

**EPISCOPAL DIOCESE OF PENNSYLVANIA  
AND AFFILIATES**

***CONSOLIDATED FINANCIAL STATEMENTS***

**YEAR ENDED DECEMBER 31, 2009**

# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

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## INDEPENDENT AUDITOR'S REPORT

**To the Committee on Finance and Property  
Episcopal Diocese of Pennsylvania and Affiliates  
Philadelphia, Pennsylvania**

We have audited the accompanying consolidated statement of financial position of the Episcopal Diocese of Pennsylvania (the "**Diocese**") and Affiliates (nonprofit organizations) as of December 31, 2009, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Diocese's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior-year summarized comparative information has been derived from the Diocese's 2008 consolidated financial statements and, in our report dated August 4, 2009, we expressed a qualified opinion on those financial statements for the reason discussed in the third paragraph of this report.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully described in Note 1 to the financial statements, the financial statements of the Diocese are not consolidated with the financial statements of certain affiliated organizations. In our opinion, in order to conform with U.S. generally accepting accounting principles, the Diocese's financial statements should be consolidated with the financial statements of the affiliated organizations. The effects on the financial statements of this departure are not reasonably determinable.

In our opinion, except for the effects of not consolidating certain affiliated organizations, as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Episcopal Diocese of Pennsylvania and Affiliates as of December 31, 2009 and the changes in their net assets, and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The additional information on Pages 17 through 20 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

*BBD, LLP.*

**Philadelphia, Pennsylvania  
September 9, 2010**

# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2009 with comparative totals for 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2009</u>	<u>2008</u>
<b>ASSETS</b>					
Cash	\$ 2,007,935	\$ -	\$ -	\$ 2,007,935	\$ 1,962,576
Contributions receivable					
Pledges	72,909	-	-	72,909	59,630
Other	-	11,000	-	11,000	14,370
Assessments receivable	8,044	-	-	8,044	524
Other receivables	132,152	-	-	132,152	129,270
Prepaid expenses	413,177	-	-	413,177	372,708
Investments	16,620,941	6,516,947	25,730,949	48,868,837	37,842,492
Real estate held for sale	12,972,579	-	-	12,972,579	11,986,629
Loans receivable	130,792	-	-	130,792	285,123
Property and equipment, net	5,454,047	-	650,000	6,104,047	8,592,116
Beneficial interest in perpetual trusts	-	-	11,240,949	11,240,949	9,829,390
<b>Total assets</b>	<b><u>\$37,812,576</u></b>	<b><u>\$6,527,947</u></b>	<b><u>\$37,621,898</u></b>	<b><u>\$81,962,421</u></b>	<b><u>\$71,074,828</u></b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
Notes payable	\$ 4,256,167	\$ -	\$ -	\$ 4,256,167	\$ 4,357,280
Accounts payable and accrued expenses	416,772	-	-	416,772	472,239
Postretirement benefit obligation	<u>2,950,000</u>	<u>-</u>	<u>-</u>	<u>2,950,000</u>	<u>2,790,000</u>
<b>Total liabilities</b>	<b><u>7,622,939</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>7,622,939</u></b>	<b><u>7,619,519</u></b>
<b>NET ASSETS</b>					
Unrestricted	30,189,637	-	-	30,189,637	27,657,523
Temporarily restricted	-	6,527,947	-	6,527,947	4,967,090
Permanently restricted	<u>-</u>	<u>-</u>	<u>37,621,898</u>	<u>37,621,898</u>	<u>30,830,696</u>
<b>Total net assets</b>	<b><u>30,189,637</u></b>	<b><u>6,527,947</u></b>	<b><u>37,621,898</u></b>	<b><u>74,339,482</u></b>	<b><u>63,455,309</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$37,812,576</u></b>	<b><u>\$6,527,947</u></b>	<b><u>\$37,621,898</u></b>	<b><u>\$81,962,421</u></b>	<b><u>\$71,074,828</u></b>

See accompanying notes

# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2009 with comparative totals for 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2009</u>	<u>2008</u>
<b>REVENUE AND SUPPORT</b>					
Contributions					
Congregation pledges	\$ 875,695	\$ -	\$ -	\$ 875,695	\$ 1,098,834
Other contributions	188,459	228,775	33,359	450,593	521,740
Congregation assessments	1,499,283	-	-	1,499,283	1,348,011
Interest income	2,822,739	-	-	2,822,739	2,973,775
Medical insurance premiums	3,072,609	-	-	3,072,609	2,900,206
Other income	641,301	-	-	641,301	690,277
Net assets released from restrictions	<u>195,757</u>	<u>(195,757)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenue and support</b>	<u>9,295,843</u>	<u>33,018</u>	<u>33,359</u>	<u>9,362,220</u>	<u>9,532,843</u>
<b>EXPENSES</b>					
<b>Program services</b>					
Grants and scholarships	677,998	-	-	677,998	694,385
Health insurance program	3,061,950	-	-	3,061,950	2,866,440
Financially assisted congregations	1,188,165	-	-	1,188,165	1,158,966
Episcopal function	1,251,910	-	-	1,251,910	1,127,574
Diocesan meetings and communications	193,499	-	-	193,499	197,218
Cathedral ministry	686,768	-	-	686,768	704,113
Investment management expenses	386,748	-	-	386,748	313,466
Apartment operations	458,601	-	-	458,601	469,398
Retreat center operations	271,699	-	-	271,699	316,312
Other Diocesan programs	<u>878,858</u>	<u>-</u>	<u>-</u>	<u>878,858</u>	<u>892,158</u>
<b>Total program services</b>	9,056,196	-	-	9,056,196	8,740,030
<b>Supporting services</b>					
Management and general	1,417,488	-	-	1,417,488	1,524,033
<b>Unallocated national apportionment</b>	<u>115,056</u>	<u>-</u>	<u>-</u>	<u>115,056</u>	<u>200,000</u>
<b>Total expenses</b>	<u>10,588,740</u>	<u>-</u>	<u>-</u>	<u>10,588,740</u>	<u>10,464,063</u>
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</b>					
	(1,292,897)	33,018	33,359	(1,226,520)	(931,220)
<b>OTHER CHANGES</b>					
Realized and unrealized gain (loss) on investments	3,249,699	1,527,839	5,346,284	10,123,822	(16,857,611)
Deconsecrated (consecrated) congregations, net	575,312	-	-	575,312	914,107
Loss on sale of real estate held for sale	-	-	-	-	(329,745)
Change in value of beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>1,411,559</u>	<u>1,411,559</u>	<u>(4,411,885)</u>
<b>Total other changes</b>	<u>3,825,011</u>	<u>1,527,839</u>	<u>6,757,843</u>	<u>12,110,693</u>	<u>(20,685,134)</u>
<b>CHANGE IN NET ASSETS</b>	2,532,114	1,560,857	6,791,202	10,884,173	(21,616,354)
<b>NET ASSETS</b>					
Beginning of year	<u>27,657,523</u>	<u>4,967,090</u>	<u>30,830,696</u>	<u>63,455,309</u>	<u>85,071,663</u>
End of year	<u>\$30,189,637</u>	<u>\$6,527,947</u>	<u>\$37,621,898</u>	<u>\$74,339,482</u>	<u>\$ 63,455,309</u>

See accompanying notes

# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2009 with comparative totals for 2008

	<b>Program Services</b>					
	<b>Grants and Scholarships</b>	<b>Health Insurance Program</b>	<b>Financially Assisted Congregations</b>	<b>Episcopal Function</b>	<b>Diocesan Meetings and Communications</b>	<b>Cathedral Ministry</b>
1. Salaries	\$ 10,579	\$ -	\$ 443,510	\$ 342,530	\$ 32,378	\$260,709
2. Employee benefits	9,906	-	415,306	320,747	30,319	50,754
3. Bad debt expense	-	-	-	-	-	-
4. Depreciation	-	-	-	75,464	22,639	121,242
5. Grants and scholarships	653,727	-	285,020	-	-	23,605
6. Health insurance – congregations	-	3,042,363	-	-	-	-
7. Honoraria	-	-	-	24,825	-	-
8. Insurance	-	-	44,329	8,674	2,602	1,469
9. Interest	-	-	-	-	-	-
10. Meeting expense	60	-	-	1,938	183	-
11. National apportionment	-	-	-	-	-	-
12. Postage	140	-	-	4,521	427	1,154
13. Printing	33	-	-	1,056	100	-
14. Professional fees	1,573	-	-	216,384	66,559	42,702
15. Repairs and maintenance	-	-	-	69,896	20,969	47,333
16. Supplies	932	-	-	30,163	2,851	14,698
17. Telecommunications	216	-	-	7,003	662	5,152
18. Travel	91	-	-	45,610	281	-
19. Utilities	-	-	-	37,509	11,253	72,283
20. Miscellaneous	741	19,587	-	65,590	2,276	45,667
	<b>\$677,998</b>	<b>\$3,061,950</b>	<b>\$1,188,165</b>	<b>\$1,251,910</b>	<b>\$193,499</b>	<b>\$686,768</b>

See accompanying notes

	<u>Investment Management Expenses</u>	<u>Apartment Operations</u>	<u>Retreat Center Operations</u>	<u>Other Diocesan Programs</u>	<u>Supporting Service</u>	<u>Unallocated National Apportionment</u>	<u>Totals</u>	
					<u>Management and General</u>		<u>2009</u>	<u>2008</u>
1.	\$ 85,933	\$ -	\$ 61,229	\$303,420	\$ 470,733	\$ -	\$ 2,011,021	\$ 1,864,814
2.	30,548	-	57,335	284,124	399,770	-	1,598,809	1,442,643
3.	-	-	-	-	97,750	-	97,750	123,450
4.	-	55,530	-	22,639	45,032	-	342,546	372,480
5.	6,000	-	-	18,500	2,977	-	989,829	1,035,591
6.	-	-	-	-	-	-	3,042,363	2,852,209
7.	-	-	-	3,749	-	-	28,574	39,528
8.	8,432	11,172	-	2,602	6,466	-	85,746	111,770
9.	-	210,039	86,118	-	-	-	296,157	318,239
10.	-	-	346	25,386	2,317	-	30,230	25,619
11.	-	-	-	-	-	115,056	115,056	200,000
12.	-	-	808	4,005	5,545	-	16,600	13,887
13.	-	-	189	935	1,260	-	3,573	8,431
14.	251,365	20,407	9,100	45,094	241,119	-	894,303	921,442
15.	-	82,688	-	20,969	33,928	-	275,783	216,230
16.	803	-	5,392	26,719	38,155	-	119,713	83,137
17.	-	-	1,252	6,204	9,017	-	29,506	44,664
18.	-	-	533	79,557	3,561	-	129,633	141,161
19.	-	76,965	-	11,253	24,119	-	233,382	238,209
20.	3,667	1,800	49,397	23,702	35,739	-	248,166	410,559
	<u>\$386,748</u>	<u>\$458,601</u>	<u>\$271,699</u>	<u>\$878,858</u>	<u>\$1,417,488</u>	<u>\$115,056</u>	<u>\$10,588,740</u>	<u>\$10,464,063</u>

# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2009 with comparative totals for 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ 10,884,173	\$(21,616,354)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Realized and unrealized (gain) loss on sale of investments	(10,123,822)	16,857,611
Bad debt expense	97,750	123,450
Depreciation	342,546	372,480
Deconsecrated congregations	(2,750,312)	(914,107)
Consecrated property and equipment	2,175,000	-
Loss on sale of real estate held for sale	-	329,745
(Increase) decrease in value of beneficial interest in perpetual trusts	(1,411,559)	4,411,885
(Increase) decrease in		
Contributions and accounts receivable	(20,311)	72,997
Prepaid expenses	(40,469)	(36,728)
Loans receivable	56,581	38,564
Increase (decrease) in		
Accounts payable and accrued expenses	(55,467)	(193,089)
Postretirement benefit obligation	<u>160,000</u>	<u>103,000</u>
<b>Net cash used for operating activities</b>	<u>(685,890)</u>	<u>(450,546)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(2,060,826)	(1,817,481)
Proceeds from sale of investments	1,158,303	849,558
Proceeds from sale of real estate	1,764,362	1,388,348
Purchase of property and equipment	<u>(29,477)</u>	<u>(23,447)</u>
<b>Net cash provided by investing activities</b>	<u>832,362</u>	<u>396,978</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from notes payable	88,404	119,097
Repayment of notes payable	<u>(189,517)</u>	<u>(45,578)</u>
<b>Net cash provided by (used for) financing activities</b>	<u>(101,113)</u>	<u>73,519</u>
<b>Increase in cash</b>	45,359	19,951
<b>CASH</b>		
Beginning of year	<u>1,962,576</u>	<u>1,942,625</u>
<b>End of year</b>	<u>\$ 2,007,935</u>	<u>\$ 1,962,576</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 296,157</u>	<u>\$ 318,239</u>

See accompanying notes

# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

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### (1) NATURE OF OPERATIONS

#### **Principles of Consolidation**

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

The consolidated financial statements include the accounts of the Episcopal Diocese of Pennsylvania (the "**Diocese**"), and the following affiliates - the Cathedral Church of the Saviour, also known as The Philadelphia Cathedral (the "**Cathedral**"), the Church Foundation (the "**Foundation**"), The Diocesan Health and Welfare Benefits Trust ("**DHWBT**"), Wapiti Land Company ("**WLC**") and 3719 Chestnut Corporation. All significant inter-organization balances and transactions have been eliminated.

A review of the control and financial structures of Episcopal Community Services ("**ECS**") and Cathedral Village ("**CV**") resulted in a conclusion that the Diocese is required by U.S. generally accepted accounting principles to include these nonprofit entities in the Diocesan consolidated financial statements. However, because the Diocese exercises no direct control over these entities other than approval of directors by the Bishop and Standing Committee, and because the financial affairs of each entity are entirely separate and the Diocese is not responsible for their obligations, the Diocese has concluded that it would be misleading to consolidate with these entities and has not done so.

#### **Episcopal Diocese of Pennsylvania**

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

#### **Wapiti Land Company**

The Wapiti Land Company ("**WLC**") is a Pennsylvania nonprofit corporation that was created for the purpose of holding title to 433 acres of land and building improvements located in Cecil County, Maryland.

#### **Diocesan Health and Welfare Benefits Trust**

On January 1, 2007, the Diocesan Health and Welfare Benefits Trust ("**DHWBT**") was established to administer health, life, disability and other related insurance premiums and hold reserves in trust for the Episcopal Diocese of Pennsylvania and its parishes, missions and institutions.

#### **3719 Chestnut Corporation**

3719 Chestnut Corporation is a Pennsylvania nonprofit corporation that was created for the purpose of owning and operating a 27-unit apartment building that is contiguous with the Cathedral. The apartment business is managed by a commercial property manager.

#### **The Church Foundation**

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

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

# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

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

### **The Cathedral Church of the Saviour**

The Cathedral, located in West Philadelphia, is designated in the Diocesan Canons as the Cathedral of the Diocese, the site of the Bishop's cathedra and an active parish of the Diocese. The Cathedral is organized as a Pennsylvania nonprofit corporation. It serves as the site of many diocesan-wide functions as well as being the diocesan center for a ministry of education and its facilities are also used by other community organizations.

## (2) SIGNIFICANT ACCOUNTING POLICIES

### **Basis of Accounting**

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

### **Basis of Presentation**

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

#### ***Unrestricted net assets***

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

#### ***Temporarily restricted net assets***

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of the Diocese and Affiliates and/or the passage of time. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "***net assets released from restrictions.***"

#### ***Permanently restricted net assets***

Net assets that are subject to donor-imposed restrictions that such assets be maintained indefinitely.

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

Effective January 1, 2008, the Diocese and Affiliates adopted a new accounting standard regarding fair value measurement. Under the new accounting standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. The new accounting standard establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Diocese and Affiliates. Unobservable inputs reflect the Diocese and Affiliates' assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

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

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

# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

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

### **Summarized Prior-Year Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2008, from which the summarized information was derived.

### **Estimates**

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

### **Investments**

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

The Diocese and Affiliates invest in a professionally-managed portfolio that contains various types of securities (**See Note 3**). Such investments are exposed to market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

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

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

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

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

### **Property and Equipment**

The Diocese and Affiliates capitalize all expenditures for property and equipment in excess of \$1,000. Property and equipment is carried at cost if purchased and at fair value at the date of donation if contributed. Depreciation is computed using the straight-line method over the estimated lives of the assets.

### **Mission and Parish Property**

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

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# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

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

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

### **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions whose restrictions are satisfied in the same period are reported as unrestricted.

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

### **Intentions to Give**

Congregation pledges for future periods are considered to be intentions to give. Intentions to give are not recognized as contributions until they become unconditional promises to give. At December 31, 2009, the Diocese had received congregation pledges for its 2010 program budget of approximately \$810,000.

### **Congregation Assessments**

Congregation assessments are recognized as revenue in the period that the Diocese provides services to the Congregations. Congregation assessments collected in advance of the services being performed are presented as deferred revenue.

### **Functional Allocation of Expenses**

The costs of providing the programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### **Income Tax Status**

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

### **Concentration of Credit Risk**

Financial instruments which potentially subject the Diocese and Affiliates to concentrations of credit risk are cash and contributions receivable. The Diocese and Affiliates maintain their cash at various high-quality financial institutions. At times, such deposits may exceed federally-insured limits. Contributions receivable consist primarily of pledges and assessments that are expected to be collected from member churches during 2010 and bequests that are expected to be collected during 2010.

### **Program Services**

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

#### **Grants and Scholarships**

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

#### **Health Insurance Program**

This category includes the cost of providing medical insurance coverage for all clergy and lay employees within the Diocese. The cost of this insurance is billed by the Diocesan Health and Welfare Benefits Trust to the Diocese and its parishes to the extent that it relates to active clergy and lay employees working in those parishes.

# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

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### Financially Assisted Congregations

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

### Episcopal Function

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

### Diocesan Meetings and Communications

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

### Cathedral Ministry

This category includes the expenses of operating the Cathedral and includes the salary and benefits of the Cathedral staff and depreciation of the buildings.

### Investment Management Expenses

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

### Apartment Operations

This category includes the expenses of operating the 27-unit apartment building owned by 3719 Chestnut Corporation.

### Retreat Center Operations

This category includes the cost of operating the Wapiti Retreat Center, a rural facility located on the Chesapeake Bay, which is under development as a retreat and youth camping venue.

### Other Diocesan Programs

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

### Reclassifications

Certain items in the 2008 summarized comparative information have been reclassified in order to conform to the 2009 presentation.

## (3) INVESTMENTS

Investments consisted of the following at December 31, 2009:

	<u>Diocese</u>	<u>Cathedral</u>	<u>Foundation</u>	<u>Total</u>
Units in The Consolidated Fund of The Church Foundation	\$45,221,285	\$2,110,818	\$1,403,628	\$48,735,731
Certificates of deposit	-	100,000	-	100,000
Other	28,106	5,000	-	33,106
	<u>\$45,249,391</u>	<u>\$2,215,818</u>	<u>\$1,403,628</u>	<u>\$48,868,837</u>

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# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

Investments consisted of the following at December 31, 2008:

	<u>Diocese</u>	<u>Cathedral</u>	<u>Foundation</u>	<u>Total</u>
Units in The Consolidated Fund of The Church Foundation	\$34,712,058	\$1,676,092	\$1,325,540	\$37,713,690
Certificates of deposit	-	100,000	-	100,000
Other	<u>23,802</u>	<u>5,000</u>	<u>-</u>	<u>28,802</u>
	<u>\$34,735,860</u>	<u>\$1,781,092</u>	<u>\$1,325,540</u>	<u>\$37,842,492</u>

### (4) LOANS RECEIVABLE

Loans receivable consisted of the following at December 31:

	<u>2009</u>	<u>2008</u>
Loans to congregations	\$ 1,861,669	\$ 1,908,963
Other loans	<u>118,323</u>	<u>127,610</u>
	1,979,992	2,036,573
Less allowance for loan loss	<u>(1,849,200)</u>	<u>(1,751,450)</u>
	<u>\$ 130,792</u>	<u>\$ 285,123</u>

### (5) PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2009 consisted of the following:

	<u>Diocese</u>	<u>Cathedral</u>	<u>3719 Chestnut Corporation</u>	<u>Total</u>
Land	\$ 418,000	\$ 119,724	\$ 500,000	\$ 1,037,724
Building and improvements	2,917,455	5,132,177	1,436,799	9,486,431
Furniture and equipment	<u>1,120,761</u>	<u>151,102</u>	<u>190,000</u>	<u>1,461,863</u>
	4,456,216	5,403,003	2,126,799	11,986,018
Less accumulated depreciation	<u>(2,535,840)</u>	<u>(2,965,116)</u>	<u>(381,015)</u>	<u>(5,881,971)</u>
	<u>\$ 1,920,376</u>	<u>\$ 2,437,887</u>	<u>\$1,745,784</u>	<u>\$ 6,104,047</u>

Property and equipment at December 31, 2008 consisted of the following:

	<u>Diocese</u>	<u>Cathedral</u>	<u>3719 Chestnut Corporation</u>	<u>Total</u>
Land	\$ 418,000	\$ 119,724	\$ 500,000	\$ 1,037,724
Building and improvements	5,092,455	5,132,177	1,410,960	11,635,592
Furniture and equipment	<u>1,117,123</u>	<u>151,102</u>	<u>190,000</u>	<u>1,458,225</u>
	6,627,578	5,403,003	2,100,960	14,131,541
Less accumulated depreciation	<u>(2,384,913)</u>	<u>(2,829,027)</u>	<u>(325,485)</u>	<u>(5,539,425)</u>
	<u>\$ 4,242,665</u>	<u>\$ 2,573,976</u>	<u>\$1,775,475</u>	<u>\$ 8,592,116</u>

In 2009, Trinity Episcopal Church, Boothwyn was consecrated by the Diocese and therefore removed from the Diocese's property and equipment. As a result, a loss of \$2,175,000 is included in the statement of activities as "Deconsecrated (consecrated) congregations".

# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

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### (6) BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Diocese and Cathedral are the income beneficiaries of several bank-administered perpetual trusts. The principal portions of the trusts are permanently restricted and the income distributions are temporarily restricted and unrestricted.

### (7) NOTES PAYABLE

In October 2006, 3719 Chestnut Corporation refinanced with a bank a \$1,550,000 existing mortgage note payable. The mortgage note bears interest at six and one quarter percent and is secured by the apartment building and land. The note has a maturity date of November 2026 and is payable in monthly payments of \$11,665. The note payable had an outstanding principal balance of \$1,413,261 at December 31, 2009.

On December 6, 2007, the Diocese entered into a non-revolving loan agreement with a bank. The loan bears interest at the prime rate minus one percent and is secured by the land and buildings and improvements held by the Wapiti Land Company located in Cecil County, Maryland. The loan matures on December 6, 2010 and allows for one twelve-month extension. No monthly principal or interest payments are required. The loan had an outstanding principal balance of \$2,842,906 at December 31, 2009.

### (8) POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

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

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

The Diocesan liability at December 31, 2009 and 2008 was \$2,950,000 and \$2,790,000, representing the charges for the current and prior years' service which were not funded. The unfunded liability for the coverage in its entirety, borne jointly by parishes, the Church Pension Group and the Diocese amounts to \$26,026,000 and \$24,871,000 at December 31, 2009 and 2008, respectively.

The following table summarizes changes to the postretirement benefit obligation:

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 2,790,000	\$ 2,687,000
Service cost	165,861	113,451
Interest cost	135,821	124,096
Benefit payments	<u>(141,682)</u>	<u>(134,547)</u>
Balance, end of year	<u>\$ 2,950,000</u>	<u>\$ 2,790,000</u>

The funded status of the plan was as follows:

	<u>2009</u>	<u>2008</u>
Postretirement benefit obligation	\$(2,869,000)	\$(2,655,000)
Unrecognized net actuarial gain	<u>(81,000)</u>	<u>(135,000)</u>
	(2,950,000)	(2,790,000)
Fair value of Plan assets	<u>-</u>	<u>-</u>
Accrued benefit cost	<u>\$ (2,950,000)</u>	<u>\$ (2,790,000)</u>

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# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

Net periodic benefit cost was comprised of the following:

	<u>2009</u>	<u>2008</u>
Service cost	\$ 165,861	\$ 113,451
Interest cost	<u>135,821</u>	<u>124,096</u>
Postretirement benefit expense	<u>\$ 301,682</u>	<u>\$ 237,547</u>

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

Assumed health care cost trend rates significantly impact reported amounts. The effect of a one-percentage-point change in assumed rates would alter the amounts of the benefit obligation and the sum of the service cost and interest cost components of postretirement benefit expense as follows for 2009:

	<u>One Percentage Point Increase</u>	<u>Decrease</u>
Effect on the postretirement benefit obligation	\$363,813	\$(300,779)
Effect on the sum of the service cost and interest cost components	53,243	(42,159)

### (9) REAL ESTATE HELD FOR SALE

The following is a summary of real estate held for sale at December 31, 2009 and the activity during the year then ended:

	<u>Balance January 1, 2009</u>	<u>Deconsecrated</u>	<u>Proceeds from Sale</u>	<u>Balance December 31, 2009</u>
St. Augustine Church, Philadelphia	\$ -	\$ 342,000	\$ -	\$ 342,000
St. John Evangelist Church, Lansdowne	-	1,102,500	-	1,102,500
Church of the Resurrection, Mayfair	-	657,812	-	657,812
Trinity Church, Collingdale	-	648,000	-	648,000
St. Peter's, Germantown	825,000	-	-	825,000
Wapiti Retreat Center	9,542,267	-	(145,000)	9,397,267
Church of the Atonement, Morton	874,107	-	(874,107)	-
Emmanuel & the Good Shepherd, Fishtown	620,255	-	(620,255)	-
Other	<u>125,000</u>	<u>-</u>	<u>(125,000)</u>	<u>-</u>
	<u>\$11,986,629</u>	<u>\$2,750,312</u>	<u>\$(1,764,362)</u>	<u>\$12,972,579</u>

### (10) RETIREMENT PLANS

The Diocese and Affiliates participate in a defined benefit plan and a defined contribution plan. The defined benefit plan is a multi-employer plan maintained for the benefit of clergy and administered by the Church Pension Fund on behalf of the Episcopal Church. The Diocese's contributions to the plan were \$135,913 for 2009 and \$136,876 for 2008. The Diocese's relative position in this plan is not readily determinable.

The defined contribution plan covers substantially all eligible lay employees. The provisions of the plan permit the employees to make tax-deferred contributions to the plan not to exceed IRS limitations. The plan also permits the Diocese to make discretionary contributions to the plan. The Diocese's contributions were \$54,752 for 2009 and \$57,471 for 2008.

# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

### (11) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes and periods:

	<u>Balance January 1, 2009</u>	<u>Additions (Losses)</u>	<u>Releases</u>	<u>Balance December 31, 2009</u>
<b>Purpose restrictions</b>				
Retired clergy	\$2,480,203	\$ 747,963	\$(101,682)	\$3,126,484
Care of aged	1,282,734	385,606	(61,098)	1,607,242
Theological education	508,526	153,787	(12,402)	649,911
Pension fund	197,087	60,190	(7,988)	249,289
Episcopal Churchwomen	151,766	45,767	(6,224)	191,309
Medical insurance	-	134,080	-	134,080
Youth work	-	134,080	-	134,080
Mission needs	86,287	26,652	-	112,939
Periodical club	40,155	927	-	41,082
Other	146,064	51,303	(6,363)	191,004
	<u>4,892,822</u>	<u>1,740,355</u>	<u>(195,757)</u>	<u>6,437,420</u>
<b>Time restrictions</b>				
For future periods	<u>74,268</u>	<u>16,259</u>	<u>-</u>	<u>90,527</u>
	<u>\$4,967,090</u>	<u>\$1,756,614</u>	<u>\$(195,757)</u>	<u>\$6,527,947</u>

### (12) PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets, the income from which is both unrestricted and temporarily restricted, consisted of the following endowments at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Sayers Memorial Fund	\$15,000,539	\$11,889,324
Nunns Memorial Endowment Fund	5,271,944	4,316,601
Church Training and Deaconess Fund	1,302,623	1,037,272
Bishop Taitt Fund for Missions	1,121,790	889,919
Merrick Fund	1,083,602	859,624
McPherson Fund	312,687	248,055
Elizabeth Cooper Fund	270,631	214,692
Clergy Daughters Fund	246,211	189,539
T. James Fernley Fund	240,659	182,260
Harry E. Stone Retreat Fund	219,423	177,732
Elizabeth Price Martin Fund	110,318	87,516
LF Hill Episcopal Churchwomen Fund	110,247	87,459
JE Hill Christmas Fund	110,247	87,459
Bishop MacKay Smith Fund	104,907	83,223
Thomas Ministry Fund	78,130	59,692
JE Hill Scholarship Fund	77,982	61,863
LF Hill Episcopate Fund	76,849	60,965
Episcopal Churchwomen Cole Fund	69,762	55,343
Thomas Sunday School Fund	67,504	51,574
Christmas Fund – Stern Fund	60,670	48,130
Potter Deacon Training Fund	60,617	48,087
Newbold Fund	48,325	38,336

# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

Atonement – McCauley Fund	45,954	-
ECW Mission Endowment Fund	43,274	34,330
Christmas Fund – Weinman Fund	41,706	33,085
Wetherill Chaplain Fund	40,105	31,815
St. Luke K Biddle CC Fund	39,024	30,958
St. Peter's Church Germantown (Houston Fund)	38,687	29,557
Samuel Houston Fund	33,102	25,290
St. John/Baptist Ihling Fund	14,643	11,188
St. John's Kelton	12,039	9,198
St. Johns Settlement Goodloe Endowment Fund	10,864	8,619
Bishop CF Pennsylvania Agency Account	8,307	6,590
Baugh Helene A Fund	7,577	6,011
Beneficial interest in perpetual trusts	<u>11,240,949</u>	<u>9,829,390</u>
	<u>\$37,621,898</u>	<u>\$30,830,696</u>

### (13) ENDOWMENT FUNDS

In August 2008, a new accounting standard was issued which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("*UPMIFA*"). The Diocese and Affiliates are not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. The standard also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

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

The spending policy calculates the amount of money annually distributed from the permanently restricted endowment fund to support various programs. The current spending policy is to distribute an amount equal to 4.75% of a moving three-year average of the fair value of the endowment fund.

Changes in the endowment assets for the year ended December 31, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Endowment net assets, beginning of year	\$12,484,603	\$4,904,953	\$20,347,936	\$37,737,492
Additions	1,709,511	228,775	36,729	1,975,015
Withdrawals	(734,936)	-	-	(734,936)
Investment income	544,861	51,137	1,256,474	1,852,472
Spending policy distribution	(544,861)	(195,757)	(1,256,474)	(1,997,092)
Realized and unrealized gain	<u>3,056,763</u>	<u>1,527,839</u>	<u>5,346,284</u>	<u>9,930,886</u>
Endowment net assets, end of year	<u>\$16,515,941</u>	<u>\$6,516,947</u>	<u>\$25,730,949</u>	<u>\$48,763,837</u>

# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

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### (14) ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

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

<u>Description</u>	<u>Balance December 31, 2009</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets				
Investments	\$48,868,837	\$ -	\$48,868,837	\$ -
Beneficial interest in perpetual trusts	<u>11,240,949</u>	<u>-</u>	<u>11,240,949</u>	<u>-</u>
	<u>\$60,109,786</u>	<u>\$ -</u>	<u>\$60,109,786</u>	<u>\$ -</u>
Liabilities				
Postretirement benefit obligation	<u>\$ 2,950,000</u>	<u>\$ -</u>	<u>\$ 2,950,000</u>	<u>\$ -</u>

### (15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 9, 2010, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2009 that required recognition or disclosure in the financial statements.

## **ADDITIONAL INFORMATION**

# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2009

	<u>Diocese</u>	<u>Wapiti Land Company</u>	<u>DHWBT</u>	<u>3719 Chestnut Corporation</u>	<u>Foundation</u>	<u>Cathedral</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>								
Cash	\$ 1,561,564	\$ -	\$289,234	\$ 31,791	\$ -	\$ 125,346	\$ -	\$ 2,007,935
Contributions receivable								
Pledges	72,909	-	-	-	-	-	-	72,909
Other	11,000	-	-	-	-	-	-	11,000
Assessments receivable	8,044	-	-	-	-	-	-	8,044
Other receivables	82,330	-	47,877	-	1,945	-	-	132,152
Due (to) from Affiliate	53,846	-	-	27,233	(81,079)	-	-	-
Prepaid expenses	5,899	-	407,278	-	-	-	-	413,177
Investments	45,249,391	-	-	-	1,403,628	2,215,818	-	48,868,837
Real estate held for sale	3,575,312	9,397,267	-	-	-	-	-	12,972,579
Loans receivable	1,468,173	-	-	-	-	-	(1,337,381)	130,792
Property and equipment, net	1,920,376	-	-	1,745,784	-	2,437,887	-	6,104,047
Beneficial interest in perpetual trusts	3,496,649	-	-	-	-	7,744,300	-	11,240,949
<b>Total assets</b>	<u>\$57,505,493</u>	<u>\$9,397,267</u>	<u>\$744,389</u>	<u>\$ 1,804,808</u>	<u>\$1,324,494</u>	<u>\$12,523,351</u>	<u>\$(1,337,381)</u>	<u>\$81,962,421</u>
<b>LIABILITIES AND NET ASSETS</b>								
<b>LIABILITIES</b>								
Notes payable	\$ 2,842,906	\$ -	\$ -	\$ 2,750,642	\$ -	\$ -	\$(1,337,381)	\$ 4,256,167
Accounts payable and accrued expenses	225,613	-	-	60,625	130,534	-	-	416,772
Postretirement benefit obligation	2,950,000	-	-	-	-	-	-	2,950,000
<b>Total liabilities</b>	<u>6,018,519</u>	<u>-</u>	<u>-</u>	<u>2,811,267</u>	<u>130,534</u>	<u>-</u>	<u>(1,337,381)</u>	<u>7,622,939</u>
<b>NET ASSETS</b>								
Unrestricted	15,483,832	9,397,267	744,389	(1,006,459)	942,299	4,628,309	-	30,189,637
Temporarily restricted	6,371,755	-	-	-	5,450	150,742	-	6,527,947
Permanently restricted	29,631,387	-	-	-	246,211	7,744,300	-	37,621,898
<b>Total net assets</b>	<u>51,486,974</u>	<u>9,397,267</u>	<u>744,389</u>	<u>(1,006,459)</u>	<u>1,193,960</u>	<u>12,523,351</u>	<u>-</u>	<u>74,339,482</u>
<b>Total liabilities and net assets</b>	<u>\$57,505,493</u>	<u>\$9,397,267</u>	<u>\$744,389</u>	<u>\$ 1,804,808</u>	<u>\$1,324,494</u>	<u>\$12,523,351</u>	<u>\$(1,337,381)</u>	<u>\$81,962,421</u>

# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2009

	<u>Diocese</u>	<u>Wapiti Land Company</u>	<u>DHWBT</u>	<u>3719 Chestnut Corporation</u>	<u>Foundation</u>	<u>Cathedral</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>REVENUE AND SUPPORT</b>								
Contributions								
Congregation pledges	\$ 875,695	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 875,695
Other contributions	385,834	-	-	15,000	42,267	64,759	(57,267)	450,593
Congregation assessments	1,499,283	-	-	-	-	-	-	1,499,283
Interest income	2,157,517	-	17,119	4,918	32,933	502,067	108,185	2,822,739
Medical insurance premiums	-	-	4,165,840	-	-	-	(1,093,231)	3,072,609
Other income	178,293	-	-	298,103	246,809	31,200	(113,104)	641,301
<b>Total revenue and support</b>	<u>5,096,622</u>	<u>-</u>	<u>4,182,959</u>	<u>318,021</u>	<u>322,009</u>	<u>598,026</u>	<u>(1,155,417)</u>	<u>9,362,220</u>
<b>EXPENSES</b>								
<b>Program services</b>								
Grants and scholarships	677,998	-	-	-	-	-	-	677,998
Health insurance program	-	-	4,155,181	-	-	-	(1,093,231)	3,061,950
Financially assisted congregations	1,188,165	-	-	-	-	-	-	1,188,165
Episcopal function	1,251,910	-	-	-	-	-	-	1,251,910
Diocesan meetings and communications	193,499	-	-	-	-	-	-	193,499
Cathedral ministry	-	-	-	-	-	686,768	-	686,768
Investment management expenses	-	-	-	-	429,015	-	(42,267)	386,748
Apartment operations	15,000	-	-	458,601	-	-	(15,000)	458,601
Retreat center operations	271,699	-	-	-	-	-	-	271,699
Other Diocesan programs	878,858	-	-	-	-	-	-	878,858
<b>Total program services</b>	<u>4,477,129</u>	<u>-</u>	<u>4,155,181</u>	<u>458,601</u>	<u>429,015</u>	<u>686,768</u>	<u>(1,150,498)</u>	<u>9,056,196</u>
<b>Supporting services</b>								
Management and general	1,124,094	-	80,151	-	131,989	86,173	(4,919)	1,417,488
<b>Unallocated national apportionment</b>	<u>115,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,056</u>
<b>Total expenses</b>	<u>5,716,279</u>	<u>-</u>	<u>4,235,332</u>	<u>458,601</u>	<u>561,004</u>	<u>772,941</u>	<u>(1,155,417)</u>	<u>10,588,740</u>
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</b>	<u>(619,657)</u>	<u>-</u>	<u>(52,373)</u>	<u>(140,580)</u>	<u>(238,995)</u>	<u>(174,915)</u>	<u>-</u>	<u>(1,226,520)</u>
<b>OTHER CHANGES</b>								
Realized and unrealized gain on investments	9,394,512	-	-	-	294,583	434,727	-	10,123,822
Deconsecrated parishes	575,312	-	-	-	-	-	-	575,312
Transfers	145,000	(145,000)	-	-	-	-	-	-
Change in value of beneficial interest in perpetual trusts	520,259	-	-	-	-	891,300	-	1,411,559
<b>Total other changes</b>	<u>10,635,083</u>	<u>(145,000)</u>	<u>-</u>	<u>-</u>	<u>294,583</u>	<u>1,326,027</u>	<u>-</u>	<u>12,110,693</u>
<b>CHANGE IN NET ASSETS</b>	<u>10,015,426</u>	<u>(145,000)</u>	<u>(52,373)</u>	<u>(140,580)</u>	<u>55,588</u>	<u>1,151,112</u>	<u>-</u>	<u>10,884,173</u>
<b>NET ASSETS</b>								
Beginning of year	41,471,548	9,542,267	796,762	(865,879)	1,138,372	11,372,239	-	63,455,309
End of year	<u>\$51,486,974</u>	<u>\$9,397,267</u>	<u>\$ 744,389</u>	<u>\$(1,006,459)</u>	<u>\$1,193,960</u>	<u>\$12,523,351</u>	<u>\$ -</u>	<u>\$74,339,482</u>

# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## STATEMENT OF ACTIVITIES – EPISCOPAL DIOCESE OF PENNSYLVANIA ONLY

Year ended December 31, 2009 with comparative totals for 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2009</u>	<u>2008</u>
<b>REVENUE AND SUPPORT</b>					
Contributions					
Congregation pledges	\$ 875,695	\$ -	\$ -	\$ 875,695	\$ 1,098,834
Other contributions	123,700	228,775	33,359	385,834	454,477
Congregation assessments	1,499,283	-	-	1,499,283	1,348,011
Interest income	2,157,517	-	-	2,157,517	2,221,299
Other income	178,293	-	-	178,293	222,320
Net assets released from restrictions	<u>189,394</u>	<u>(189,394)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenue and support</b>	<u>5,023,882</u>	<u>39,381</u>	<u>33,359</u>	<u>5,096,622</u>	<u>5,344,941</u>
<b>EXPENSES</b>					
<b>Program services</b>					
Grants and scholarships	677,998	-	-	677,998	694,385
Financially assisted congregations	1,188,165	-	-	1,188,165	1,158,966
Episcopal function	1,251,910	-	-	1,251,910	1,127,574
Diocesan meetings and communications	193,499	-	-	193,499	197,218
Apartment operations	15,000	-	-	15,000	69,629
Retreat center operations	271,699	-	-	271,699	316,312
Other Diocesan programs	<u>878,858</u>	<u>-</u>	<u>-</u>	<u>878,858</u>	<u>892,158</u>
<b>Total program services</b>	<u>4,477,129</u>	<u>-</u>	<u>-</u>	<u>4,477,129</u>	<u>4,456,242</u>
<b>Supporting services</b>					
Management and general	1,124,094	-	-	1,124,094	1,174,124
<b>Unallocated national apportionment</b>	<u>115,056</u>	<u>-</u>	<u>-</u>	<u>115,056</u>	<u>200,000</u>
<b>Total expenses</b>	<u>5,716,279</u>	<u>-</u>	<u>-</u>	<u>5,716,279</u>	<u>5,830,366</u>
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</b>					
	(692,397)	39,381	33,359	(619,657)	(485,425)
<b>OTHER CHANGES</b>					
Realized and unrealized gain (loss) on investments	2,616,938	1,487,962	5,289,612	9,394,512	(15,614,046)
Deconsecrated parishes	575,312	-	-	575,312	914,107
Loss on sale of real estate held for sale	-	-	-	-	(329,745)
Transfer from Wapiti Land Company	145,000	-	-	145,000	-
Change in value of beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>520,259</u>	<u>520,259</u>	<u>(1,438,785)</u>
<b>Total other changes</b>	<u>3,337,250</u>	<u>1,487,962</u>	<u>5,809,871</u>	<u>10,635,083</u>	<u>(16,468,469)</u>
<b>CHANGE IN NET ASSETS</b>	<u>2,644,853</u>	<u>1,527,343</u>	<u>5,843,230</u>	<u>10,015,426</u>	<u>(16,953,894)</u>
<b>NET ASSETS</b>					
Beginning of year	<u>12,838,979</u>	<u>4,844,412</u>	<u>23,788,157</u>	<u>41,471,548</u>	<u>58,425,442</u>
<b>End of year</b>	<u>\$15,483,832</u>	<u>\$6,371,755</u>	<u>\$29,631,387</u>	<u>\$51,486,974</u>	<u>\$ 41,471,548</u>

# EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

## STATEMENT OF FUNCTIONAL EXPENSES – EPISCOPAL DIOCESE OF PENNSYLVANIA ONLY

Year ended December 31, 2009 with comparative totals for 2008

	Program Services			
	<u>Grants and Scholarships</u>	<u>Financially Assisted Congregations</u>	<u>Episcopal Function</u>	<u>Diocesan Meetings and Communications</u>
1. Salaries	\$ 10,579	\$ 443,510	\$ 342,530	\$ 32,378
2. Employee benefits	9,906	415,306	320,747	30,319
3. Bad debt expense	-	-	-	-
4. Depreciation	-	-	75,464	22,639
5. Grants and scholarships	653,727	285,020	-	-
6. Honoraria	-	-	24,825	-
7. Insurance	-	44,329	8,674	2,602
8. Interest	-	-	-	-
9. Meeting expense	60	-	1,938	183
10. National apportionment	-	-	-	-
11. Postage	140	-	4,521	427
12. Printing	33	-	1,056	100
13. Professional fees	1,573	-	216,384	66,559
14. Repairs and maintenance	-	-	69,896	20,969
15. Supplies	932	-	30,163	2,851
16. Telecommunications	216	-	7,003	662
17. Travel	91	-	45,610	281
18. Utilities	-	-	37,509	11,253
19. Miscellaneous	741	-	65,590	2,276
	<u>\$677,998</u>	<u>\$1,188,165</u>	<u>\$1,251,910</u>	<u>\$193,499</u>

	<b>Supporting Services</b>				<b>Totals</b>		
	<b>Apartment Operations</b>	<b>Retreat Center Operations</b>	<b>Other Diocesan Programs</b>	<b>Management and General</b>	<b>Unallocated National Apportionment</b>	<b>2009</b>	<b>2008</b>
1.	\$ -	\$ 61,229	\$303,420	\$ 409,208	\$ -	\$1,602,854	\$1,462,817
2.	-	57,335	284,124	383,186	-	1,500,923	1,368,416
3.	-	-	-	97,750	-	97,750	123,450
4.	-	-	22,639	30,185	-	150,927	181,054
5.	15,000	-	18,500	-	-	972,247	1,075,422
6.	-	-	3,749	-	-	28,574	39,528
7.	-	-	2,602	3,470	-	61,677	85,115
8.	-	86,118	-	-	-	86,118	119,097
9.	-	346	25,386	2,317	-	30,230	25,619
10.	-	-	-	-	115,056	115,056	200,000
11.	-	808	4,005	5,400	-	15,301	12,588
12.	-	189	935	1,260	-	3,573	4,412
13.	-	9,100	45,094	71,640	-	410,350	410,087
14.	-	-	20,969	27,958	-	139,792	71,990
15.	-	5,392	26,719	36,033	-	102,090	64,545
16.	-	1,252	6,204	8,367	-	23,704	33,385
17.	-	533	79,557	3,561	-	129,633	141,161
18.	-	-	11,253	15,002	-	75,017	95,890
19.	-	49,397	23,702	28,757	-	170,463	315,790
	<b>\$15,000</b>	<b>\$271,699</b>	<b>\$878,858</b>	<b>\$1,124,094</b>	<b>\$115,056</b>	<b>\$5,716,279</b>	<b>\$5,830,366</b>