

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

**DIOCESAN COUNCIL, INC.**

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

**DECEMBER 31, 2023  
WITH COMPARATIVE TOTALS FOR 2022**

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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, 2023, 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, 2023, 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, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 23, 2023. In our opinion, the summarized comparative information presented herein as for and for the year ended December 31, 2022 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

September 11, 2024  
Wilmington, Delaware

**THE PROTESTANT EPISCOPAL CHURCH  
OF THE DIOCESE OF DELAWARE  
DIOCESAN COUNCIL, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2023 WITH COMPARATIVE TOTALS FOR 2022**

	<b>2023</b>	<b>2022</b>
<b><u>ASSETS</u></b>		
Cash	\$ 1,824,584	\$ 1,334,982
Endowment investments	5,740,427	5,362,746
Investments - capital campaign	-	743,901
Investments - other	260,071	653
Accounts receivable	75,287	41,058
Acceptances receivable	37,831	16,487
Prepaid expenses	40,071	46,275
Bequests receivable	656,366	-
Pledges receivable	294,669	976,375
Property and equipment, net of depreciation	8,922,522	8,964,252
<b>TOTAL ASSETS</b>	<b>\$ 17,851,828</b>	<b>\$ 17,486,729</b>
<b><u>LIABILITIES</u></b>		
Accounts payable	\$ 63,900	\$ 143,494
Advance deposits	331,283	355,980
Deferred revenue	23,399	23,399
Loans payable	45,600	51,300
Line of credit	200,000	800,000
<b>TOTAL LIABILITIES</b>	<b>664,182</b>	<b>1,374,173</b>
<b><u>NET ASSETS</u></b>		
Without donor restrictions		
Undesignated	1,782,361	970,012
Council designated	12,490,318	12,414,102
Total without donor restrictions	14,272,679	13,384,114
With donor restrictions	2,914,967	2,728,442
<b>Total Net Assets</b>	<b>17,187,646</b>	<b>16,112,556</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 17,851,828</b>	<b>\$ 17,486,729</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, 2023 WITH COMPARATIVE TOTALS FOR 2022**

	2023			2022
	Without Donor Restriction	With Donor Restriction	Total	Total
Acceptances	\$ 966,702	\$ -	\$ 966,702	\$ 963,395
Winter retreats	446,460	-	446,460	382,372
Summer family program	226,568	-	226,568	236,564
Summer campfering	1,284,850	-	1,284,850	951,068
Special events	7,000	-	7,000	12,712
Store sales	137,149	-	137,149	78,893
Contributions	105,697	13,596	119,293	71,055
Investment income	179,802	122,202	302,004	259,240
Unrealized gain (loss)	145,950	88,723	234,673	(1,217,416)
Realized gain	3,578	-	3,578	-
Gain on disposal of equipment	17,165	-	17,165	-
Grants and support	18,142	-	18,142	81,096
Other income	13,453	-	13,453	4,852
Trust funds:				
Support of ministries	603,700	-	603,700	527,900
Administrative	113,500	-	113,500	113,500
Net assets released from restriction	76,160	(76,160)	-	-
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>4,345,876</b>	<b>148,361</b>	<b>4,494,237</b>	<b>2,465,231</b>
Episcopal function	522,682	-	522,682	477,171
Common work	708,858	-	708,858	718,144
Memorial House	501,543	-	501,543	458,493
Camp Arrowhead	1,561,408	-	1,561,408	1,457,954
Management and administrative	963,217	-	963,217	712,599
Fund-raising	7,250	-	7,250	57,082
<b>TOTAL EXPENSES</b>	<b>4,264,958</b>	<b>-</b>	<b>4,264,958</b>	<b>3,881,443</b>
Change in net assets from operating activities	80,918	148,361	229,279	(1,416,212)
<b>NON-OPERATING</b>				
Capital campaign contributions	13,596	13,840	27,436	177,176
Bequests	-	656,366	656,366	-
Transfer of investment funds from closed parishes	-	162,009	162,009	-
Paycheck Protection Program loan forgiveness	-	-	-	310,422
Employee Retention Tax Credit income	-	-	-	75,742
Net assets released from restriction - non-operating	794,051	(794,051)	-	-
Change in net assets from non-operating activities	807,647	38,164	845,811	563,340
<b>TOTAL CHANGE IN NET ASSETS</b>	<b>888,565</b>	<b>186,525</b>	<b>1,075,090</b>	<b>(852,872)</b>
<b>NET ASSETS</b>				
Beginning of year	13,384,114	2,728,442	16,112,556	16,965,428
End of year	<u>\$ 14,272,679</u>	<u>\$ 2,914,967</u>	<u>\$ 17,187,646</u>	<u>\$ 16,112,556</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, 2023 WITH COMPARATIVE TOTALS FOR 2022**

	2023								2022
	Episcopal Function	Common Work	Memorial House	Camp Arrowhead	Total Program	Management and Administrative	Fundraising	Total	Total
Salaries and wages	\$ 363,937	\$ -	\$ 177,465	\$ 669,619	\$ 1,211,021	\$ 447,819	\$ -	\$ 1,658,840	\$ 1,350,443
Employee benefits	144,476	4,608	43,631	95,860	288,575	123,777	-	412,352	365,775
Other payroll related expenses	4,942	-	13,636	50,485	69,063	27,547	-	96,610	81,672
Total payroll and related expenses	513,355	4,608	234,732	815,964	1,568,659	599,143	-	2,167,802	1,797,890
National church	-	232,683	-	-	232,683	-	-	232,683	254,105
Professional fees	-	-	11,190	35,301	46,491	25,249	7,250	78,990	257,305
Advertising and promotion	-	-	295	-	295	31,545	-	31,840	24,520
Office	-	-	13,829	-	13,829	84,257	-	98,086	98,133
Information technology	-	-	-	11,979	11,979	45,721	-	57,700	55,157
Occupancy	-	4,500	156,966	461,962	623,428	44,866	-	668,294	611,385
Travel	9,327	-	49	-	9,376	5,505	-	14,881	13,847
Interest	-	-	-	959	959	3,501	-	4,460	3,854
Depreciation	-	213,351	-	-	213,351	-	-	213,351	115,976
Insurance	-	-	13,199	103,760	116,959	16,865	-	133,824	106,649
Program expenses	-	234,495	69,413	127,179	431,087	-	-	431,087	527,145
Miscellaneous	-	19,221	1,870	4,304	25,395	6,565	-	31,960	15,477
Bad debt expense	-	-	-	-	-	100,000	-	100,000	-
	<u>\$ 522,682</u>	<u>\$ 708,858</u>	<u>\$ 501,543</u>	<u>\$ 1,561,408</u>	<u>\$ 3,294,491</u>	<u>\$ 963,217</u>	<u>\$ 7,250</u>	<u>\$ 4,264,958</u>	<u>\$ 3,881,443</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, 2023 WITH COMPARATIVE TOTALS FOR 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,075,090	\$ (852,872)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	213,351	115,976
Realized and unrealized loss (gain) on investments	(53,783)	1,196,642
Capital campaign contributions	(13,840)	(177,176)
PPP loan forgiveness	-	(310,422)
Change in accumulated benefit obligation	-	-
(Increase) decrease in assets:		
Accounts receivable	(34,229)	19,932
Acceptances receivable	(21,344)	17,176
Prepaid expenses	6,204	48,301
Bequests receivable	(656,366)	-
Increase (decrease) in liabilities:		
Accounts payable	(79,594)	(201,061)
Advance deposits	(24,697)	128,451
Deferred revenue	-	(56,601)
Net cash provided (used) by operating activities	<u>410,792</u>	<u>(71,654)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	729,383	500,000
Purchase of investments	(568,798)	(162,177)
Purchase of capital assets	(194,021)	(3,040,480)
Proceeds from sale of capital assets	22,400	-
Net cash used by investing activities	<u>(11,036)</u>	<u>(2,702,657)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Capital campaign contributions received	695,546	527,196
Repayment of debt	(5,700)	(5,700)
Issuance (repayment) of line of credit	(600,000)	800,000
Net cash provided by financing activities	<u>89,846</u>	<u>1,321,496</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	489,602	(1,452,815)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>1,334,982</u>	<u>2,787,797</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 1,824,584</u>	<u>\$ 1,334,982</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ 4,460</u>	<u>\$ 3,854</u>

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, 2023**

**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, 2023**

**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, 2023**

**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, 2023 and 2022.

**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 2023 and 2022.

**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  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**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, 2023 and 2022, the Council had conditional promises to give of \$23,399 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  
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DIOCESAN COUNCIL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**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. Advertising and Promotion**

Advertising and promotion costs are charged to expense as incurred. Advertising and promotion expense for the years ended December 31, 2023 and 2022 was \$31,840 and \$24,520, respectively.

**13. 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, 2022 from which the summarized information was derived.

**14. Reclassifications**

Undesignated net assets for the Property Fund have been reclassified to Council designated net assets. See the Note I below. In addition, a portion of endowment investments were reclassified as investments-other to correspond with current year presentation.

**15. Subsequent Events**

The Council has evaluated subsequent events through September 11, 2024, 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, 2023**

**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, 2023:

Cash and cash equivalents	\$	1,824,584
Investments		5,740,427
Accounts, acceptances and pledges receivable		407,787
		7,972,798
Less: Council-designated investments and cash		(3,613,396)
Less: net assets with donor restrictions		(2,914,967)
		\$ 1,444,435

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>2023</b>	<b>2022</b>
Due in less than one year	\$ 272,693	\$ 654,620
Due in one to five years	21,976	321,755
	\$ 294,669	\$ 976,375

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  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE D – PROPERTY AND EQUIPMENT**

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

	<u>2023</u>	<u>2022</u>
Land	\$ 2,733,770	\$ 2,735,130
Buildings	8,556,735	8,562,175
Improvements	402,704	266,026
Furniture, equipment, fixtures	775,214	748,429
Vehicles	131,136	162,538
Construction in Progress	14,753	-
	<u>12,614,312</u>	<u>12,474,298</u>
Less accumulated depreciation	<u>(3,691,790)</u>	<u>(3,510,046)</u>
Net	<u>\$ 8,922,522</u>	<u>\$ 8,964,252</u>

Depreciation expense was \$213,351 and \$115,976 for the years ended December 31, 2023 and 2022, respectively.

**NOTE E – INVESTMENTS**

Investments were composed of the following as of December 31:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money market accounts	\$ 390,552	\$ 390,552	\$ 804,358	\$ 804,358
Master Fund "A" units	<u>3,635,241</u>	<u>5,609,946</u>	<u>3,508,237</u>	<u>5,302,942</u>
Total	<u>\$ 4,025,793</u>	<u>\$ 6,000,498</u>	<u>\$ 4,312,595</u>	<u>\$ 6,107,300</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:

	2023	2022
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	\$ 45,600	\$ 51,300
Total loan payable	\$ 45,600	\$ 51,300
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.	\$ 200,000	\$ 800,000
Total line of credit	\$ 200,000	\$ 800,000

Interest expense was \$959 and \$1,077 for the years ended December 31, 2023 and 2022, respectively for the Trustees loan and \$3,501 and \$2,777 for the years ended December 31, 2023 and 2022, respectively, for the Jessie Ball du Pont line of credit.

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

2024	\$	5,700
2025		5,700
2026		5,700
2027		5,700
2028		5,700
Thereafter		17,100
Total	\$	45,600

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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 3 donors comprising 71% of capital campaign contributions during the years ended December 31, 2022. In addition, 1 and 4 open balances each year accounted for 68% and 85% of total pledges receivables as of December 31, 2023 and 2022, respectively.

**NOTE H – NET ASSETS**

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

	<u>2023</u>	<u>2022</u>
Endowment:		
Subject to Expenditure for Specified Purpose:		
Camp Arrowhead	\$ 24,101	\$ 23,415
Memorial House	1,932,035	1,838,181
Christ Church Delaware City	170,895	-
Total endowment net assets with donor restrictions	<u>2,127,031</u>	<u>1,861,596</u>
Non-endowment:		
Camp Arrowhead capital campaign - investments	-	743,901
Camp Arrowhead capital projects	656,366	-
Diversity, equity & inclusion (DEI)	71,043	71,043
BIPOC outreach initiative	25,000	25,000
COVID-19 relief	26,902	26,902
Copier lease	8,625	-
Total non-endowment	<u>787,936</u>	<u>866,846</u>
Total net assets with donor restrictions	<u>\$ 2,914,967</u>	<u>\$ 2,728,442</u>

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**NOTE H – NET ASSETS (CONTINUED)**

The Council has designated net assets for the following purposes:

	<u>2023</u>	<u>2022</u>
Board Designated		
Camp Arrowhead:		
General	\$ 1,454	\$ 81,967
Endowment	1,795,904	1,759,097
Scholarship	231,795	189,401
Clergy education and supply	53,922	49,607
Episcopal campus ministry	211,099	201,991
Healthcare reserve	213,744	196,044
New work	51,224	49,016
Property and equipment	8,876,922	8,912,952
Property maintenance - St Nicholas and Christ Church		
Delaware City	917,273	848,471
Property reserve	136,981	125,556
Total Board Designated Net Assets	<u>\$ 12,490,318</u>	<u>\$ 12,414,102</u>

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

	<u>2023</u>	<u>2022</u>
Memorial House	\$ 71,189	\$ 85,615
DEI	-	15,582
Camp Arrowhead	-	6,873
BIPOC outreach initiative	-	15,000
COVID-19 relief	-	13,098
Copier lease	4,971	-
Operating net assets released	76,160	136,168
Camp Arrowhead capital campaign	794,051	2,822,417
Total net assets released	<u>\$ 870,211</u>	<u>\$ 2,958,585</u>

**THE PROTESTANT EPISCOPAL CHURCH  
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DECEMBER 31, 2023**

**NOTE I – NET ASSETS RESTATED**

During the year ended December 31, 2023, the Council performed additional analysis of prior year records and identified and reclassified \$74,324 of Council designated net assets without donor restrictions that had been previously reported as undesignated net assets without donor restrictions. The correction had no effect on total net assets at January 1, 2022, as outlined below.

	<u>As previously reported</u>	<u>Corrections</u>	<u>Restated</u>
<b>Undesignated Net Assets Without Donor Restrictions</b>	\$ 895,688	\$ -	\$ 895,688
Reclass property fund net assets with council designation	-	74,324	74,324
<b>Council Designated Net Assets Without Donor Restrictions</b>	\$ 12,488,426	\$ -	12,488,426
Reclass property fund net assets with council designation	-	(74,324)	(74,324)
	<u>\$ 13,384,114</u>	<u>\$ -</u>	<u>\$ 13,384,114</u>

**NOTE J – RELATED PARTY TRANSACTIONS**

The Trustees and the Council are related by a shared mission and employees. The Council received \$770,518 and \$681,998 from the Trustees during the years ended December 31, 2023 and 2022, respectively. \$5,015 and \$27,790 was a receivable from the Trustees at December 31, 2023 and 2022, 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, 2023 and 2022 was \$25,000 and \$50,000, 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 absences 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, 2023 or 2022.

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DECEMBER 31, 2023**

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

Endowment net assets by type of fund at December 31, 2023 and 2022 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, 2022	\$ 4,215,644	\$ 2,290,436	\$ 6,506,080
Investment income, net of fees	163,238	96,002	259,240
Realized and unrealized gains	(795,449)	(421,967)	(1,217,416)
Appropriation of assets for expenditure, net	<u>(82,283)</u>	<u>(102,875)</u>	<u>(185,158)</u>
Endowment net assets, December 31, 2022	\$ 3,501,150	\$ 1,861,596	\$ 5,362,746
Investment income, net of fees	179,802	85,892	265,694
Realized and unrealized losses	149,528	88,723	238,251
Contributions	-	162,009	162,009
Appropriation of assets for expenditure, net	<u>(217,084)</u>	<u>(71,189)</u>	<u>(288,273)</u>
Endowment net assets, December 31, 2023	<u>\$ 3,613,396</u>	<u>\$ 2,127,031</u>	<u>\$ 5,740,427</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.

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**NOTE N - PAYCHECK PROTECTION PROGRAM LOAN**

On March 18, 2021, the Council was granted a Term Note (the “PPP Loan”) from the SBA in the aggregate amount of \$310,422, pursuant to the Coronavirus Aid, Relief, and Economic Security Act’s (the “CARES Act”) (P.L.116-136) Paycheck Protection Program (the “PPP”). The Council applied for and received forgiveness in full on November 23, 2022, and recognized it as revenue in 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.

**NOTE P – TRANSFER OF INVESTMENT FUNDS**

During 2023, Christ Church Delaware City (“Christ Church”) closed. Upon closure, the ownership of its assets was assumed by the Council. Christ Church invested funds in Master Fund “A”. Christ Church’s funds within Master Fund “A” were closed and \$162,009 was transferred to a new fund under Council’s purview. The amounts held are subject pre-existing donor restrictions.

## **SUPPLEMENTAL SCHEDULES**



**THE PROTESTANT EPISCOPAL CHURCH  
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COMBINING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2023**

**Combining Information**

	Operating Fund	Special Fund	Property Fund	Bishop's Discretionary Fund	Memorial House		Camp Arrowhead		Total All Funds	Eliminations	Total 2023
					Operating	Restricted	Operating	Restricted			
<b>ASSETS</b>											
Cash	\$ 841,089	\$ 494,747	\$ -	\$ 15,160	\$ 122,659	\$ -	\$ 291,998	\$ 58,931	\$ 1,824,584	\$ -	\$ 1,824,584
Investments - endowment	-	2,521,619	917,273	-	-	1,932,035	-	369,500	5,740,427	-	5,740,427
Investments - other	-	258,253	-	-	-	-	1,818	-	260,071	-	260,071
Accounts receivable	88,913	-	-	-	1,431	-	16,464	-	106,808	(31,521)	75,287
Interfund receivable	-	217,706	-	-	-	-	-	4,008	221,714	(221,714)	-
Acceptances receivable	37,831	-	-	-	-	-	-	-	37,831	-	37,831
Prepaid expenses	20,657	-	-	-	3,607	-	15,807	-	40,071	-	40,071
Bequests receivable	-	-	-	-	-	-	-	656,366	656,366	-	656,366
Pledges receivable	-	294,669	-	-	-	-	-	-	294,669	-	294,669
Land, buildings, and equipment, net	-	-	8,922,522	-	-	-	-	-	8,922,522	-	8,922,522
Total Assets	<u>\$ 988,490</u>	<u>\$ 3,786,994</u>	<u>\$ 9,839,795</u>	<u>\$ 15,160</u>	<u>\$ 127,697</u>	<u>\$ 1,932,035</u>	<u>\$ 326,087</u>	<u>\$ 1,088,805</u>	<u>\$ 18,105,063</u>	<u>\$ (253,235)</u>	<u>\$ 17,851,828</u>
<b>LIABILITIES</b>											
Accounts payable	\$ 30,013	\$ -	\$ -	\$ -	\$ 17,508	\$ -	\$ 47,900	\$ -	\$ 95,421	\$ (31,521)	\$ 63,900
Advanced deposits	-	-	-	-	19,400	-	311,883	-	331,283	-	331,283
Deferred revenue	23,399	-	-	-	-	-	-	-	23,399	-	23,399
Loans payable	-	-	45,600	-	-	-	-	-	45,600	-	45,600
Line of credit	-	200,000	-	-	-	-	-	-	200,000	-	200,000
Interfund payable	57,706	-	-	-	-	-	164,008	-	221,714	(221,714)	-
Total Liabilities	<u>111,118</u>	<u>200,000</u>	<u>45,600</u>	<u>-</u>	<u>36,908</u>	<u>-</u>	<u>523,791</u>	<u>-</u>	<u>917,417</u>	<u>(253,235)</u>	<u>664,182</u>
<b>NET ASSETS</b>											
Without Donor Restrictions											
Undesignated	877,372	933,805	-	15,160	90,789	-	(197,704)	62,939	1,782,361	-	1,782,361
Council designated	-	2,350,724	9,794,195	-	-	-	-	345,399	12,490,318	-	12,490,318
Total Without Donor Restrictions	<u>877,372</u>	<u>3,284,529</u>	<u>9,794,195</u>	<u>15,160</u>	<u>90,789</u>	<u>-</u>	<u>(197,704)</u>	<u>408,338</u>	<u>14,272,679</u>	<u>-</u>	<u>14,272,679</u>
With Donor Restrictions	-	302,465	-	-	-	1,932,035	-	680,467	2,914,967	-	2,914,967
Total Net Assets	<u>877,372</u>	<u>3,586,994</u>	<u>9,794,195</u>	<u>15,160</u>	<u>90,789</u>	<u>1,932,035</u>	<u>(197,704)</u>	<u>1,088,805</u>	<u>17,187,646</u>	<u>-</u>	<u>17,187,646</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 988,490</u>	<u>\$ 3,786,994</u>	<u>\$ 9,839,795</u>	<u>\$ 15,160</u>	<u>\$ 127,697</u>	<u>\$ 1,932,035</u>	<u>\$ 326,087</u>	<u>\$ 1,088,805</u>	<u>\$ 18,105,063</u>	<u>\$ (253,235)</u>	<u>\$ 17,851,828</u>

**THE PROTESTANT EPISCOPAL CHURCH  
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DIOCESAN COUNCIL, INC.  
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2023**

**Combining Information**

	Operating Fund	Special Fund	Property Fund	Bishop's Discretionary Fund	Memorial House		Camp Arrowhead		Eliminations	Total All Funds 2023
					Operating	Restricted	Operating	Restricted		
Acceptances	\$ 966,702	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 966,702
Winter retreats	-	-	-	-	260,824	-	185,636	-	-	446,460
Summer family program	-	-	-	-	226,568	-	-	-	-	226,568
Summer camp/fering	-	-	-	-	-	-	1,284,850	-	-	1,284,850
Special events	-	-	-	-	-	-	7,000	-	-	7,000
Store sales	-	-	-	-	-	-	137,149	-	-	137,149
Income from contracted services	20,155	-	-	-	-	-	-	-	(20,155)	-
Contributions	-	-	-	1,250	-	-	57,538	60,505	-	119,293
Investment income	21,382	139,878	38,564	-	7	82,242	1,177	18,754	-	302,004
Unrealized gain	-	104,613	38,563	-	-	82,801	-	8,696	-	234,673
Realized gain	-	-	-	-	-	-	-	3,578	-	3,578
Gain on disposal of equipment	-	-	17,165	-	-	-	-	-	-	17,165
Grants and support	12,012	-	-	6,130	-	-	-	-	-	18,142
Other income	-	-	-	-	400	-	13,053	-	-	13,453
Trust funds:										
Support of ministries	603,700	-	-	-	-	-	-	-	-	603,700
Administrative	113,500	-	-	-	-	-	-	-	-	113,500
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>1,737,451</b>	<b>244,491</b>	<b>94,292</b>	<b>7,380</b>	<b>487,799</b>	<b>165,043</b>	<b>1,686,403</b>	<b>91,533</b>	<b>(20,155)</b>	<b>4,494,237</b>
Episcopal function	522,682	-	-	-	-	-	-	-	-	522,682
Common work	425,008	17,829	223,036	26,830	-	-	-	16,155	-	708,858
Memorial House	-	-	-	-	507,147	-	-	-	(5,604)	501,543
Camp Arrowhead	-	14,621	-	-	-	-	1,546,787	-	-	1,561,408
Management and administration	800,077	113,472	-	-	-	-	64,219	-	(14,551)	963,217
Fundraising	-	7,250	-	-	-	-	-	-	-	7,250
<b>TOTAL EXPENSES</b>	<b>1,747,767</b>	<b>153,172</b>	<b>223,036</b>	<b>26,830</b>	<b>507,147</b>	<b>-</b>	<b>1,611,006</b>	<b>16,155</b>	<b>(20,155)</b>	<b>4,264,958</b>
Change in net assets from operating activities	(10,316)	91,319	(128,744)	(19,450)	(19,348)	165,043	75,397	75,378	-	229,279
<b>NON-OPERATING</b>										
Interfund transfers	7,717	(35,317)	161,516	-	43,688	(81,684)	14,837	(110,757)	-	-
Capital campaign contributions	-	27,436	-	-	-	-	-	-	-	27,436
Bequests	-	-	-	-	-	-	-	656,366	-	656,366
Transfer of investment funds from closed parishes	-	162,009	-	-	-	-	-	-	-	162,009
Change in net assets from non-operating activities	7,717	154,128	161,516	-	43,688	(81,684)	14,837	545,609	-	845,811
Total Change in Net Assets	(2,599)	245,447	32,772	(19,450)	24,340	83,359	90,234	620,987	-	1,075,090
<b>NET ASSETS</b>										
Beginning of year	879,971	3,341,547	9,761,423	34,610	66,449	1,848,676	(287,938)	467,818	-	16,112,556
End of year	\$ 877,372	\$ 3,586,994	\$ 9,794,195	\$ 15,160	\$ 90,789	\$ 1,932,035	\$ (197,704)	\$ 1,088,805	\$ -	\$ 17,187,646