,326,966</u>	<u>-</u>	<u>85,326,966</u>	<u>-</u>	<u>85,326,966</u>	<u>78,654,826</u>
<b>Net assets</b>						
Without donor restrictions	11,339,855	20,885,360	32,225,215	-	32,225,215	33,021,172
With donor restrictions (Note 9)	-	-	-	58,479,154	58,479,154	53,262,598
Total net assets	<u>11,339,855</u>	<u>20,885,360</u>	<u>32,225,215</u>	<u>58,479,154</u>	<u>90,704,369</u>	<u>86,283,770</u>
Total liabilities and net assets	<u>\$ 96,666,821</u>	<u>\$ 20,885,360</u>	<u>\$ 117,552,181</u>	<u>\$ 58,479,154</u>	<u>\$ 176,031,335</u>	<u>\$ 164,938,596</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**The Diocese of Pennsylvania of the Episcopal Church  
of the United States of America and Affiliate  
Consolidated Statement of Activities  
Year Ended December 31, 2023 With Summarized Comparative Totals for 2022**

	Without Donor Restrictions			With Donor Restrictions	Totals	
	Operating	Designated	Total		2023	2022
<b>Revenue and support</b>						
Contributions						
Congregation sacred ask	\$ 2,523,456	\$ -	\$ 2,523,456	\$ -	\$ 2,523,456	\$ 2,507,962
Other contributions	614,551	-	614,551	300,852	915,403	128,144
Investment income (loss)	82,217	2,273,773	2,355,990	7,417,270	9,773,260	(14,851,091)
Change in value of beneficial interest in perpetual trusts	-	-	-	429,098	429,098	(1,405,980)
Gain on sale of real estate held for sale	-	-	-	-	-	220,656
Other income	546,314	-	546,314	-	546,314	586,566
Net assets released from restrictions						
Endowment income distribution	3,649,871	(719,207)	2,930,664	(2,930,664)	-	-
Other	4,878,122	(4,878,122)	-	-	-	-
Total revenue and support	<u>12,294,531</u>	<u>(3,323,556)</u>	<u>8,970,975</u>	<u>5,216,556</u>	<u>14,187,531</u>	<u>(12,813,743)</u>
<b>Expenses</b>						
Program services						
Grants and scholarships	1,895,820	-	1,895,820	-	1,895,820	1,697,248
Financially assisted congregations	1,603,615	-	1,603,615	-	1,603,615	1,084,812
Episcopal function	2,383,363	-	2,383,363	-	2,383,363	2,358,028
Diocesan meetings and communications	501,361	-	501,361	-	501,361	361,937
Investment management expenses	334,945	-	334,945	-	334,945	272,572
Other Diocesan programs	1,182,171	-	1,182,171	-	1,182,171	1,385,669
Total program services	<u>7,901,275</u>	<u>-</u>	<u>7,901,275</u>	<u>-</u>	<u>7,901,275</u>	<u>7,160,266</u>
Supporting service						
Management and general	1,031,047	-	1,031,047	-	1,031,047	1,012,460
Unallocated national apportionment	834,610	-	834,610	-	834,610	815,434
Total expenses	<u>9,766,932</u>	<u>-</u>	<u>9,766,932</u>	<u>-</u>	<u>9,766,932</u>	<u>8,988,160</u>
Change in net assets	2,527,599	(3,323,556)	(795,957)	5,216,556	4,420,599	(21,801,903)
<b>Net assets</b>						
Beginning of year	<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>
End of year	<u>\$ 11,339,855</u>	<u>\$ 20,885,360</u>	<u>\$ 32,225,215</u>	<u>\$ 58,479,154</u>	<u>\$ 90,704,369</u>	<u>\$ 86,283,770</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**The Diocese of Pennsylvania of the Episcopal Church  
of the United States of America and Affiliate  
Consolidated Statement of Activities  
Year Ended December 31, 2022**

	<b>Without Donor Restrictions</b>			<b>With Donor</b>	
	<b>Operating</b>	<b>Designated</b>	<b>Total</b>	<b>Restrictions</b>	<b>Total</b>
<b>Revenue and support</b>					
Contributions					
Congregation sacred ask	\$ 2,507,962	\$ -	\$ 2,507,962	\$ -	\$ 2,507,962
Other contributions	75,494	-	75,494	52,650	128,144
Investment loss	71,431	(4,469,157)	(4,397,726)	(10,453,365)	(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	-	220,656
Other income	586,566	-	586,566	-	586,566
Net assets released from restrictions					
Endowment income distribution	4,396,651	(654,972)	3,741,679	(3,741,679)	-
Other	2,789,380	(2,789,380)	-	-	-
Total revenue and support	<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>
<b>Expenses</b>					
Program services					
Grants and scholarships	1,697,248	-	1,697,248	-	1,697,248
Financially assisted congregations	1,084,812	-	1,084,812	-	1,084,812
Episcopal function	2,358,028	-	2,358,028	-	2,358,028
Diocesan meetings and communications	361,937	-	361,937	-	361,937
Investment management expenses	272,572	-	272,572	-	272,572
Other Diocesan programs	1,385,669	-	1,385,669	-	1,385,669
Total program services	<u>7,160,266</u>	<u>-</u>	<u>7,160,266</u>	<u>-</u>	<u>7,160,266</u>
Supporting service					
Management and general	1,012,460	-	1,012,460	-	1,012,460
Unallocated national apportionment	815,434	-	815,434	-	815,434
Total expenses	<u>8,988,160</u>	<u>-</u>	<u>8,988,160</u>	<u>-</u>	<u>8,988,160</u>
<b>Change in net assets</b>	1,659,980	(7,913,509)	(6,253,529)	(15,548,374)	(21,801,903)
<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>
End of year	<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>

The Notes to Consolidated Financial Statements are an integral part of this statement.

**The Diocese of Pennsylvania of the Episcopal Church  
of the United States of America and Affiliate  
Consolidated Statement of Functional Expenses  
Year Ended December 31, 2023 With Summarized Comparative Totals for 2022**

	Program Services						Supporting Service	Unallocated National Apportionment	Totals	
	Grants and Scholarships	Financially Assisted Congregations	Episcopal Function	Diocesan Meetings and Communications	Investment Management Expenses	Other Diocesan Programs	Management and General		2023	2022
Salaries	\$ 49,811	\$ 346,883	\$ 742,336	\$ 109,029	\$ 135,641	\$ 580,411	\$ 384,405	\$ -	\$ 2,348,516	\$ 2,127,189
Employee benefits	22,890	159,407	341,134	50,103	86,057	266,723	184,559	-	1,110,873	1,049,256
Depreciation	-	-	281,295	84,389	-	84,389	112,517	-	562,590	464,879
Grants and scholarships	1,807,228	1,005,926	-	-	-	-	-	-	2,813,154	2,131,940
Insurance	-	16,713	14,167	4,250	1,970	4,250	6,322	-	47,672	63,659
Meeting expense	4,990	2,228	98,076	109,236	-	11,217	33,984	-	259,731	233,794
National apportionment	-	-	-	-	-	-	-	834,610	834,610	815,434
Printing	1,169	-	17,424	2,559	-	13,623	7,962	-	42,737	43,265
Professional fees	1,368	26,436	157,536	2,994	87,765	19,264	97,872	-	393,235	577,826
Repairs and maintenance	-	-	224,434	67,330	-	67,330	89,774	-	448,868	541,502
Supplies	3,066	-	45,699	6,712	7,477	35,731	23,373	-	122,058	145,054
Telecommunications	1,515	-	22,585	3,317	-	17,658	10,320	-	55,395	53,547
Travel	681	46,022	270,978	34,454	-	30,203	4,640	-	386,978	457,475
Utilities	-	-	50,743	15,223	-	15,223	20,296	-	101,485	102,400
Miscellaneous	3,102	-	116,956	11,765	16,035	36,149	55,023	-	239,030	180,940
	<u>\$ 1,895,820</u>	<u>\$ 1,603,615</u>	<u>\$ 2,383,363</u>	<u>\$ 501,361</u>	<u>\$ 334,945</u>	<u>\$ 1,182,171</u>	<u>\$ 1,031,047</u>	<u>\$ 834,610</u>	<u>\$ 9,766,932</u>	<u>\$ 8,988,160</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.



**The Diocese of Pennsylvania of the Episcopal Church  
of the United States of America and Affiliate  
Consolidated Statement of Functional Expenses  
Year Ended December 31, 2022**

	Program Services						Supporting Service	Unallocated National Apportionment	Total
	Grants and Scholarships	Financially Assisted Congregations	Episcopal Function	Diocesan Meetings and Communications	Investment Management Expenses	Other Diocesan Programs	Management and General		
Salaries	\$ 45,610	\$ 317,630	\$ 679,732	\$ 99,834	\$ 106,750	\$ 531,463	\$ 346,170	\$ -	\$ 2,127,189
Employee benefits	22,388	155,908	333,646	49,003	56,244	260,868	171,199	-	1,049,256
Depreciation	-	-	232,440	69,732	-	69,732	92,975	-	464,879
Grants and scholarships	1,610,919	521,021	-	-	-	-	-	-	2,131,940
Insurance	-	16,145	22,203	6,661	2,332	6,661	9,657	-	63,659
Meeting expense	3,486	1,525	51,952	7,630	-	145,463	23,738	-	233,794
National apportionment	-	-	-	-	-	-	-	815,434	815,434
Printing	1,184	-	17,639	2,591	-	13,792	8,059	-	43,265
Professional fees	1,682	51,894	235,255	3,683	89,723	54,942	140,647	-	577,826
Repairs and maintenance	-	-	270,751	81,225	-	81,225	108,301	-	541,502
Supplies	3,625	-	54,028	7,935	9,401	42,243	27,822	-	145,054
Telecommunications	1,465	-	21,831	3,206	-	17,069	9,976	-	53,547
Travel	4,609	20,689	271,659	10,089	-	117,659	32,770	-	457,475
Utilities	-	-	51,200	15,360	-	15,360	20,480	-	102,400
Miscellaneous	2,280	-	115,692	4,988	8,122	29,192	20,666	-	180,940
	<u>\$ 1,697,248</u>	<u>\$ 1,084,812</u>	<u>\$ 2,358,028</u>	<u>\$ 361,937</u>	<u>\$ 272,572</u>	<u>\$ 1,385,669</u>	<u>\$ 1,012,460</u>	<u>\$ 815,434</u>	<u>\$ 8,988,160</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

**The Diocese of Pennsylvania of the Episcopal Church  
of the United States of America and Affiliate  
Consolidated Statements of Cash Flows  
Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Operating activities</b>		
Change in net assets	\$ 4,420,599	\$ (21,801,903)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Realized and unrealized (gain) loss on investments	(8,230,254)	16,107,964
Bad debt expense	22,234	-
Depreciation	562,590	464,879
Gain on sale of real estate held for sale	-	(220,656)
Change in value of beneficial interest in perpetual trusts	(429,098)	1,405,980
Change in assets and liabilities		
Contributions receivable	29,610	(26,947)
Prepaid expenses and other assets	(204,296)	191,324
Accounts payable and accrued expenses	<u>(207,070)</u>	<u>183,072</u>
Net cash used in operating activities	<u>(4,035,685)</u>	<u>(3,696,287)</u>
<b>Investing activities</b>		
Proceeds from sale of investments	10,122,654	8,690,849
Purchase of investments	(4,834,644)	(2,310,998)
Proceeds from sale of real estate	-	785,657
Proceeds from collection of loan receivables	101,162	49,154
Purchase of property and equipment	<u>(2,495,850)</u>	<u>(3,298,633)</u>
Net cash provided by investing activities	<u>2,893,322</u>	<u>3,916,029</u>
Net change in cash	(1,142,363)	219,742
<b>Cash</b>		
Beginning of year	<u>3,484,024</u>	<u>3,264,282</u>
End of year	<u>\$ 2,341,661</u>	<u>\$ 3,484,024</u>
<b>Supplemental disclosure of cash flow information</b>		
Noncash operating and investing transactions		
Purchase of property and equipment in accounts payable	<u>\$ 316,381</u>	<u>\$ -</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**The Diocese of Pennsylvania of the Episcopal Church  
of the United States of America and Affiliate  
Notes to Consolidated Financial Statements  
December 31, 2023 and 2022**

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**1. NATURE OF OPERATIONS**

**Principles of Consolidation**

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 Church Foundation (the "Foundation"). All significant inter-organization balances and transactions have been eliminated.

**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.

**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 2023, the Foundation created the short-term investment fund specifically to cater to the needs of those who are interested in a shorter term investment horizon or prefer not to take the risk of investing in equity markets. 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.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). As a result, revenues are recognized when earned and expenses are recognized when incurred.

**Basis of Presentation**

The Diocese and Affiliate report information regarding their financial position and activities according to the following classes of net assets:

**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 Affiliate 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 consolidated statements of activities as net assets released from restrictions.

**The Diocese of Pennsylvania of the Episcopal Church  
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Notes to Consolidated Financial Statements  
December 31, 2023 and 2022**

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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 Affiliate to expend the income generated in accordance with the provisions of the contribution.

**Fair Value Measurements of Assets and Liabilities**

GAAP defines 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 Affiliate. 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 Affiliate 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 Affiliate's own assumptions.

**Estimates**

Management uses estimates and assumptions in preparing the consolidated 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 vary from those estimates. Significant estimates include net realizable value of account receivables and loan receivables, depreciable lives of property and equipment and allocation of functional expenses.

**Accounts Receivable**

Accounts receivable represent unsecured noninterest bearing obligations and are carried at original invoice amounts less an estimate made for credit losses based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for credit losses by identifying troubled accounts and performing a historical and future looking analysis. Receivables are written off when deemed uncollectible. Any uncollectible amounts would not be material to the financial statements.

**Contributions Receivable**

The Diocese and Affiliate record contributions receivable that are expected to be collected within one year at net realizable value. Contributions receivable with expected collection past one year are recorded at net present value using risk-free rates applicable to the years in which the promises are received. The Diocese and Affiliate monitor the collectability of these receivables and an allowance for uncollectable promises to give is recorded based on historical experience, an assessment of economic conditions, and a review of subsequent collections. The Diocese and Affiliate have determined that no allowance for uncollectible accounts was necessary at December 31, 2023 and 2022. Contributions receivable are due within one year.

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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 Affiliate invest in a professionally-managed portfolio that contains various types of securities (see Note 3). 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.

**Investments Managed on Behalf of Others**

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.

**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 and future looking analysis, 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.

**Property and Equipment**

The Diocese and Affiliate 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.

**Beneficial Interest in Perpetual Trusts**

The Diocese has been named as an irrevocable beneficiary of perpetual trusts held and administered by independent trustees. The perpetual trusts provide for the distribution of the net income of the trusts to the Diocese; however, the Diocese will never receive the assets of the trusts. At the date the Diocese receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statement of activities and a beneficial interest in perpetual trust is recorded in the statement of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

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**Contributions**

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.

Unconditional contributions are recognized as revenue when the related promise to give is received. Conditional contributions, that is, those with a measurable performance or other measurable barrier, and a right of return or release, are not recognized in revenue until the conditions on which they depend have been substantially met.

Congregation 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 Affiliate 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.

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain tax positions. GAAP prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the financial statements. The Diocese and Affiliate and believes that it had no uncertain tax positions as defined in the standard.

**Concentration of Credit Risk**

The Diocese and Affiliate have significant cash balances at financial institutions which throughout the year regularly exceed the amounts insured by either the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation for up to \$250,000. Any loss incurred or lack of access to such funds could have a significant adverse impact on the Diocese and Affiliates' financial condition, results of operations, and cash flows.

**Program Services**

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

*Grants and Scholarships*

This category includes grants made by the Diocese and Affiliate 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 and other needs. Grants are also made for scholarships for seminarians and support of deacon interns.

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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.

*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.

**Adoption of New Accounting Pronouncement**

In June 2016, the Financial Accounting Standards Board issued an Accounting Standards Update ("ASU") amending the accounting for credit losses on financial instruments. This methodology replaced the incurred loss methodology with the expected credit losses using a wide range of reasonable and supportable information. The amendment affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposure, and other financial instruments recorded at amortized cost. The Diocese and Affiliate adopted the new standard effective January 1, 2023, using the modified retrospective approach. The implementation of this ASU had no material impact on the consolidated financial statements.

**3. INVESTMENTS**

Investments consisted of the following at December 31, 2023:

	<u>Diocese</u>	<u>Foundation</u>	<u>Total</u>
Units in The Consolidated Fund of			
The Church Foundation	\$ 67,842,263	\$ 1,717,508	\$ 69,559,771
Units in the Short-Term Investment			
Fund of The Church Foundation	1,847,544	-	1,847,544
Investment in real estate	1,246,927	-	1,246,927
Other	80,134	-	80,134
	<u>\$ 71,016,868</u>	<u>\$ 1,717,508</u>	<u>\$ 72,734,376</u>

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>

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Investments managed on behalf of others are all invested in The Consolidated Fund of The Church Foundation.

Investment income (loss) was comprised of the following:

	<u>2023</u>	<u>2022</u>
Net realized and unrealized gain (loss)	\$ 8,230,254	\$ (16,107,964)
Interest and dividends	1,634,483	1,364,816
Distributions from perpetual trusts	117,743	108,811
Investment management fees	<u>(209,220)</u>	<u>(216,754)</u>
	<u>\$ 9,773,260</u>	<u>\$ (14,851,091)</u>

**4. LOANS RECEIVABLE**

Loans receivable consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Loans to congregations	\$ 565,822	\$ 634,056
Other loans	<u>27,348</u>	<u>38,042</u>
	593,170	672,098
Less allowance for loan loss	<u>(521,681)</u>	<u>(499,447)</u>
	<u>\$ 71,489</u>	<u>\$ 172,651</u>

**5. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Closed churches (including land)	\$ 4,852,762	\$ 4,852,762
Building and improvements	10,432,810	7,672,123
Furniture and equipment	<u>910,863</u>	<u>859,319</u>
	16,196,435	13,384,204
Less accumulated depreciation	<u>(2,694,168)</u>	<u>(2,131,578)</u>
	<u>\$ 13,502,267</u>	<u>\$ 11,252,626</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$562,590 and \$464,879, respectively.



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Closed churches consisted of the following at December 31:

	<u>2023</u>	<u>2022</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, Oreland	1,000,000	1,000,000
St. Stephen's Episcopal Church, Philadelphia	2,752,760	2,752,760
	<u>\$ 4,852,762</u>	<u>\$ 4,852,762</u>

**6. 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, 2023 and 2022 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>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 3,076,000	\$ 3,076,000
Service cost	113,020	156,205
Interest cost	76,693	56,212
Benefit payments	(189,713)	(212,417)
Balance, end of year	<u>\$ 3,076,000</u>	<u>\$ 3,076,000</u>

The funded status of the plan was as follows:

	<u>2023</u>	<u>2022</u>
Postretirement benefit obligation	\$ (2,620,000)	\$ (2,790,000)
Unrecognized net actuarial gain	(456,000)	(286,000)
	(3,076,000)	(3,076,000)
Fair value of Plan assets	-	-
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>2023</u>	<u>2022</u>
Service cost	\$ 113,020	\$ 156,205
Interest cost	76,693	56,212
Postretirement benefit expense	<u>\$ 189,713</u>	<u>\$ 212,417</u>

The net period benefit costs expected over the next ten years is as follows:

2024	\$ 191,000
2025	189,000
2026	189,000
2027	192,000
2028	192,000
Five years thereafter	984,000
	<u>\$ 1,937,000</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 2023:

	<u>One Percentage Point</u>	
	<u>Increase</u>	<u>Decrease</u>
Effect on the postretirement benefit obligation	\$ 286,047	\$ (241,817)
Effect on the sum of the service cost and interest cost components	49,993	(31,473)

## **7. 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. Contributions are based upon a fixed percentage (18%) of clergy compensation. To the extent that the plan is underfunded, the future contributions to the plan may increase and be used to fund retirement benefits for employees related to other employers.

The risks of participating in these multiemployer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (c) if the Organization chooses to stop participating in one of its multiemployer plans, it may be required to pay a withdrawal liability to the plan. The Diocese's contributions to the plan were \$265,626 for 2023 and \$239,988 for 2022. The Diocese's relative position in this plan is not readily determinable.

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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 \$90,871 for 2023 and \$80,733 for 2022.

**8. NET ASSETS WITHOUT DONOR RESTRICTIONS - DESIGNATED**

Net assets with donor restrictions consisted of the following for the year ended December 31, 2023:

	<b>Balance December 31, 2022</b>	<b>Investment Income</b>	<b>Additions (Subtractions)</b>	<b>Endowment Income Distribution</b>	<b>Balance December 31, 2023</b>
Endowment	\$ 21,899,975	\$ 2,207,212	\$ (4,961,764)	\$ (719,207)	\$ 18,426,216
Church of the Crucifixion parish house	583,157	-	(583,157)	-	-
Continuing education	311,584	-	16,216	-	327,800
Clergy financial assistance	45,069	-	-	-	45,069
Nunns memorial fund income	-	4,353	237,995	-	242,348
Revolving loan fund	120,911	-	(49,422)	-	71,489
Training	217,835	-	5,827	-	223,662
Growth development funds	-	-	471,190	-	471,190
Other	255,139	-	(15,007)	-	240,132
Closed parishes (Resurrection churches)	775,246	62,208	-	-	837,454
	<u>\$ 24,208,916</u>	<u>\$ 2,273,773</u>	<u>\$ (4,878,122)</u>	<u>\$ (719,207)</u>	<u>\$ 20,885,360</u>

**9. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following for the year ended December 31, 2023:

	<b>Balance December 31, 2022</b>	<b>Investment Income</b>	<b>Additions (Subtractions)</b>	<b>Releases</b>	<b>Balance December 31, 2023</b>
Net assets spendable for specified purposes or periods					
Retired clergy	\$ 290,053	\$ -	\$ 141,326	\$ -	\$ 431,379
Theological education	355,425	-	139,877	-	495,302
Other	21,095	2,026	19,649	(19,800)	22,970
For future periods	19,000	-	-	-	19,000
	<u>685,573</u>	<u>2,026</u>	<u>300,852</u>	<u>(19,800)</u>	<u>968,651</u>
Functioning as endowments					
Retired clergy	5,094,218	758,948	-	(233,844)	5,619,322
Care of aged	1,974,900	360,623	-	(147,647)	2,187,876
Theological education	1,204,205	72,230	-	(22,255)	1,254,180
Other	1,190,642	187,460	-	(24,026)	1,354,076
	<u>9,463,965</u>	<u>1,379,261</u>	<u>-</u>	<u>(427,772)</u>	<u>10,415,454</u>

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Net assets to be maintained indefinitely					
Sayers Memorial Fund	18,812,916	3,139,887	-	(1,449,096)	20,503,707
Nunns Memorial Endowment Fund	7,844,429	1,164,567	-	(408,453)	8,600,543
Church Training and Deaconess Fund	1,867,060	278,159	-	(85,706)	2,059,513
Newlin Fund	1,446,441	253,858	-	(104,696)	1,595,603
Bishop Taitt Fund for Missions	1,406,751	236,009	-	(94,122)	1,548,638
Merrick Fund	1,358,861	227,975	-	(90,917)	1,495,919
Other endowments	3,831,973	592,849	-	(206,140)	4,218,682
Endowments - closed parishes (resurrection churches)	1,071,954	142,679	-	(43,962)	1,170,671
Beneficial interest in perpetual trusts	5,472,675	429,098	-	-	5,901,773
	<u>43,113,060</u>	<u>6,465,081</u>	<u>-</u>	<u>(2,483,092)</u>	<u>47,095,049</u>
	<u>\$ 53,262,598</u>	<u>\$ 7,846,368</u>	<u>\$ 300,852</u>	<u>\$ (2,930,664)</u>	<u>\$ 58,479,154</u>

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

	<b>Balance December 31, 2021</b>	<b>Investment Loss</b>	<b>Additions</b>	<b>Releases</b>	<b>Balance December 31, 2022</b>
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>

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.

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**10. 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 Affiliate 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 Affiliate 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 2023 and 2022, the Diocese withdrew additional amounts from certain funds for COVID-19 related expenses.

Changes in the endowment net assets for the years ended December 31, 2023 and 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, January 1, 2022	\$ 30,218,964	\$ 61,442,308	\$ 91,661,272
New 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	22,675,221	47,104,350	69,779,571
Net additions (subtractions)	(4,961,764)	-	(4,961,764)
Investment income	2,269,420	7,476,684	9,746,104
Spending policy distribution	<u>(719,207)</u>	<u>(2,972,304)</u>	<u>(3,691,511)</u>
Endowment net assets, December 31, 2023	<u>\$ 19,263,670</u>	<u>\$ 51,608,730</u>	<u>\$ 70,872,400</u>

**11. LIQUIDITY AND AVAILABILITY OF RESOURCES**

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

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	<u>2023</u>	<u>2022</u>
Cash	\$ 2,341,661	\$ 3,484,025
Contributions receivable	36,208	88,052
Investments	<u>72,734,376</u>	<u>69,792,132</u>
Total financial assets	75,112,245	73,364,209
Less: Financial assets not available for general expenditures within one year		
Restricted by donors for specific purposes or periods	(11,384,103)	(10,165,291)
Restricted by donors to be maintained indefinitely	(41,193,278)	(37,624,632)
Designated financial assets	<u>(20,813,871)</u>	<u>(24,036,265)</u>
Total financial assets available within one year	<u>\$ 1,720,993</u>	<u>\$ 1,538,021</u>

**Liquidity Management**

As part of the Diocese and Affiliates' liquidity management, it invests cash in excess of daily requirements in short-term investments. The Short Term Investment Fund of The Church Foundation.

**12. 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, 2023</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				
Units in The Consolidated Fund of The Church Foundation	\$ 150,576,227	\$ -	\$ 150,576,227	\$ -
Units in the Short-Term Investment Fund of The Church Foundation	1,847,544	-	1,847,544	-
Other	80,134	26,726	53,408	-
Investments in real estate	<u>1,246,927</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Investments	153,750,832	26,726	152,477,179	-
Beneficial interest in perpetual trusts	<u>5,901,773</u>	<u>-</u>	<u>-</u>	<u>5,901,773</u>
	<u>\$ 159,652,605</u>	<u>\$ 26,726</u>	<u>\$ 152,477,179</u>	<u>\$ 5,901,773</u>
Liabilities				
Postretirement benefit obligation	<u>\$ 3,076,000</u>	<u>\$ -</u>	<u>\$ 3,076,000</u>	<u>\$ -</u>

**The Diocese of Pennsylvania of the Episcopal Church  
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December 31, 2023 and 2022**

<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				
Units in The Consolidated Fund of				
The Church Foundation	\$ 142,950,861	\$ -	\$ 142,950,861	\$ -
Other	80,134	26,726	53,408	-
Investments in real estate	<u>1,214,764</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Investments	144,245,759	26,726	143,004,269	-
Beneficial interest in				
perpetual trusts	<u>5,472,675</u>	<u>-</u>	<u>-</u>	<u>5,472,675</u>
	<u>\$ 149,718,434</u>	<u>\$ 26,726</u>	<u>\$ 143,004,269</u>	<u>\$ 5,472,675</u>
Liabilities				
Postretirement				
benefit obligation	<u>\$ 3,076,000</u>	<u>\$ -</u>	<u>\$ 3,076,000</u>	<u>\$ -</u>

Level 3 assets had net income of \$429,098 and \$1,405,980 in the consolidated statement of activities in 2023 and 2022, respectively.

Level 1 and Level 2 investments are valued at quoted market prices at December 31, 2023 and 2022. The Level 3 beneficial interest in perpetual trusts are valued using income approach of comparable market values.

### 13. RESTATEMENT

During the current year, management determined that the 2022 consolidated financial statements of the Diocese and the Foundation did not include investments held and managed by the Foundation on behalf of parishes and other related organizations. The correction of this error resulted in increasing the assets and liabilities on the 2022 statement of financial position by \$74,453,627. The restatement had no impact on the consolidated statement of activities for the year ended December 31, 2022, and no impact on the net assets as of December 31, 2022 and January 1, 2022.

### 14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 22, 2025, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2023 that required recognition or disclosure in the financial statements.

## **SUPPLEMENTARY INFORMATION**



**The Diocese of Pennsylvania of the Episcopal Church  
of the United States of America and Affiliate  
Consolidating Statement of Financial Position  
Year Ended December 31, 2023**

	<u>Diocese</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Assets</b>				
Cash	\$ 2,185,998	\$ 155,663	\$ -	\$ 2,341,661
Contributions receivable			-	
Congregation sacred ask	17,208	-	-	17,208
Other	19,000	-	-	19,000
Prepaid expenses and other assets	417,113	9,992	-	427,105
Investments	71,016,868	1,717,508	-	72,734,376
Investments managed on behalf of others	-	151,953,191	(70,936,735)	81,016,456
Loans receivable	71,489	-	-	71,489
Property and equipment, net	13,502,267	-	-	13,502,267
Beneficial interest in perpetual trusts	5,901,773	-	-	5,901,773
 Total assets	 <u>\$ 93,131,716</u>	 <u>\$ 153,836,354</u>	 <u>\$ (70,936,735)</u>	 <u>\$ 176,031,335</u>
 <b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 1,193,730	\$ 40,780	\$ -	\$ 1,234,510
Funds managed on behalf of others	-	151,953,191	(70,936,735)	81,016,456
Postretirement benefit obligation	3,076,000	-	-	3,076,000
Total liabilities	<u>4,269,730</u>	<u>151,993,971</u>	<u>(70,936,735)</u>	<u>85,326,966</u>
 Net assets				
Without donor restrictions	36,771,208	1,355,780	-	38,126,988
With donor restrictions	52,090,778	486,603	-	52,577,381
Total net assets	<u>88,861,986</u>	<u>1,842,383</u>	<u>-</u>	<u>90,704,369</u>
 Total liabilities and net assets	 <u>\$ 93,131,716</u>	 <u>\$ 153,836,354</u>	 <u>\$ (70,936,735)</u>	 <u>\$ 176,031,335</u>

See Independent Auditor's Report.

**The Diocese of Pennsylvania of the Episcopal Church  
of the United States of America and Affiliate  
Consolidating Statement of Activities  
Year Ended December 31, 2023**

	<u>Diocese</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Revenue and support</b>				
Contributions				
Congregation sacred ask	\$ 2,523,456	\$ -	\$ -	\$ 2,523,456
Other contributions	912,874	69,955	(67,426)	915,403
Investment income	9,543,723	229,537	-	9,773,260
Change in value of beneficial interest in perpetual trusts	429,098	-	-	429,098
Other income	120,665	445,449	(19,800)	546,314
Total revenue and support	<u>13,529,816</u>	<u>744,941</u>	<u>(87,226)</u>	<u>14,187,531</u>
<b>Expenses</b>				
Program services				
Grants and scholarships	1,893,581	89,465	(87,226)	1,895,820
Financially assisted congregations	1,603,615	-	-	1,603,615
Episcopal function	2,383,363	-	-	2,383,363
Diocesan meetings and communications	501,361	-	-	501,361
Investment management expenses	-	334,945	-	334,945
Other Diocesan programs	1,182,171	-	-	1,182,171
Total program services	<u>7,564,091</u>	<u>424,410</u>	<u>(87,226)</u>	<u>7,901,275</u>
Supporting service				
Management and general	894,069	136,978	-	1,031,047
Unallocated national apportionment	834,610	-	-	834,610
Total expenses	<u>9,292,770</u>	<u>561,388</u>	<u>(87,226)</u>	<u>9,766,932</u>
<b>Change in net assets</b>	<u>4,237,046</u>	<u>183,553</u>	<u>-</u>	<u>4,420,599</u>
<b>Net assets</b>				
Beginning of year	<u>84,624,940</u>	<u>1,658,830</u>	<u>-</u>	<u>86,283,770</u>
End of year	<u>\$ 88,861,986</u>	<u>\$ 1,842,383</u>	<u>\$ -</u>	<u>\$ 90,704,369</u>

See Independent Auditor's Report.