

**THE INCORPORATED TRUSTEES OF  
THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2023 AND 2022  
AND  
INDEPENDENT AUDITOR'S REPORT**

**HAMILTON & MUSSER, P.C.**  
*Certified Public Accountants*

**THE INCORPORATED TRUSTEES OF  
THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**  
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For the Year Ended December 31, 2023 and 2022

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# HAMILTON & MUSSER, PC

*Certified Public Accountants • Consultants to Management*

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## INDEPENDENT AUDITOR'S REPORT

To the Council of Trustees of  
The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania  
Harrisburg, Pennsylvania

### Opinion

We have audited the accompanying financial statements of The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania (a nonprofit organization), which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2023 and 2022, and the related statements of support and revenue, expenses, and other changes in net assets – modified cash basis, and functional expenses – modified cash basis for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania as of December 31, 2023 and 2022, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

### Basis for Opinion

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

### Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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 financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

*Members of the American and Pennsylvania Institutes of CPAs*

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania's ability to continue as a going concern for a reasonable period of time.

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

November 26, 2024

Mechanicsburg, Pennsylvania



*Certified Public Accountants*

**THE INCORPORATED TRUSTEES OF  
THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**  
Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis  
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Cash and Cash Equivalents – Operating (Note 2)	\$ 381,453	\$ 614,439
Investments – Operating (Note 4)	4,645,023	4,383,095
Cash and Cash Equivalents – Agency Funds (Note 2)	425,148	250,004
Cash and Cash Equivalents – Restricted for Long-Term Purposes (Note 2)	101,687	85,659
Investments – Agency Funds (Note 4)	17,163,359	15,378,820
Investments – Restricted for Long-Term Purposes (Note 4)	<u>5,473,983</u>	<u>5,269,226</u>
Total Assets	<u>\$ 28,190,653</u>	<u>\$ 25,981,243</u>
<b>Liabilities</b>		
Payroll Tax Liabilities	\$ -	\$ 13,868
Other Liabilities	-	5,680
Agency Funds (Note 5)	<u>17,588,507</u>	<u>15,628,824</u>
Total Liabilities	<u>17,588,507</u>	<u>15,648,372</u>
<b>Net Assets</b>		
Without Donor Restrictions		
Undesignated	1,269,078	1,541,624
Board Designated (Note 7)	3,757,398	3,436,362
With Donor Restrictions (Note 8)	<u>5,575,670</u>	<u>5,354,885</u>
Total Net Assets	<u>10,602,146</u>	<u>10,332,871</u>
Total Liabilities and Net Assets	<u>\$ 28,190,653</u>	<u>\$ 25,981,243</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**THE INCORPORATED TRUSTEES OF  
THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**  
Statement of Support and Revenue, Expenses, and Other Changes in Net Assets – Modified Cash Basis  
For the Year Ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Parish Assessments	\$ 1,238,953	\$ -	\$ 1,238,953
Closed Parish Income	143,161	-	143,161
Contributions	18,206	32,931	51,137
Program Fees – Conferences and Trainings	64,546	-	64,546
Investment Income, Net (Note 4)	567,870	714,751	1,282,621
Miscellaneous Income	42,696	-	42,696
Principal Repayments	81,756	-	81,756
Grants	37,225	-	37,225
Net Assets Released from Restrictions	<u>526,897</u>	<u>(526,897)</u>	<u>-</u>
Total Support and Revenue	<u>2,721,310</u>	<u>220,785</u>	<u>2,942,095</u>
Expenses			
Program Services	1,921,455	-	1,921,455
Supporting Activities			
Unallocated National Apportionment	245,550	-	245,550
Management and General	460,405	-	460,405
Fundraising	<u>45,410</u>	<u>-</u>	<u>45,410</u>
Total Expenses	<u>2,672,820</u>	<u>-</u>	<u>2,672,820</u>
Change in Net Assets	48,490	220,785	269,275
Net Assets, Beginning of Year	<u>4,977,986</u>	<u>5,354,885</u>	<u>10,332,871</u>
Net Assets, End of Year	<u>\$ 5,026,476</u>	<u>\$ 5,575,670</u>	<u>\$ 10,602,146</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**THE INCORPORATED TRUSTEES OF  
THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**  
Statement of Support and Revenue, Expenses, and Other Changes in Net Assets – Modified Cash Basis  
For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Parish Assessments	\$ 1,251,259	\$ -	\$ 1,251,259
Closed Parish Income	163,516	-	163,516
Contributions	43,236	9,015	52,251
Program Fees – Insurance Payments	495	-	495
Program Fees – Conferences and Trainings	67,035	-	67,035
Investment Loss, Net (Note 4)	(715,121)	(919,923)	(1,635,044)
Miscellaneous Income	28,272	-	28,272
Closure of the Episcopal Home for the Elderly	72,532	-	72,532
Principal Repayments	162,968	-	162,968
Grants	59,000	-	59,000
Sponsorships	5,000	-	5,000
Property Sale	205,514	-	205,514
Net Assets Released from Restrictions	<u>554,436</u>	<u>(554,436)</u>	<u>-</u>
 Total Support and Revenue	 <u>1,898,142</u>	 <u>(1,465,344)</u>	 <u>432,798</u>
Expenses			
Program Services	2,089,485	-	2,089,485
Supporting Activities			
Unallocated National Apportionment	275,181	-	275,181
Management and General	420,402	-	420,402
Fundraising	<u>42,915</u>	<u>-</u>	<u>42,915</u>
 Total Expenses	 <u>2,827,983</u>	 <u>-</u>	 <u>2,827,983</u>
 Change in Net Assets	 (929,841)	 (1,465,344)	 (2,395,185)
Net Assets, Beginning of Year	<u>5,907,827</u>	<u>6,820,229</u>	<u>12,728,056</u>
Net Assets, End of Year	<u>\$ 4,977,986</u>	<u>\$ 5,354,885</u>	<u>\$ 10,332,871</u>

The Accompanying Notes are an Integral Part of the Financial Statements

**THE INCORPORATED TRUSTEES OF THE  
EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**  
Statement of Functional Expenses – Modified Cash Basis  
For the Year Ended December 31, 2023

	Program Services						Supporting Services			<u>Total</u>
	<u>Mission and Ministry</u>	<u>Financially Assisted Parishes</u>	<u>Parish Transition, Resources, and Training</u>	<u>Episcopal Function</u>	<u>Children, Youth, and Young Adult</u>	<u>Stevenson School</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Unallocated National Apportionment</u>	
Unallocated National Apportionment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 245,550	\$ 245,550
Salaries	284,335	16,243	121,819	40,607	24,364	138,061	284,243	24,364	-	934,036
Payroll Taxes and Employee Benefits	103,675	5,922	44,418	14,806	8,884	50,340	103,641	8,884	-	340,570
Capital Purchases	-	-	-	57,482	-	-	-	-	-	57,482
Charitable Giving	265,558	-	-	-	-	-	-	-	-	265,558
Educational Training	1,775	-	-	-	2,315	58,024	-	-	-	62,114
Grants, Support, and Loans	-	115,907	2,168	-	-	-	-	-	-	118,075
Marketing	-	-	-	-	-	533	-	-	-	533
Meetings, Conferences, and Conventions	98,919	-	-	-	-	-	827	-	-	99,746
Miscellaneous	13,983	-	2,017	-	-	-	9,026	-	-	25,026
Occupancy Expenses	226,962	-	-	-	-	-	-	-	-	226,962
Office Expenses	119,202	-	-	-	-	-	1,654	12,162	-	133,018
Professional Development	117	-	8,679	-	1,528	499	2,391	-	-	13,214
Professional Fees	-	-	-	-	-	-	58,623	-	-	58,623
Retired Clergy Benefits	16,343	-	-	-	-	-	-	-	-	16,343
Telecommunications	13,487	-	-	-	-	29,720	-	-	-	43,207
Travel, Lodging, and Entertainment	10,246	-	1,993	-	14,773	2,295	-	-	-	29,307
Vehicle Expenses	3,456	-	-	-	-	-	-	-	-	3,456
<b>Total Expenses</b>	<u>\$ 1,158,058</u>	<u>\$ 138,072</u>	<u>\$ 181,094</u>	<u>\$ 112,895</u>	<u>\$ 51,864</u>	<u>\$ 279,472</u>	<u>\$ 460,405</u>	<u>\$ 45,410</u>	<u>\$ 245,550</u>	<u>\$ 2,672,820</u>

The Accompanying Notes are an Integral Part of the Financial Statements



**THE INCORPORATED TRUSTEES OF THE  
EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**  
Statement of Functional Expenses – Modified Cash Basis  
For the Year Ended December 31, 2022

	Program Services						Supporting Services			Total
	Mission and Ministry	Financially Assisted Parishes	Parish Transition, Resources, and Training	Episcopal Function	Children, Youth, and Young Adult	Stevenson School	Management and General	Fundraising	Unallocated National Apportionment	
Unallocated National Apportionment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,181	\$ 275,181
Salaries	247,002	14,110	105,824	35,275	21,165	119,934	246,921	21,165	-	811,396
Payroll Taxes and Employee Benefits	104,081	5,946	44,592	14,864	8,918	50,538	104,047	8,918	-	341,904
Capital Purchases	-	-	-	46,907	-	-	-	-	-	46,907
Charitable Giving	377,568	-	-	-	-	-	-	-	-	377,568
Educational Training	2,356	-	-	-	3,073	77,027	-	-	-	82,456
Grants, Support, and Loans	-	91,532	1,712	-	-	-	-	-	-	93,244
Marketing	-	-	-	-	-	1,108	-	-	-	1,108
Meetings, Conferences, and Conventions	190,616	-	-	-	-	-	1,594	-	-	192,210
Miscellaneous	17,604	-	2,539	-	-	-	11,363	-	-	31,506
Occupancy Expenses	254,154	-	-	-	-	-	-	-	-	254,154
Office Expenses	125,773	-	-	-	-	-	1,745	12,832	-	140,350
Professional Development	121	-	8,937	-	1,573	513	2,462	-	-	13,606
Professional Fees	-	-	-	-	-	-	52,270	-	-	52,270
Retired Clergy Benefits	13,078	-	-	-	-	-	-	-	-	13,078
Telecommunications	9,711	-	-	-	-	21,401	-	-	-	31,112
Travel, Lodging, and Entertainment	11,201	-	2,178	-	16,151	2,509	-	-	-	32,039
Vehicle Expenses	37,894	-	-	-	-	-	-	-	-	37,894
<b>Total Expenses</b>	<b><u>\$ 1,391,159</u></b>	<b><u>\$ 111,588</u></b>	<b><u>\$ 165,782</u></b>	<b><u>\$ 97,046</u></b>	<b><u>\$ 50,880</u></b>	<b><u>\$ 273,030</u></b>	<b><u>\$ 420,402</u></b>	<b><u>\$ 42,915</u></b>	<b><u>\$ 275,181</u></b>	<b><u>\$ 2,827,983</u></b>

The Accompanying Notes are an Integral Part of the Financial Statements

**THE INCORPORATED TRUSTEES OF  
THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities:**

The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania (the Diocese) is a constituent of the Episcopal Church, known as the Protestant Episcopal Church in the United States of America. The Diocese exists, operates, and is governed pursuant to a Constitution and Canons adopted in 1789 and subsequently amended from time to time. The Diocese is a nonprofit Diocese and is dedicated to establishing, developing, and promoting all aspects of church ministry within the sixty-one parishes of Central Pennsylvania. The Diocese is supported primarily through parish assessments and investment income.

The Diocese has six programs that focus on promoting aspects of church ministry of the member parishes. The mission and ministry program include resources that support local and international organizations related to the Diocesan ministry. The financially assisted parishes program includes assistance to parishes to support mission, ministry, operations, and capital projects. The parish transition, resources, and training program include resources provided to parishes for training and transition of rectors. The Episcopal function program includes costs for national and regional conferences supporting Episcopalians. The children, youth, and young adult program includes activities that support the encouragement of spirituality among the children, youth, and young members of each parish. The Stevenson School program provides theological education to all to further mission and ministry.

**Basis of Accounting:**

The accompanying financial statements have been prepared on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (US GAAP). That basis differs from US GAAP primarily because revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Consequently, other accruals are not included in the financial statements. Investments are carried at fair market value and the related appreciation or depreciation is recognized in the current period and accounted for as revenue or expense. Agency funds are also recorded on the financial statements.

**Basis of Presentation:**

Financial statement presentation follows the Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) which requires the Corporation to report information regarding its assets, liabilities, and net assets and support, revenue, and expenses according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Cash and Cash Equivalents:**

For purposes of the Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis, the Diocese considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Restricted Cash and Cash Equivalents:**

The Diocese holds investment accounts for operations, other parishes, and endowments. The cash portion of the investments held for others and endowments are presented separately on the face of the Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis.

**THE INCORPORATED TRUSTEES OF  
THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

**NOTE 1            NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments:**

Investments are recorded at fair value in the Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis. Certain funds are managed by the Episcopal Church Foundation and include investments of the Diocese and custodial funds for any of the sixty-one parishes. The funds are pooled to maximize earnings. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the change in unrestricted net assets unless restricted by the donor or the law.

The Diocese has adopted FASB ASC Topic 820, *Fair Value Measurements and Disclosures*. This standard defines fair value, establishes a framework for measuring fair value, and stipulates the disclosure requirements for fair value measurements.

Fair Value Reporting requires an establishment of a hierarchy that ranks the quality and reliability of inputs, or assumptions, used in the determination of fair value and requires financial assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices in active markets for identical assets and liabilities
- Level 2 – Directly or indirectly observable inputs other than Level 1 quoted prices
- Level 3 – Unobservable inputs not corroborated by market data

For investments that have quoted market prices in active markets, the Diocese uses the quoted market prices as fair values and includes those investments in Level 1 of the fair value hierarchy. When quoted market prices in active markets are not available, various pricing services are used to determine fair value of investments that are included in Level 2 of the fair value hierarchy. Level 3 represents financial assets whose fair value is determined based upon inputs that are unobservable and include the Diocese's own determinations of the assumptions that a market participant would use in pricing the asset.

The Diocese invests in a professionally managed portfolio that contains various types of securities. Such investments are exposed to interest rate, market, and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term may materially affect investment balances and the amounts reported in the financial statements and the accompanying notes.

The Diocese's investments are exposed to various risks, such as interest rate, market, currency, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements.

**THE INCORPORATED TRUSTEES OF  
THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments Measured Using the Net Asset Value (NAV) per Share Practical Expedient:**

The fair value presented in the following notes is intended to permit the reconciliation of the fair value hierarchy to the line items presented in the Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis. The following describes the type of investment funds the common trust funds are invested in:

***Common Trust Funds:***

Large CAP

DJ-UBS Roll Select Commodity Index  
S&P 500 Common Trust Fund

Small/Mid CAP

S&P Mid CAP Lending  
State Street Institutional Small-CAP

International

Aberdeen Emerging Markets  
Active International Small CAP  
Daily Active Emerging Market  
Harbor FDS Diversified International  
All CAP Retire  
International Alpha Select

Real Estate Investment Trust (REIT)

State Street Global Real Estate

Fixed Income

Passive High Yield CTF  
Passive Bond Market  
Intermediate Credit Index  
TCW Emerging Markets Income Fund  
Treasury Inflation Protected Securities

The per unit net asset value of the funds are determined each business day based on the quoted market prices of the underlying investments held. For certain holdings, values are derived from indices, reference rates or a combination of these factors.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Diocese believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The Diocese considers these to be Level 3 investments.

**Contributions:**

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Support and Revenue, Expenses, and Other Changes in Net Assets – Modified Cash Basis as net assets released from restrictions.

**Mission and Parish Property:**

Active missions and parishes of the Diocese are not recorded in the financial statements. The Diocese has control over the property through the Standing Committee. The congregations maintain beneficial use of the properties. In the event that a mission or parish is deconsecrated, beneficial ownership of the property held by the congregation reverts to the Diocese and is therefore held as an asset of the Diocese until sold. The proceeds from the sale of deconsecrated (consecrated) congregations are recorded as support and revenue on the Statements of Support and Revenue, Expenses, and Other Changes in Net Assets - Modified Cash Basis.

**THE INCORPORATED TRUSTEES OF  
THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates:**

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Such estimates relate primarily to fair value measurements and the allocation of functional expenses. Actual results could differ from those estimates.

**Functional Expenses:**

The costs of providing Diocese programs and supporting services have been summarized on a functional basis in the Statements of Support and Revenue, Expenses, and Other Changes in Net Assets – Modified Cash Basis. Certain expenses are charged directly to programs or supporting services based on specific identification. Indirect expenses have been allocated by management based on reasonable allocation methods. Expenses related to more than one program or supporting service are allocated on the basis of actual or estimated employee time.

**Income Taxes:**

The Diocese is a 501(c)(3) non-profit organization which is statutorily exempt from federal income taxes under the Internal Revenue Code. The standards require an assessment of the Diocese's exposure to income taxes at the entity level as a result of uncertain tax positions taken in current and previously filed tax returns. Examples of tax positions taken at the entity level include the continuing validity of its status, potential unrelated business activities, and other tax positions that could result in income taxes to the Diocese upon examinations by taxing authorities. The Diocese's management is not aware of any activities that would jeopardize its tax-exempt status or would be subject to unrelated business or excise tax.

As a religious organization, the Diocese is not subject to annual income tax filings. However, any activities that are unrelated to their exempt purpose or activities requiring an excise tax could subject the Diocese to filing a Form 990T. In 2018, the Diocese filed Form 990T. The 2018 Form 990T is subject to examination by the Internal Revenue Service, generally for three years after the return is filed.

**NOTE 2 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents – Operating	\$ 381,453	\$ 614,439
Cash and Cash Equivalents – Agency Funds	425,148	250,004
Cash and Cash Equivalents – Restricted for Long-Term Purposes	<u>101,687</u>	<u>85,659</u>
Total Cash and Cash Equivalents	<u>\$ 908,288</u>	<u>\$ 950,102</u>

**THE INCORPORATED TRUSTEES OF  
THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**

Notes to Financial Statements  
For the Years Ended December 31, 2023 and 2022

**NOTE 3 AVAILABILITY AND LIQUIDITY**

The following represents the Diocese's financial assets at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 908,288	\$ 950,102
Investments	<u>27,282,365</u>	<u>25,031,141</u>
Total Financial Assets	<u>28,190,653</u>	<u>25,981,243</u>
Less Amounts Not Available to be Used		
Within One Year:		
Agency Funds	17,588,507	15,628,824
Board Designated Net Assets	3,757,398	3,436,362
Net Assets with Donor Restrictions	<u>5,575,670</u>	<u>5,354,885</u>
Total Amounts Not Available to be Used Within One Year	<u>26,921,575</u>	<u>24,420,071</u>
Financial Assets Available to Meet Expenses Over the Next Year	<u>\$ 1,269,078</u>	<u>\$ 1,561,172</u>

The Diocese's plan is generally to maintain financial assets to meet 90 days of operating expenses. As further described in Note 9, the Diocese also has a line of credit that it can draw upon in case of unanticipated liquidity needs. The balance available at December 31, 2023 and 2022 was \$250,000.

**NOTE 4 INVESTMENTS**

Investments measured at fair value are presented in the financial statements in the aggregate at fair value at December 31, 2023 and 2022:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Stocks	\$ 98,687	\$ 141,161	\$ 99,305	\$ 168,508
Exchange Traded				
Funds	1,411	2,153	1,338	1,836
Mutual Funds	16,056	18,247	15,528	16,444
Corporate Fixed				
Income	<u>25,072</u>	<u>24,733</u>	<u>25,232</u>	<u>24,178</u>
Total	<u>\$ 141,226</u>	<u>\$ 186,294</u>	<u>\$ 141,403</u>	<u>\$ 210,966</u>

The Diocese considers these investments to be Level 1 investments.

**THE INCORPORATED TRUSTEES OF  
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**NOTE 4 INVESTMENTS (CONTINUED)**

Investments measured at net asset value per share are presented in the financial statements in the aggregate at fair value at December 31, 2023 and 2022:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
DJ-UBC Roll Select Commodity Index	\$ 782,795	\$ 809,279	\$ 1,199,912	\$ 1,502,291
S&P 500 Common Trust Fund	4,949,063	7,443,920	4,094,248	5,583,887
S&P/Mid CAP Lending	676,563	1,358,222	708,657	1,274,173
State Street Institutional Small- CAP	1,891,748	1,693,508	1,591,117	1,246,687
Aberdeen Emerging Markets	1,628,630	1,220,289	1,332,966	873,540
Active International Small CAP	820,413	1,128,057	862,635	1,039,368
Daily Active Emerging Markets	1,165,684	1,288,417	1,006,421	919,859
Harbor FDS Diversified International All CAP Retire	1,848,899	1,784,482	2,796,696	2,402,566
International Alpha Select	1,439,821	1,782,588	2,261,834	2,378,009
State Street Global Real Estate	882,257	820,933	956,312	792,113
Intermediate Credit Index	-	-	791,063	757,848
Passive Bond Market	3,851,800	3,959,269	2,582,201	2,524,497
Passive High Yield CTF	1,031,175	1,090,662	1,010,147	995,431
TCW Emerging Markets Income Fund	1,654,304	1,383,116	1,596,512	1,246,765
Treasury Inflation Protected Securities	<u>1,380,877</u>	<u>1,333,329</u>	<u>1,380,877</u>	<u>1,283,141</u>
Total	<u>\$ 24,004,029</u>	<u>\$ 27,096,071</u>	<u>\$ 24,171,598</u>	<u>\$ 24,820,175</u>

The Diocese considers its investments measured at net asset value to be Level 3 investments.

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**NOTE 4 INVESTMENTS (CONTINUED)**

The following table sets forth additional disclosures for the measurements of investments in certain entities that calculate net assets value per share (or its equivalent) at December 31, 2023.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
DJ-UBC Roll Select Commodity Index	\$ 809,279	N/A	Daily	None
S&P 500 Common Trust Fund	7,443,920	N/A	Daily	None
S&P/Mid CAP Lending	1,358,222	N/A	Daily	None
State Street Institutional Small - CAP	1,693,508	N/A	Daily	None
Aberdeen Emerging Markets	1,220,289	N/A	Daily	None
Active International Small CAP	1,128,057	N/A	Daily	None
Daily Active Emerging Markets	1,288,417	N/A	Daily	None
Harbor FDS Diversified International All CAP Retire	1,784,482	N/A	Daily	None
International Alpha Select	1,782,588	N/A	Daily	None
State Street Global Real Estate	820,933	N/A	Daily	None
Passive Bond Market	3,959,269	N/A	Daily	None
Passive High Yield CTF	1,090,662	N/A	Daily	None
TCW Emerging Markets Income Fund	1,383,116	N/A	Daily	None
Treasury Inflation Protected Securities	<u>1,333,329</u>	N/A	Daily	None
Total	<u>\$ 27,096,071</u>			



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**NOTE 4 INVESTMENTS (CONTINUED)**

The following table sets forth additional disclosures for the measurements of investments in certain entities that calculate net asset value per share (or its equivalent) at December 31, 2022.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
DJ-UBS Roll Select Commodity Index	\$ 1,502,291	N/A	Daily	None
S&P 500 Common Trust Fund	5,583,887	N/A	Daily	None
S&P/Mid CAP Lending	1,274,173	N/A	Daily	None
State Street Institutional Small- CAP	1,246,687	N/A	Daily	None
Aberdeen Emerging Markets	873,540	N/A	Daily	None
Active International Small CAP	1,039,368	N/A	Daily	None
Daily Active Emerging Markets	919,859	N/A	Daily	None
Harbor Diversified International All CAP Retire	2,402,566	N/A	Daily	None
International Alpha Select	2,378,009	N/A	Daily	None
State Street Global Real Estate	792,113	N/A	Daily	None
Intermediate Credit Index	757,848	N/A	Daily	None
Passive Bond Market	2,524,497	N/A	Daily	None
Passive High Yield CTF	995,431	N/A	Daily	None
TCW Emerging Market Income Fund	1,246,765	N/A	Daily	None
Treasury Inflation Protected Securities	<u>1,283,141</u>	N/A	Daily	None
Total	<u>\$ 24,820,175</u>			

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

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**NOTE 4 INVESTMENTS (CONTINUED)**

Change in Level 3 investments consisted of the following for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Common Trust Funds, Beginning of Year	\$ 25,217,207	\$ 31,679,833
Contributions	1,433,269	385,232
Withdrawals	(2,559,585)	(2,578,628)
Interest and Dividends	292,393	198,916
Net Realized and Unrealized Gain (Loss) on Investments	3,303,955	(4,362,037)
Investment Fees	<u>(97,000)</u>	<u>(106,109)</u>
Common Trust Funds, End of Year	27,590,239	25,217,207
Less: Cash Portion of Investments	<u>(494,168)</u>	<u>(397,032)</u>
 Total Investments in Common Trusts	 <u>\$ 27,096,071</u>	 <u>\$ 24,820,175</u>

Gains and losses (realized and unrealized) for Level 3 investments owned by the Diocese included in changes in value for the periods above are reflected in the Statements of Support and Revenue, Expenses, and Other Changes in Net Assets – Modified Cash Basis.

Total investments are comprised of the following at December 31:

	<u>2023</u>	<u>2022</u>
Level 1 Investments	\$ 186,294	\$ 210,966
Level 3 Investments	<u>27,096,071</u>	<u>24,820,175</u>
 Total	 <u>\$ 27,282,365</u>	 <u>\$ 25,031,141</u>

Investment income (loss) consisted of the following for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and Dividends	\$ 119,718	\$ 80,869
Net Realized and Unrealized Gain (Loss) on Investments	1,199,974	(1,675,020)
Investment Fees	<u>(37,071)</u>	<u>(40,893)</u>
 Total	 <u>\$ 1,282,621</u>	 <u>\$ (1,635,044)</u>

**NOTE 5 AGENCY FUNDS**

The Diocese accounts for funds held for other parishes and other organizations throughout the year. These funds do not belong to the Diocese and are therefore treated as agency funds on the Statements of Assets, Liabilities, and Net Assets – Modified Cash Basis and their activities are excluded from the Statements of Support and Revenue, Expenses, and Other Changes in Net Assets – Modified Cash Basis. The balance of these agency funds was \$17,588,507 and \$15,628,824 at December 31, 2023 and 2022, respectively.

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Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

**NOTE 6            ENDOWMENT FUNDS**

Endowments consist of various investment funds established primarily for operating needs of the Diocese and include board designated net assets and net assets with donor restrictions. Net assets associated with endowment funds are classified as donor-imposed and reported based on Pennsylvania state law and the existence or absence of restrictions. The investment policies and use of earnings for the perpetually restricted portions of the endowment funds are as follows:

**Investment Management Policy:**

Gifts to the endowment funds are generally given with the donors' expectations that the funds will stay intact and will grow from earnings, which can then be used for current or long-term needs of the Diocese. The Diocese has adopted written investment and spending policies, approved by the Council of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Investment risk is measured in terms of the total endowment fund. Therefore, the funds should be invested in accordance with these general policies:

1. *Preservation of Capital* – Both with respect to the overall Fund and to the assets assigned to each investment manager, the Endowment Committee and the investment managers should make conscious efforts to preserve capital, understanding that losses may occur in individual securities.
2. *Risk Aversion* – Understanding that risk is present in all types of securities and investment styles, the Endowment Committee recognizes that some risk is necessary to produce long-term investment results sufficient to meet the Fund's objectives. However, investment managers are to make reasonable efforts to control risk, and they will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. *Adherence to Investment Discipline* – Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to investment discipline.

**Investment Objectives:**

Specifically, the primary objective in the investment management of fund assets shall be:

- To preserve purchasing power after spending
- To achieve returns that are more than the rate of inflation plus spending over the investment horizon in order to preserve purchasing power of fund assets
- To control risk in the investment of fund assets

**Spending Policy:**

The Diocese is governed by the Commonwealth of Pennsylvania's Act 141. Act 141 is a total return policy that allows a nonprofit to distribute a percentage of the average market value of the endowment's investments each year. The Diocese established a policy of appropriating for distribution each year a range of 2% to 7% of the average annual value of the endowment assets over the prior three years. For 2023 and 2022, the Diocese used a 5% distribution rate, respectively. In establishing these policies, the Diocese considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

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**NOTE 6            ENDOWMENT FUNDS (CONTINUED)**

Changes in the endowment funds for the year ended December 31, 2023 are as follows:

	<u>Board- Designated</u>	<u>Perpetually Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 3,436,362	\$ 5,353,647	\$ 8,790,009
Contributions	-	-	-
Interest and Dividends	40,683	59,466	100,149
Unrealized/Realized Gain	456,342	675,966	1,132,308
Investment Fees	(13,920)	(20,681)	(34,601)
Withdrawals	<u>(162,069)</u>	<u>(508,611)</u>	<u>(670,680)</u>
Endowment Net Assets, End of Year	<u>\$ 3,757,398</u>	<u>\$ 5,559,787</u>	<u>\$ 9,317,185</u>

Changes in the endowment funds for the year ended December 31, 2022 are as follows:

	<u>Board- Designated</u>	<u>Perpetually Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 4,251,705	\$ 6,809,947	\$ 11,061,652
Contributions	-	-	-
Interest and Dividends	27,047	42,633	69,680
Unrealized/Realized Loss	(591,413)	(939,658)	(1,531,071)
Investment Fees	(14,324)	(23,057)	(37,381)
Withdrawals	<u>(236,653)</u>	<u>(536,218)</u>	<u>(772,871)</u>
Endowment Net Assets, End of Year	<u>\$ 3,436,362</u>	<u>\$ 5,353,647</u>	<u>\$ 8,790,009</u>

**NOTE 7            BOARD DESIGNATED NET ASSETS**

Net assets without donor restrictions have been set aside by the Council of Trustees for the following purposes at December 31:

	<u>2023</u>	<u>2022</u>
Bishop Search	\$ 63,516	\$ 55,647
Children, Youth, and Young Adults	161,592	149,883
College Ministry	49,554	45,760
Communications	40,048	37,297
Episcopal Church Women	43,302	37,937
Leadership Development	60,796	56,619
Mission and Ministry	772,963	583,657
Parish Loan Fund	2,315,938	2,237,029
Stevenson School	<u>249,689</u>	<u>232,533</u>
Total Board Designated Net Assets	<u>\$ 3,757,398</u>	<u>\$ 3,436,362</u>

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**NOTE 8            NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at December 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Bishop's Discretionary Funds	\$ 15,883	\$ 1,238
Construction and Repairs	365,511	407,583
Domestic and Foreign Missions	293,134	272,995
Episcopal Church Women	18,698	13,915
General Purposes	628,924	583,599
Missions and Ministry	1,748,570	1,739,175
Parish Support	73,047	67,994
Social Ministry	538,384	505,149
Stevenson School	449,860	418,762
World Outreach, Youth, Aging, Leadership	<u>1,443,659</u>	<u>1,344,475</u>
Total	<u>\$ 5,575,670</u>	<u>\$ 5,354,885</u>

**NOTE 9            LINE OF CREDIT**

In 2012, the Diocese opened a line of credit with Mid Penn Bank in the amount of \$250,000. The line is due on demand and bears a variable interest rate based on the Prime Rate. The interest rate as of December 31, 2023 and 2022 was 8.00% and 7.00%, respectively. There were no draws on the line of credit during the years ended December 31, 2023 and 2022.

The Diocese expenses all interest costs as they are paid. There was no interest expense for the years ended December 31, 2023 and 2022.

**NOTE 10          RELATED PARTIES**

The Diocese provides grants to parishes within its region for the purpose of assisting congregations with major structural and renovation projects, assistance with certain qualified projects, and assistance with college outreach and other parish missions. During the years ended 2023 and 2022, the Diocese provided \$18,300 and \$50,071, respectively, in funding. By virtue of being member parishes, these transactions are considered related party in nature.

The Diocese provides loans to congregations for the purpose of new construction, existing facility remodel or for repairs over a term of 2 to 10 years with a fixed term rate of 2%. These loans are recorded as expense when issued and revenue when repaid on the Diocese's modified cash basis of accounting. The loans outstanding at December 31, 2023 and 2022, totaled \$417,939 and \$192,723, respectively.

The Diocese is affiliated with the Protestant Episcopal Church of the United States of America. As part of that affiliation, during the year ended December 31, 2023 and 2022, the Diocese committed \$245,550 and \$275,181, respectively, in support of the national church. In addition, the Diocese participates in various health and benefit plans as provided by the national church, as further described in Note 12.

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Notes to Financial Statements

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**NOTE 11           CONCENTRATIONS**

The Diocese revenues for the Missionary Budget Fund include amounts received from the sixty-one parishes within its Central Pennsylvania diocese. The parish assessment revenue represents 74.7% and 60.5% of the total non-investment income (loss) support and revenue for the Diocese for the years ended December 31, 2023 and 2022, respectively. The continuation of Diocese operations is usually assumed in financial accounting in the absence of evidence to the contrary. The Diocese is subject to uncertainty as to the amounts of future support.

Financial instruments that potentially subject the Diocese to concentrations of credit risk consist principally of cash and cash equivalents held with financial institutions. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The Diocese's accounts at a financial institution may have exceeded the insurance obtained through the FDIC from time to time throughout the year. There was \$97,251 and \$325,460 in excess of the FDIC limit at December 31, 2023 and 2022, respectively.

The Diocese also holds funds in accounts that are not insured by the FDIC. These amounts were \$517,872 and \$417,454 at December 31, 2023 and 2022, respectively.

**NOTE 12           POST-RETIREMENT BENEFITS AND RETIREMENT PLANS**

The Diocese participates 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 Protestant Episcopal Church, where the Diocese contributes 18% of eligible wages to the plan. The Diocese's contributions to the plan were \$80,227 and \$69,374 for the years ended December 31, 2023 and 2022, respectively. 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 \$37,635 and \$27,501 during the years ended December 31, 2023 and 2022, respectively.

The Diocese provides the cost of a health insurance supplement policy to its retired clergy for life. The primary plan for these benefits is administered by an agency of the national church (the Episcopal Church Clergy and Employees). The total paid for these benefits were \$4,155 and \$4,320 for the years ended December 31, 2023 and 2022, respectively.

**NOTE 13           RECLASSIFICATIONS**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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Notes to Financial Statements  
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**NOTE 14      SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 26, 2024, which is the date the financial statements were available to be issued.

Subsequent to December 31, 2023, the parish of Chapel of the Good Shepherd - Montoursville was closed. The Diocese is in the process of transferring any remaining assets out of the parish's name and adding them to Diocese accounts.

Subsequent to December 31, 2023, the Diocese opened a new investment account to deposit the funds from the proceeds of the Grubb Trust. The Diocese will be acting as the administrator of the trust funds and is charged with making the necessary distributions.

Subsequent to December 31, 2023, the members of the Diocese voted to join with the Episcopal Diocese of Bethlehem and form the Episcopal Diocese of the Susquehanna, effective January 1, 2026. A separate legal entity will be formed to accommodate this decision.