

**THE PROTESTANT EPISCOPAL CHURCH  
OF THE DIOCESE OF DELAWARE**

**DIOCESAN COUNCIL, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2022  
WITH COMPARATIVE TOTALS FOR 2021**

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Independent Auditor's Report

To the Diocesan Council, Inc.  
Wilmington, Delaware

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Diocesan Council, Inc. (the "Council") a nonprofit organization, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council as of December 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than of one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

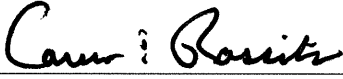
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Report on Summarized Comparative Information***

We have previously audited the Council's December 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 11, 2022. In our opinion, the summarized comparative information presented herein as for and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statement of financial position and combining statement of activities and changes in net assets are presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
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Certified Public Accountants

August 23, 2023  
Wilmington, Delaware

**THE PROTESTANT EPISCOPAL CHURCH  
OF THE DIOCESE OF DELAWARE  
DIOCESAN COUNCIL, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2022 WITH COMPARATIVE TOTALS FOR 2021**

	<b>2022</b>	<b>2021</b>
<b><u>ASSETS</u></b>		
Cash	\$ 1,334,982	\$ 2,787,797
Endowment investments	5,363,399	6,506,080
Investments - capital campaign	743,901	1,135,685
Accounts receivable	41,058	60,990
Acceptances receivable	16,487	33,663
Prepaid expenses	46,275	94,576
Pledges receivable	976,375	1,326,395
Property and equipment, net of depreciation	8,964,252	6,039,748
<b>TOTAL ASSETS</b>	<b>\$ 17,486,729</b>	<b>\$ 17,984,934</b>
<b><u>LIABILITIES</u></b>		
Accounts payable	\$ 143,494	\$ 344,555
Advance deposits	355,980	227,529
Deferred revenue	23,399	80,000
Loans payable	51,300	57,000
Line of credit	800,000	-
PPP loan payable	-	310,422
<b>TOTAL LIABILITIES</b>	<b>1,374,173</b>	<b>1,019,506</b>
<b><u>NET ASSETS</u></b>		
Without donor restrictions		
Undesignated	895,688	931,220
Council designated	12,488,426	10,198,392
Total without donor restrictions	13,384,114	11,129,612
With donor restrictions	2,728,442	5,835,816
<b>Total Net Assets</b>	<b>16,112,556</b>	<b>16,965,428</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 17,486,729</b>	<b>\$ 17,984,934</b>

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

**THE PROTESTANT EPISCOPAL CHURCH  
OF THE DIOCESE OF DELAWARE  
DIOCESAN COUNCIL, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2022 WITH COMPARATIVE TOTALS FOR 2021**

	2022			2021
	Without Donor Restriction	With Donor Restriction	Total	Total
Acceptances	\$ 963,395	\$ -	\$ 963,395	\$ 1,002,388
Winter retreats	382,372	-	382,372	140,193
Summer family program	236,564	-	236,564	142,493
Summer campfering	951,068	-	951,068	816,980
Special events	12,712	-	12,712	-
Store sales	78,893	-	78,893	89,295
Contributions	71,055	-	71,055	108,096
Investment income	163,238	96,002	259,240	235,415
Unrealized gain (loss)	(795,449)	(421,967)	(1,217,416)	501,128
Realized gain	-	-	-	6,502
Grants and support	81,096	-	81,096	122,549
Other income	4,852	-	4,852	18,459
Trust funds:				
Support of ministries	527,900	-	527,900	542,800
Administrative	113,500	-	113,500	113,500
Net assets released from restriction	136,168	(136,168)	-	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>2,927,364</b>	<b>(462,133)</b>	<b>2,465,231</b>	<b>3,839,798</b>
Episcopal function	477,171	-	477,171	455,561
Common work	718,144	-	718,144	563,305
Memorial House	458,493	-	458,493	310,523
Camp Arrowhead	1,457,954	-	1,457,954	996,261
Management and administrative	712,599	-	712,599	668,853
Fund-raising	57,082	-	57,082	63,533
<b>TOTAL EXPENSES</b>	<b>3,881,443</b>	<b>-</b>	<b>3,881,443</b>	<b>3,058,036</b>
Change in net assets from operating activities	(954,079)	(462,133)	(1,416,212)	781,762
<b>NON-OPERATING</b>				
Capital campaign contributions	-	177,176	177,176	3,665,363
Paycheck Protection Program loan forgiveness	310,422	-	310,422	-
Employee Retention Tax Credit income	75,742	-	75,742	-
Other post-employment benefits	-	-	-	652,239
Net assets released from restriction - non-operating	2,822,417	(2,822,417)	-	-
Change in net assets from non-operating activities	3,208,581	(2,645,241)	563,340	4,317,602
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>2,254,502</b>	<b>(3,107,374)</b>	<b>(852,872)</b>	<b>5,099,364</b>
<b>NET ASSETS</b>				
Beginning of year	11,129,612	5,835,816	16,965,428	11,866,064
End of year	<u>\$ 13,384,114</u>	<u>\$ 2,728,442</u>	<u>\$ 16,112,556</u>	<u>\$ 16,965,428</u>

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

**THE PROTESTANT EPISCOPAL CHURCH  
OF THE DIOCESE OF DELAWARE  
DIOCESAN COUNCIL, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2022 WITH COMPARATIVE TOTALS FOR 2021**

	2022								2021
	Episcopal Function	Common Work	Program Memorial House	Camp Arrowhead	Total Program	Management and Administrative	Fundraising	Total	Total
Salaries and wages	\$ 330,164	\$ -	\$ 149,033	\$ 528,102	\$ 1,007,299	\$ 343,144	\$ -	\$ 1,350,443	\$ 1,204,899
Employee benefits	132,344	5,148	36,704	76,935	251,131	114,644	-	365,775	338,531
Other payroll related expenses	4,757	-	11,894	39,529	56,180	25,492	-	81,672	71,760
Total payroll and related expenses	<u>467,265</u>	<u>5,148</u>	<u>197,631</u>	<u>644,566</u>	<u>1,314,610</u>	<u>483,280</u>	<u>-</u>	<u>1,797,890</u>	<u>1,615,190</u>
National church	-	254,105	-	-	254,105	-	-	254,105	231,660
Professional fees	-	4,250	7,892	172,247	184,389	15,834	57,082	257,305	157,623
Advertising and promotion	-	-	13	-	13	24,507	-	24,520	14,328
Office	-	-	18,130	-	18,130	80,003	-	98,133	75,642
Information technology	-	-	-	9,765	9,765	45,392	-	55,157	69,468
Occupancy	-	-	150,956	421,210	572,166	39,219	-	611,385	376,912
Travel	9,906	-	47	-	9,953	3,894	-	13,847	8,172
Interest	-	-	-	1,077	1,077	2,777	-	3,854	1,192
Depreciation	-	115,976	-	-	115,976	-	-	115,976	51,660
Insurance	-	-	12,456	78,107	90,563	16,086	-	106,649	91,851
Program expenses	-	329,160	68,511	129,474	527,145	-	-	527,145	361,239
Miscellaneous	-	9,505	2,857	1,508	13,870	1,607	-	15,477	3,099
	<u>\$ 477,171</u>	<u>\$ 718,144</u>	<u>\$ 458,493</u>	<u>\$ 1,457,954</u>	<u>\$ 3,111,762</u>	<u>\$ 712,599</u>	<u>\$ 57,082</u>	<u>\$ 3,881,443</u>	<u>\$ 3,058,036</u>

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



**THE PROTESTANT EPISCOPAL CHURCH  
OF THE DIOCESE OF DELAWARE  
DIOCESAN COUNCIL, INC.  
STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2022 WITH COMPARATIVE TOTALS FOR 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (852,872)	\$ 5,099,364
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	115,976	51,660
Realized and unrealized loss (gain) on investments	1,196,642	(507,630)
Capital campaign contributions	(177,176)	(3,665,363)
PPP loan forgiveness	(310,422)	-
Change in accumulated benefit obligation	-	(652,239)
(Increase) decrease in assets:		
Accounts receivable	19,932	7,323
Acceptances receivable	17,176	(11,883)
Prepaid expenses	48,301	(39,241)
Increase (decrease) in liabilities:		
Accounts payable	(201,061)	47,780
Advance deposits	128,451	(3,696)
Deferred revenue	(56,601)	80,000
Net cash provided (used) by operating activities	(71,654)	406,075
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	500,000	42,849
Purchase of investments	(162,177)	(951,995)
Purchase of capital assets	(3,040,480)	(1,555,939)
Net cash used by investing activities	(2,702,657)	(2,465,085)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Capital campaign contributions received	527,196	2,536,288
Repayment of debt	(5,700)	(5,700)
Issuance of line of credit	800,000	-
Proceeds from PPP loan	-	310,422
Net cash provided by financing activities	1,321,496	2,841,010
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(1,452,815)	782,000
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	2,787,797	2,005,797
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	\$ 1,334,982	\$ 2,787,797
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Income taxes paid	\$ -	\$ -
Interest paid	\$ 3,854	\$ 1,192

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

**THE PROTESTANT EPISCOPAL CHURCH  
OF THE DIOCESE OF DELAWARE  
DIOCESAN COUNCIL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Diocesan Council, Inc. (the “Council”) is a not-for-profit organization incorporated in the State of Delaware. The purpose of the Council is to have charge of the unification, development and prosecution of the missionary work, church extension, religious education, and Christian social service of the Protestant Episcopal Church of the Diocese of Delaware, and such other matters as may be committed to it by the Convention of the Diocese.

**1. Method of Accounting**

The financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America. All intra-fund activity has been eliminated. The Council’s financial statements consist of the following:

**a. Operating Fund**

The Operating Fund represents the portion of expendable funds that are available for the support of the Council’s general operations and approved by Diocesan Convention.

**b. Special Fund**

The Special Fund represents funds reserved for specific ministries. The Camp Arrowhead capital campaign is being accounted for in the Special Fund.

**c. Property Fund**

The Property Fund represents the book value of property and funds reserved or restricted for property acquisitions.

**d. Bishop’s Discretionary Fund**

The Bishop’s Discretionary Fund is utilized to account for special projects conducted by the Bishop.

**e. Memorial House**

Memorial House is the Diocesan Conference Center located in Rehoboth Beach, Delaware.

**f. Camp Arrowhead**

Camp Arrowhead is a 145-acre summer camp and retreat center on Rehoboth Bay, Delaware.

**THE PROTESTANT EPISCOPAL CHURCH  
OF THE DIOCESE OF DELAWARE  
DIOCESAN COUNCIL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Classification of Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows.

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor restrictions. The Council has designated, from net assets without donor restrictions, net assets for specific purposes identified in Note I.

*Net Assets With Donor Restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**3. Investments**

Security transactions are recorded on the trade date. Investments owned are carried at market value. The difference between cost and market value is reflected as unrealized appreciation (depreciation) on investments. Realized gains (losses) from security transactions are determined for financial reporting purposes on the average cost basis. Dividend income is recognized on the ex-dividend date, and interest income is recognized on the accrual basis.

**4. Fair Value Hierarchy**

FASB ASC 820-10 establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

**THE PROTESTANT EPISCOPAL CHURCH  
OF THE DIOCESE OF DELAWARE  
DIOCESAN COUNCIL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**4. Fair Value Hierarchy (Continued)**

The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

**5. Income Taxes**

The Council is a not-for-profit entity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Council is not a private foundation. The Council recognized no amounts of interest or penalties during the years ended December 31, 2022 and 2021.

**6. Cash and Cash Equivalents**

The Council considers all cash and investments with a maturity of three months or less when purchased to be cash equivalents with the exception of amounts held in managed investment accounts.

**7. Receivables**

Accounts, acceptances, and pledges receivable are recorded at net realizable value. The Council uses the specific charge off method to account for uncollectible accounts. Management feels that this does not differ materially from the allowance method. There were no uncollectible accounts during 2022 and 2021.

**8. Revenue and Revenue Recognition**

Revenue is recognized from acceptances and programs (including summer campfering and winter retreats) when the acceptance is levied and the services are provided. Program revenues are recognized at a point in time when the program occurs. Program revenues that are received in advance are reported as advance deposits and are recognized at the time the program takes place. Revenue from all store sales is recognized at the point in time when the sale occurs.

**THE PROTESTANT EPISCOPAL CHURCH  
OF THE DIOCESE OF DELAWARE  
DIOCESAN COUNCIL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**8. Revenue and Revenue Recognition (Continued)**

The Council records unconditional promises to give as contributions receivable and revenues, and reports gifts of cash and other assets as without donor restrictions unless there is a restriction that limits the use of the donated assets. Gifts of assets other than cash are recorded at their estimated fair values. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional promises to give, which include both a measurable performance barrier and a right of return, are recognized as grant and support revenue when the conditions on which they depend are substantially met. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. As of December 31, 2022 and 2021, the Council had conditional promises to give of \$23,399 and \$80,000, respectively, for which amounts had been received and no amounts had been recognized as revenue because qualifying expenditures had not yet been incurred.

**9. Property and Equipment**

Property and equipment are carried at cost (estimated value at date of receipt for donated items) less accumulated depreciation. It is the policy of the Council to capitalize property that originally cost over \$5,000. Depreciation is provided using the straight-line method over the estimated useful lives of the property as follows:

Building and improvements	15 - 40 years
Furniture, equipment, and vehicles	5 - 10 years

**10. Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**THE PROTESTANT EPISCOPAL CHURCH  
OF THE DIOCESE OF DELAWARE  
DIOCESAN COUNCIL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**11. Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimated usage and time and effort.

**12. Comparative Financial Statements**

The financial statements include certain prior year summarized comparative information in total but not by the net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31, 2021 from which the summarized information was derived.

**13. Reclassifications**

Summer scholarships have been reclassified from employee benefits to program expenses to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**14. Subsequent Events**

The Council has evaluated subsequent events through August 23, 2023, the date the financial statements were available to be issued.

**THE PROTESTANT EPISCOPAL CHURCH  
OF THE DIOCESE OF DELAWARE  
DIOCESAN COUNCIL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE B – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2022:

Cash and cash equivalents	\$	1,334,982
Investments		6,107,300
Accounts, acceptances and pledges receivable		1,033,920
		8,476,202
Less: Council-designated investments and cash		(3,501,150)
Less: net assets with donor restrictions		(2,728,442)
		\$ 2,246,610

Board designated investments and cash have been set aside by Council for specific purposes but could be made available by specific action of the Council if the need arose.

**NOTE C – PLEDGES RECEIVABLE**

Pledges receivable represent the value of unconditional promises to give as of December 31 as follows:

	<b>2022</b>	<b>2021</b>
Due in less than one year	\$ 654,620	\$ 589,749
Due in one to five years	321,755	736,646
	\$ 976,375	\$ 1,326,395

Management has elected not to discount the receivable balances due in longer than a year since the amount is immaterial.

**THE PROTESTANT EPISCOPAL CHURCH  
OF THE DIOCESE OF DELAWARE  
DIOCESAN COUNCIL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE D – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 2,735,130	\$ 2,735,130
Buildings	8,562,175	3,194,025
Improvements	266,026	215,247
Furniture, equipment, fixtures	748,429	494,199
Vehicles	162,538	142,588
Construction in Progress	-	2,652,629
	<u>12,474,298</u>	<u>9,433,818</u>
Less accumulated depreciation	<u>(3,510,046)</u>	<u>(3,394,070)</u>
Net	<u>\$ 8,964,252</u>	<u>\$ 6,039,748</u>

Depreciation expense was \$115,976 and \$51,660 for the years ended December 31, 2022 and 2021, respectively.

**NOTE E – INVESTMENTS**

Investments were composed of the following as of December 31:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money market accounts	\$ 804,358	\$ 804,358	\$ 1,182,571	\$ 1,182,571
Master Fund "A" units	<u>3,560,555</u>	<u>5,302,942</u>	<u>3,508,237</u>	<u>6,459,194</u>
Total	<u>\$ 4,364,913</u>	<u>\$ 6,107,300</u>	<u>\$ 4,690,808</u>	<u>\$ 7,641,765</u>

Master Fund “A” units are composed of shares in a fund owned collectively with other entities with affiliation to the Episcopal Church. Master Fund “A” itself is composed of a diversified and professionally managed portfolio of debt and equity securities as well as other investments. The Trustees of the Protestant Episcopal Church of the Diocese of Delaware (“Trustees”) oversee the function of Master Fund “A” for all Fund unit-holders. Units may be liquidated by unit-holders on demand without restriction. The market value represents the Council’s pro-rata share of the combined fair market value of the net assets of Master Fund “A”. Master Fund “A” units are considered Level 2 investments in the fair value hierarchy.



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**NOTE F – LOAN PAYABLE AND LINE OF CREDIT**

Amounts payable under loan and line of credit arrangements were as follows as of December 31:

	2022	2021
Camp Arrowhead - interest only payments in 2011 at 2%, principal and interest payments starting January 1, 2012, payable to the Trustees of the Protestant Episcopal Church of the Diocese of Delaware	\$ 51,300	\$ 57,000
Total loan payable	\$ 51,300	\$ 57,000
Jessie Ball duPont Fund for Camp Arrowhead - \$1,000,000 line of credit available bearing an interest rate of 0.5%. Interest-only payments are due semi-annually and principal and any unpaid and accrued interest due at maturity. The line matures in August 2026. The line cannot be drawn upon after February 2023.	\$ 800,000	\$ -
Total line of credit	\$ 800,000	\$ -

Interest expense was \$1,077 and \$1,192 for the years ended December 31, 2022 and 2021, respectively for the Trustees loan and \$2,777 and \$0 for the years ended December 31, 2022 and 2021, respectively, for the Jessie Ball duPont line of credit in 2022.

Future maturities of loans payable are as follows for the years ending December 31:

2023	\$ 5,700
2024	5,700
2025	5,700
2026	5,700
2027	5,700
Thereafter	22,800
Total	\$ 51,300

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**NOTE G – CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Council to concentrations of credit risk consist principally of investments. Concentrations of credit risk with respect to investments are limited due to the placement of its investments with professional investment advisors subject to the Council's investment policies.

The Council maintains operating cash balances in different financial institutions. The Federal Deposit Insurance Corporation insures these balances up to \$250,000. In the normal course of business, the cash balances may exceed this amount. The Council considers the possibility of incurring a loss remote.

Concentrations in revenues or in the number of transactions with a specific customer, supplier, grantor, or contributor may occur from time to time in the course of carrying out the Council's mission. There were 2 and 3 donors comprising 71% and 50% of capital campaign contributions during the years ended December 31, 2022 and 2021, respectively. In addition, 4 open balances each year accounted for 85% and 77% of total pledges receivables as of December 31, 2022 and 2021, respectively.

**NOTE H – POST-RETIREMENT BENEFITS OTHER THAN PENSION**

During 2021, the Council provided post-retirement medical coverage for retired clergy and their spouses and lay employees over age 65 or before age 65 if disabled. The coverage is supplemental to Medicare Parts A and B.

Effective January 1, 2022, the Council replaced the Medicare Parts A and B Plans with a Medicare Advantage Plan, reducing the cost paid by Council to \$0 per participant. As a result, the accumulated post-retirement benefit obligation ("APBO") of \$652,239 at December 31, 2020 was reduced to \$0 and the change was recognized in the statement of activities for the year ended December 31, 2021.

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**NOTE I – NET ASSETS**

Net assets with donor restrictions are restricted for the following purposes:

	<u>2022</u>	<u>2021</u>
Endowment:		
Subject to Expenditure for Specified Purpose:		
Camp Arrowhead	\$ 23,415	\$ 26,762
Memorial House	1,838,181	2,263,674
Total endowment net assets with donor restrictions	<u>1,861,596</u>	<u>2,290,436</u>
Non-endowment:		
Camp Arrowhead capital campaign - investments	743,901	1,135,685
Camp Arrowhead capital campaign - other	-	2,243,070
Diversity, equity & inclusion (DEI)	71,043	86,625
BIPOC outreach initiative	25,000	40,000
COVID-19 relief	26,902	40,000
Total non-endowment	<u>866,846</u>	<u>3,545,380</u>
Total net assets with donor restrictions	<u>\$ 2,728,442</u>	<u>\$ 5,835,816</u>

The Council has designated net assets for the following purposes:

	<u>2022</u>	<u>2021</u>
Board Designated		
Camp Arrowhead:		
General	\$ 81,967	\$ 96,609
Endowment	1,759,097	2,153,568
Scholarship	189,401	219,790
Clergy education and supply	49,607	57,806
Episcopal campus ministry	201,991	248,474
Healthcare reserve	196,044	231,017
New work	49,016	60,362
Property and equipment	8,912,952	5,982,748
Property maintenance - St Nicholas and Christ Church		
Delaware City	848,471	1,000,034
Property reserve	125,556	147,984
Total Board Designated Net Assets	<u>\$ 12,414,102</u>	<u>\$ 10,198,392</u>

**THE PROTESTANT EPISCOPAL CHURCH  
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**NOTE I – NET ASSETS (CONTINUED)**

Net assets expended and released from restriction were as follows during the years ended December 31:

	<u>2022</u>	<u>2021</u>
Memorial House	\$ 85,615	\$ 81,946
DEI	15,582	28,375
Camp Arrowhead	6,873	-
BIPOC outreach initiative	15,000	-
COVID-19 relief	<u>13,098</u>	<u>-</u>
Operating net assets released	136,168	110,321
Camp Arrowhead capital campaign	<u>2,822,417</u>	<u>1,601,844</u>
Total net assets released	<u>\$ 2,958,585</u>	<u>\$ 1,712,165</u>

**NOTE J – RELATED PARTY TRANSACTIONS**

The Trustees and the Council are related by a shared mission and employees. The Council received \$681,998 and \$667,135 from the Trustees during the years ended December 31, 2022 and 2021, respectively. \$27,790 and \$3,725 was a receivable from the Trustees at December 31, 2022 and 2021, respectively. In 2020, the Trustees pledged \$125,000 to the Council's Camp Arrowhead capital campaign. The contribution is payable \$25,000 per year through 2024. The pledge receivable in Council's statement of net assets at December 31, 2022 and December 31, 2021 was \$50,000 and \$75,000, respectively.

**NOTE K – CONTRIBUTED SERVICES**

Many volunteers contribute their time to further the goals of the Council. While significant, the value of these services is not readily determinable and no amounts have been recorded as revenue to recognize them for financial statement purposes.

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**NOTE L - ENDOWMENT ASSETS**

The Council's endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Council to function as endowments. Net assets associated with endowment funds, including funds designated by the Council to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Council's endowment funds are invested in Master Fund A, a jointly invested common fund with the Episcopal Diocese of Delaware and other Episcopal parishes. Those funds are managed in accordance with the policies and guidelines of the fund, including guidelines for the relative mix of assets and restrictions on the type of asset in which they may be invested, provisions for professional investment managers approved by Trustees of the Diocese, and regular investment and manager review by an Investment Committee with the assistance of an outside professional advisor.

The Council has interpreted Delaware's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the guidance issued by the Financial Accounting Standards Board as requiring the preservation of donor-restricted endowment funds absent donor stipulations to the contrary. As a result of this interpretation, Council classifies both the original value of gifts to the donor-restricted endowment and any subsequent appreciation in value as donor-restricted until they are appropriated for expenditure consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Council considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The Council's mission and purpose supported by the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation or deflation
5. The expected total return from income and appreciation of investments
6. The Council's other resources
7. The Council's investment policies

The level of appropriation is based on an analysis of Council's ability to increase support, contain expenses and expected long-term return on its investments. The appropriation ordinarily does not exceed income distributions from Master Fund A.

From time to time, the value of certain donor-restricted endowment funds may fall below the value of the original gift (or become underwater). The Council has interpreted UPMIFA as allowing continued appropriation from such funds in accordance with standards of prudence under UPMIFA. There were no underwater funds at December 31, 2022 or 2021.

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**NOTE L - ENDOWMENT ASSETS (CONTINUED)**

Endowment net assets by type of fund at December 31, 2022 and 2021 and the change in endowment net assets for the years then ended were as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, January 1, 2021	\$ 3,795,958	\$ 2,109,846	\$ 5,905,804
Investment income, net of fees	153,380	82,035	235,415
Realized and unrealized gains	327,720	179,910	507,630
Appropriation of assets for expenditure, net	<u>(61,414)</u>	<u>(81,355)</u>	<u>(142,769)</u>
Endowment net assets, December 31, 2021	\$ 4,215,644	\$ 2,290,436	\$ 6,506,080
Investment income, net of fees	163,238	96,002	259,240
Realized and unrealized losses	(795,449)	(421,967)	(1,217,416)
Appropriation of assets for expenditure, net	<u>(81,630)</u>	<u>(102,875)</u>	<u>(184,505)</u>
Endowment net assets, December 31, 2022	<u>\$ 3,501,803</u>	<u>\$ 1,861,596</u>	<u>\$ 5,363,399</u>

**NOTE M - RISK AND UNCERTAINTIES**

Master Fund “A” invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and current economic conditions, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Council’s statement of financial position.

**NOTE N - PAYCHECK PROTECTION PROGRAM LOAN**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The Council applied and was approved for a loan under the Paycheck Protection Program (“PPP”) provision of the CARES act. The proceeds of this loan in the amount of \$310,422 were received on March 18, 2021.

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**NOTE N - PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)**

Under the provisions of the PPP, the loan may be forgiven in whole or in part by expending the funds for qualifying expenses which include payroll (with certain qualifications) and other expenses. The Council applied for and received forgiveness in full by the SBA per notice dated November 23, 2022.

**NOTE O – EMPLOYEE RETENTION TAX CREDIT**

The Council has applied for payroll tax credits under the Employee Retention Tax Credit (“ERTC”) provisions of the CARES Act. Such credits are available for organizations which experienced either declines in gross receipts or a closure or significant curtailment in operations due to government orders related to COVID-19. While the Council believes it is entitled to amounts claimed, it has elected not to recognize them as revenue until such time as they are approved and paid by the IRS.

The Council received and recognized \$75,742 in credits for the second quarter of 2020 during the year ended December 31, 2022.

Following receipt of ERTC funds, the IRS has an extended window of five years to conduct audits for this program.

## **SUPPLEMENTAL SCHEDULES**



**THE PROTESTANT EPISCOPAL CHURCH  
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COMBINING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2022**

**Combining Information**

	Operating Fund	Special Fund	Property Fund	Bishop's Discretionary Fund	Memorial House		Camp Arrowhead		Total All Funds	Eliminations	Total 2022
					Operating	Restricted	Operating	Restricted			
<b>ASSETS</b>											
Cash	\$ 383,643	\$ 547,481	\$ -	\$ 37,120	\$ 109,292	\$ -	\$ 233,410	\$ 24,036	\$ 1,334,982	\$ -	\$ 1,334,982
Investments - endowment	-	2,233,238	848,471	-	-	1,838,181	653	442,856	5,363,399	-	5,363,399
Investments - capital campaign	-	743,901	-	-	-	-	-	-	743,901	-	743,901
Accounts receivable	68,265	-	-	-	7	10,495	17,439	-	96,206	(55,148)	41,058
Interfund receivable	453,227	-	-	-	-	-	-	926	454,153	(454,153)	-
Acceptances receivable	16,487	-	-	-	-	-	-	-	16,487	-	16,487
Prepaid expenses	27,362	-	-	-	3,453	-	15,460	-	46,275	-	46,275
Pledges receivable	-	976,375	-	-	-	-	-	-	976,375	-	976,375
Land, buildings, and equipment, net	-	-	8,964,252	-	-	-	-	-	8,964,252	-	8,964,252
Total Assets	<u>\$ 948,984</u>	<u>\$ 4,500,995</u>	<u>\$ 9,812,723</u>	<u>\$ 37,120</u>	<u>\$ 112,752</u>	<u>\$ 1,848,676</u>	<u>\$ 266,962</u>	<u>\$ 467,818</u>	<u>\$ 17,996,030</u>	<u>\$ (509,301)</u>	<u>\$ 17,486,729</u>
<b>LIABILITIES</b>											
Accounts payable	\$ 45,614	\$ 66,221	\$ -	\$ 2,510	\$ 21,683	\$ -	\$ 62,614	\$ -	\$ 198,642	\$ (55,148)	\$ 143,494
Advanced deposits	-	-	-	-	24,620	-	331,360	-	355,980	-	355,980
Deferred revenue	23,399	-	-	-	-	-	-	-	23,399	-	23,399
Loans payable	-	-	51,300	-	-	-	-	-	51,300	-	51,300
Line of credit	-	800,000	-	-	-	-	-	-	800,000	-	800,000
Interfund payable	-	293,227	-	-	-	-	160,926	-	454,153	(454,153)	-
Total Liabilities	<u>69,013</u>	<u>1,159,448</u>	<u>51,300</u>	<u>2,510</u>	<u>46,303</u>	<u>-</u>	<u>554,900</u>	<u>-</u>	<u>1,883,474</u>	<u>(509,301)</u>	<u>1,374,173</u>
<b>NET ASSETS</b>											
Without Donor Restrictions											
Undesignated	879,971	241,463	(74,324)	34,610	66,449	10,495	(287,938)	24,962	895,688	-	895,688
Council designated	-	2,233,238	9,835,747	-	-	-	-	419,441	12,488,426	-	12,488,426
Total Without Donor Restrictions	<u>879,971</u>	<u>2,474,701</u>	<u>9,761,423</u>	<u>34,610</u>	<u>66,449</u>	<u>10,495</u>	<u>(287,938)</u>	<u>444,403</u>	<u>13,384,114</u>	<u>-</u>	<u>13,384,114</u>
With Donor Restrictions	-	866,846	-	-	-	1,838,181	-	23,415	2,728,442	-	2,728,442
Total Net Assets	<u>879,971</u>	<u>3,341,547</u>	<u>9,761,423</u>	<u>34,610</u>	<u>66,449</u>	<u>1,848,676</u>	<u>(287,938)</u>	<u>467,818</u>	<u>16,112,556</u>	<u>-</u>	<u>16,112,556</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 948,984</u>	<u>\$ 4,500,995</u>	<u>\$ 9,812,723</u>	<u>\$ 37,120</u>	<u>\$ 112,752</u>	<u>\$ 1,848,676</u>	<u>\$ 266,962</u>	<u>\$ 467,818</u>	<u>\$ 17,996,030</u>	<u>\$ (509,301)</u>	<u>\$ 17,486,729</u>

**THE PROTESTANT EPISCOPAL CHURCH  
OF THE DIOCESE OF DELAWARE  
DIOCESAN COUNCIL, INC.  
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2022**

**Combining Information**

	Operating Fund	Special Fund	Property Fund	Bishop's Discretionary Fund	Memorial House		Camp Arrowhead		Eliminations	Total All Funds 2022
					Operating	Restricted	Operating	Restricted		
Acceptances	\$ 963,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 963,395
Winter retreats	-	-	-	-	237,433	-	144,939	-	-	382,372
Summer family program	-	-	-	-	236,564	-	-	-	-	236,564
Summer campferring	-	-	-	-	-	-	951,068	-	-	951,068
Special events	-	-	-	-	-	-	12,712	-	-	12,712
Store sales	-	-	-	-	-	-	78,893	-	-	78,893
Income from contracted services	20,610	-	-	-	-	-	-	-	(20,610)	-
Contributions	-	-	-	-	1,430	-	62,235	7,390	-	71,055
Investment income	2,757	113,148	38,433	-	1	85,615	833	18,453	-	259,240
Unrealized loss	-	(508,464)	(189,997)	-	-	(425,493)	-	(93,462)	-	(1,217,416)
Grants and support	75,611	-	-	5,485	-	-	-	-	-	81,096
Other income	-	-	-	-	86	-	4,766	-	-	4,852
Trust funds:										
Support of ministries	527,900	-	-	-	-	-	-	-	-	527,900
Administrative	113,500	-	-	-	-	-	-	-	-	113,500
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>1,703,773</b>	<b>(395,316)</b>	<b>(151,564)</b>	<b>5,485</b>	<b>475,514</b>	<b>(339,878)</b>	<b>1,255,446</b>	<b>(67,619)</b>	<b>(20,610)</b>	<b>2,465,231</b>
Episcopal function	477,171	-	-	-	-	-	-	-	-	477,171
Common work	546,909	28,320	115,976	16,876	-	-	-	10,063	-	718,144
Memorial House	-	-	-	-	464,184	-	-	-	(5,691)	458,493
Camp Arrowhead	-	162,920	-	-	-	-	1,295,034	-	-	1,457,954
Management and administration	656,112	2,777	-	-	-	-	68,629	-	(14,919)	712,599
Fundraising	-	57,082	-	-	-	-	-	-	-	57,082
<b>TOTAL EXPENSES</b>	<b>1,680,192</b>	<b>251,099</b>	<b>115,976</b>	<b>16,876</b>	<b>464,184</b>	<b>-</b>	<b>1,363,663</b>	<b>10,063</b>	<b>(20,610)</b>	<b>3,881,443</b>
Change in net assets from operating activities	23,581	(646,415)	(267,540)	(11,391)	11,330	(339,878)	(108,217)	(77,682)	-	(1,416,212)
<b>NON-OPERATING</b>										
Interfund transfers	(4,666)	(3,017,048)	3,046,181	-	65,264	(75,120)	(10,725)	(3,886)	-	-
Capital campaign contributions	-	177,176	-	-	-	-	-	-	-	177,176
Paycheck Protection Program loan forgiveness	310,422	-	-	-	-	-	-	-	-	310,422
Employee Retention Tax Credit income	36,356	-	-	-	12,119	-	27,267	-	-	75,742
Change in net assets from non-operating activities	342,112	(2,839,872)	3,046,181	-	77,383	(75,120)	16,542	(3,886)	-	563,340
Total Change in Net Assets	365,693	(3,486,287)	2,778,641	(11,391)	88,713	(414,998)	(91,675)	(81,568)	-	(852,872)
<b>NET ASSETS</b>										
Beginning of year	514,278	6,827,834	6,982,782	46,001	(22,264)	2,263,674	(196,263)	549,386	-	16,965,428
End of year	\$ 879,971	\$ 3,341,547	\$ 9,761,423	\$ 34,610	\$ 66,449	\$ 1,848,676	\$ (287,938)	\$ 467,818	\$ -	\$ 16,112,556