

Episcopal Diocese of Pennsylvania And Affiliates

Consolidated Financial Statements
Years Ended December 31, 2016 and 2015



1835 Market Street, 26th Floor
Philadelphia, PA 19103

215/567-7770 | bbdcpa.com

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
<i>Consolidated Statements of Financial Position</i>	3
<i>Consolidated Statements of Activities</i>	4
<i>Consolidated Statements of Functional Expenses</i>	6
<i>Consolidated Statements of Cash Flows</i>	8
<i>Notes to Consolidated Financial Statements</i>	9
ADDITIONAL INFORMATION	
<i>Consolidating Statement of Financial Position</i>	20
<i>Consolidating Statement of Activities</i>	21
<i>Statement of Activities – Episcopal Diocese of Pennsylvania Only</i>	22
<i>Statement of Functional Expenses – Episcopal Diocese of Pennsylvania Only</i>	23



INDEPENDENT AUDITOR'S REPORT

**Finance Committee
Episcopal Diocese of Pennsylvania and Affiliates
Philadelphia, Pennsylvania**

We have audited the accompanying consolidated financial statements of the Episcopal Diocese of Pennsylvania (the "**Diocese**") and Affiliates (nonprofit organizations), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for Qualified Opinion

As explained 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 the U.S. generally accepted 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.

Qualified Opinion

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion 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, 2016 and 2015, and the changes in their net assets, and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information 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, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BBD, LLP.

**Philadelphia, Pennsylvania
September 26, 2017**

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2016	2015
ASSETS					
Cash	\$ 1,914,892	\$ 170,996	\$ -	\$ 2,085,888	\$ 2,369,463
Contributions receivable					
Pledges	9,512	-	-	9,512	16,120
Other	-	11,000	-	11,000	11,000
Assessments receivable	5,130	-	-	5,130	9,065
Other receivables	195,545	-	-	195,545	133,900
Prepaid expenses and other assets	29,252	-	-	29,252	17,332
Investments (Note 3)	21,382,583	8,524,563	34,355,007	64,262,153	63,655,494
Real estate held for sale (Note 8)	5,120,500	-	-	5,120,500	5,000,000
Loans receivable (Note 4)	956,326	-	-	956,326	161,763
Property and equipment (Note 5)	5,176,364	-	-	5,176,364	500,226
Beneficial interest in perpetual trusts (Note 6)	-	-	4,333,027	4,333,027	4,189,385
Total assets	\$ 34,790,104	\$ 8,706,559	\$ 38,688,034	\$ 82,184,697	\$ 76,063,748
LIABILITIES					
Accounts payable and accrued expenses	\$ 314,183	\$ -	\$ -	\$ 314,183	\$ 377,323
Postretirement benefit obligation (Note 7)	4,047,000	-	-	4,047,000	3,981,000
Total liabilities	4,361,183	-	-	4,361,183	4,358,323
NET ASSETS					
Unrestricted	30,428,921	-	-	30,428,921	25,403,133
Temporarily restricted (Note 10)	-	8,706,559	-	8,706,559	8,532,064
Permanently restricted (Note 11)	-	-	38,688,034	38,688,034	37,770,228
Total net assets	30,428,921	8,706,559	38,688,034	77,823,514	71,705,425
Total liabilities and net assets	\$ 34,790,104	\$ 8,706,559	\$ 38,688,034	\$ 82,184,697	\$ 76,063,748

See accompanying notes

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2016 with comparative totals for 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2016</u>	<u>2015</u>
REVENUE AND SUPPORT					
Contributions					
Congregation pledges	\$ 639,674	\$ -	\$ -	\$ 639,674	\$ 663,491
Other contributions	378,665	3,750	-	382,415	189,019
Congregation assessments	1,848,268	-	-	1,848,268	1,614,999
Income distributions and other interest income	2,630,501	-	-	2,630,501	2,611,858
Medical insurance premiums	47,368	-	-	47,368	146,332
Other income	972,229	-	-	972,229	955,760
Net assets released from restrictions	264,803	(264,803)	-	-	-
Total revenue and support	<u>6,781,508</u>	<u>(261,053)</u>	<u>-</u>	<u>6,520,455</u>	<u>6,181,459</u>
EXPENSES					
Program services					
Grants and scholarships	1,248,995	-	-	1,248,995	1,052,465
Health insurance program	72,631	-	-	72,631	126,264
Financially assisted congregations	807,528	-	-	807,528	835,116
Episcopal function	1,943,293	-	-	1,943,293	1,690,835
Diocesan meetings and communications	286,823	-	-	286,823	260,111
Investment management expenses	262,886	-	-	262,886	371,612
Wapiti	183,283	-	-	183,283	173,268
Other Diocesan programs	1,293,795	-	-	1,293,795	1,285,908
Total program services	<u>6,099,234</u>	<u>-</u>	<u>-</u>	<u>6,099,234</u>	<u>5,795,579</u>
Supporting service					
Management and general	937,287	-	-	937,287	1,029,508
Unallocated national apportionment	<u>330,000</u>	<u>-</u>	<u>-</u>	<u>330,000</u>	<u>275,000</u>
Total expenses	<u>7,366,521</u>	<u>-</u>	<u>-</u>	<u>7,366,521</u>	<u>7,100,087</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES					
	<u>(585,013)</u>	<u>(261,053)</u>	<u>-</u>	<u>(846,066)</u>	<u>(918,628)</u>
OTHER CHANGES					
Realized and unrealized gain (loss) on investments	435,065	435,548	774,164	1,644,777	(2,445,617)
Closed or deconsecrated parishes	5,175,736	-	-	5,175,736	-
Loss on sale of real estate and property and equipment	-	-	-	-	(145,723)
Change in value of beneficial interest in perpetual trusts	-	-	143,642	143,642	(314,154)
Total other changes	<u>5,610,801</u>	<u>435,548</u>	<u>917,806</u>	<u>6,964,155</u>	<u>(2,905,494)</u>
CHANGE IN NET ASSETS					
	5,025,788	174,495	917,806	6,118,089	(3,824,122)
NET ASSETS					
Beginning of year	<u>25,403,133</u>	<u>8,532,064</u>	<u>37,770,228</u>	<u>71,705,425</u>	<u>75,529,547</u>
End of year	<u>\$ 30,428,921</u>	<u>\$ 8,706,559</u>	<u>\$ 38,688,034</u>	<u>\$ 77,823,514</u>	<u>\$ 71,705,425</u>

See accompanying notes

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Contributions				
Congregation pledges	\$ 663,491	\$ -	\$ -	\$ 663,491
Other contributions	173,648	15,371	-	189,019
Congregation assessments	1,614,999	-	-	1,614,999
Income distributions and other interest income	2,611,858	-	-	2,611,858
Medical insurance premiums	146,332	-	-	146,332
Other income	955,760	-	-	955,760
Net assets released from restrictions	232,728	(232,728)	-	-
Total revenue and support	<u>6,398,816</u>	<u>(217,357)</u>	<u>-</u>	<u>6,181,459</u>
EXPENSES				
Program services				
Grants and scholarships	1,052,465	-	-	1,052,465
Health insurance program	126,264	-	-	126,264
Financially assisted congregations	835,116	-	-	835,116
Episcopal function	1,690,835	-	-	1,690,835
Diocesan meetings and communications	260,111	-	-	260,111
Investment management expenses	371,612	-	-	371,612
Wapiti	173,268	-	-	173,268
Other Diocesan programs	1,285,908	-	-	1,285,908
Total program services	<u>5,795,579</u>	<u>-</u>	<u>-</u>	<u>5,795,579</u>
Supporting service				
Management and general	1,029,508	-	-	1,029,508
Unallocated national apportionment	<u>275,000</u>	<u>-</u>	<u>-</u>	<u>275,000</u>
Total expenses	<u>7,100,087</u>	<u>-</u>	<u>-</u>	<u>7,100,087</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES				
	<u>(701,271)</u>	<u>(217,357)</u>	<u>-</u>	<u>(918,628)</u>
OTHER CHANGES				
Realized and unrealized loss on investments	(863,047)	(122,841)	(1,459,729)	(2,445,617)
Loss on sale of property and equipment	(145,723)	-	-	(145,723)
Change in value of beneficial interest in perpetual trusts	-	-	(314,154)	(314,154)
Total other changes	<u>(1,008,770)</u>	<u>(122,841)</u>	<u>(1,773,883)</u>	<u>(2,905,494)</u>
CHANGE IN NET ASSETS				
	(1,710,041)	(340,198)	(1,773,883)	(3,824,122)
NET ASSETS				
Beginning of year	<u>27,113,174</u>	<u>8,872,262</u>	<u>39,544,111</u>	<u>75,529,547</u>
End of year	<u>\$ 25,403,133</u>	<u>\$ 8,532,064</u>	<u>\$ 37,770,228</u>	<u>\$ 71,705,425</u>

See accompanying notes

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2016 with comparative totals for 2015

	<u>Program Services</u>				
	<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>
Salaries	\$ 47,341	\$ -	\$ 319,331	\$ 613,611	\$ 103,623
Employee benefits	33,353	-	224,976	481,866	73,005
Bad debt expense	-	-	-	-	-
Depreciation	-	-	-	66,524	19,957
Grants and scholarships	1,147,429	-	102,900	-	-
Health insurance - congregations	-	72,631	-	-	-
Honoraria	-	-	-	18,400	-
Insurance	-	-	70,995	12,506	3,752
Meeting expense	5,467	-	3,585	78,980	11,966
National apportionment	-	-	-	-	-
Postage	243	-	-	3,504	531
Printing	731	-	-	10,560	1,600
Professional fees	1,346	-	70,200	74,959	2,946
Repairs and maintenance	-	-	-	126,812	38,044
Supplies	1,699	-	-	24,551	3,720
Telecommunications	992	-	-	14,330	2,171
Travel	2,029	-	12,096	189,150	4,443
Utilities	-	-	-	9,195	2,759
Miscellaneous	8,365	-	3,445	218,345	18,306
	<u>\$ 1,248,995</u>	<u>\$ 72,631</u>	<u>\$ 807,528</u>	<u>\$ 1,943,293</u>	<u>\$ 286,823</u>

See accompanying notes

<u>Investment Management Expenses</u>	<u>Wapiti</u>	<u>Other Diocesan Programs</u>	<u>Supporting Service</u>	<u>Unallocated National Apportionment</u>	<u>Totals</u>	
			<u>Management and General</u>		<u>2016</u>	<u>2015</u>
\$ 84,069	\$ 64,698	\$ 529,202	\$ 340,044	\$ -	\$ 2,101,919	\$ 2,097,113
57,086	45,581	372,834	238,854	-	1,527,555	1,414,681
-	-	-	11,420	-	11,420	25,000
-	-	19,957	26,609	-	133,047	131,532
5,950	-	1,500	-	-	1,257,779	1,163,465
-	-	-	-	-	72,631	126,264
-	-	-	-	-	18,400	28,476
9,528	-	3,752	8,178	-	108,711	65,400
-	7,471	105,680	36,031	-	249,180	179,508
-	-	-	-	330,000	330,000	275,000
-	331	2,711	1,598	-	8,918	9,425
-	999	8,170	4,817	-	26,877	17,339
87,787	6,905	31,348	118,105	-	393,596	594,713
-	-	38,044	50,724	-	253,624	171,198
4,028	2,322	18,996	12,449	-	67,765	76,809
-	1,355	11,087	6,538	-	36,473	32,032
-	2,773	45,227	13,377	-	269,095	204,929
-	-	2,759	3,677	-	18,390	26,925
14,438	50,848	102,528	64,866	-	481,141	460,278
<u>\$ 262,886</u>	<u>\$ 183,283</u>	<u>\$ 1,293,795</u>	<u>\$ 937,287</u>	<u>\$ 330,000</u>	<u>\$ 7,366,521</u>	<u>\$ 7,100,087</u>

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2015

	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>
Salaries	\$ 47,104	\$ -	\$ 317,734	\$ 586,789	\$ 103,104
Employee benefits	30,553	-	206,094	441,423	66,877
Bad debt expense	-	-	-	-	-
Depreciation	-	-	-	65,766	19,730
Grants and scholarships	957,568	-	196,397	-	-
Health insurance - congregations	-	126,264	-	-	-
Honoraria	-	-	-	28,476	-
Insurance	-	-	32,905	9,834	2,950
Meeting expense	1,837	-	16,257	26,531	4,019
National apportionment	-	-	-	-	-
Postage	256	-	-	3,703	561
Printing	472	-	-	6,812	1,032
Professional fees	1,346	-	58,581	91,268	2,946
Repairs and maintenance	-	-	-	85,599	25,680
Supplies	1,948	-	-	28,139	4,263
Telecommunications	871	-	-	12,585	1,907
Travel	2,150	-	6,144	96,402	4,706
Utilities	-	-	-	13,463	4,039
Miscellaneous	8,360	-	1,004	194,045	18,297
	<u>\$ 1,052,465</u>	<u>\$ 126,264</u>	<u>\$ 835,116</u>	<u>\$ 1,690,835</u>	<u>\$ 260,111</u>

See accompanying notes

<u>Investment Management Expenses</u>	<u>Wapiti</u>	<u>Other Diocesan Programs</u>	<u>Supporting Service Management and General</u>	<u>Unallocated National Apportionment</u>	<u>Total</u>
\$ 105,745	\$ 64,374	\$ 526,555	\$ 345,708	\$ -	\$ 2,097,113
63,794	41,755	341,543	222,642	-	1,414,681
-	-	-	25,000	-	25,000
-	-	19,730	26,306	-	131,532
9,500	-	-	-	-	1,163,465
-	-	-	-	-	126,264
-	-	-	-	-	28,476
9,621	-	2,950	7,140	-	65,400
-	2,509	116,252	12,103	-	179,508
-	-	-	-	275,000	275,000
-	350	2,865	1,690	-	9,425
-	644	5,271	3,108	-	17,339
157,665	6,041	26,679	250,187	-	594,713
-	-	25,680	34,239	-	171,198
4,372	2,662	21,772	13,653	-	76,809
-	1,190	9,737	5,742	-	32,032
-	2,939	78,415	14,173	-	204,929
-	-	4,039	5,384	-	26,925
<u>20,915</u>	<u>50,804</u>	<u>104,420</u>	<u>62,433</u>	<u>-</u>	<u>460,278</u>
<u>\$ 371,612</u>	<u>\$ 173,268</u>	<u>\$ 1,285,908</u>	<u>\$ 1,029,508</u>	<u>\$ 275,000</u>	<u>\$ 7,100,087</u>

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 6,118,089	\$ (3,824,122)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Realized and unrealized (gain) loss on investments	(1,644,777)	2,236,183
Bad debt expense	11,420	25,000
Depreciation	133,047	131,532
Closed or deconsecrated parishes	(5,175,736)	-
Loss on sale of real estate and property and equipment	-	145,723
Change in value of beneficial interest in perpetual trusts	(143,642)	314,154
(Increase) decrease in		
Contributions and accounts receivable	(62,522)	367,377
Prepaid expenses and other assets	(11,920)	9,146
Loans receivable	(794,563)	(6,045)
Increase (decrease) in		
Accounts payable and accrued expenses	(63,140)	(330,559)
Postretirement benefit obligation	66,000	20,000
Net cash used for operating activities	<u>(1,567,744)</u>	<u>(911,611)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sale of investments	1,038,118	338,713
Proceeds from sale of real estate	285,235	759,277
Purchase of property and equipment	<u>(39,184)</u>	<u>(354,457)</u>
Net cash provided by investing activities	<u>1,284,169</u>	<u>743,533</u>
Decrease in cash	(283,575)	(168,078)
CASH		
Beginning of year	<u>2,369,463</u>	<u>2,537,541</u>
End of year	<u>\$ 2,085,888</u>	<u>\$ 2,369,463</u>

See accompanying notes

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(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 Church Foundation (the "**Foundation**"), The Diocesan Health and Welfare Benefits Trust ("**DHWBT**") and Wapiti Land Company ("**WLC**"). All significant inter-organization balances and transactions have been eliminated.

A review of the control and financial structures of the Cathedral Church of the Saviour, also known as The Philadelphia Episcopal Cathedral (the "**Cathedral**"), and Episcopal Community Services ("**ECS**") 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.

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 and any improvements made thereto. In addition, the Foundation holds title to most, but not all, real property of parishes and missions of the Diocese.

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.

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(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.

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

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.

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

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 closed or 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 "Closed or deconsecrated congregations" on the statement of activities.

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.

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

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, 2016, the Diocese had received congregation pledges for its 2017 program budget of approximately \$333,202.

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 program and supporting services have been presented on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program 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 consolidated financial statements.

Concentration of Credit Risk

Financial instruments which potentially subject the Diocese and Affiliates to concentrations of credit risk are cash, other receivables and loans receivable. The Diocese and Affiliates maintain their cash at various financial institutions. At times, such deposits may exceed federally-insured limits. Other receivables consist primarily of an insurance claim that was collected in 2017. See Note 4 for more information on loans receivable.

Reclassifications

Certain items in the 2015 financial statements have been reclassified in order to conform to the 2016 presentation.

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.

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.

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

Diocesan Meetings and Communications

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

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.

Wapiti

This category includes the cost of operating the Wapiti Retreat Center, a rural facility located on the Chesapeake Bay, which is a property held for sale.

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.

(3) INVESTMENTS

Investments consisted of the following at December 31, 2016:

	<u>Diocese</u>	<u>Foundation</u>	<u>Total</u>
Units in The Consolidated Fund of The Church Foundation	\$61,823,721	\$810,359	\$62,634,080
Limited Partnership	1,574,665	-	1,574,665
Other	53,408	-	53,408
	<u>\$63,451,794</u>	<u>\$810,359</u>	<u>\$64,262,153</u>

Investments consisted of the following at December 31, 2015:

	<u>Diocese</u>	<u>Foundation</u>	<u>Total</u>
Units in The Consolidated Fund of The Church Foundation	\$61,228,710	\$795,982	\$62,024,692
Limited Partnership	1,577,440	-	1,577,440
Other	53,362	-	53,362
	<u>\$62,859,512</u>	<u>\$795,982</u>	<u>\$63,655,494</u>

In 2013, the Diocese purchased \$1,600,000 of limited partnership units in 3737 Radnor Investor Group, L.P. The purpose of the limited partnership is to develop and operate a mixed-use complex (the Cathedral development project). At December 31, 2016 and 2015, the Diocese had a 20% interest in the limited partnership and its interest is recorded on the equity method.

(4) LOANS RECEIVABLE

Loans receivable consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Loans to congregations	\$ 969,160	\$ 973,949
Other loans	<u>903,693</u>	<u>74,341</u>
	1,872,853	1,048,290
Less allowance for loan loss	<u>(916,527)</u>	<u>(886,527)</u>
	<u>\$ 956,326</u>	<u>\$ 161,763</u>

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

In December 2016, the Diocese entered into a mortgage receivable with the Bishop of the Diocese which is included in other loans. The mortgage receivable had a balance of \$817,000 at December 31, 2016.

(5) PROPERTY AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>
Closed churches (including land)	\$4,810,002	\$ 2
Building and improvements	477,046	477,046
Furniture and equipment	<u>674,042</u>	<u>674,857</u>
	5,961,090	1,151,905
Less accumulated depreciation	<u>(784,726)</u>	<u>(651,679)</u>
	<u>\$5,176,364</u>	<u>\$ 500,226</u>

Closed churches consisted of the following at December 31,:

	<u>2016</u>	<u>2015</u>
Church of St. James the Less, Philadelphia	\$ 1	\$ 1
Church of the Crucifixion, Philadelphia	850,000	-
St. Faith's preschool and kindergarten, Havertown	360,000	-
St. Mary's Episcopal Church, Elverson	300,001	1
St. Philip-In-The-Fields, Oreland	1,000,000	-
St. Stephen's Episcopal Church, Philadelphia	<u>2,300,000</u>	<u>-</u>
	<u>\$4,810,002</u>	<u>\$ 2</u>

(6) BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Diocese is the income beneficiary 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) POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

Diocesan clergy and lay employees who meet certain residence 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, 2016 and 2015 was \$4,047,000 and \$3,981,000, 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 \$32,412,000 and \$32,063,000 at December 31, 2016 and 2015, respectively.

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

The following table summarizes changes to the postretirement benefit obligation:

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 3,981,000	\$ 3,961,000
Service cost	105,089	98,425
Interest cost	211,961	195,987
Benefit payments	<u>(251,050)</u>	<u>(274,412)</u>
Balance, end of year	<u>\$ 4,047,000</u>	<u>\$ 3,981,000</u>

The funded status of the plan was as follows:

	<u>2016</u>	<u>2015</u>
Postretirement benefit obligation	\$(1,781,000)	\$(4,403,000)
Unrecognized net actuarial gain	<u>(2,266,000)</u>	<u>422,000</u>
	(4,047,000)	(3,981,000)
Fair value of Plan assets	<u>-</u>	<u>-</u>
Accrued benefit cost	<u>\$(4,047,000)</u>	<u>\$(3,981,000)</u>

Net periodic benefit cost was comprised of the following:

	<u>2016</u>	<u>2015</u>
Service cost	\$ 105,089	\$ 98,425
Interest cost	<u>211,961</u>	<u>195,987</u>
Postretirement benefit expense	<u>\$ 317,050</u>	<u>\$ 294,412</u>

The significant assumptions used in the determination of the postretirement benefit obligation were a discount rate of 5.25% and an increase in the cost of healthcare benefits of 9.8% grading to 5% over 3 years.

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 2016:

	<u>One Percentage Point</u>	
	<u>Increase</u>	<u>Decrease</u>
Effect on the postretirement benefit obligation	\$210,973	\$(176,862)
Effect on the sum of the service cost and interest cost components	53,077	(46,615)

(8) REAL ESTATE HELD FOR SALE

The following is a summary of real estate held for sale at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
St. Mary's Church, Warwick	\$ -	\$ 500,000
Wapiti Retreat Center	4,500,000	4,500,000
St. Stephen's Rectory, Philadelphia	<u>620,500</u>	<u>-</u>
	<u>\$5,120,500</u>	<u>\$5,000,000</u>

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

(9) 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 \$155,312 for 2016 and \$144,003 for 2015. 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 \$104,033 for 2016 and \$95,242 for 2015.

(10) TEMPORARILY RESTRICTED NET ASSETS

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

	<u>Balance</u> <u>December</u> <u>31, 2015</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>December</u> <u>31, 2016</u>
Purpose restrictions				
Retired clergy	\$4,130,118	\$201,257	\$(130,860)	\$4,200,515
Care of aged	2,035,115	103,158	(57,621)	2,080,652
Theological education	915,986	46,541	(29,435)	933,092
Pension fund	322,040	18,617	(8,994)	331,663
Episcopal Churchwomen	299,518	15,182	(8,475)	306,225
Medical insurance	198,536	10,202	-	208,738
Youth work	198,536	10,202	-	208,738
Mission needs	167,230	8,593	-	175,823
Periodical club	55,976	2,873	-	58,849
Other	<u>198,009</u>	<u>22,673</u>	<u>(29,418)</u>	<u>191,264</u>
	8,521,064	439,298	(264,803)	8,695,559
Time restrictions				
For future periods	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>11,000</u>
	<u>\$8,532,064</u>	<u>\$439,298</u>	<u>\$(264,803)</u>	<u>\$8,706,559</u>

(11) 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,:

	<u>2016</u>	<u>2015</u>
Sayers Memorial Fund	\$19,416,006	\$18,991,069
Nunns Memorial Endowment Fund	6,853,916	6,703,961
Church Training and Deaconess Fund	1,631,307	1,607,257
Bishop Taitt Fund for Missions	1,451,846	1,420,071
Merrick Fund	1,402,423	1,371,729
McPherson Fund	404,686	395,829
Clergy Daughters Fund	375,236	353,670

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

T. James Fernley Fund	374,660	356,348
Elizabeth Cooper Fund	350,256	342,591
Harry E. Stone Retreat Fund	280,391	278,565
Vera Merkel	152,872	145,400
Elizabeth Price Martin Fund	142,777	139,652
LF Hill Episcopal Churchwomen Fund	142,685	139,563
JE Hill Christmas Fund	142,684	139,562
Bishop MacKay Smith Fund	135,773	132,802
Thomas Ministry Fund	121,633	115,688
Thomas Sunday School Fund	105,092	99,956
JE Hill Scholarship Fund	100,926	98,717
LF Hill Episcopate Fund	99,460	97,283
Episcopal Churchwomen Cole Fund	90,288	88,312
Christmas Fund – Stern Fund	78,520	76,802
Potter Deacon Training Fund	78,451	76,734
Atonement – McCauley Fund	71,541	68,044
Newbold Fund	62,543	61,174
Christmas Fund – Weinman Fund	53,977	52,795
Wetherill Chaplain Fund	51,904	50,769
Samuel Houston Fund	51,533	49,015
St. Luke K Biddle CC Fund	50,506	49,401
St. John/Baptist Ihling Fund	22,797	21,683
St. John's Kelton	17,378	16,528
St. Johns Settlement Goodloe Endowment Fund	14,061	13,753
Bishop CF Pennsylvania Agency Account	10,750	10,515
Baugh Helene A Fund	9,806	9,591
Calvary Germantown	6,323	6,014
Beneficial interest in perpetual trusts	<u>4,333,027</u>	<u>4,189,385</u>
	<u>\$38,688,034</u>	<u>\$37,770,228</u>

(12) ENDOWMENT FUNDS

An accounting standard exists 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 4.35% of a moving three-year average of the fair value of the endowment fund.

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

Changes in the endowment assets for the years ended December 31, 2016 and 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Endowment net assets, December 31, 2014	\$21,002,475	\$8,651,348	\$35,040,572	\$64,694,395
Additions	139,862	4,139	-	144,001
Withdrawals	(304,455)	(215,409)	-	(519,864)
Investment income	933,936	5,948	1,437,827	2,377,711
Spending policy distribution	(933,936)	(5,948)	(1,437,827)	(2,377,711)
Realized and unrealized loss	<u>(653,613)</u>	<u>(122,841)</u>	<u>(1,459,729)</u>	<u>(2,236,183)</u>
Endowment net assets, December 31, 2015	20,184,269	8,317,237	33,580,843	62,082,349
Additions	137,418	3,750	-	141,168
Withdrawals	(968,834)	(231,972)	-	(1,200,806)
Investment income	997,302	6,257	1,448,872	2,452,431
Spending policy distribution	(997,302)	(6,257)	(1,448,872)	(2,452,431)
Realized and unrealized gain	<u>435,065</u>	<u>435,548</u>	<u>774,164</u>	<u>1,644,777</u>
Endowment net assets, December 31, 2016	<u>\$19,787,918</u>	<u>\$8,524,563</u>	<u>\$34,355,007</u>	<u>\$62,667,488</u>

(13) LEASE COMMITMENT

The Diocese leases its administrative office under a non-cancelable operating lease which expires in December 2019. Rent expense for the years ended December 31, 2016 and 2015 was \$237,896 and \$240,678, respectively.

Future minimum annual lease commitments under non-cancelable operating leases are as follows:

Year ending December 31,

2017	\$192,677
2018	195,567
2019	<u>198,500</u>
	<u>\$586,744</u>

(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, 2016</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	\$64,262,153	\$ -	\$62,687,488	\$1,574,665
Beneficial interest in perpetual trusts	<u>4,333,027</u>	<u>-</u>	<u>-</u>	<u>4,333,027</u>
	<u>\$68,595,180</u>	<u>\$ -</u>	<u>\$62,687,488</u>	<u>\$5,907,692</u>
Liabilities				
Postretirement benefit obligation	<u>\$ 4,047,000</u>	<u>\$ -</u>	<u>\$ 4,047,000</u>	<u>\$ -</u>

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016 and 2015

<u>Description</u>	<u>Balance December 31, 2015</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	\$63,655,494	\$ -	\$62,078,054	\$1,577,440
Beneficial interest in perpetual trusts	<u>4,189,385</u>	<u>-</u>	<u>-</u>	<u>4,189,385</u>
	<u>\$67,844,879</u>	<u>\$ -</u>	<u>\$62,078,054</u>	<u>\$5,766,825</u>
Liabilities				
Postretirement benefit obligation	<u>\$ 3,981,000</u>	<u>\$ -</u>	<u>\$ 3,981,000</u>	<u>\$ -</u>

Level 3 assets (beneficial interest in perpetual trust and investments) had gains of \$143,642 in the consolidated statement of activities in 2016.

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 26, 2017, the date on which the consolidated financial statements were available to be issued. No material subsequent events have occurred since December 31, 2016 that required recognition or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2016

	<u>Diocese</u>	<u>Wapiti Land Company</u>	<u>DHWBT</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS						
Cash	\$ 1,866,783	\$ -	\$ 156,512	\$ 62,593	\$ -	\$ 2,085,888
Contributions receivable						
Pledges	9,512	-	-	-	-	9,512
Other	11,000	-	-	-	-	11,000
Assessments receivable	5,130	-	-	-	-	5,130
Other receivables	254,341	-	11,554	-	(70,350)	195,545
Prepaid expenses and other assets	13,828	-	-	15,424	-	29,252
Investments	63,451,794	-	-	810,359	-	64,262,153
Real estate held for sale	620,500	4,500,000	-	-	-	5,120,500
Loans receivable	956,326	-	-	-	-	956,326
Property and equipment, net	5,176,364	-	-	-	-	5,176,364
Beneficial interest in perpetual trusts	4,333,027	-	-	-	-	4,333,027
Total assets	<u>\$ 76,698,605</u>	<u>\$ 4,500,000</u>	<u>\$ 168,066</u>	<u>\$ 888,376</u>	<u>\$ (70,350)</u>	<u>\$ 82,184,697</u>
LIABILITIES						
Accounts payable and accrued expenses	\$ 254,886	\$ -	\$ 70,350	\$ 59,297	\$ (70,350)	\$ 314,183
Postretirement benefit obligation	4,047,000	-	-	-	-	4,047,000
Total liabilities	<u>4,301,886</u>	<u>-</u>	<u>70,350</u>	<u>59,297</u>	<u>(70,350)</u>	<u>4,361,183</u>
NET ASSETS						
Unrestricted	25,379,152	4,500,000	97,716	452,053	-	30,428,921
Temporarily restricted	8,704,769	-	-	1,790	-	8,706,559
Permanently restricted	38,312,798	-	-	375,236	-	38,688,034
Total net assets	<u>72,396,719</u>	<u>4,500,000</u>	<u>97,716</u>	<u>829,079</u>	<u>-</u>	<u>77,823,514</u>
Total liabilities and net assets	<u>\$ 76,698,605</u>	<u>\$ 4,500,000</u>	<u>\$ 168,066</u>	<u>\$ 888,376</u>	<u>\$ (70,350)</u>	<u>\$ 82,184,697</u>

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended December 31, 2016

	<u>Diocese</u>	<u>Wapiti Land Company</u>	<u>DHWBT</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
REVENUE AND SUPPORT						
Contributions						
Congregation pledges	\$ 639,674	\$ -	\$ -	\$ -	\$ -	\$ 639,674
Other contributions	382,415	-	-	44,917	(44,917)	382,415
Congregation assessments	1,848,268	-	-	-	-	1,848,268
Income distributions and other interest income	2,615,547	-	-	14,954	-	2,630,501
Medical insurance premiums	-	-	269,923	-	(222,555)	47,368
Other income	589,822	-	-	452,757	(70,350)	972,229
Total revenue and support	<u>6,075,726</u>	<u>-</u>	<u>269,923</u>	<u>512,628</u>	<u>(337,822)</u>	<u>6,520,455</u>
EXPENSES						
Program services						
Grants and scholarships	1,248,995	-	-	-	-	1,248,995
Health insurance program	-	-	295,186	-	(222,555)	72,631
Financially assisted congregations	807,528	-	-	-	-	807,528
Episcopal function	2,013,643	-	-	-	(70,350)	1,943,293
Diocesan meetings and communications	286,823	-	-	-	-	286,823
Investment management expenses	-	-	-	307,803	(44,917)	262,886
Wapiti	183,283	-	-	-	-	183,283
Other Diocesan programs	1,293,795	-	-	-	-	1,293,795
Total program services	<u>5,834,067</u>	<u>-</u>	<u>295,186</u>	<u>307,803</u>	<u>(337,822)</u>	<u>6,099,234</u>
Supporting service						
Management and general	802,944	-	38,461	95,882	-	937,287
Unallocated national apportionment	<u>330,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>330,000</u>
Total expenses	<u>6,967,011</u>	<u>-</u>	<u>333,647</u>	<u>403,685</u>	<u>(337,822)</u>	<u>7,366,521</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	<u>(891,285)</u>	<u>-</u>	<u>(63,724)</u>	<u>108,943</u>	<u>-</u>	<u>(846,066)</u>
OTHER CHANGES						
Realized and unrealized gain on investments	1,609,727	-	-	35,050	-	1,644,777
Closed or deconsecrated parishes	5,175,736	-	-	-	-	5,175,736
Change in value of beneficial interest in perpetual trusts	143,642	-	-	-	-	143,642
Total other changes	<u>6,929,105</u>	<u>-</u>	<u>-</u>	<u>35,050</u>	<u>-</u>	<u>6,964,155</u>
CHANGE IN NET ASSETS	<u>6,037,820</u>	<u>-</u>	<u>(63,724)</u>	<u>143,993</u>	<u>-</u>	<u>6,118,089</u>
NET ASSETS						
Beginning of year	<u>66,358,899</u>	<u>4,500,000</u>	<u>161,440</u>	<u>685,086</u>	<u>-</u>	<u>71,705,425</u>
End of year	<u>\$ 72,396,719</u>	<u>\$ 4,500,000</u>	<u>\$ 97,716</u>	<u>\$ 829,079</u>	<u>\$ -</u>	<u>\$ 77,823,514</u>

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

STATEMENT OF ACTIVITIES - EPISCOPAL DIOCESE OF PENNSYLVANIA ONLY

Year ended December 31, 2016 with comparative totals for 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2016</u>	<u>2015</u>
REVENUE AND SUPPORT					
Contributions					
Congregation pledges	\$ 639,674	\$ -	\$ -	\$ 639,674	\$ 663,491
Other contributions	378,665	3,750	-	382,415	188,816
Congregation assessments	1,848,268	-	-	1,848,268	1,614,999
Income distributions and other interest income	2,615,547	-	-	2,615,547	2,598,288
Other income	589,822	-	-	589,822	625,532
Net assets released from restrictions	258,853	(258,853)	-	-	-
Total revenue and support	<u>6,330,829</u>	<u>(255,103)</u>	<u>-</u>	<u>6,075,726</u>	<u>5,691,126</u>
EXPENSES					
Program services					
Grants and scholarships	1,248,995	-	-	1,248,995	1,072,190
Financially assisted congregations	807,528	-	-	807,528	835,116
Episcopal function	2,013,643	-	-	2,013,643	1,784,585
Diocesan meetings and communications	286,823	-	-	286,823	260,111
Wapiti	183,283	-	-	183,283	173,268
Other Diocesan programs	1,293,795	-	-	1,293,795	1,285,908
Total program services	<u>5,834,067</u>	<u>-</u>	<u>-</u>	<u>5,834,067</u>	<u>5,411,178</u>
Supporting service					
Management and general	802,944	-	-	802,944	744,849
Unallocated national apportionment	<u>330,000</u>	<u>-</u>	<u>-</u>	<u>330,000</u>	<u>275,000</u>
Total expenses	<u>6,967,011</u>	<u>-</u>	<u>-</u>	<u>6,967,011</u>	<u>6,431,027</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES					
	<u>(636,182)</u>	<u>(255,103)</u>	<u>-</u>	<u>(891,285)</u>	<u>(739,901)</u>
OTHER CHANGES					
Realized and unrealized gain (loss) on investments	428,133	428,996	752,598	1,609,727	(2,433,265)
Closed or deconsecrated parishes	5,175,736	-	-	5,175,736	-
Loss on sale of real estate and property and equipment	-	-	-	-	(145,723)
Change in value of beneficial interest in perpetual trusts	-	-	143,642	143,642	(314,154)
Total other changes	<u>5,603,869</u>	<u>428,996</u>	<u>896,240</u>	<u>6,929,105</u>	<u>(2,893,142)</u>
CHANGE IN NET ASSETS	<u>4,967,687</u>	<u>173,893</u>	<u>896,240</u>	<u>6,037,820</u>	<u>(3,633,043)</u>
NET ASSETS					
Beginning of year	<u>20,411,465</u>	<u>8,530,876</u>	<u>37,416,558</u>	<u>66,358,899</u>	<u>69,991,942</u>
End of year	<u>\$ 25,379,152</u>	<u>\$ 8,704,769</u>	<u>\$ 38,312,798</u>	<u>\$ 72,396,719</u>	<u>\$ 66,358,899</u>

EPISCOPAL DIOCESE OF PENNSYLVANIA AND AFFILIATES

STATEMENT OF FUNCTIONAL EXPENSES - EPISCOPAL DIOCESE OF PENNSYLVANIA ONLY

Year ended December 31, 2016 with comparative totals for 2015

	Program Services			
	<u>Grants and Scholarships</u>	<u>Financially Assisted Congregations</u>	<u>Episcopal Function</u>	<u>Diocesan Meetings and Communications</u>
Salaries	\$ 47,341	\$ 319,331	\$ 683,961	\$ 103,623
Employee benefits	33,353	224,976	481,866	73,005
Bad debt expense	-	-	-	-
Depreciation	-	-	66,524	19,957
Grants and scholarships	1,147,429	102,900	-	-
Honoraria	-	-	18,400	-
Insurance	-	70,995	12,506	3,752
Meeting expense	5,467	3,585	78,980	11,966
National apportionment	-	-	-	-
Postage	243	-	3,504	531
Printing	731	-	10,560	1,600
Professional fees	1,346	70,200	74,959	2,946
Repairs and maintenance	-	-	126,812	38,044
Supplies	1,699	-	24,551	3,720
Telecommunications	992	-	14,330	2,171
Travel	2,029	12,096	189,150	4,443
Utilities	-	-	9,195	2,759
Miscellaneous	8,365	3,445	218,345	18,306
	<u>\$ 1,248,995</u>	<u>\$ 807,528</u>	<u>\$ 2,013,643</u>	<u>\$ 286,823</u>

<u>Wapiti</u>	<u>Other Diocesan Programs</u>	<u>Supporting Service</u>	<u>Unallocated National Apportionment</u>	<u>Totals</u>	
		<u>Management and General</u>		<u>2016</u>	<u>2015</u>
\$ 64,698	\$ 529,202	\$ 312,021	\$ -	\$ 2,060,177	\$ 2,049,870
45,581	372,834	219,825	-	1,451,440	1,329,623
-	-	11,420	-	11,420	25,000
-	19,957	26,609	-	133,047	131,532
-	1,500	-	-	1,251,829	1,173,690
-	-	-	-	18,400	28,476
-	3,752	5,002	-	96,007	52,572
7,471	105,680	36,031	-	249,180	179,508
-	-	-	330,000	330,000	275,000
331	2,711	1,598	-	8,918	9,425
999	8,170	4,817	-	26,877	17,339
6,905	31,348	40,089	-	227,793	219,904
-	38,044	50,724	-	253,624	171,198
2,322	18,996	11,201	-	62,489	71,620
1,355	11,087	6,538	-	36,473	32,032
2,773	45,227	13,377	-	269,095	204,929
-	2,759	3,677	-	18,390	26,925
50,848	102,528	60,015	-	461,852	432,384
<u>\$ 183,283</u>	<u>\$ 1,293,795</u>	<u>\$ 802,944</u>	<u>\$ 330,000</u>	<u>\$ 6,967,011</u>	<u>\$ 6,431,027</u>
