

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

Years Ended December 31, 2019 and 2018

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

Financial Statements with Supplementary Information -
Modified Cash Basis

Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Council of Trustees
**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

We have audited the accompanying financial statements of **The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania** (the Diocese; a nonprofit organization), which comprise the statements of assets, liabilities, and net assets - modified cash basis as of December 31, 2019 and 2018, 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.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets - modified cash basis of **The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania** as of December 31, 2019, and its support and revenue, expenses, and other changes in net assets - modified cash basis for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Prior Period Financial Statements

The financial statements as of and for the year ended December 31, 2018, were audited by Greenawalt & Company, P.C., who merged with Trout CPA as of January 1, 2020, and whose report dated August 22, 2019, expressed an unmodified opinion on those modified cash basis financial statements.

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.

Trout CPA

November 12, 2020

Lancaster, Pennsylvania

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**
STATEMENTS of ASSETS, LIABILITIES, and NET ASSETS -
Modified Cash Basis
December 31, 2019 and 2018

	2019	2018
ASSETS		
CASH and INVESTMENTS		
Cash	\$ 701,174	\$ 430,080
Investments	<u>26,526,969</u>	<u>23,344,907</u>
TOTAL ASSETS	<u>27,228,143</u>	<u>23,774,987</u>
LIABILITIES and NET ASSETS		
LIABILITIES		
Payroll Tax Withholdings	9,621	8,936
Investments Held for Others	<u>15,965,072</u>	<u>13,683,990</u>
TOTAL LIABILITIES	15,974,693	13,692,926
NET ASSETS		
Without Donor Restrictions	5,127,721	4,347,178
With Donor Restrictions	<u>6,125,729</u>	<u>5,734,883</u>
TOTAL NET ASSETS	<u>11,253,450</u>	<u>10,082,061</u>
TOTAL LIABILITIES and NET ASSETS	<u>\$ 27,228,143</u>	<u>\$ 23,774,987</u>

See notes to financial statements.

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

STATEMENTS of SUPPORT and REVENUE, EXPENSES, and OTHER CHANGES in NET ASSETS -

Modified Cash Basis

Years Ended December 31, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT and REVENUE			
Parish Assessments	\$ 1,385,132	\$ -0-	\$ 1,385,132
Investment Income	33,718	38,019	71,737
Closed Parish Income	9,899	-0-	9,899
Contributions	330,284	20,800	351,084
Program Fees - Insurance Payments	35,435	-0-	35,435
Program Fees - Conference and Training	55,276	-0-	55,276
Principal Repayments	58,097	-0-	58,097
Unrealized and Realized Gains (Losses)	680,097	943,203	1,623,300
Proceeds from Sale of Property	-0-	-0-	-0-
Miscellaneous Income	4,351	-0-	4,351
Net Assets Released from Restriction Satisfaction of Program Restrictions	611,176	(611,176)	-0-
Total Support and Revenue	3,203,465	390,846	3,594,311
EXPENSES			
Program Services:			
Mission and Ministry	732,674	-0-	732,674
Financially Assisted Parishes	326,021	-0-	326,021
Parish Transition, Resources, and Training	208,144	-0-	208,144
Episcopal Function	55,582	-0-	55,582
Children, Youth, and Young Adult	72,888	-0-	72,888
Stevenson School	291,801	-0-	291,801
Total Program Services	1,687,110	-0-	1,687,110
Support Services:			
Management and General	493,626	-0-	493,626
Fundraising	42,458	-0-	42,458
Total Support Services	536,084	-0-	536,084
Unallocated National Apportionment	199,728	-0-	199,728
Total Expenses	2,422,922	-0-	2,422,922
CHANGES in NET ASSETS	780,543	390,846	1,171,389
NET ASSETS			
Beginning of Year	4,347,178	5,734,883	10,082,061
End of Year	\$ 5,127,721	\$ 6,125,729	\$ 11,253,450

See notes to financial statements.

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

STATEMENTS of SUPPORT and REVENUE, EXPENSES, and OTHER CHANGES in NET ASSETS -

Modified Cash Basis

(Continued)

Years Ended December 31, 2019 and 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT and REVENUE			
Parish Assessments	\$ 1,319,172	\$ -0-	\$ 1,319,172
Investment Income	18,399	17,911	36,310
Closed Parish Income	51,294	-0-	51,294
Contributions	530,150	37,046	567,196
Program Fees - Insurance Payments	30,240	-0-	30,240
Program Fees - Conference and Training	58,306	-0-	58,306
Principal Repayments	64,013	-0-	64,013
Unrealized and Realized Gains (Losses)	(399,558)	(563,957)	(963,515)
Proceeds from Sale of Property	52,004	-0-	52,004
Miscellaneous Income	11,556	-0-	11,556
Net Assets Released from Restriction			
Satisfaction of Program Restrictions	33,116	(33,116)	-0-
Total Support and Revenue	1,768,692	(542,116)	1,226,576
EXPENSES			
Program Services:			
Mission and Ministry	652,969	-0-	652,969
Financially Assisted Parishes	212,851	-0-	212,851
Parish Transition, Resources, and Training	175,079	-0-	175,079
Episcopal Function	103,404	-0-	103,404
Children, Youth, and Young Adult	63,306	-0-	63,306
Stevenson School	271,984	-0-	271,984
Total Program Services	1,479,593	-0-	1,479,593
Support Services:			
Management and General	455,708	-0-	455,708
Fundraising	25,119	-0-	25,119
Total Support Services	480,827	-0-	480,827
Unallocated National Apportionment	212,720	-0-	212,720
Total Expenses	2,173,140	-0-	2,173,140
CHANGES in NET ASSETS	(404,448)	(542,116)	(946,564)
NET ASSETS			
Beginning of Year	4,751,626	6,276,999	11,028,625
End of Year	<u>\$ 4,347,178</u>	<u>\$ 5,734,883</u>	<u>\$ 10,082,061</u>

See notes to financial statements.

The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania

STATEMENTS of FUNCTIONAL EXPENSES -

Modified Cash Basis

Years Ended December 31, 2019 and 2018

2019

	Program Services				Support Services			
	Parish		Children, Youth, and		Management and		Unallocated National	
	Mission and Ministry	Financially Assisted Parishes	Transition, Resources, and Training	Young Adult	Stevenson School	General	Fundraising Apportionment	Total
Salaries	\$ 133,062	\$ 13,306	\$ 99,794	\$ 19,959	\$ 113,101	\$ 232,326	\$ 19,959	\$ 664,772
Payroll Taxes and Employee Benefits	59,877	5,988	44,908	8,981	50,895	110,312	8,981	304,911
National Apportionment	-0-	-0-	-0-	-0-	-0-	-0-	-0-	199,728
Professional Development	2,612	-0-	6,052	50	2,312	17,370	-0-	28,396
Grants, Support, and Loans	-0-	306,727	17,369	-0-	-0-	-0-	-0-	324,096
Educational Training	2,414	-0-	-0-	9,689	70,545	603	-0-	83,251
Meetings, Conferences, and Convention	164,734	-0-	1,290	-0-	-0-	6,390	-0-	179,257
Travel, Lodging, and Entertainmen	11,188	-0-	8,464	16,308	5,241	6,048	-0-	47,754
Office Expense	27,716	-0-	12,670	8,217	16,463	31,397	13,518	109,981
Telecommunications	3,011	-0-	641	320	12,682	1,281	-0-	17,935
Occupancy Expenses	18,725	-0-	9,364	9,364	14,046	42,137	-0-	93,636
Capital Purchases	6,773	-0-	3,308	-0-	5,356	6,616	-0-	22,053
Retired Clergy Benefits	98,482	-0-	-0-	-0-	-0-	-0-	-0-	98,482
Vehicle Expenses	2,657	-0-	3,037	-0-	-0-	2,775	-0-	8,469
Charitable Giving	199,709	-0-	-0-	-0-	-0-	-0-	-0-	199,709
Marketing	-0-	-0-	-0-	-0-	1,160	-0-	-0-	1,160
Professional Fees	514	-0-	-0-	-0-	-0-	32,058	-0-	32,572
Miscellaneous	1,200	-0-	1,247	-0-	-0-	4,313	-0-	6,760
	<u>\$ 732,674</u>	<u>\$ 326,021</u>	<u>\$ 208,144</u>	<u>\$ 72,888</u>	<u>\$ 291,801</u>	<u>\$ 493,626</u>	<u>\$ 42,458</u>	<u>\$ 2,422,922</u>

See notes to financial statements.

The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania

STATEMENTS of FUNCTIONAL EXPENSES -

Modified Cash Basis

(Continued)

Years Ended December 31, 2019 and 2018

2018

	Program Services						Support Services			
	Parish			Children, Youth, and Young Adult			Management and General		Unallocated National	
	Mission and Ministry	Financially Assisted Parishes	Transition, Resources, and Training	Episcopal Function	Stevenson School			Fundraising Apportionment		Total
Salaries	\$ 116,775	\$ 11,678	\$ 87,581	\$ 29,194	\$ 17,517	\$ 99,258	\$ 204,356	\$ 17,517	\$ -0-	\$ 583,876
Payroll Taxes and										
Employee Benefits	50,684	5,068	38,013	12,671	7,603	43,081	88,696	7,602	-0-	253,418
National Apportionment	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	212,720	212,720
Professional Development	-0-	-0-	2,517	-0-	370	908	8,528	-0-	-0-	12,323
Grants, Support, and Loans	-0-	196,105	-0-	-0-	-0-	-0-	-0-	-0-	-0-	196,105
Educational Training	-0-	-0-	5,691	-0-	3,874	76,913	-0-	-0-	-0-	86,478
Meetings, Conferences, and										
Convention	139,336	-0-	1,764	61,269	-0-	-0-	10,135	-0-	-0-	212,504
Travel, Lodging, and Entertainment	5,986	-0-	10,760	270	16,523	4,934	7,133	-0-	-0-	45,606
Office Expense	24,068	-0-	12,334	-0-	8,019	16,039	32,835	-0-	-0-	93,295
Telecommunications	6,304	-0-	1,576	-0-	788	13,153	3,151	-0-	-0-	24,972
Occupancy Expenses	17,225	-0-	8,612	-0-	8,612	12,918	42,602	-0-	-0-	89,969
Capital Purchases	18,886	-0-	-0-	-0-	-0-	-0-	10,169	-0-	-0-	29,055
Retired Clergy Benefits	99,846	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	99,846
Vehicle Expenses	4,206	-0-	2,822	-0-	-0-	-0-	3,322	-0-	-0-	10,350
Charitable Giving	159,947	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	159,947
Marketing	-0-	-0-	-0-	-0-	-0-	4,780	-0-	-0-	-0-	4,780
Professional Fees	8,227	-0-	-0-	-0-	-0-	-0-	40,020	-0-	-0-	48,247
Miscellaneous	1,479	-0-	3,409	-0-	-0-	-0-	4,761	-0-	-0-	9,649
	<u>\$ 652,969</u>	<u>\$ 212,851</u>	<u>\$ 175,079</u>	<u>\$ 103,404</u>	<u>\$ 63,306</u>	<u>\$ 271,984</u>	<u>\$ 455,708</u>	<u>\$ 25,119</u>	<u>\$ 212,720</u>	<u>\$ 2,173,140</u>

See notes to financial statements.

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

NOTES to FINANCIAL STATEMENTS

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania (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 organization 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 received from each of the parishes.

Basis of Accounting

The Diocese policy is to present its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America in which the amounts are reported according to the existence or absence of donor-imposed restrictions. Under this basis differs, revenue is recognized when received rather than when earned and expenses are generally recognized when paid rather than when the liability is incurred with the exception of recording fair value adjustments on investments and payroll tax withholdings. Consequently, accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. The financial operations of individual parishes distinct from the Diocese are not reflected in the financial statements.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). The Diocese presents its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Diocese. These net assets may be used at the discretion of the Diocese's management and the Council of Trustees.

Net Assets with Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Diocese. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Programs

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.

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements on the modified cash basis of accounting requires the use of estimates based on management's knowledge and experience. The Diocese estimates relate primarily to the valuation of investments and the allocation of functional expenses. Due to their prospective nature, actual results could differ from those estimates.

Investments

Investments are recorded at fair value in the statements of assets, liabilities, and net assets - modified cash basis in accordance with FASB ASC Subtopic 958-320, *Not-For-Profit Entities-Investments-Debt and Equity Securities*. 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 Investments*. This standard defines fair value, establishes a framework for measuring fair value, and stipulates the disclosure requirements for fair value measurements.

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. In the statements of assets, liabilities, and net assets - modified cash basis, funds held for others are included in the investment balance.

Property and Equipment

The cost of property and equipment is expensed in the year purchased.

Mission and Parish Property

Active missions and parishes of the Diocese are not recorded in the financial statements. The Diocesan 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 statement 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

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Income Taxes

The Diocese is a 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 tax-exempt 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.

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 program 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.

Accounting Standards Adopted in 2019

During the year, the Diocese adopted ASU 2018-08, Topic 958, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The Diocese has analyzed the provisions of FASB's ASC Topic 958 and has concluded that no changes to the Diocese's preexisting policies of revenue recognition are necessary to conform with the new standard. Therefore, a restatement of net assets is not necessary to apply the standard retrospectively.

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 1 - SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Not Yet Adopted

The Financial Accounting Standards Board Update ASU 2014-09, *Revenue from Contracts with Customers*, which requires entities to recognize revenue when a customer obtains control rather than when entities have transferred substantially all risks and rewards of a good or service. This update is effective for the Diocese's year ending December 31, 2020. The Diocese is currently assessing the impact the adoption of ASU 2014-09 will have on its financial statements.

The Financial Accounting Standards Board issued Accounting Standards Update ASU 2016-02, *Leases* (Topic 842), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of assets, liabilities, and net assets - modified cash basis and disclosing key information about leasing arrangements. This update is effective for the Diocese's year ending December 31, 2022. The Diocese is currently assessing the impact the adoption of ASU 2016-02 will have on its financial statements.

There are other FASB pronouncements that will become effective for future reporting periods. The Diocese does not currently anticipate any significant impact on the Diocese's financial statements from these pronouncements.

NOTE 2 - INVESTMENTS

The fair value of investments for the years ended December 31, 2019 and 2018, are summarized as follows:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	278,372	278,372	1,201,265	1,201,265
Stocks:				
Energy	-0-	-0-	51	54
Financial	1,349	1,846	1,033	1,115
Healthcare	884	2,183	1,393	2,681
Technology	621	1,990	621	1,397
Industrials	608	2,311	608	1,963
Consumer Defensive	1,683	3,763	2,005	3,369
Consumer Cyclical	834	991	1,735	1,461
	<u>5,979</u>	<u>13,084</u>	<u>7,446</u>	<u>12,040</u>
Exchange Traded Fund	3,127	3,775	3,211	3,008
Corporate:				
Fixed Income	35,861	37,684	30,272	30,795

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 2 - INVESTMENTS (Continued)

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Common Trust Funds:				
Large CAP Equities	4,838,392	7,670,688	5,712,057	7,125,165
Small/Mid CAP Equities	1,804,764	2,684,857	1,916,182	2,341,494
International Equities	6,207,506	7,249,151	5,993,227	5,958,097
REIT	1,906,148	2,037,481	921,411	918,672
Fixed Income	<u>5,952,486</u>	<u>6,551,877</u>	<u>5,514,708</u>	<u>5,754,371</u>
	<u>20,709,296</u>	<u>26,194,054</u>	<u>20,057,585</u>	<u>22,097,799</u>
	21,032,635	26,526,969	21,299,779	23,344,907

The following schedule summarizes the investment return in the statements of support and revenue, expenses, and other changes in net assets - modified cash basis for the years ended:

	2019	2018
Interest and Dividend Income	71,737	36,310
Net Realized and Unrealized Gains (Losses)	<u>1,676,840</u>	<u>(910,557)</u>
	1,748,577	(874,247)
Investment Fees	<u>(53,540)</u>	<u>(52,958)</u>
	<u>1,695,037</u>	<u>(927,205)</u>

NOTE 3 - FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The hierarchy gives the highest priority to level 1 inputs and the lowest priority to level 3 inputs. The three levels of the fair value hierarchy are described as follows: Level 1- inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Diocese has the ability to access; Level 2- inputs consist of observable inputs other than quoted prices for identical assets or quoted prices for similar assets or liabilities in active or inactive markets; and Level 3- inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Level 1: The fair value of cash and cash equivalents, exchange traded funds, and stocks are based on closing market prices for the respective security as reported in active markets.

Level 2: Corporate - Valued at the closing price reported in the active market in which the bond is traded. Other corporate bonds are valued based on yield currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

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

Certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. 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 statement of assets, liabilities, and net assets - modified cash basis.

Common Trust Funds

Large CAP

DJ-UBS Roll Select Commodity Index: The investment objective of the Fund is to approximate as closely as practicable, before expenses, the performance of the Bloomberg Roll Select Commodity Index (sm) over the long term. The per unit net asset value of the Fund is determined each business day based on the quoted market prices of the underlying investments held and for certain holdings, values are derived from indices, reference rates or a combination of these factors.

S&P 500 Common Trust Fund: The investment objective of the Fund is to approximate as closely as practicable, before expenses, the performance of the S&P 500 Index over the long term. The per unit net asset value of the Fund is determined each business day based on the quoted market prices of the underlying investments held and for certain holdings, values are derived from indices, reference rates or a combination of these factors.

Small/Mid CAP

S&P Mid CAP Lending: The investment objective of the Fund is to approximate as closely as practicable, before expenses, the performance of the S&P Mid CAP 400 Index over the long term. The per unit net asset value of the Fund is determined each business day based on the quoted market prices of the underlying investments held and for certain holdings, values are derived from indices, reference rates or a combination of these factors.

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

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

Common Trust Funds (Continued)

Small/Mid CAP (Continued)

Small CAP Index: The investment objective of the Fund is to exceed the performance of the Russell 2000 Index over the long term. The per unit net asset value of the Fund is determined each business day based on the quoted market prices of the underlying investments held and for certain holdings, values are derived from indices, reference rates, or a combination of these factors.

International

Active International Small CAP: The investment objective of the Fund is to exceed the performance of the S&P EPAC Small CAP Index over the long term. The per unit net asset value of the Fund is determined each business day based on the quoted market prices of the underlying investments held and for certain holdings, values are derived from indices, reference rates, or a combination of these factors.

Daily Active Emerging Market: The investment objective of the Fund is to provide a total investment return in excess of the performance of the MSCI Emerging Markets Index over the long term. The per unit net asset value of the Fund is determined each business day based on the quoted market prices of the underlying investments held and for certain holdings, values are derived from indices, reference rates, or a combination of these factors.

International Alpha Select: The investment objective of the Fund is to provide a total investment return in excess of the performance of the MSCI EAFE Index over the long term. The per unit net asset value of the Fund is determined each business day based on the quoted market prices of the underlying investments held and for certain holdings, values are derived from indices, reference rates, or a combination of these factors.

REIT (Real Estate Investment Trust)

REIT Index: The investment objective of the Fund is to approximate as closely as practicable, before expenses, the performance of the Dow Jones U.S. Select REIT Index (sm) over the long term. The per unit net asset value of the Fund is determined each business day based on the quoted market prices of the underlying investments held.

SPDR Dow Jones International Real Estate Fund: The investment objective is to provide investment results, that, before expenses, correspond generally to the price, and yield performance of publicly traded equity securities of companies in Dow Jones Global Real Estate Index. The per unit net asset value of the Fund is determined by dividing the value of total assets less total liabilities by the number of units outstanding. The market price used to calculate the market return is determined by using the midpoint between the highest bid and the lowest offer on the exchange on which the shares of a fund are listed for trading, as of the time that the fund's net asset value is calculated.

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

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

Common Trust Funds (Continued)

Fixed Income

High Yield: The investment objective of the Fund is to approximate as closely as practicable, before expenses, the performance of the Bloomberg Barclays U.S. Corporate High Yield Custom BB/B ex-144A Index over the long term. The per unit net asset value of the Fund is determined each business day based on holdings in which the values are derived from indices, reference rates, or a combination of these factors.

Passive Bond Market: The investment objective of the Fund is to approximate as closely as practicable, before expenses, the performance of the Bloomberg Barclays U.S. Aggregate Bond Index over the long term. The per unit net asset value of the Fund is determined each business day and is determined by dividing the value of total assets less total liabilities by the number of units outstanding.

TCW Emerging Markets Income Fund: The investment objective of the Fund is to seek high total return from current income and capital appreciation by investing at least 80% of the value of its net assets in debt securities issued or guaranteed by companies, financial institutions, and government entities in emerging market countries. The net asset value per share is determined by dividing the Fund's net assets attributable to each class by the number of shares issued and outstanding of that class on each day the New York Stock Exchange is open for trading.

Treasury Inflation Protected Securities: The investment objective of the Fund is to approximate as closely as practicable, before expenses, the performance of the Bloomberg Barclays U.S. Treasury Inflation Protected Securities (TIPS) Index over the long term. The per unit net asset value of the Fund is determined each business day based on the quoted market prices of the underlying investments held.

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 Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

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

Common Trust Funds (Continued)

Fixed Income (Continued)

The following table sets forth by level, within the fair value hierarchy, the Diocese's assets at fair value on a recurring basis.

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Investments Measured at Fair Value				
Cash and Cash Equivalents	278,372	-0-	-0-	278,372
Stocks:				
Energy	-0-	-0-	-0-	-0-
Financial	1,846	-0-	-0-	1,846
Healthcare	2,183	-0-	-0-	2,183
Technology	1,990	-0-	-0-	1,990
Industrials	2,311	-0-	-0-	2,311
Consumer Defensive	3,763	-0-	-0-	3,763
Consumer Cyclical	<u>991</u>	<u>-0-</u>	<u>-0-</u>	<u>991</u>
	13,084	-0-	-0-	13,084
Exchange Traded Fund	3,775	-0-	-0-	3,775
Corporate:				
Fixed Income	<u>-0-</u>	<u>37,684</u>	<u>-0-</u>	<u>37,684</u>
Total Investments Measured at Fair Value	295,231	37,684	-0-	332,915

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

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

Common Trust Funds (Continued)

Fixed Income (Continued)

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Investments Measured at NAV				
Common Trust Funds:				
Large CAP:				
DJ-UBS Roll Select Commodity Index				1,053,369
S&P 500 Common Trust Fund				6,617,319
Small/Mid CAP:				
S&P/Mid CAP Lending				1,367,674
Small CAP Index				1,317,183
International:				
Active International Small CAP				1,097,729
Daily Active Emerging Market				2,214,613
International Alpha Select				3,936,809
REIT:				
REIT Index				1,031,579
SPDR Dow Jones International Real Estate Fund				1,005,902
Fixed Income:				
High Yield				1,284,691
Passive Bond Market				2,672,411
TCW Emerging Market Income Fund				1,285,052
Treasury Inflation Protected Securities				<u>1,309,723</u>
Total Investments Measured at NAV	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>26,194,054</u>
Total Investments	295,231	37,684	-0-	26,526,969

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

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

Common Trust Funds (Continued)

Fixed Income (Continued)

		December 31, 2018		
	Level 1	Level 2	Level 3	Total
Investments Measured at Fair Value				
Cash and Cash Equivalents	1,201,265			1,201,265
Stocks:				
Energy	54			54
Financial	1,115			1,115
Healthcare	2,681			2,681
Technology	1,397			1,397
Industrials	1,963			1,963
Consumer Defensive	3,369			3,369
Consumer Cyclical	<u>1,461</u>	<u> </u>	<u> </u>	<u>1,461</u>
	12,040	-0-	-0-	12,040
Exchange Traded and Closed End Fund - Equities	3,008			3,008
Corporate Bonds:				
Fixed Income	<u> </u>	<u>30,795</u>	<u> </u>	<u>30,795</u>
Total Investments Measured at Fair Value	1,216,313	30,795	-0-	1,247,108

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

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

Common Trust Funds (Continued)

Fixed Income (Continued)

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Investments Measured at NAV				
Common Trust Funds:				
Large CAP				
DJ-UBS Roll Select Commodity Index				1,144,677
S&P 500 Common Trust Fund				5,980,488
Small/Mid CAP:				
S&P/Mid CAP Lending				1,055,761
Small CAP Index				1,285,733
International:				
Active International Small CAP				897,463
Daily Active Emerging Market				1,670,261
International Alpha Select				3,390,373
REIT:				
REIT Index				458,439
SPDR Dow Jones International Real Estate Fund				460,233
Fixed Income:				
High Yield				1,421,269
Passive Bond Market				2,364,527
TCW Emerging Market Income Fund				743,927
Treasury Inflation Protected Securities				<u>1,224,648</u>
Total Investments Measured at NAV	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>22,097,799</u>
Total Investments	1,216,313	30,795	-0-	23,344,907

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

Additional Information for Investments Using the NAV per Share Practical Expedient

The following table sets forth additional disclosures for the measurements of investments in certain entities that calculate net assets per share (or its equivalent) at December 31, 2019.

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common Trust Funds:				
Large CAP				
DJ-UBS Roll Select Commodity Index	1,053,369	N/A	Daily	None
S&P 500 Common Trust Fund	6,617,319	N/A	Daily	None
Small/Mid CAP:				
S&P/Mid CAP Lending	1,367,674	N/A	Daily	None
Small CAP index	1,317,183	N/A	Daily	None
International:				
Active International Small CAP	1,097,729	N/A	Daily	None
Daily Active Emerging Market	2,214,613	N/A	Daily	None
International Alpha Select	3,936,809	N/A	Daily	None
REIT:				
REIT Index	1,031,579	N/A	Daily	None
SPDR Dow Jones International				
Real Estate Fund	1,005,902	N/A	Daily	None
Fixed Income:				
High Yield	1,284,691	N/A	Daily	None
Passive Bond Market	2,672,411	N/A	Daily	None
TCW Emerging Market Income Fund	1,285,052	N/A	Daily	None
Treasury Inflation Protected Securities	<u>1,309,723</u>	N/A	Daily	None
	26,194,054			

Changes in Fair Value Levels

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.

Gains and losses (realized and unrealized) included in changes in value for the period above are reflected in the statements of support and revenue, expenses, and other changes in net assets - modified cash basis. There were no transfers in or out of level 3 in 2019 or 2018.

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 4 - ENDOWMENT FUNDS

Endowments consist of various investment funds established primarily for operating needs of the Diocese and includes net assets with donor restrictions. Net assets associated with endowment funds are classified and reported based on Pennsylvania state law and the existence or absence of donor-imposed restrictions.

Investment Return Objectives, Risk Parameters, and Strategies - 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. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Endowment assets are managed by a committee of the Council of Trustees and are invested in a well-diversified asset-mix, which includes equity and debt securities.

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 treat a percentage of the average market value of the endowment's investments as income 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 2019 and 2018, 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. For 2018, the distribution did not occur until January 2019.

Changes in the endowment assets for the years ending December 31 is as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Endowment Assets
Endowment Net Assets, January 1, 2018	3,398,500	6,162,198	9,560,698
Additions	64,013	12,603	76,616
Withdrawals	(31,570)	-0-	(31,570)
Investment Income	9,842	17,792	27,634
Spending Policy Distribution	-0-	(2,757)	(2,757)
Realized and Unrealized (Losses)	(307,273)	(561,789)	(869,062)
Endowment Net Assets, December 31, 2018	3,133,512	5,628,047	8,761,559

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 4 - ENDOWMENT FUNDS (Continued)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Endowment Assets
Endowment Net Assets, January 1, 2019	3,133,512	5,628,047	8,761,559
Additions	58,097	-0-	58,097
Withdrawals	(83,537)	-0-	(83,537)
Investment Income	21,792	37,830	59,622
Spending Policy Distribution	(117,694)	(551,072)	(668,766)
Realized and Unrealized Gains	<u>529,857</u>	<u>939,677</u>	<u>1,469,534</u>
Endowment Net Assets, December 31, 2019	3,542,027	6,054,482	9,596,509

NOTE 5 - CONTINGENCIES

Certain parishes of the Diocese have entered into loans which have been co-signed by an Officer of the Diocese. In the event of default, the Diocese may be obligated to pay the unpaid portion of the defaulted obligations. The outstanding balances of such loans at December 31, 2019 and 2018, were \$697,309 and \$805,395, respectively.

NOTE 6 - POSTRETIREMENT BENEFITS OTHER than PENSIONS

The Diocese provides the cost of a health insurance supplement policy to its retired clergy for life. The primary plan for these benefits is one administered by an agency of the national church (the Episcopal Church Clergy and Employees). For 2019 and 2018, the monthly premium per clergy totaled approximately \$130 a month. The total paid for the years ended December 31, 2019 and 2018, totaled \$48,883 and \$53,500, respectively.

NOTE 7 - RETIREMENT PLAN

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 Episcopal Church. The Diocese's contributions in 2019 and 2018 to the plan were \$65,258 and \$56,914, 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 2019 and 2018 contributions were \$17,945 each year.

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	2019	2018
Designated for Specific Purpose:		
Lambeth Conference	37,415	33,089
National Convention	13,209	39,573
Bishop Search	<u>61,907</u>	<u>43,878</u>
	112,531	116,540
Designated - Quasi Endowment:		
Parish Loan Fund	2,277,359	1,945,078
Mission and Ministry	659,647	614,098
Communications	42,150	39,222
Children, Youth, and Young Adults	151,611	141,226
Stevenson School	264,721	256,624
Leadership Development	63,982	59,506
Episcopal Church Women	37,459	35,888
College Ministry	<u>45,098</u>	<u>41,870</u>
	3,542,027	3,133,512

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

	2019	2018
Specific Purpose:		
Episcopal Church Women	23,784	29,912
Bishop's Discretionary Funds	3,597	7,451
Clergy Medical Insurance	-0-	25,607
Parish Support	3,098	3,098
College Ministry	1,801	1,801
Sharing the Vision	<u>38,967</u>	<u>38,967</u>
	71,247	106,836

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	2019	2018
Endowment Funds:		
Mission and Ministry	1,964,359	1,820,900
Social Ministry	570,869	531,115
Parish Support	90,734	85,451
Stevenson School	471,732	438,633
Construction and Repairs	460,661	428,841
Domestic and Foreign Missions	308,497	286,924
World Outreach, Youth, Aging, Leadership	1,519,318	1,413,022
General Purpose	<u>668,312</u>	<u>623,161</u>
	6,054,482	5,628,047
 Total Net Assets with Donor Restrictions	 6,125,729	 5,734,883

NOTE 10 - OPERATING LEASES

The Diocese leased office equipment with terms through December of 2023. At December 31, 2019, the minimum rental payments under non-cancellable leases with a term in excess of one year were as follows:

2020	6,506
2021	5,532
2022	5,532
2023	2,771

Total lease expense for the years ended December 31, 2019 and 2018 totaled \$11,376 and \$5,844, respectively.

NOTE 11 - 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 2019 and 2018, the Diocese provided \$127,840 and \$133,884, 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%. The loans outstanding at December 31, 2019 and 2018, totaled \$352,870 and \$337,339, respectively.

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 11 - RELATED PARTIES (Continued)

The Diocese is affiliated with the Protestant Episcopal Church in the United States of America. As part of that affiliation, in 2019 and 2018, the Diocese committed \$199,728 and \$212,720, respectively, in support of the national church. In addition, the Diocese participates in various health and benefit plans as provide by the national church. Refer to Note 7 for further details.

NOTE 12 - 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 38.5% and 104.5% of the total support and revenue for the Diocese. The continuation of Diocese operations is usually assumed in financial accounting in the absence of evidence to the contrary. The Diocese is subject to the uncertainty as to the amounts of future support.

Financial instruments that potentially subject the Diocese to concentration of credit risk consist of cash and investments. The Diocese maintains its cash deposits and investments. The Diocese maintains its cash deposits and investments with various financial institutions where the account balances may at times exceed FDIC and SIPC insured limits.

The Diocese has a line-of-credit with Mid-Penn Bank in the amount of \$250,000. Interest is payable monthly based on the prime rate as quoted in the Wall Street Journal subject to a floor rate of 3.75%. Principal is due on demand. The line-of-credit is secured by the assets of the Diocese. At year-end 2019 and 2018, there was no outstanding balance.

NOTE 13 - AVAILABILITY and LIQUIDITY

The following represents the Diocese's financial assets available for general expenses within one year of the statements of support and revenue, expenses, and other changes in net assets - modified cash basis at December 31:

	2019	2018
Financial Assets at Year End:		
Cash	701,174	430,080
Investments	<u>26,526,969</u>	<u>23,344,907</u>
Total Financial Assets	27,228,143	23,774,987

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 13 - AVAILABILITY and LIQUIDITY (Continued)

	2019	2018
Less Amounts not Available to be Used Within One Year for General Expenses:		
Net Assets with Donor Restrictions	6,125,729	5,734,883
Council Designated Quasi-Endowment	3,542,027	3,133,512
Investments Held for Others	<u>15,965,072</u>	<u>13,683,990</u>
	25,632,828	22,552,385
 Financial Assets Available to Meet General Expenses Expenses Within One Year	 1,595,315	 1,222,602

A donor's restriction requires resources to be used in a particular manner or in a future period. The Diocese must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expense within one year.

NOTE 14 - SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. On March 19, 2020, Governor Tom Wolf ordered the closure of non-life sustaining businesses in Pennsylvania. The Diocese is continuing operations within rigid guidelines aimed at halting the spread of the virus.

The extent of the impact of COVID-19 on the operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Diocese donors, employees, and vendors all of which are uncertain and cannot predict. At this point, the extent to which COVID-19 may impact the Diocese's financial condition or results of operations is uncertain.

In April 2020, the Diocese obtained a \$182,900 loan through the Small Business Administration's Paycheck Protection Program. The Diocese may qualify for forgiveness of certain principal amounts under the program. The balance of the loan that is not forgiven is due in fixed monthly payments beginning November 2020, with a final payment of unpaid principal and interest due April 2022. The loan is unsecured and bears interest at 1%.

In 2020, the Episcopal Home closed its operations and ownership of the building and 3 rental properties of the Home reverted to the Diocese.

Subsequent events have been evaluated through November 12, 2020, which represents the date the financial statements were available to be issued.

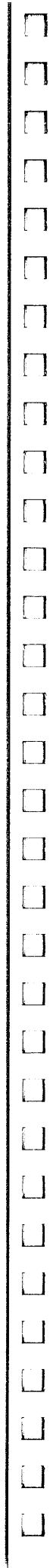
INDEPENDENT AUDITORS' REPORT on SUPPLEMENTARY INFORMATION

To the Council of Trustees
**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

We have audited the modified cash basis financial statements of **The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania** as of and for the year ended December 31, 2019, and our report thereon, dated November 12, 2020, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of support and revenue, expenses, and other changes in net assets - modified cash basis - by fund is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 1.

Trout CPA

November 12, 2020
Lancaster, Pennsylvania



Without Donor Restrictions - Quasi - Endowment

Bishop Heistand Fund	Bishop Wyatt-Brown Fund	St. Mary's Bastian Fd For Mission and Ministry	St. Mary's Heether for C,Y & YA	Episcopal Ministry at PSU
\$ 50,033	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<u>1,895,045</u>	<u>107,945</u>	<u>374,618</u>	<u>113,168</u>	<u>41,870</u>
<u>1,945,078</u>	<u>107,945</u>	<u>374,618</u>	<u>113,168</u>	<u>41,870</u>
-0-	-0-	-0-	-0-	-0-
13,881	727	2,518	761	282
-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-
58,097	-0-	-0-	-0-	-0-
333,303	18,050	62,553	18,892	7,013
-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-
<u>405,281</u>	<u>18,777</u>	<u>65,071</u>	<u>19,653</u>	<u>7,295</u>
73,000	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-
<u>73,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>332,281</u>	<u>18,777</u>	<u>65,071</u>	<u>19,653</u>	<u>7,295</u>
-0-	(10,658)	(37,536)	(11,363)	(4,067)
<u>332,281</u>	<u>8,119</u>	<u>27,535</u>	<u>8,290</u>	<u>3,228</u>
35,516	-0-	-0-	-0-	-0-
<u>2,241,843</u>	<u>116,064</u>	<u>402,153</u>	<u>121,458</u>	<u>45,098</u>
<u>\$ 2,277,359</u>	<u>\$ 116,064</u>	<u>\$ 402,153</u>	<u>\$ 121,458</u>	<u>\$ 45,098</u>

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

SCHEDULE of SUPPORT and REVENUE, EXPENSES, and OTHER CHANGES in NET ASSETS -
Modified Cash Basis - by Fund
(Continued)
Year Ended December 31, 2019

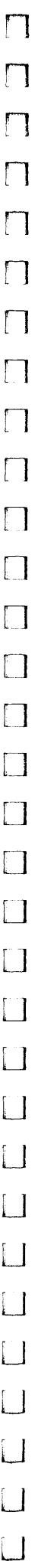
		Without Donor Restrictions - Quasi - Endowment							
		St. Mary's Property Fund For SCS Scholarships	ECW Book of Remem- brance	Called to Grow Communi- cation	Called to Grow Youth	Bishop Advance Work Fund	Leadership Endowment	Total Quasi Endowment	Total Without Donor Restriction
BEGINNING BALANCE									
DCPA	1/1/19	\$ 12,537	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 62,570	\$ 323,373
Investments	1/1/19	<u>244,087</u>	<u>35,888</u>	<u>39,222</u>	<u>28,058</u>	<u>131,536</u>	<u>59,505</u>	<u>3,070,942</u>	<u>4,023,805</u>
Total	1/1/19	<u>256,624</u>	<u>35,888</u>	<u>39,222</u>	<u>28,058</u>	<u>131,536</u>	<u>59,505</u>	<u>3,133,512</u>	<u>4,347,178</u>
SUPPORT and REVENUE									
Parish Assessments		-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,385,132
Investment Income		1,645	241	263	189	885	400	21,792	33,718
Closed Parish Income		-0-	-0-	-0-	-0-	-0-	-0-	-0-	9,899
Contributions		-0-	-0-	-0-	-0-	-0-	-0-	-0-	330,284
Program Fees-Insurance Payments		-0-	-0-	-0-	-0-	-0-	-0-	-0-	35,435
Program Fees-Conference/Training		-0-	-0-	-0-	-0-	-0-	-0-	-0-	55,276
Loan Repayments		-0-	-0-	-0-	-0-	-0-	-0-	58,097	58,097
Unrealized/Realized Gains		40,855	5,996	6,556	4,690	21,997	9,952	529,857	680,097
Proceeds from Sale of Property		-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Miscellaneous Income		<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,351</u>
Total Support and Revenue		42,500	6,237	6,819	4,879	22,882	10,352	609,746	2,592,289
EXPENSES									
Program Services		10,537	-0-	-0-	-0-	-0-	-0-	83,537	1,687,110
Support Services		-0-	-0-	-0-	-0-	-0-	-0-	-0-	536,084
Unallocated National Apportionment		-0-	-0-	-0-	-0-	-0-	-0-	-0-	199,728
Parish Investment Distributions		<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Expenses		<u>10,537</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>83,537</u>	<u>2,422,922</u>
Changes in Net Assets		31,963	6,237	6,819	4,879	22,882	10,352	526,209	169,367
OTHER CHANGES in NET ASSETS									
Spending Policy and Operational Transfers		<u>(23,866)</u>	<u>(4,666)</u>	<u>(3,891)</u>	<u>(2,784)</u>	<u>(12,988)</u>	<u>(5,875)</u>	<u>(117,694)</u>	<u>611,176</u>
Total Changes in Net Assets		<u>8,097</u>	<u>1,571</u>	<u>2,928</u>	<u>2,095</u>	<u>9,894</u>	<u>4,477</u>	<u>408,515</u>	<u>780,543</u>
ENDING BALANCE									
DCPA	12/31/19	2,000	-0-	-0-	-0-	-0-	-0-	37,516	621,951
Investments	12/31/19	<u>262,721</u>	<u>37,459</u>	<u>42,150</u>	<u>30,153</u>	<u>141,430</u>	<u>63,982</u>	<u>3,504,511</u>	<u>4,505,770</u>
Total	12/31/19	\$ 264,721	\$ 37,459	\$ 42,150	\$ 30,153	\$ 141,430	\$ 63,982	\$ 3,542,027	\$ 5,127,721

See independent auditors' report on supplementary information.



With Donor Restrictions - Endowments

Bishop Stevenson Fund	Endowment/ Fieldwork Funds	York Springs Church Fund	SCS Dean Endowment	Bishop Darlington Fund	Kermit L. Lloyd Memorial	Bishop Charlie McNutt Endowment
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<u>531,115</u>	<u>1,324,881</u>	<u>14,358</u>	<u>62,686</u>	<u>428,841</u>	<u>273,101</u>	<u>286,924</u>
<u>531,115</u>	<u>1,324,881</u>	<u>14,358</u>	<u>62,686</u>	<u>428,841</u>	<u>273,101</u>	<u>286,924</u>
-0-	-0-	-0-	-0-	-0-	-0-	-0-
3,575	8,958	96	422	2,885	1,839	1,932
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-
88,787	222,505	2,401	10,482	71,651	45,666	47,978
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>92,362</u>	<u>231,463</u>	<u>2,497</u>	<u>10,904</u>	<u>74,536</u>	<u>47,505</u>	<u>49,910</u>
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>92,362</u>	<u>231,463</u>	<u>2,497</u>	<u>10,904</u>	<u>74,536</u>	<u>47,505</u>	<u>49,910</u>
<u>(52,608)</u>	<u>(125,112)</u>	<u>(1,421)</u>	<u>(6,190)</u>	<u>(42,716)</u>	<u>(26,974)</u>	<u>(28,337)</u>
<u>39,754</u>	<u>106,351</u>	<u>1,076</u>	<u>4,714</u>	<u>31,820</u>	<u>20,531</u>	<u>21,573</u>
-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>570,869</u>	<u>1,431,232</u>	<u>15,434</u>	<u>67,400</u>	<u>460,661</u>	<u>293,632</u>	<u>308,497</u>
<u>\$ 570,869</u>	<u>\$ 1,431,232</u>	<u>\$ 15,434</u>	<u>\$ 67,400</u>	<u>\$ 460,661</u>	<u>\$ 293,632</u>	<u>\$ 308,497</u>



With Donor Restrictions - Endowments (Continued)

Alrichs	Oscar Heinz Endowment	Mr. & Mrs. George Hosfeld	John Baldwin James Fund for Seminararians	Total With Donor Restrictions - Endowments	Total With Donor Restrictions
\$ 12,603	\$ -0-	\$ -0-	\$ -0-	\$ 12,603	\$ 97,771
-0-	578,861	71,093	16,611	5,615,444	5,637,112
<u>12,603</u>	<u>578,861</u>	<u>71,093</u>	<u>16,611</u>	<u>5,628,047</u>	<u>5,734,883</u>
-0-	-0-	-0-	-0-	-0-	-0-
-0-	3,893	472	112	37,830	38,019
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	20,800
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	96,690	11,793	2,777	939,677	943,203
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	100,583	12,265	2,889	977,507	1,002,022
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	100,583	12,265	2,889	977,507	1,002,022
-0-	(57,809)	(8,058)	(1,639)	(551,072)	(611,176)
-0-	42,774	4,207	1,250	426,435	390,846
12,603	-0-	-0-	-0-	12,603	69,602
-0-	621,635	75,300	17,861	6,041,879	6,056,127
<u>\$ 12,603</u>	<u>\$ 621,635</u>	<u>\$ 75,300</u>	<u>\$ 17,861</u>	<u>\$ 6,054,482</u>	<u>\$ 6,125,729</u>

**The Incorporated Trustees of the
Episcopal Diocese of Central Pennsylvania**

SCHEDULE of SUPPORT and REVENUE, EXPENSES, and OTHER CHANGES in NET ASSETS -

Modified Cash Basis - by Fund

(Continued)

Year Ended December 31, 2019

	<u>Total Diocese</u>	<u>Custodial Accounts</u>	<u>Total</u>
BEGINNING BALANCE			
DCPA 1/1/19	\$ 421,144	\$ -0-	\$ 421,144
Investment: 1/1/19	<u>9,660,917</u>	<u>13,683,990</u>	<u>23,344,907</u>
Total 1/1/19	<u>10,082,061</u>	<u>13,683,990</u>	<u>23,766,051</u>
SUPPORT and REVENUE			
Parish Assessments	1,385,132	-0-	1,385,132
Investment Income	71,737	96,390	168,127
Closed Parish Income	9,899	-0-	9,899
Contributions	351,084	336,218	687,302
Program Fees-Insurance Payments	35,435	-0-	35,435
Program Fees-Conference/Training	55,276	-0-	55,276
Loan Repayments	58,097	-0-	58,097
Unrealized/Realized Gains	1,623,300	2,387,222	4,010,522
Proceeds from Sale of Property	-0-	-0-	-0-
Miscellaneous Income	<u>4,351</u>	<u>-0-</u>	<u>4,351</u>
Total Support and Revenue	3,594,311	2,819,830	6,414,141
EXPENSES			
Program Services	1,687,110	-0-	1,687,110
Support Services	536,084	-0-	536,084
Unallocated National Apportionment	199,728	-0-	199,728
Parish Investment Distributions	<u>-0-</u>	<u>538,748</u>	<u>538,748</u>
Total Expenses and Transfers	<u>2,422,922</u>	<u>538,748</u>	<u>2,961,670</u>
Changes in Net Assets	1,171,389	2,281,082	3,452,471
OTHER CHANGES in NET ASSETS			
Spending Policy and Operational Transfers	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Changes in Net Assets	<u>1,171,389</u>	<u>2,281,082</u>	<u>3,452,471</u>
ENDING BALANCE			
DCPA 12/31/19	691,553	-0-	691,553
Investment: 12/31/19	<u>10,561,897</u>	<u>15,965,072</u>	<u>26,526,969</u>
Total 12/31/19	<u>\$ 11,253,450</u>	<u>\$ 15,965,072</u>	<u>\$ 27,218,522</u>

See independent auditors' report on supplementary information.