

**EPISCOPAL DIOCESE OF PENNSYLVANIA
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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, 2010, 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 2009 consolidated financial statements and, in our report dated September 9, 2010, 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, 2010 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 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BBD, LLP.

**Philadelphia, Pennsylvania
September 15, 2011**

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2010 with comparative totals for 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2010	2009
ASSETS					
Cash	\$ 2,258,301	\$ 50,000	\$ 65,933	\$ 2,374,234	\$ 2,007,935
Contributions receivable					
Pledges	39,076	-	-	39,076	72,909
Other	-	11,000	-	11,000	11,000
Assessments receivable	27,778	-	-	27,778	8,044
Other receivables	199,754	-	-	199,754	132,152
Prepaid expenses	431,952	-	-	431,952	413,177
Investments	17,618,338	7,099,767	27,905,398	52,623,503	48,888,837
Real estate held for sale	2,267,000	-	-	2,267,000	12,972,579
Loans receivable	149,142	-	-	149,142	110,792
Property and equipment, net	14,591,685	-	650,000	15,241,685	6,104,047
Beneficial interest in perpetual trusts	-	-	12,129,298	12,129,298	11,240,949
Total assets	<u>\$37,583,026</u>	<u>\$7,160,767</u>	<u>\$40,750,629</u>	<u>\$85,494,422</u>	<u>\$81,962,421</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Notes payable	\$ 4,291,900	\$ -	\$ -	\$ 4,291,900	\$ 4,256,167
Accounts payable and accrued expenses	371,633	-	-	371,633	416,772
Postretirement benefit obligation	3,147,000	-	-	3,147,000	2,950,000
Total liabilities	<u>7,810,533</u>	<u>-</u>	<u>-</u>	<u>7,810,533</u>	<u>7,622,939</u>
NET ASSETS					
Unrestricted	29,772,493	-	-	29,772,493	30,189,637
Temporarily restricted	-	7,160,767	-	7,160,767	6,527,947
Permanently restricted	-	-	40,750,629	40,750,629	37,621,898
Total net assets	<u>29,772,493</u>	<u>7,160,767</u>	<u>40,750,629</u>	<u>77,683,889</u>	<u>74,339,482</u>
Total liabilities and net assets	<u>\$37,583,026</u>	<u>\$7,160,767</u>	<u>\$40,750,629</u>	<u>\$85,494,422</u>	<u>\$81,962,421</u>

See accompanying notes

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended December 31, 2010 with comparative totals for 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2010</u>	<u>2009</u>
REVENUE AND SUPPORT					
Contributions					
Congregation pledges	\$ 728,960	\$ -	\$ -	\$ 728,960	\$ 875,695
Other contributions	294,086	50,000	65,933	410,019	450,593
Congregation assessments	1,534,597	-	-	1,534,597	1,499,283
Interest income	2,545,788	-	-	2,545,788	2,822,739
Medical insurance premiums	3,249,175	-	-	3,249,175	3,072,609
Other Income	771,953	-	-	771,953	641,301
Net assets released from restrictions	165,069	(165,069)	-	-	-
Total revenue and support	<u>9,289,628</u>	<u>(115,069)</u>	<u>65,933</u>	<u>9,240,492</u>	<u>9,362,220</u>
EXPENSES					
Program services					
Grants and scholarships	629,477	-	-	629,477	677,998
Health insurance program	3,111,816	-	-	3,111,816	3,061,950
Financially assisted congregations	1,188,708	-	-	1,188,708	1,188,165
Episcopal function	1,201,272	-	-	1,201,272	1,251,910
Diocesan meetings and communications	208,240	-	-	208,240	193,499
Cathedral ministry	619,654	-	-	619,654	686,768
Investment management expenses	366,295	-	-	366,295	386,748
Apartment operations	370,966	-	-	370,966	458,601
Retreat center operations	282,103	-	-	282,103	271,699
Other Diocesan programs	898,172	-	-	898,172	878,858
Total program services	<u>8,876,703</u>	<u>-</u>	<u>-</u>	<u>8,876,703</u>	<u>9,056,196</u>
Supporting service					
Management and general	1,509,304	-	-	1,509,304	1,417,488
Unallocated national apportionment	<u>115,000</u>	<u>-</u>	<u>-</u>	<u>115,000</u>	<u>115,056</u>
Total expenses	<u>10,501,007</u>	<u>-</u>	<u>-</u>	<u>10,501,007</u>	<u>10,588,740</u>
CHANGE IN NET ASSETS					
BEFORE OTHER CHANGES	<u>(1,211,379)</u>	<u>(115,069)</u>	<u>65,933</u>	<u>(1,260,515)</u>	<u>(1,226,520)</u>
OTHER CHANGES					
Realized and unrealized gain on investments	1,464,735	747,889	2,174,449	4,387,073	10,123,822
Deconsecrated (consecrated) congregations, net	27,000	-	-	27,000	575,312
Loss on real estate held for sale	(697,500)	-	-	(697,500)	-
Change in value of beneficial interest in perpetual trusts	-	-	888,349	888,349	1,411,559
Total other changes	<u>794,235</u>	<u>747,889</u>	<u>3,062,798</u>	<u>4,604,922</u>	<u>12,110,693</u>
CHANGE IN NET ASSETS	<u>(417,144)</u>	<u>632,820</u>	<u>3,128,731</u>	<u>3,344,407</u>	<u>10,884,173</u>
NET ASSETS					
Beginning 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>
End of year	<u>\$ 29,772,493</u>	<u>\$ 7,160,767</u>	<u>\$ 40,750,629</u>	<u>\$ 77,683,889</u>	<u>\$ 74,339,482</u>

See accompanying notes

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2010 with comparative totals for 2009

	Program Services					
	<u>Grants and Scholarships</u>	<u>Health Insurance Program</u>	<u>Financially Assisted Congregations</u>	<u>Episcopal Function</u>	<u>Diocesan Meetings and Communications</u>	<u>Cathedral Ministry</u>
Salaries	\$ 10,244	-	\$ 429,477	\$ 331,692	\$ 31,353	\$ 241,028
Employee benefits	10,639	-	446,020	344,469	32,561	45,715
Bad debt expense	-	-	-	-	-	-
Depreciation	-	-	-	74,191	22,257	114,832
Grants and scholarships	604,366	-	244,759	-	-	21,327
Health insurance - congregations	-	3,087,923	-	-	-	-
Honoraria	-	-	-	32,200	-	-
Insurance	-	-	68,452	12,358	3,707	301
Interest	-	-	-	-	-	-
Meeting expense	39	-	-	1,243	118	-
National apportionment	-	-	-	-	-	-
Postage	76	-	-	2,464	233	1,889
Printing	31	-	-	1,005	9,980	-
Professional fees	2,419	-	-	127,136	62,980	32,951
Repairs and maintenance	-	-	-	72,211	21,663	44,135
Supplies	910	-	-	29,464	2,785	17,749
Telecommunications	285	-	-	9,227	872	7,445
Travel	46	-	-	44,650	142	-
Utilities	-	-	-	60,980	18,294	57,785
Miscellaneous	422	23,893	-	57,982	1,295	34,497
	<u>\$ 629,477</u>	<u>\$ 3,111,816</u>	<u>\$ 1,188,708</u>	<u>\$ 1,201,272</u>	<u>\$ 208,240</u>	<u>\$ 619,654</u>

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>2010</u>	<u>2009</u>
\$ 45,011	-	\$ 59,292	\$ 293,820	\$ 443,599	-	\$ 1,885,516	\$ 2,011,021
33,689	-	61,576	305,138	428,886	-	1,708,693	1,598,809
-	-	-	-	55,000	-	55,000	97,750
-	74,220	-	22,257	45,082	-	352,839	342,546
46,524	-	-	8,300	2,861	-	928,137	989,829
-	-	-	-	-	-	3,087,923	3,042,363
-	-	-	1,975	-	-	34,175	28,574
4,073	14,266	-	3,707	6,341	-	113,205	85,746
-	87,881	87,711	-	1,864	-	177,456	296,157
-	-	222	16,668	1,484	-	19,774	30,230
-	-	-	-	-	115,000	115,000	115,056
-	-	441	2,183	3,197	-	10,483	16,600
-	-	180	891	1,201	-	13,288	3,573
232,728	19,577	13,997	69,362	378,757	-	939,907	894,303
-	86,074	-	21,663	34,805	-	280,551	275,783
2,336	-	5,267	26,100	38,360	-	122,971	119,713
-	-	1,649	8,173	12,023	-	39,674	29,506
-	-	268	84,568	2,054	-	131,728	129,633
-	68,370	-	18,294	32,144	-	255,867	233,382
1,934	20,578	51,500	15,073	21,646	-	228,820	248,166
<u>\$ 366,295</u>	<u>\$ 370,966</u>	<u>\$ 282,103</u>	<u>\$ 898,172</u>	<u>\$ 1,509,304</u>	<u>\$ 115,000</u>	<u>\$ 10,501,007</u>	<u>\$ 10,588,740</u>

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2010 with comparative totals for 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,344,407	\$ 10,884,173
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Realized and unrealized gain on sale of investments	(4,387,073)	(10,123,822)
Bad debt expense	55,000	97,750
Depreciation	352,839	342,546
Consecrated (deconsecrated) congregations	(27,000)	(2,750,312)
Consecrated property and equipment	-	2,175,000
Loss on sale of real estate held for sale	697,500	-
Change in value of beneficial interest in perpetual trusts	(888,349)	(1,411,559)
(Increase) decrease in		
Contributions and accounts receivable	(108,503)	(20,311)
Prepaid expenses	(18,775)	(40,469)
Loans receivable	(38,350)	56,581
Increase (decrease) in		
Accounts payable and accrued expenses	(45,139)	(55,467)
Postretirement benefit obligation	197,000	160,000
Net cash used for operating activities	<u>(866,443)</u>	<u>(685,890)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(701,489)	(2,060,826)
Proceeds from sale of investments	1,353,896	1,158,303
Proceeds from sale of real estate	657,812	1,764,362
Purchase of property and equipment	<u>(113,210)</u>	<u>(29,477)</u>
Net cash provided by investing activities	<u>1,197,009</u>	<u>832,362</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	87,712	88,404
Repayment of notes payable	<u>(51,979)</u>	<u>(189,517)</u>
Net cash provided by (used for) financing activities	<u>35,733</u>	<u>(101,113)</u>
Increase in cash	366,299	45,359
CASH		
Beginning of year	<u>2,007,935</u>	<u>1,962,576</u>
End of year	<u>\$ 2,374,234</u>	<u>\$ 2,007,935</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 177,456</u>	<u>\$ 296,157</u>

See accompanying notes

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010

(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, 2010

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

Generally accepted accounting principles ("***GAAP***") define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Diocese and 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 observable, either directly or indirectly.

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010

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, 2009, 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) congregations" on the statement of activities.

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010

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, 2010, the Diocese had received congregation pledges for its 2011 program budget of approximately \$704,000.

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 2011 and bequests that are expected to be collected during 2011.

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, 2010

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 2009 summarized comparative information have been reclassified in order to conform to the 2010 presentation.

(3) INVESTMENTS

Investments consisted of the following at December 31, 2010:

	<u>Diocese</u>	<u>Cathedral</u>	<u>Foundation</u>	<u>Total</u>
Units in The Consolidated				
Fund of The Church Foundation	\$49,122,376	\$2,287,298	\$1,158,464	\$52,568,138
Other	<u>50,365</u>	<u>5,000</u>	<u>-</u>	<u>55,365</u>
	<u>\$49,172,741</u>	<u>\$2,292,298</u>	<u>\$1,158,464</u>	<u>\$52,623,503</u>

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010

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	<u>48,106</u>	<u>5,000</u>	<u>-</u>	<u>53,106</u>
	<u>\$45,269,391</u>	<u>\$2,215,818</u>	<u>\$1,403,628</u>	<u>\$48,888,837</u>

(4) LOANS RECEIVABLE

Loans receivable consisted of the following at December 31:

	<u>2010</u>	<u>2009</u>
Loans to congregations	\$ 1,925,194	\$ 1,861,669
Other loans	<u>98,148</u>	<u>98,323</u>
	2,023,342	1,959,992
Less allowance for loan loss	<u>(1,874,200)</u>	<u>(1,849,200)</u>
	<u>\$ 149,142</u>	<u>\$ 110,792</u>

(5) PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2010 consisted of the following:

	<u>Diocese</u>	<u>Cathedral</u>	<u>Wapiti Land Company</u>	<u>3719 Chestnut Corporation</u>	<u>Total</u>
Land	\$ 553,000	\$ 119,724	\$8,927,267	\$ 500,000	\$10,099,991
Building and improvements	3,294,625	5,132,177	-	1,453,403	9,880,205
Furniture and equipment	<u>1,145,796</u>	<u>151,102</u>	<u>-</u>	<u>190,000</u>	<u>1,486,898</u>
	4,993,421	5,403,003	8,927,267	2,143,403	21,467,094
Less accumulated depreciation	<u>(2,674,821)</u>	<u>(3,095,353)</u>	<u>-</u>	<u>(455,235)</u>	<u>(6,225,409)</u>
	<u>\$ 2,318,600</u>	<u>\$ 2,307,650</u>	<u>\$8,927,267</u>	<u>\$1,688,168</u>	<u>\$15,241,685</u>

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>

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 consolidated statement of activities as "Deconsecrated (consecrated) congregations".

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010

(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 \$1,361,282 at December 31, 2010.

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, 2011. No monthly principal or interest payments are required. The loan had an outstanding principal balance of \$2,930,618 at December 31, 2010.

(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, 2010 and 2009 was \$3,147,000 and \$2,950,000, 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 \$27,412,000 and \$26,026,000 at December 31, 2010 and 2009, respectively.

The following table summarizes changes to the postretirement benefit obligation:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 2,950,000	\$ 2,790,000
Service cost	203,717	165,861
Interest cost	146,111	135,821
Benefit payments	<u>(152,828)</u>	<u>(141,682)</u>
Balance, end of year	<u>\$ 3,147,000</u>	<u>\$ 2,950,000</u>

The funded status of the plan was as follows:

	<u>2010</u>	<u>2009</u>
Postretirement benefit obligation	\$(3,288,000)	\$(2,869,000)
Unrecognized net actuarial gain	<u>141,000</u>	<u>(81,000)</u>
	(3,147,000)	(2,950,000)
Fair value of Plan assets	<u>-</u>	<u>-</u>
Accrued benefit cost	<u>\$ (3,147,000)</u>	<u>\$ (2,950,000)</u>

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010

Net periodic benefit cost was comprised of the following:

	<u>2010</u>	<u>2009</u>
Service cost	\$ 203,717	\$ 165,861
Interest cost	<u>146,111</u>	<u>135,821</u>
Postretirement benefit expense	<u>\$ 349,828</u>	<u>\$ 301,682</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 2010:

	<u>One Percentage Point Increase</u>	<u>Decrease</u>
Effect on the postretirement benefit obligation	\$395,293	\$(335,179)
Effect on the sum of the service cost and interest cost components	59,514	(47,577)

(9) REAL ESTATE HELD FOR SALE

The following is a summary of real estate held for sale at December 31, 2010 and the activity during the year then ended:

	<u>Balance January 1, 2010</u>	<u>Deconsecrated (Reconsecrated)</u>	<u>Transferred to Property and Equipment</u>	<u>Proceeds from Sale</u>	<u>Loss on Sale/ Adjustment of Fair Value</u>	<u>Balance December 31, 2010</u>
St. Augustine Church, Philadelphia	\$ 342,000	\$ -	\$ -	\$ -	\$ -	\$ 342,000
St. John Evangelist Church, Lansdowne	1,102,500	-	-	-	(102,500)	1,000,000
Church of the Resurrection, Mayfair	657,812	-	-	(657,812)	-	-
Trinity Church, Collingdale	648,000	(648,000)	-	-	-	-
St. Peter's, Germantown	825,000	-	-	-	(125,000)	700,000
Wapiti Retreat Center	9,397,267	-	(8,927,267)	-	(470,000)	-
All Saints Church, Darby	<u>-</u>	<u>225,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,000</u>
	<u>\$12,972,579</u>	<u>\$(423,000)</u>	<u>\$(8,927,267)</u>	<u>\$(657,812)</u>	<u>\$(697,500)</u>	<u>\$2,267,000</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 \$133,379 for 2010 and \$135,913 for 2009. 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 \$81,479 for 2010 and \$76,454 for 2009.

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010

(11) TEMPORARILY RESTRICTED NET ASSETS

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

	<u>Balance January 1, 2010</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance December 31, 2010</u>
Purpose restrictions				
Retired clergy	\$3,126,484	\$351,758	\$ (85,317)	\$3,392,925
Care of aged	1,607,242	178,598	(43,376)	1,742,464
Theological education	649,911	79,027	(16,096)	712,842
Pension fund	249,289	27,609	(6,731)	270,167
Episcopal Churchwomen	191,309	21,253	(5,221)	207,341
Medical insurance	134,080	15,258	-	149,338
Youth work	134,080	15,258	-	149,338
Mission needs	112,939	12,852	-	125,791
Periodical club	41,082	4,675	-	45,757
Other	<u>191,004</u>	<u>85,090</u>	<u>(8,328)</u>	<u>267,766</u>
	6,437,420	791,378	(165,069)	7,063,729
Time restrictions				
For future periods	<u>90,527</u>	<u>6,511</u>	<u>-</u>	<u>97,038</u>
	<u>\$6,527,947</u>	<u>\$797,889</u>	<u>\$(165,069)</u>	<u>\$7,160,767</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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Sayers Memorial Fund	\$16,258,514	\$15,000,539
Nunns Memorial Endowment Fund	5,659,268	5,271,944
Church Training and Deaconess Fund	1,408,552	1,302,623
Bishop Taitt Fund for Missions	1,215,797	1,121,790
Merrick Fund	1,174,409	1,083,602
McPherson Fund	338,890	312,687
Elizabeth Cooper Fund	293,310	270,631
Clergy Daughters Fund	271,936	246,211
T. James Fernley Fund	268,046	240,659
Harry E. Stone Retreat Fund	237,287	219,423
Elizabeth Price Martin Fund	119,563	110,318
LF Hill Episcopal Churchwomen Fund	119,486	110,247
JE Hill Christmas Fund	119,486	110,247
Bishop MacKay Smith Fund	113,698	104,907
Thomas Ministry Fund	87,021	78,130
JE Hill Scholarship Fund	84,517	77,982
LF Hill Episcopate Fund	83,289	76,849
Episcopal Churchwomen Cole Fund	75,608	69,762
Thomas Sunday School Fund	75,186	67,504
Vera Merkel	65,933	-
Christmas Fund – Stern Fund	65,754	60,670
Potter Deacon Training Fund	65,697	60,617
Newbold Fund	52,375	48,325

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010

Atonement – McCauley Fund	51,183	45,954
ECW Mission Endowment Fund	46,900	43,274
Christmas Fund – Weinman Fund	45,201	41,706
Wetherill Chaplain Fund	43,466	40,105
St. Luke K Biddle CC Fund	42,294	39,024
St. Peter's Church Germantown (Houston Fund)	43,089	38,687
Samuel Houston Fund	36,869	33,102
St. John/Baptist Ihling Fund	16,309	14,643
St. John's Kelton	13,409	12,039
St. Johns Settlement Goodloe Endowment Fund	11,774	10,864
Bishop CF Pennsylvania Agency Account	9,003	8,307
Baugh Helene A Fund	8,212	7,577
Beneficial interest in perpetual trusts	<u>12,129,298</u>	<u>11,240,949</u>
	<u>\$40,750,629</u>	<u>\$37,621,898</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, 2010 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	\$16,515,941	\$6,516,947	\$25,730,949	\$48,763,837
Additions	670,225	-	65,933	736,158
Withdrawals	(1,051,893)	(165,069)	-	(1,216,962)
Investment income	436,366	265,557	1,232,774	1,934,697
Spending policy distribution	(436,366)	(265,557)	(1,232,774)	(1,934,697)
Realized and unrealized gain	<u>1,459,065</u>	<u>747,889</u>	<u>2,174,449</u>	<u>4,381,403</u>
Endowment net assets, end of year	<u>\$17,593,338</u>	<u>\$7,099,767</u>	<u>\$27,971,331</u>	<u>\$52,664,436</u>

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010

(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, 2010</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	\$52,623,503	\$ -	\$52,623,503	\$ -
Beneficial interest in perpetual trusts	<u>12,129,298</u>	<u>-</u>	<u>12,129,298</u>	<u>-</u>
	<u>\$64,752,801</u>	<u>\$ -</u>	<u>\$64,752,801</u>	<u>\$ -</u>
Liabilities				
Postretirement benefit obligation	<u>\$ 3,147,000</u>	<u>\$ -</u>	<u>\$ 3,147,000</u>	<u>\$ -</u>

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 15, 2011, the date on which the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2010 that required recognition or disclosure in the financial statements, except for the events disclosed in the following paragraph.

On August 16, 2011, 3719 Chestnut Corporation sold its property and equipment to the Cathedral for \$2,600,000. In connection with the purchase, the Cathedral borrowed \$2,850,000 from a local bank.

ADDITIONAL INFORMATION

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2010

	<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>
ASSETS								
Cash	\$ 1,714,792	\$ -	\$292,594	\$ 26,629	\$ 118,822	\$ 221,397	\$ -	\$ 2,374,234
Contributions receivable								
Pledges	39,076	-	-	-	-	-	-	39,076
Other	11,000	-	-	-	-	-	-	11,000
Assessments receivable	27,778	-	-	-	-	-	-	27,778
Other receivables	143,264	-	50,798	-	5,692	-	-	199,754
Due (to) from Affiliate	53,846	-	-	(31,263)	(22,583)	-	-	-
Prepaid expenses	10,351	-	411,274	-	4,757	5,570	-	431,952
Investments	49,172,741	-	-	-	1,158,464	2,292,298	-	52,623,503
Real estate held for sale	2,267,000	-	-	-	-	-	-	2,267,000
Loans receivable	1,611,979	-	-	-	-	-	(1,462,837)	149,142
Property and equipment, net	2,318,600	8,927,267	-	1,688,168	-	2,307,650	-	15,241,685
Beneficial interest in perpetual trusts	3,868,198	-	-	-	-	8,261,100	-	12,129,298
Total assets	\$61,238,625	\$8,927,267	\$754,666	\$ 1,683,534	\$1,265,152	\$13,088,015	\$(1,462,837)	\$85,494,422
LIABILITIES AND NET ASSETS								
LIABILITIES								
Notes payable	\$ 2,930,618	\$ -	\$ -	\$ 2,824,119	\$ -	\$ -	\$(1,462,837)	\$ 4,291,900
Accounts payable and accrued expenses	178,190	-	-	58,122	135,321	-	-	371,633
Postretirement benefit obligation	3,147,000	-	-	-	-	-	-	3,147,000
Total liabilities	6,255,808	-	-	2,882,241	135,321	-	(1,462,837)	7,810,533
NET ASSETS								
Unrestricted	15,777,393	8,927,267	754,666	(1,198,707)	851,854	4,660,020	-	29,772,493
Temporarily restricted	6,987,831	-	-	-	6,041	166,895	-	7,160,767
Permanently restricted	32,217,593	-	-	-	271,936	8,261,100	-	40,750,629
Total net assets	54,982,817	8,927,267	754,666	(1,198,707)	1,129,831	13,088,015	-	77,683,889
Total liabilities and net assets	\$61,238,625	\$8,927,267	\$754,666	\$ 1,683,534	\$1,265,152	\$13,088,015	\$(1,462,837)	\$85,494,422

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended December 31, 2010

	<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>
REVENUE AND SUPPORT								
Contributions								
Congregation pledges	\$ 728,960	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 728,960
Other contributions	260,006	-	16,938	-	39,675	93,400	-	410,019
Congregation assessments	1,534,597	-	-	-	-	-	-	1,534,597
Interest income	2,082,263	-	-	1,864	25,794	450,529	(14,662)	2,545,788
Medical insurance premiums	-	-	4,454,082	-	-	-	(1,204,907)	3,249,175
Other income	309,938	-	2,500	302,310	237,762	30,237	(110,794)	771,953
Total revenue and support	<u>4,915,764</u>	<u>-</u>	<u>4,473,520</u>	<u>304,174</u>	<u>303,231</u>	<u>574,166</u>	<u>(1,330,363)</u>	<u>9,240,492</u>
EXPENSES								
Program services								
Grants and scholarships	629,477	-	-	-	-	-	-	629,477
Health insurance program	-	-	4,316,723	-	-	-	(1,204,907)	3,111,816
Financially assisted congregations	1,188,708	-	-	-	-	-	-	1,188,708
Episcopal function	1,201,272	-	-	-	-	-	-	1,201,272
Diocesan meetings and communications	208,240	-	-	-	-	-	-	208,240
Cathedral ministry	-	-	-	-	-	619,654	-	619,654
Investment management expenses	-	-	-	-	366,295	-	-	366,295
Apartment operations	-	-	-	496,422	-	-	(125,456)	370,966
Retreat center operations	282,103	-	-	-	-	-	-	282,103
Other Diocesan programs	898,172	-	-	-	-	-	-	898,172
Total program services	<u>4,407,972</u>	<u>-</u>	<u>4,316,723</u>	<u>496,422</u>	<u>366,295</u>	<u>619,654</u>	<u>(1,330,363)</u>	<u>8,876,703</u>
Supporting service								
Management and general	1,163,433	-	146,520	-	116,223	83,128	-	1,509,304
Unallocated national apportionment								
	115,000	-	-	-	-	-	-	115,000
Total expenses	<u>5,686,405</u>	<u>-</u>	<u>4,463,243</u>	<u>496,422</u>	<u>482,518</u>	<u>702,782</u>	<u>(1,330,363)</u>	<u>10,501,007</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	<u>(770,641)</u>	<u>-</u>	<u>10,277</u>	<u>(192,248)</u>	<u>(179,287)</u>	<u>(128,616)</u>	<u>-</u>	<u>(1,260,515)</u>
OTHER CHANGES								
Realized and unrealized gain (loss) on investments	4,095,435	-	-	-	115,158	176,480	-	4,387,073
Deconsecrated congregations	675,000	-	-	-	-	-	-	675,000
Reconsecrated parish	(648,000)	-	-	-	-	-	-	(648,000)
Loss on real estate held for sale	(227,500)	(470,000)	-	-	-	-	-	(697,500)
Change in value of beneficial interest in perpetual trusts	371,549	-	-	-	-	516,800	-	888,349
Total other changes	<u>4,266,484</u>	<u>(470,000)</u>	<u>-</u>	<u>-</u>	<u>115,158</u>	<u>693,280</u>	<u>-</u>	<u>4,604,922</u>
CHANGE IN NET ASSETS	<u>3,495,843</u>	<u>(470,000)</u>	<u>10,277</u>	<u>(192,248)</u>	<u>(64,129)</u>	<u>564,664</u>	<u>-</u>	<u>3,344,407</u>
NET ASSETS								
Beginning 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>
End of year	<u>\$ 54,982,817</u>	<u>\$ 8,927,267</u>	<u>\$ 754,666</u>	<u>\$ (1,198,707)</u>	<u>\$ 1,129,831</u>	<u>\$ 13,088,015</u>	<u>\$ -</u>	<u>\$ 77,683,889</u>

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

STATEMENT OF ACTIVITIES - EPISCOPAL DIOCESE OF PENNSYLVANIA ONLY

Year Ended December 31, 2010 with comparative totals for 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2010</u>	<u>2009</u>
REVENUE AND SUPPORT					
Contributions					
Congregation pledges	\$ 728,960	\$ -	\$ -	\$ 728,960	\$ 875,695
Other contributions	188,604	5,469	65,933	260,006	385,834
Congregation assessments	1,534,597	-	-	1,534,597	1,499,283
Investment income	2,082,263	-	-	2,082,263	2,157,517
Other Income	309,938	-	-	309,938	178,293
Net assets released from restrictions	<u>158,220</u>	<u>(158,220)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>5,002,582</u>	<u>(152,751)</u>	<u>65,933</u>	<u>4,915,764</u>	<u>5,096,622</u>
EXPENSES					
Program services					
Grants and scholarships	629,477	-	-	629,477	677,998
Financially assisted congregations	1,188,708	-	-	1,188,708	1,188,165
Episcopal function	1,201,272	-	-	1,201,272	1,251,910
Diocesan meetings and communications	208,240	-	-	208,240	193,499
Apartment operations	-	-	-	-	15,000
Retreat center operations	282,103	-	-	282,103	271,699
Other Diocesan programs	<u>898,172</u>	<u>-</u>	<u>-</u>	<u>898,172</u>	<u>878,858</u>
Total program services	4,407,972	-	-	4,407,972	4,477,129
Supporting service					
Management and general	1,163,433	-	-	1,163,433	1,124,094
Unallocated national apportionment	<u>115,000</u>	<u>-</u>	<u>-</u>	<u>115,000</u>	<u>115,056</u>
Total expenses	<u>5,686,405</u>	<u>-</u>	<u>-</u>	<u>5,686,405</u>	<u>5,716,279</u>
CHANGE IN NET ASSETS					
BEFORE OTHER CHANGES	<u>(683,823)</u>	<u>(152,751)</u>	<u>65,933</u>	<u>(770,641)</u>	<u>(619,657)</u>
OTHER CHANGES					
Realized and unrealized gain (loss) on investments	1,227,884	718,827	2,148,724	4,095,435	9,394,512
Deconsecrated parishes	675,000	-	-	675,000	575,312
Reconsecrated parish	(648,000)	-	-	(648,000)	-
Loss on sale of real estate held for sale	(227,500)	-	-	(227,500)	-
Transfer from Wapiti Land Company	-	-	-	-	145,000
Change in value of beneficial interest in perpetual trusts	<u>-</u>	<u>-</u>	<u>371,549</u>	<u>371,549</u>	<u>520,259</u>
Total other changes	<u>1,027,384</u>	<u>718,827</u>	<u>2,520,273</u>	<u>4,266,484</u>	<u>10,635,083</u>
CHANGE IN NET ASSETS	343,561	566,076	2,586,206	3,495,843	10,015,426
NET ASSETS					
Beginning of year	<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>
End of year	<u>\$ 15,827,393</u>	<u>\$ 6,937,831</u>	<u>\$ 32,217,593</u>	<u>\$ 54,982,817</u>	<u>\$ 51,486,974</u>

See accompanying notes

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

STATEMENT OF FUNCTIONAL EXPENSES - EPISCOPAL DIOCESE OF PENNSYLVANIA ONLY

Year Ended December 31, 2010 with comparative totals for 2009

	<u>Grants and Scholarships</u>	<u>Financially Assisted Congregations</u>	<u>Episcopal Function</u>	<u>Program Diocesan Meetings and Communications</u>
Salaries	\$ 10,244	\$ 429,477	\$ 331,692	\$ 31,353
Employee benefits	10,639	446,020	344,469	32,561
Bad debt expense	-	-	-	-
Depreciation	-	-	74,191	22,257
Grants and scholarships	604,366	244,759	-	-
Honoraria	-	-	32,200	-
Insurance	-	68,452	12,358	3,707
Interest	-	-	-	-
Meeting expense	39	-	1,243	118
National apportionment	-	-	-	-
Postage	76	-	2,464	233
Printing	31	-	1,005	9,980
Professional fees	2,419	-	127,136	62,980
Repairs and maintenance	-	-	72,211	21,663
Supplies	910	-	29,464	2,785
Telecommunications	285	-	9,227	872
Travel	46	-	44,650	142
Utilities	-	-	60,980	18,294
Miscellaneous	422	-	57,982	1,295
	<u>\$ 629,477</u>	<u>\$ 1,188,708</u>	<u>\$ 1,201,272</u>	<u>\$ 208,240</u>

See accompanying notes

Services		Supporting Service	Unallocated National Apportionment	Totals	
Retreat Center Operations	Other Diocesan Programs	Management and General		2010	2009
\$ 59,292	\$ 293,820	\$ 396,260	\$ -	\$ 1,552,138	\$ 1,602,854
61,576	305,138	411,523	-	1,611,926	1,500,923
-	-	55,000	-	55,000	97,750
-	22,257	29,677	-	148,382	150,927
-	8,300	-	-	857,425	972,247
-	1,975	-	-	34,175	28,574
-	3,707	4,944	-	93,168	61,677
87,711	-	-	-	87,711	86,118
222	16,668	1,484	-	19,774	30,230
-	-	-	115,000	115,000	115,056
441	2,183	2,944	-	8,341	15,301
180	891	1,201	-	13,288	3,573
13,997	69,362	142,472	-	418,366	410,350
-	21,663	28,884	-	144,421	139,792
5,267	26,100	35,200	-	99,726	102,090
1,649	8,173	11,024	-	31,230	23,704
268	84,568	2,054	-	131,728	129,633
-	18,294	24,392	-	121,960	75,017
51,500	15,073	16,374	-	142,646	170,463
<u>\$ 282,103</u>	<u>\$ 898,172</u>	<u>\$ 1,163,433</u>	<u>\$ 115,000</u>	<u>\$ 5,686,405</u>	<u>\$ 5,716,279</u>