

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

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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# Greenawalt & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Since 1955

Deborah J. Kelly  
Scott J. Christ  
Ronald S. Morgan

James E. Lyons

## INDEPENDENT AUDITOR'S REPORT

To 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 (Diocese - a nonprofit organization), which comprise the statements of assets, liabilities and net assets - modified cash basis of as of December 31, 2018 and 2017, and the related statements of support and revenue, expenses and other changes in net assets - modified cash basis and statements of 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 the notes to the financial statement; 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.

### Auditor's 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 auditor's 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 auditor considers internal control relevant to the organization'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 organization'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.

The Incorporated Trustees of the Episcopal Diocese of  
Central Pennsylvania

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 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, 2018 and 2017, and its support and revenue, expenses and other changes in net assets for the years then ended in accordance with modified cash basis of accounting as described in the notes to the financial statements.

**Basis of Accounting**

We draw attention to the summary of significant accounting policies footnote to 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.

**Emphasis of matter - change in accounting principle**

As described in the notes to the financial statements titled *recent accounting standards*, the Diocese implemented this new accounting guidance, ASU 2016-14, "*Not for Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*". Our opinion is not modified with respect to this matter.

  
GREENAWALT & COMPANY, P.C.

August 22, 2019

Mechanicsburg, Pennsylvania

**THE INCORPORATED TRUSTEES OF  
THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**  
STATEMENTS OF ASSETS, LIABILITIES  
AND NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2018 AND 2017

	2018	2017
<b><u>ASSETS</u></b>		
Cash and investments		
Cash	\$ 430,080	\$ 282,741
Investments	23,344,907	25,583,669
Total assets	\$ 23,774,987	\$ 25,866,410
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities		
Payroll tax withholdings	\$ 8,936	\$ 8,506
Investments held for others	13,683,990	14,829,279
Total liabilities	13,692,926	14,837,785
Net assets		
Without donor restrictions	4,347,178	4,751,626
With donor restrictions	5,734,883	6,276,999
Total net assets	10,082,061	11,028,625
Total liabilities and net assets	\$ 23,774,987	\$ 25,866,410

The accompanying notes are an integral part of these 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, 2018 AND 2017

	December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Parish assessments	\$ 1,319,172	\$ -	\$ 1,319,172
Investment income	18,399	17,911	36,310
Closed parish income	51,294	-	51,294
Contributions	530,150	37,046	567,196
Program fees-insurance payments	30,240	-	30,240
Program fees-conference/training	58,306	-	58,306
Principal repayments	64,013	-	64,013
Unrealized and realized gains (losses)	(399,558)	(563,957)	(963,515)
Spending policy and operational transfers	2,757	(2,757)	-
Proceeds from sale of property	52,004	-	52,004
Miscellaneous income	11,556	-	11,556
Net assets released from restriction			
Satisfaction of program restrictions	30,359	(30,359)	-
Total support and revenue	<u>1,768,692</u>	<u>(542,116)</u>	<u>1,226,576</u>
Expenses			
Program services			
Mission and ministry	652,969	-	652,969
Financially assisted parishes	212,851	-	212,851
Parish transition, resources and training	175,079	-	175,079
Episcopal function	103,404	-	103,404
Children, youth, young adult	63,306	-	63,306
Stevenson School	271,984	-	271,984
Total program services	<u>1,479,593</u>	<u>-</u>	<u>1,479,593</u>
Support services			
Management and general	455,708	-	455,708
Fundraising	25,119	-	25,119
Total support services	<u>480,827</u>	<u>-</u>	<u>480,827</u>
Unallocated National apportionment	<u>212,720</u>	<u>-</u>	<u>212,720</u>
Total expenses	<u>2,173,140</u>	<u>-</u>	<u>2,173,140</u>
Changes in net assets	(404,448)	(542,116)	(946,564)
Net assets, beginning	<u>4,751,626</u>	<u>6,276,999</u>	<u>11,028,625</u>
Net assets, ending	<u>\$ 4,347,178</u>	<u>\$ 5,734,883</u>	<u>\$ 10,082,061</u>

(Continued)

The accompanying notes are an integral part of these 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 (Cont'd.)  
YEARS ENDED DECEMBER 31, 2018 AND 2017

	December 31, 2017		
	Without Donor Restrictions	With donor Restrictions	Total
Support and revenue			
Parish assessments	\$ 1,346,181	\$ -	1,346,181
Investment income	20,235	21,465	41,700
Closed parish income	380,239	-	380,239
Contributions	82,373	74,057	156,430
Program fees-insurance payments	36,874	-	36,874
Program fees-conference/training	85,309	-	85,309
Principal repayments	50,859	-	50,859
Unrealized and realized gains (losses)	576,901	825,421	1,402,322
Spending policy and operational transfers	242,642	(242,642)	-
Proceeds from sale of property	-	-	-
Miscellaneous income	6,638	-	6,638
Net assets released from restriction			
Satisfaction of program restrictions	44,585	(44,585)	-
Total support and revenue	<u>2,872,836</u>	<u>633,716</u>	<u>3,506,552</u>
Expenses			
Program services			
Mission and ministry	554,270	-	554,270
Financially assisted parishes	476,973	-	476,973
Parish transition, resources and training	162,050	-	162,050
Episcopal function	47,720	-	47,720
Children, youth, young adult	87,068	-	87,068
Stevenson School	244,024	-	244,024
Total program services	<u>1,572,105</u>	<u>-</u>	<u>1,572,105</u>
Support services			-
Management and general	396,027	-	396,027
Fundraising	21,879	-	21,879
Total support services	<u>417,906</u>	<u>-</u>	<u>417,906</u>
Unallocated National apportionment	<u>248,110</u>	<u>-</u>	<u>248,110</u>
Total expenses	<u>2,238,121</u>	<u>-</u>	<u>2,238,121</u>
Changes in net assets	634,715	633,716	1,268,431
Net assets, beginning	<u>4,116,911</u>	<u>5,643,283</u>	<u>9,760,194</u>
Net assets, ending	<u>\$ 4,751,626</u>	<u>\$ 6,276,999</u>	<u>\$ 11,028,625</u>

The accompanying notes are an integral part of these financial statements.

**THE INCORPORATED TRUSTEES OF THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**  
 STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
 YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018									Total
	Program Services			Support Services						
	Mission and Ministry	Financially Assisted Parishes	Parish Transition, Resources and Training	Episcopal Function	Children, Youth, Young Adult	Stevenson School	Management and General	Fundraising	Unallocated National Apportionment	
Salaries	\$ 116,775	\$ 11,678	\$ 87,581	\$ 29,194	\$ 17,517	\$ 99,258	\$ 204,356	\$ 17,517	\$ -	\$ 583,876
Payroll taxes and employee benefits	50,684	5,068	38,013	12,671	7,603	43,081	88,696	7,602	-	253,418
National apportionment	-	-	-	-	-	-	-	-	212,720	212,720
Professional development	-	-	2,517	-	370	908	8,528	-	-	12,323
Grants, support and loans	-	196,105	-	-	-	-	-	-	-	196,105
Educational training	-	-	5,691	-	3,874	76,913	-	-	-	86,478
Meetings, conferences and convention	139,336	-	1,764	61,269	-	-	10,135	-	-	212,504
Travel, lodging and entertainment	5,986	-	10,760	270	16,523	4,934	7,133	-	-	45,606
Office expense	24,068	-	12,334	-	8,019	16,039	32,835	-	-	93,295
Telecommunications	6,304	-	1,576	-	788	13,153	3,151	-	-	24,972
Occupancy expenses	17,225	-	8,612	-	8,612	12,918	42,602	-	-	89,969
Capital purchases	18,886	-	-	-	-	-	10,169	-	-	29,055
Retired clergy benefits	99,846	-	-	-	-	-	-	-	-	99,846
Vehicle expenses	4,206	-	2,822	-	-	-	3,322	-	-	10,350
Charitable giving	159,947	-	-	-	-	-	-	-	-	159,947
Marketing	-	-	-	-	-	4,780	-	-	-	4,780
Professional fees	8,227	-	-	-	-	-	40,020	-	-	48,247
Miscellaneous	1,479	-	3,409	-	-	-	4,761	-	-	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>

(Continued)

The accompanying notes are an integral part of these financial statements.



**THE INCORPORATED TRUSTEES OF THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**  
 STATEMENTS OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS (Cont'd.)  
 YEARS ENDED DECEMBER 31, 2018 AND 2017

	2017									Total
	Program Services			Support Services						
	Mission and Ministry	Financially Assisted Parishes	Parish Transition, Resources and Training	Episcopal Function	Children, Youth, Young Adult	Stevenson School	Management and General	Fundraising	Unallocated National Apportionment	
Salaries	\$ 107,156	\$ 10,716	\$ 80,367	\$ 26,789	\$ 16,073	\$ 91,082	\$ 187,526	\$ 16,073	\$ -	\$ 535,782
Payroll taxes and employee benefits	38,706	3,871	29,030	9,677	5,806	32,900	67,736	5,806	-	193,532
National apportionment	-	-	-	-	-	-	-	-	248,110	248,110
Professional development	-	-	1,120	-	-	35	9,765	-	-	10,920
Grants, support and loans	-	462,386	-	-	-	-	-	-	-	462,386
Educational training	-	-	2,550	-	11,711	74,619	-	-	-	88,880
Meetings, conferences and convention	109,990	-	1,184	10,499	-	-	10,357	-	-	132,030
Travel, lodging and entertainment	9,762	-	18,603	755	40,224	7,532	9,611	-	-	86,487
Office expense	15,008	-	8,744	-	5,612	11,224	22,328	-	-	62,916
Telecommunications	7,287	-	1,822	-	911	13,363	3,643	-	-	27,026
Occupancy expenses	13,462	-	6,731	-	6,731	10,097	32,594	-	-	69,615
Capital purchases	-	-	-	-	-	-	-	-	-	-
Retired clergy benefits	101,469	-	-	-	-	-	-	-	-	101,469
Vehicle expenses	3,275	-	-	-	-	-	1,404	-	-	4,679
Charitable giving	143,799	-	-	-	-	-	-	-	-	143,799
Marketing	-	-	1,000	-	-	3,172	-	-	-	4,172
Professional fees	-	-	7,788	-	-	-	48,993	-	-	56,781
Miscellaneous	4,356	-	3,111	-	-	-	2,070	-	-	9,537
	<u>\$ 554,270</u>	<u>\$ 476,973</u>	<u>\$ 162,050</u>	<u>\$ 47,720</u>	<u>\$ 87,068</u>	<u>\$ 244,024</u>	<u>\$ 396,027</u>	<u>\$ 21,879</u>	<u>\$ 248,110</u>	<u>\$ 2,238,121</u>

The accompanying notes are an integral part of these financial statements.

**THE INCORPORATED TRUSTEES OF THE EPISCOPAL DIOCESE OF  
CENTRAL PENNSYLVANIA**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of activities**

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. This basis differs from generally accepted accounting principles primarily because revenues and expenses are recorded when received rather than when earned or incurred, with the exception of investments which are carried at fair market value and the related appreciation or depreciation is recognized in the current period and accounted for as a revenue or expense. Payroll tax withholdings are reported as a liability based on wages paid in the current year. 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 Codification. Accordingly, 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, where by the donor has stipulated the funds be maintained in perpetuity.

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

NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
DECEMBER 31, 2018 AND 2017

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**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. Due to their prospective nature, actual results could differ from those estimates.

**Investments**

Investments are stated at fair value and are managed by Episcopal Church Foundation (ECF) and Morgan Stanley. The investments managed by the Episcopal Church Foundation 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 donor or law.

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 materially affect investment balances and the amounts reported in the financial statements and the accompanying notes. On 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 or value of property and equipment are 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 (Cont'd.)  
DECEMBER 31, 2018 AND 2017

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**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 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 previous years. 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 has 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.

The expenses (such as salaries and benefits, payroll taxes, office supplies and other expenses) are allocated on the basis of estimates of time and effort.

**Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation.

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

NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
DECEMBER 31, 2018 AND 2017

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

**Subsequent events**

In preparing these financial statements, the Diocese has evaluated events and transactions for potential recognition through August 22, 2019, the date which the financial statements were available to be issued.

**NEW ACCOUNTING PRONOUNCEMENTS**

The Financial Accounting Standards Board (FASB) issued ASU 2016-14, *“Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities”*. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classifications, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets, and provides enhanced disclosures for: governing body restrictions; composition of net assets with donor restrictions; qualitative and quantitative information on liquidity; methods to allocate costs among program and support functions; and underwater donor-restricted endowment funds. The Diocese has implemented ASU 2016-14 in the current year. The Diocese has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. There was no impact on net asset balances.

ASU 2014-09, *“Revenue from Contracts with Customers,”* is effective for the Diocese’s financial statements for the year ending December 31, 2019 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with transfer of promised goods or services to customers and related disclosures.

ASU 2018-08, *“Topic 958, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made,”* is effective for the Diocese’s financial statements for the year ending December 31, 2019. The new guidance clarifies what an exchange transaction, of which revenues would be reported under Topic 606, and what is a contribution reported under Topic 958.

ASU 2016-02, *“Leases (Topic 842),”* effective for the Diocese’s financial statements for the year ending December 31, 2020. This amendment will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

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.

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

NOTES TO FINANCIAL STATEMENTS (Cont'd.)

DECEMBER 31, 2018 AND 2017

**INVESTMENTS**

The fair value of investments at year-end December 31 are summarized as follows:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	\$ 1,201,265	\$ 1,201,265	\$ 230,996	\$ 230,996
Mutual funds				
Fixed income	-	-	55,303	53,103
Equities	-	-	85,569	103,355
	-	-	140,872	156,458
Stocks				
Energy	51	54	-	-
Financial	1,033	1,115	679	990
Healthcare	1,393	2,681	921	2,797
Technology	621	1,397	255	855
Industrials	608	1,963	672	2,269
Consumer defensive	2,005	3,369	1,703	3,513
Consumer cyclical	1,785	1,461	-	-
	7,446	12,040	4,230	10,424
Exchange traded and closed end fund - equities	3,211	3,008	1,096	1,397
Corporate bonds				
Fixed income	30,272	30,795	36,119	37,288
Common trust funds				
Large CAP equities	5,712,057	7,125,165	5,956,821	8,020,238
Small/Mid CAP equities	1,916,182	2,341,494	1,953,907	2,797,861
International equities	5,993,227	5,958,097	5,754,924	7,877,272
REIT	921,411	918,672	1,104,631	1,239,966
Fixed income	5,514,708	5,754,371	4,768,517	5,211,769
	20,057,585	22,097,799	19,538,800	25,147,106
	\$ 21,299,779	\$ 23,344,907	\$ 19,952,113	\$ 25,583,669

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

NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
DECEMBER 31, 2018 AND 2017

**INVESTMENTS (Cont'd.)**

The investments managed by the Episcopal Church Foundation are held by the State Street Global Advisors (SSGA). SSGA handles the administration of the assets, including allocation of quarterly income to the fund participants.

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:

	2018	2017
Interest and dividend income	\$ 36,310	\$ 41,700
Net realized and unrealized gains (losses)	(910,557)	1,458,137
	(874,247)	1,499,837
Investment fees	(52,958)	(55,815)
Total	\$ (927,205)	\$ 1,444,022

**FAIR VALUE MEASUREMENTS**

Fair value accounting standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs have the lowest priority to unobservable inputs.

The Diocese uses the following valuation techniques to measure fair value of assets on a recurring basis. There have been no changes in the methodologies used at December 31, 2018.

Cash and cash equivalents - The carrying amount approximates fair value because of the short-term nature of these investments.

Mutual funds, stocks and exchange traded funds - Fair values were based on quoted market prices.

Corporate bonds - 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.

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

NOTES TO FINANCIAL STATEMENTS (Cont'd.)

DECEMBER 31, 2018 AND 2017

**FAIR VALUE MEASUREMENTS (Cont'd.)**

**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.

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.



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

NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
DECEMBER 31, 2018 AND 2017

**FAIR VALUE MEASUREMENTS (Cont'd.)**

**Investments measured using the net asset value (NAV) per share practical expedient (Cont'd.)**

***Common trust funds (Cont'd.)***

**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.

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 (Cont'd.)  
DECEMBER 31, 2018 AND 2017

**FAIR VALUE MEASUREMENTS (Cont'd.)**

**Investments measured using the net asset value (NAV) per share practical expedient (Cont'd.)**

***Common trust funds (Cont'd.)***

**Fixed income**

High Yield: The investment objective of the Fund is to exceed the performance of the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer CAP 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 (Cont'd.)

DECEMBER 31, 2018 AND 2017

**FAIR VALUE MEASUREMENTS (Cont'd.)**

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, 2018			Total
	Level 1	Level 2	Level 3	
<b>Investments measured at fair value</b>				
Cash and cash equivalents	\$ 1,201,265	\$ -	\$ -	\$ 1,201,265
Mutual funds				
Fixed income	-	-	-	-
Equities	-	-	-	-
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	1,461	-	-	1,461
	<u>12,040</u>	<u>-</u>	<u>-</u>	<u>12,040</u>
Exchange traded and closed end fund - equities	<u>3,003</u>	<u>-</u>	<u>-</u>	<u>3,003</u>
Corporate bonds				
Fixed income	<u>-</u>	<u>30,795</u>	<u>-</u>	<u>30,795</u>
Total investments measured at fair value	<u>1,216,308</u>	<u>30,795</u>	<u>-</u>	<u>1,247,103</u>

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

NOTES TO FINANCIAL STATEMENTS (Cont'd.)

DECEMBER 31, 2018 AND 2017

**FAIR VALUE MEASUREMENTS (Cont'd.)**

	December 31, 2018			Total
	Level 1	Level 2	Level 3	
<b>Investments measured at NAV</b>				
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				
Small/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				3,390,374
REIT				
REIT Index				458,439
SPDR Dow Jones International Real Estate				460,233
Fixed income				
High Yield				1,421,269
Passive Bond Market				2,364,527
TCW Emerging Market Income				743,927
Treasury Inflation Protected Securities				<u>1,224,647</u>
Total investments measured at NAV				<u>22,097,799</u>
Total investments	<u>\$ 1,216,308</u>	<u>\$ 30,795</u>	<u>\$ -</u>	<u>\$ 23,344,907</u>

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

NOTES TO FINANCIAL STATEMENTS (Cont'd.)

DECEMBER 31, 2018 AND 2017

**FAIR VALUE MEASUREMENTS (Cont'd.)**

	December 31, 2017			Total
	Level 1	Level 2	Level 3	
<b>Investments measured at fair value</b>				
Cash and cash equivalents	\$ 230,996	\$ -	\$ -	\$ 230,996
Mutual funds				
Fixed income	53,103	-	-	53,103
Equities	103,355	-	-	103,355
	<u>156,458</u>	<u>-</u>	<u>-</u>	<u>156,458</u>
Stocks				
Energy	-	-	-	-
Financial	990	-	-	990
Healthcare	2,797	-	-	2,797
Technology	855	-	-	855
Industrials	2,269	-	-	2,269
Consumer defensive	3,513	-	-	3,513
Consumer cyclical	-	-	-	-
	<u>10,424</u>	<u>-</u>	<u>-</u>	<u>10,424</u>
Exchange traded and closed end fund - equities	<u>1,397</u>	<u>-</u>	<u>-</u>	<u>1,397</u>
Corporate bonds				
Fixed income	<u>-</u>	<u>37,288</u>	<u>-</u>	<u>37,288</u>
Total investments measured at fair value	<u>399,275</u>	<u>37,288</u>	<u>-</u>	<u>436,563</u>

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

NOTES TO FINANCIAL STATEMENTS (Cont'd.)

DECEMBER 31, 2018 AND 2017

**FAIR VALUE MEASUREMENTS (Cont'd.)**

	December 31, 2017			Total
	Level 1	Level 2	Level 3	
<b>Investments measured at NAV</b>				
Common trust funds				
Large CAP				
DJ-UBS Roll Select Commodity Index				\$ 1,295,997
S&P 500 Common Trust Fund				6,724,242
Small/Mid CAP				
Small/Mid CAP Lending				1,557,193
Small CAP Index				1,240,669
International				
Active International Small CAP				1,551,535
Daily Active Emerging Market				2,293,468
International Alpha Select				4,032,268
REIT				
REIT Index				624,761
SPDR Dow Jones International Real Estate				615,205
Fixed income				
High Yield				1,238,488
Passive Bond Market				2,257,549
TCW Emerging Market Income				980,772
Treasury Inflation Protected Securities				734,959
Total investments measured at NAV				25,147,106
 Total investments	 \$ 399,275	 \$ 37,288	 \$ -	 \$ 25,583,669

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

NOTES TO FINANCIAL STATEMENTS (Cont'd.)

DECEMBER 31, 2018 AND 2017

**FAIR VALUE MEASUREMENTS (Cont'd.)**

**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, 2018.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Common trust funds				
Large CAP				
DJ-UBS Roll Select Commodity Index	\$ 1,144,677	N/A	Daily	None
S&P 500 Common Trust Fund	5,980,488	N/A	Daily	None
Small/Mid CAP				
Small/Mid CAP Lending	1,055,761	N/A	Daily	None
Small CAP index	1,285,733	N/A	Daily	None
International				
Active international Small CAP	897,463	N/A	Daily	None
Daily Active Emerging Market	1,670,261	N/A	Daily	None
International Alpha Select	3,390,374	N/A	Daily	None
REIT				
REIT index	458,439	N/A	Daily	None
SPDR Dow Jones International Real Estate	460,233	N/A	Daily	None
Fixed income				
High yield	1,421,269	N/A	Daily	None
Passive Bond Market	2,364,527	N/A	Daily	None
TCW Emerging Markets Income	743,927	N/A	Daily	None
Treasury Inflation Protected Securities	<u>1,224,647</u>	N/A	Daily	None
	<u>\$ 22,097,799</u>			

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

NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
DECEMBER 31, 2018 AND 2017

**FAIR VALUE MEASUREMENTS (Cont'd.)**

**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 the level 3 in 2018 or 2017.

**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 2018 and 2017, 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.



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

NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
DECEMBER 31, 2018 AND 2017

**ENDOWMENT FUNDS (Cont'd.)**

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

	2018		
	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)	-	(31,570)
Investment income	9,842	17,792	27,634
Spending policy distribution	-	(2,757)	(2,757)
Realized and unrealized gains (losses)	(307,273)	(561,789)	(869,062)
Endowment net assets, December 31, 2018	<u>\$ 3,133,512</u>	<u>\$ 5,628,047</u>	<u>\$ 8,761,559</u>
	2017		
	Net assets Without Donor Restrictions	Net assets With Donor Restrictions	Total Endowment Assets
Endowment net assets, January 1, 2017	\$ 3,171,066	\$ 5,570,326	\$ 8,741,392
Additions	50,859	-	50,859
Withdrawals	(239,557)	-	(239,557)
Investment income	11,048	18,799	29,847
Spending policy distribution	(54,280)	(249,145)	(303,425)
Realized and unrealized gains (losses)	459,364	822,218	1,281,582
Endowment net assets, December 31, 2017	<u>\$ 3,398,500</u>	<u>\$ 6,162,198</u>	<u>\$ 9,560,698</u>

This information is derived from the totals as detailed in the supplementary information included in the audit report.

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

NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
DECEMBER 31, 2018 AND 2017

**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, 2018 and 2017 were \$ 805,395 and \$ 404,185, respectively.

**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 2018 and 2017, the monthly premium per clergy totaled approximately \$ 130 a month. The total paid for the years ending 2018 and 2017 totaled \$ 53,500 and \$ 42,693, respectively.

**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 2018 and 2017 to the plan were \$ 56,914 and \$ 52,856, 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 2018 and 2017 contributions were \$ 17,945 and \$ 15,933, respectively.

**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:

	2018	2017
Designated for specific purpose		
Lambeth conference	\$ 33,089	\$ 36,292
National Convention	39,573	43,400
Bishop search	43,878	48,121
	\$ 116,540	\$ 127,813

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

NOTES TO FINANCIAL STATEMENTS (Cont'd.)

DECEMBER 31, 2018 AND 2017

**NET ASSETS WITHOUT DONOR RESTRICTIONS (Cont'd.)**

	2018	2017
Designated - quasi endowment		
Parish loan fund	\$ 1,945,078	\$ 2,096,149
Mission and ministry	614,098	673,591
Communications	39,222	43,020
Children, youth and young adults	141,226	154,905
Stevenson School	256,624	280,276
Leadership development	59,506	65,269
Episcopal Church Women	35,888	39,365
College ministry	41,870	45,925
	\$ 3,133,512	\$ 3,398,500

**NET ASSETS WITH DONOR RESTRICTIONS**

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

	2018	2017
Specific purpose		
Episcopal Church Women	\$ 29,912	\$ 33,404
Bishop's Discretionary Funds	7,451	11,924
Clergy medical insurance	25,607	25,607
Parish support	3,098	3,098
College ministry	1,801	1,801
Sharing the Vision	38,967	38,967
	106,836	114,801
Endowment funds		
Mission and ministry	1,820,900	1,997,269
Social ministry	531,115	582,563
Parish support	85,451	96,565
Stevenson School	438,633	481,121
Construction and repairs	428,841	470,379
Domestic and foreign missions	286,924	314,715
World Outreach, youth, aging, leadership	1,413,022	1,549,890
General purpose	635,764	669,696
	5,628,047	6,162,198
Total net assets with donor restrictions	\$ 5,734,883	\$ 6,276,999

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

NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
DECEMBER 31, 2018 AND 2017

**OPERATING LEASES**

The Diocese leased a piece of office equipment with terms through December of 2021. At December 31, 2018, the minimum rental payments under noncancellable leases with a term in excess of one year were as follows:

2019	\$	5,844
2020		5,844
2021		974

Total lease expense for the year ended December 31, 2018 and 2017 totaled \$ 5,844, for each year.

**RELATED PARTIES**

The Diocese provides grants to parishes within its region for the purpose of assisting congregations with major structural and renovation projects as well as assistance with certain qualified projects. During 2018 and 2017, the Diocese provided \$ 133,884 and \$ 165,573, respectively, in funding. By virtue of being member parishes, these transactions are considered related party in nature.

The Diocese is affiliated with the Protestant Episcopal Church in the United States of America. As part of that affiliation, in 2018 and 2017 the Diocese committed \$ 212,720 and \$ 248,110, 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 the pension plan disclosure for further details.

**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 104.5% and 38.4% 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.

The Diocese maintains its cash balances in one high-quality financial institution. Accounts are insured by the Federal Deposit Insurance Corporation up to \$ 250,000. At December 31, 2018 and 2017, the Diocese's uninsured balances totaled \$ 231,432 and \$ 32,615, respectively.

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 inventory, chattel paper, accounts, equipment and general intangibles. At year-end 2018 and 2017 there was no outstanding balance.

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

NOTES TO FINANCIAL STATEMENTS (Cont'd.)  
DECEMBER 31, 2018 AND 2017

**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, 2018:

Financial assets at year end	
Cash	\$ 430,080
Investments	<u>23,344,907</u>
 Total financial assets	 <u>23,774,987</u>
 Less amounts not available to be used within one year for general expenses	
Net assets with donor restrictions	5,734,883
Council Designated Quasi - Endowment	3,133,512
Investments held for others	<u>13,683,990</u>
	<u>22,552,385</u>
 Financial assets available to meet general expenses within one year	 <u>\$ 1,222,602</u>

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.

## **SUPPLEMENTARY INFORMATION**



# Greenawalt & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Since 1955

Deborah J. Kelly  
Scott J. Christ  
Ronald S. Morgan

James E. Lyons

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the financial statements of The Incorporated Trustees of the Episcopal Diocese of Central Pennsylvania as of and for the year ended December 31, 2018, and have issued our report thereon dated August 22, 2019, which contained an unmodified opinion on those financial statements. Our audit was performed 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.

*Greenawalt & Company, P.C.*  
GREENAWALT & COMPANY, P.C.

August 22, 2019

Mechanicsburg, Pennsylvania

**THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**  
SCHEDULE OF SUPPORT AND REVENUE, EXPENSES AND OTHER CHANGES IN NET ASSETS-  
MODIFIED CASH BASIS - BY FUND  
DECEMBER 31, 2018

	Without Donor Restrictions - Undesignated			Without Donor Designated For	
	Missionary Budget Fund	Incorporated General	Total Unrestricted	Reserve - Lambeth Conference Fund	Reserve - General Convention Fund
Beginning balance					
DCPA 1/1/18	\$ 153,188	\$ -	\$ 153,188	\$ -	\$ -
Investments 1/1/18	309,483	762,642	1,072,125	36,292	43,400
<b>Total 1/1/18</b>	<b>462,671</b>	<b>762,642</b>	<b>1,225,313</b>	<b>36,292</b>	<b>43,400</b>
Support and revenue					
Parish assessments	1,319,172	-	1,319,172	-	-
Investment income	5,984	2,202	8,186	106	126
Closed parish income	51,294	-	51,294	-	-
Contributions	530,150	-	530,150	-	-
Program fees-insurance payments	30,240	-	30,240	-	-
Program fees-conference/training	58,306	-	58,306	-	-
Loan repayments	-	-	-	-	-
Unrealized/realized gains/(losses)	(11,088)	(69,553)	(80,641)	(3,309)	(3,953)
Proceeds from sale of property	52,004	-	52,004	-	-
Miscellaneous income	11,556	-	11,556	-	-
<b>Total support and revenue</b>	<b>2,047,618</b>	<b>(67,351)</b>	<b>1,980,267</b>	<b>(3,203)</b>	<b>(3,827)</b>
Expenses					
Program services	1,417,664	-	1,417,664	-	-
Support services	480,827	-	480,827	-	-
Unallocated National apportionment	212,720	-	212,720	-	-
Parish investment distributions	-	-	-	-	-
<b>Total expenses</b>	<b>2,111,211</b>	<b>-</b>	<b>2,111,211</b>	<b>-</b>	<b>-</b>
Change in net assets	(63,593)	(67,351)	(130,944)	(3,203)	(3,827)
Other changes in net assets					
Spending policy and operational transfers	2,757	-	2,757	-	-
<b>Total changes in net assets</b>	<b>(60,836)</b>	<b>(67,351)</b>	<b>(128,187)</b>	<b>(3,203)</b>	<b>(3,827)</b>
Ending balance					
DCPA 12/31/18	260,803	-	260,803	-	-
Investments 12/31/18	141,032	695,291	836,323	33,089	39,573
<b>Total 12/31/18</b>	<b>\$ 401,835</b>	<b>\$ 695,291</b>	<b>1,097,126</b>	<b>\$ 33,089</b>	<b>\$ 39,573</b>

(Continued)

See independent auditor's report on supplementary information.



Restrictions - Specific Purpose		Without Donor Restrictions - Quasi - Endowment				
Bishop Search	Total Designated for Specific Purpose	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
\$ -	\$ -	\$ 17,476	\$ -	\$ -	\$ -	\$ -
48,121	127,813	2,078,673	118,401	410,914	124,129	45,925
48,121	127,813	2,096,149	118,401	410,914	124,129	45,925
-	-	-	-	-	-	-
139	371	6,117	342	1,187	358	133
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	64,013	-	-	-	-
(4,382)	(11,644)	(189,631)	(10,798)	(37,483)	(11,319)	(4,188)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(4,243)	(11,273)	(119,501)	(10,456)	(36,296)	(10,961)	(4,055)
-	-	31,570	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	31,570	-	-	-	-
(4,243)	(11,273)	(151,071)	(10,456)	(36,296)	(10,961)	(4,055)
-	-	-	-	-	-	-
(4,243)	(11,273)	(151,071)	(10,456)	(36,296)	(10,961)	(4,055)
-	-	50,033	-	-	-	-
43,878	116,540	1,895,045	107,945	374,618	113,168	41,870
\$ 43,878	\$ 116,540	\$ 1,945,078	\$ 107,945	\$ 374,618	\$ 113,168	\$ 41,870

**THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**  
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MODIFIED CASH BASIS - BY FUND (Cont'd.)  
DECEMBER 31, 2018

	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
Beginning balance					
DCPA 1/1/18	\$ 12,537	\$ -	\$ -	\$ -	\$ -
Investments 1/1/18	267,739	39,365	43,021	30,775	144,276
<b>Total 1/1/18</b>	<b>280,276</b>	<b>39,365</b>	<b>43,021</b>	<b>30,775</b>	<b>144,276</b>
Support and revenue					
Parish assessments	-	-	-	-	-
Investment income	773	114	124	89	417
Closed parish income	-	-	-	-	-
Contributions	-	-	-	-	-
Program fees-insurance payments	-	-	-	-	-
Program fees-conference/training	-	-	-	-	-
Loan repayments	-	-	-	-	-
Unrealized/realized gains/(losses)	(24,425)	(3,591)	(3,923)	(2,806)	(13,157)
Proceeds from sale of property	-	-	-	-	-
Miscellaneous income	-	-	-	-	-
<b>Total support and revenue</b>	<b>(23,652)</b>	<b>(3,477)</b>	<b>(3,799)</b>	<b>(2,717)</b>	<b>(12,740)</b>
Expenses					
Program services	-	-	-	-	-
Support services	-	-	-	-	-
Unallocated National apportionment	-	-	-	-	-
Parish investment distributions	-	-	-	-	-
<b>Total expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>(23,652)</b>	<b>(3,477)</b>	<b>(3,799)</b>	<b>(2,717)</b>	<b>(12,740)</b>
Other changes in net assets					
Spending policy & operational transfers	-	-	-	-	-
<b>Total change in net assets</b>	<b>(23,652)</b>	<b>(3,477)</b>	<b>(3,799)</b>	<b>(2,717)</b>	<b>(12,740)</b>
Ending balance					
DCPA 12/31/18	12,537	-	-	-	-
Investments 12/31/18	244,087	35,888	39,222	28,058	131,536
<b>Total 12/31/18</b>	<b>\$ 256,624</b>	<b>\$ 35,888</b>	<b>\$ 39,222</b>	<b>\$ 28,058</b>	<b>\$ 131,536</b>

(Continued)

See independent auditor's report on supplementary information.

Leadership Endowment	Total Quasi Endowment	Total Without Donor Restriction
\$ -	\$ 30,013	\$ 183,201
65,269	3,368,487	4,568,425
65,269	3,398,500	4,751,626
-	-	1,319,172
188	9,842	18,399
-	-	51,294
-	-	530,150
-	-	30,240
-	-	58,306
-	64,013	64,013
(5,952)	(307,273)	(399,558)
-	-	52,004
-	-	11,556
(5,764)	(233,418)	1,735,576
-	31,570	1,449,234
-	-	480,827
-	-	212,720
-	-	-
-	31,570	2,142,781
(5,764)	(264,988)	(407,205)
-	-	2,757
(5,764)	(264,988)	(404,448)
-	62,570	323,373
59,505	3,070,942	4,023,805
\$ 59,505	\$ 3,133,512	\$ 4,347,178

**THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**  
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MODIFIED CASH BASIS - BY FUND (Cont'd.)  
DECEMBER 31, 2018

	With Donor Restrictions - Specific Purpose				Total With Donor Restrictions - Specific Purpose
	Medical Insurance Reimburse- ment	Episcopal Church Women (ECW)	Transmittals	Discretionary Funds	
Beginning balance					
DCPA 1/1/18	\$ 25,607	\$ 7,121	\$ 46,382	\$ 11,924	\$ 91,034
Investments 1/1/18	-	23,767	-	-	23,767
<b>Total 1/1/18</b>	<b>25,607</b>	<b>30,888</b>	<b>46,382</b>	<b>11,924</b>	<b>114,801</b>
Support and revenue					
Parish assessments	-	-	-	-	-
Investment income	-	69	-	50	119
Closed parish income	-	-	-	-	-
Contributions	-	10,375	-	14,068	24,443
Program fees-insurance payments	-	-	-	-	-
Program fees-conference/training	-	-	-	-	-
Loan repayments	-	-	-	-	-
Unrealized/realized gains	-	(2,168)	-	-	(2,168)
Proceeds from sale of property	-	-	-	-	-
Miscellaneous income	-	-	-	-	-
<b>Total support and revenue</b>	<b>-</b>	<b>8,276</b>	<b>-</b>	<b>14,118</b>	<b>22,394</b>
Expenses					
Program services	-	11,768	-	18,591	30,359
Support services	-	-	-	-	-
Unallocated National apportionment	-	-	-	-	-
Parish investment distributions	-	-	-	-	-
<b>Total expenses</b>	<b>-</b>	<b>11,768</b>	<b>-</b>	<b>18,591</b>	<b>30,359</b>
Change in net assets	-	(3,492)	-	(4,473)	(7,965)
Other changes in net assets					
Spending policy & operational transfers	-	-	-	-	-
<b>Total change in net assets</b>	<b>-</b>	<b>(3,492)</b>	<b>-</b>	<b>(4,473)</b>	<b>(7,965)</b>
Ending balance					
DCPA 12/31/18	25,607	5,728	46,382	7,451	85,168
Investments 12/31/18	-	21,668	-	-	21,668
<b>Total 12/31/18</b>	<b>\$ 25,607</b>	<b>\$ 27,396</b>	<b>\$ 46,382</b>	<b>\$ 7,451</b>	<b>\$ 106,836</b>

(Continued)

See independent auditor's 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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
582,563	1,453,202	15,749	68,757	470,379	299,553	314,715
582,563	1,453,202	15,749	68,757	470,379	299,553	314,715
-	-	-	-	-	-	-
1,682	4,197	45	199	1,358	865	909
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(53,130)	(132,518)	(1,436)	(6,270)	(42,896)	(27,317)	(28,700)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(51,448)	(128,321)	(1,391)	(6,071)	(41,538)	(26,452)	(27,791)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(51,448)	(128,321)	(1,391)	(6,071)	(41,538)	(26,452)	(27,791)
-	-	-	-	-	-	-
(51,448)	(128,321)	(1,391)	(6,071)	(41,538)	(26,452)	(27,791)
-	-	-	-	-	-	-
531,115	1,324,881	14,358	62,686	428,841	273,101	286,924
<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>

**THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**  
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MODIFIED CASH BASIS - BY FUND (Cont'd.)  
DECEMBER 31, 2018

	With Donor Restrictions -				
	Sharing the Vision Inc. Trustees	Bishop Honoman En- dowment Fund	Doris Stephenson Fund	Bishop and Mrs. Darlington Memorial Fund	Sarah Baker Trust Fund
Beginning balance					
DCPA 1/1/18	\$ -	\$ -	\$ -	\$ -	\$ -
Investments 1/1/18	1,549,890	544,067	31,127	34,767	63,464
<b>Total 1/1/18</b>	<b>1,549,890</b>	<b>544,067</b>	<b>31,127</b>	<b>34,767</b>	<b>63,464</b>
Support and revenue					
Parish assessments	-	-	-	-	-
Investment income	4,476	1,571	90	100	183
Closed parish income	-	-	-	-	-
Contributions	-	-	-	-	-
Program fees-insurance payments	-	-	-	-	-
Program fees-conference/training	-	-	-	-	-
Loan repayments	-	-	-	-	-
Unrealized/realized gains	(141,344)	(49,619)	(2,839)	(3,170)	(5,790)
Proceeds from sale of property	-	-	-	-	-
Miscellaneous income	-	-	-	-	-
<b>Total support and revenue</b>	<b>(136,868)</b>	<b>(48,048)</b>	<b>(2,749)</b>	<b>(3,070)</b>	<b>(5,607)</b>
Expenses					
Program services	-	-	-	-	-
Support services	-	-	-	-	-
Unallocated National apportionment	-	-	-	-	-
Parish investment distributions	-	-	-	-	-
<b>Total expenses and transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>(136,868)</b>	<b>(48,048)</b>	<b>(2,749)</b>	<b>(3,070)</b>	<b>(5,607)</b>
Other changes in net assets					
Spending policy & operational transfers	-	-	-	-	-
<b>Total change in net assets</b>	<b>(136,868)</b>	<b>(48,048)</b>	<b>(2,749)</b>	<b>(3,070)</b>	<b>(5,607)</b>
Ending balance					
DCPA 12/31/18	-	-	-	-	-
Investments 12/31/18	1,413,022	496,019	28,378	31,697	57,857
<b>Total 12/31/18</b>	<b>\$ 1,413,022</b>	<b>\$ 496,019</b>	<b>\$ 28,378</b>	<b>\$ 31,697</b>	<b>\$ 57,857</b>

(Continued)

See independent auditor's report on supplementary information.

Endowments

<u>Alrichs</u>	<u>Oscar Heinz Endowment</u>	<u>Mr. &amp; Mrs. George Hosfeld</u>	<u>John Baldwin James Fund for Seminarians</u>	<u>Total With Donor Restrictions - Endowments</u>	<u>Total With Donor Restrictions</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,034
-	634,929	80,816	18,220	6,162,198	6,185,965
-	634,929	80,816	18,220	6,162,198	6,276,999
-	-	-	-	-	-
-	1,834	230	53	17,792	17,911
-	-	-	-	-	-
12,603	-	-	-	12,603	37,046
-	-	-	-	-	-
-	-	-	-	-	-
-	(57,902)	(7,196)	(1,662)	(561,789)	(563,957)
-	-	-	-	-	-
-	-	-	-	-	-
12,603	(56,068)	(6,966)	(1,609)	(531,394)	(509,000)
-	-	-	-	-	30,359
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	30,359
12,603	(56,068)	(6,966)	(1,609)	(531,394)	(539,359)
-	-	(2,757)	-	(2,757)	(2,757)
12,603	(56,068)	(9,723)	(1,609)	(534,151)	(542,116)
12,603	-	-	-	12,603	97,771
-	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>

**THE EPISCOPAL DIOCESE OF CENTRAL PENNSYLVANIA**  
**SCHEDULE OF SUPPORT AND REVENUE, EXPENSES AND OTHER CHANGES IN NET ASSETS -**  
**MODIFIED CASH BASIS - BY FUND (Cont'd.)**  
**DECEMBER 31, 2018**

	Total Diocese	Custodial Accounts	Total
Beginning balance			
DCPA 1/1/18	\$ 274,235	\$ -	\$ 274,235
Investments 1/1/18	<u>10,754,390</u>	<u>14,829,279</u>	<u>25,583,669</u>
Total 1/1/18	<u>11,028,625</u>	<u>14,829,279</u>	<u>25,857,904</u>
Support and revenue			
Parish assessments	1,319,172	-	1,319,172
Investment income	36,310	42,897	79,207
Closed parish income	51,294	-	51,294
Contributions	567,196	684,389	1,251,585
Program fees-insurance payments	30,240	-	30,240
Program fees-conference/training	58,306	-	58,306
Loan repayments	64,013	-	64,013
Unrealized/realized gains	(963,515)	(1,375,782)	(2,339,297)
Proceeds from sale of property	52,004	-	52,004
Miscellaneous income	<u>11,556</u>	<u>-</u>	<u>11,556</u>
Total support and revenue	<u>1,226,576</u>	<u>(648,496)</u>	<u>578,080</u>
Expenses			
Program services	1,479,593	-	1,479,593
Support services	480,827	-	480,827
Unallocated National apportionment	212,720	-	212,720
Parish investment distributions	<u>-</u>	<u>496,793</u>	<u>496,793</u>
Total expenses and transfers	<u>2,173,140</u>	<u>496,793</u>	<u>2,669,933</u>
Change in net assets	(946,564)	(1,145,289)	(2,091,853)
Other changes in net assets			
Spending policy & operational transfers	<u>-</u>	<u>-</u>	<u>-</u>
Total change in net assets	<u>(946,564)</u>	<u>(1,145,289)</u>	<u>(2,091,853)</u>
Ending balance			
DCPA 12/31/18	421,144	-	421,144
Investments 12/31/18	<u>9,660,917</u>	<u>13,683,990</u>	<u>23,344,907</u>
Total 12/31/18	<u>\$ 10,082,061</u>	<u>\$ 13,683,990</u>	<u>\$ 23,766,051</u>

See independent auditor's report on supplementary information.