

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

**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 Trustees of the Protestant Episcopal Church
of the Diocese of Delaware
Wilmington, Delaware

Opinion

We have audited the accompanying financial statements of the Trustees of the Protestant Episcopal Church of the Diocese of Delaware (the "Trustees"), 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 Trustees 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 Trustees and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence 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 the 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 Trustees' 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 for 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 amount 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 Trustees' 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 Trustees' 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 Trustees' 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 of 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.

Report on 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.



Certified Public Accountants

September 11, 2024
Wilmington, Delaware

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

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 924,934	\$ 1,023,925
Investments	35,325,227	33,570,725
Accounts receivable	10,955	18,168
Interest receivable	7,022	5,903
Prepaid insurance	1,075	6,176
Loans/mortgage receivable	559,567	659,696
Property and equipment, net of depreciation	3,060,573	2,445,457
TOTAL ASSETS	\$ 39,889,353	\$ 37,730,050
 LIABILITIES		
Accounts payable	\$ 42,256	\$ 13,769
Loans payable	-	12,500
Contributions payable	25,325	80,000
Total Liabilities	67,581	106,269
 NET ASSETS		
Without donor restrictions		
Undesignated	20,883,538	19,930,819
Board designated	8,028,886	7,340,475
Total Without Donor Restrictions	28,912,424	27,271,294
With donor restriction	10,909,348	10,352,487
Total Net Assets	39,821,772	37,623,781
TOTAL LIABILITIES AND NET ASSETS	\$ 39,889,353	\$ 37,730,050

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

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023 WITH COMPARATIVE TOTALS FOR 2022**

	2023			2022
	Without	With	Total	Total
	Donor Restriction	Donor Restriction		
OPERATING REVENUE AND OTHER SUPPORT				
Investment income	\$ 1,054,122	\$ 451,982	\$ 1,506,104	\$ 1,575,078
Unrealized gain (loss)	1,057,120	464,523	1,521,643	(7,763,743)
Realized gain	347	-	347	-
Administrative fee income	33,607	-	33,607	37,683
Trust income	6,130	20,000	26,130	25,485
Miscellaneous	1,002	-	1,002	200
Net assets released from restriction	379,644	(379,644)	-	-
Total operating revenue and other support	<u>2,531,972</u>	<u>556,861</u>	<u>3,088,833</u>	<u>(6,125,297)</u>
EXPENSES				
Program	1,241,664	-	1,241,664	1,314,988
Management and administrative	275,733	-	275,733	241,790
Total expenses	<u>1,517,397</u>	<u>-</u>	<u>1,517,397</u>	<u>1,556,778</u>
Change in net assets from operating activities	<u>1,014,575</u>	<u>556,861</u>	<u>1,571,436</u>	<u>(7,682,075)</u>
NON-OPERATING				
Transfers of property	700,000	-	700,000	-
Expenses on transferred property	(73,445)	-	(73,445)	-
Change in net assets from non-operating activities	<u>626,555</u>	<u>-</u>	<u>626,555</u>	<u>-</u>
TOTAL CHANGE IN NET ASSETS	1,641,130	556,861	2,197,991	(7,682,075)
NET ASSETS - BEGINNING	<u>27,271,294</u>	<u>10,352,487</u>	<u>37,623,781</u>	<u>45,305,856</u>
NET ASSETS - ENDING	<u>\$ 28,912,424</u>	<u>\$ 10,909,348</u>	<u>\$ 39,821,772</u>	<u>\$ 37,623,781</u>

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

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023 WITH COMPARATIVE TOTALS FOR 2022**

	2023			2022
	Program	Management and Administrative	Total	Total
Support for council	\$ 642,426	\$ 128,092	\$ 770,518	\$ 681,998
Support for parishes and grants	298,028	-	298,028	426,605
Missions	66,479	-	66,479	106,219
Education	18,692	-	18,692	14,625
Insurance	53,603	4,567	58,170	60,864
Professional fees	-	43,606	43,606	23,903
Office	7,519	7,780	15,299	17,345
Occupancy	12,895	4,298	17,193	13,880
Miscellaneous	23,115	-	23,115	22,417
Repairs and maintenance	55,244	66,169	121,413	104,038
Depreciation	63,663	21,221	84,884	84,884
Total expenses by function	<u>\$ 1,241,664</u>	<u>\$ 275,733</u>	<u>\$ 1,517,397</u>	<u>\$ 1,556,778</u>

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

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023 WITH COMPARATIVE TOTALS FOR 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,197,991	\$ (7,682,075)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	84,884	84,884
Realized and unrealized (gain) loss on investments	(1,521,643)	7,763,743
Transfers of property	(700,000)	-
(Increase) decrease in assets:		
Accounts receivable	7,213	2,880
Interest receivable	(1,119)	(774)
Prepaid insurance	5,101	(2,449)
Loans/mortgage receivable	100,129	(88,900)
Increase (decrease) in liabilities:		
Accounts payable	28,487	7,977
Contributions payable	(54,675)	5,000
Net cash provided by operating activities	146,368	90,286
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	8,361	-
Purchase of investments	(241,220)	(24,506)
Purchase of property and equipment	-	(4,830)
Net cash used by investing activities	(232,859)	(29,336)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of debt	(12,500)	(25,000)
Net cash used by financing activities	(12,500)	(25,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(98,991)	35,950
CASH AND CASH EQUIVALENTS, BEGINNING	1,023,925	987,975
CASH AND CASH EQUIVALENTS, ENDING	\$ 924,934	\$ 1,023,925
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

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

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

The Trustees of the Protestant Episcopal Church of the Diocese of Delaware (the “Trustees”) is a not-for-profit corporation of the State of Delaware. The purpose of the Trustees is to advance the religious and educational work of the Episcopal Church by serving as the custodian and trustee of the property and funds and as the fiscal agent of the Protestant Episcopal Church of the Diocese of Delaware and by providing financial, custodial, trust, and investment services and advice for the Diocese and all of its institutions and by fulfilling such duties as are authorized and required by the Convention of the Diocese and to aid, support, and maintain the Bishop of the Diocese, ministers and missionaries of the Episcopal Church and to further religious, charitable, benevolent, and educational objects generally, and in furtherance of said objects to minister and serve the needs of the young, the aged, the sick, the disabled, and the poor, and to improve the spiritual, physical, mental, and moral condition of humanity.

1. Method of Accounting

The financial statements of the Trustees have been prepared in conformity with accounting principles generally accepted in the United States of America. The Trustees’ financial statements consist of the following:

a. Trustees’ Fund

The Administrative Expense Fund represents funds to cover administrative expenses for the Trustees.

The Ash Fund represents funds to promote the Gospel of Christ and extend the worship of the Episcopal Church of Delaware.

The Bishop’s Missionary Fund represents funds to provide the Bishop with money for general missionary work.

The Bishopstead Maintenance Fund represents funds for the maintenance and operation of the home and guesthouse of the Bishop.

The Brandywine Collaborative Ministries Fund represents funds pooled by three parishes to carryout collaborative ministry work.

The Buckelew Trust Fund represents funds to be used at the discretion of the Bishop and the Trustees of the Protestant Episcopal Church of the Diocese of Delaware.

The Calvary-Herndon Fund for Urban Ministries represents assets transferred, at book value, to the Trustees by the Convention of the Diocese of Delaware on April 25, 1992 following the termination of parish status of Calvary Church.

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

1. Method of Accounting (Continued)

a. Trustees' Fund (Continued)

The Clergy Aid Funds represent funds to satisfy the needs of retired or disabled clergy or their widows and clergy's wives and families in times of financial stress.

The Ellason and Molly Laird Downs Real Estate Maintenance Fund represents funds to be used by the Episcopal Diocese of Delaware for the maintenance of Diocesan owned properties.

The Episcopate Endowment Fund represents funds for the Bishop's salary, expenses, and allowances.

The General Diocesan Fund represents funds to be used for Church purposes at the discretion of the Trustees.

The Jane Lunger Oberod Fund was started in 2006 and represents distributions from the Estate of Mrs. Jane du Pont Lunger and from the sale of the Oberod Conference and Retreat Center. The use of these funds is at the discretion of the Bishop and Trustees of the Diocese.

The Silliman Fund represents funds to meet extraordinary expenses for clergy and other worthy persons in the Diocese as needed.

The Tatnall Fund represents funds to be used at the Bishop's discretion for theological education, clergy aid, and missionary work.

The Theological Education Fund represents funds for the benefit of theological students.

The Williams Missionary Fund represents funds created under the will of Elizabeth Williams and provides for the income to be distributed as follows: two-thirds to The Diocesan Council, Inc. to be distributed to missionary churches and one-third directly to the choirs of the missionary churches.

The Saint Albans Barnabas Fund represents funds from the former St. Albans parish which are to be used for grants to further the ministry of the Diocese of Delaware.

The Lighthipe Fund represents the net proceeds received on the sale of the Lighthipe property in 2018 originally donated for the benefit of St. Martha's Episcopal Church. The funds are to be used to benefit St. Martha's Episcopal Church.

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

1. Method of Accounting (Continued)

a. Trustees' Fund (Continued)

The General Diocesan Episcopate Transition Fund was established in April 2004 by the Trustees with a contribution of \$100,000. The fund is to be used during the transition between bishops.

b. Advance and Development Funds

The Advance Fund represents resources available to provide loans to the churches and institutions of the Episcopal Diocese of Delaware. The amounts of the loans and the terms of repayment are determined by the Board on an individual case basis. Effective January 1, 1977, the Board determined that all Advance Fund excess income and expenses would be allocated to the Development Fund.

The Development Fund represents resources available to provide grants to the churches and institutions of the Episcopal Diocese of Delaware. The Board approves the amounts and terms of the grants.

c. Property Fund

The Property Fund represents funds expended for land, buildings and fixtures.

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.

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.

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

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 basis. Dividend income is recognized on the ex-dividend date and interest income is recognized on an 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 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 Trustees is a not-for-profit entity that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Trustees is not a private foundation. No amounts of interest or penalties from tax matters were recognized by the Trustees during the years ended December 31, 2023 and 2022.

6. Cash and Cash Equivalents

The Trustees consider 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.

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

7. Accounts Receivable

Accounts receivable are recorded at net realizable value. The Trustees use the direct write off method to account for bad debts. Management feels that this does not differ materially from the allowance method. There were no bad debts during 2023 and 2022.

8. Contributions

The Trustees record 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. Pledges receivable are recorded at net realizable value. 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.

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 Trustees 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 and equipment	5 - 10 years

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

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. The Trustees did not incur fund-raising expenses for the years ended December 31, 2023 and 2022.

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

12. Comparative Financial Information

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 Trustees' financial statements for the year ended December 31, 2022 from which the summarized information was derived.

13. Subsequent Events

The Trustees have evaluated subsequent events through September 11, 2024, the date the financial statements were available to be issued.

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	\$ 924,934
Investments	35,325,227
Accounts and interest receivable	17,977
	36,268,138
Less: net assets with donor restrictions	(10,909,348)
	\$ 25,358,790

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE C – LOANS/MORTGAGE RECEIVABLE

Loans receivable bear interest at rates ranging from 2.0% to 5.8% (rate based on specific circumstances of borrower but not to exceed 80% of the true interest rate on twenty-year U.S. Government bonds). Interest is payable semi-annually. Loan principal is amortized on a straight-line basis with terms up to twenty years, some with five-year balloon payments. Interest income is recognized over time as it is earned. Loans/mortgages receivable at December 31 were as follows:

	<u>Due Date</u>	<u>2023</u>	<u>2022</u>
CHURCHES OF THE EPISCOPAL DIOCESE			
Bethany Beach – St. Martha's Long-term	2025	\$ 29,970	\$ 49,970
Calvary Hillcrest	2027	7,652	9,787
Camden - St. Paul's	2033	57,000	60,000
Claymont – Church of the Ascension	2038	90,342	96,342
Dover - Christ Church	2042	82,125	86,625
Lewes - St. Peter's - Renovation	2043	97,000	97,000
Millcreek Hundred			
St. Barnabas' – Building Expansion	2026	38,452	46,144
Milton – St. John the Baptist	2040	62,936	66,836
Newport – St. James'	None	34,699	39,031
Selbyville - St Martin's in the Field	N/A	-	36,997
Total Churches of the Episcopal Diocese		<u>500,176</u>	<u>588,732</u>
DIOCESAN COUNCIL, INC.			
Diocesan Council, Inc. – Camp Arrowhead	2032	<u>45,600</u>	<u>51,300</u>
Total Diocesan Council		<u>45,600</u>	<u>51,300</u>
DIOCESAN ENTITIES ON BEHALF OF CLERGY			
Immanuel – New Castle – C. Keene	2032	<u>13,791</u>	<u>19,664</u>
Total Diocesan Entities on Behalf of Clergy		<u>13,791</u>	<u>19,664</u>
Total Advance and Development Fund		<u>\$ 559,567</u>	<u>\$ 659,696</u>

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE D – PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land	\$ 729,430	\$ 729,430
Buildings and improvements	2,608,489	2,608,489
Furniture and equipment	39,632	39,632
Assumed parish property	700,000	-
	<u>4,077,551</u>	<u>3,377,551</u>
Less accumulated depreciation	<u>(1,016,978)</u>	<u>(932,094)</u>
Net	<u>\$ 3,060,573</u>	<u>\$ 2,445,457</u>

Depreciation expense was \$84,884 and \$84,884 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	\$ 5,645	\$ 5,645	\$ 13,213	\$ 13,213
Master Fund "A" units	22,009,872	35,319,582	21,776,308	33,557,512
Total	<u>\$ 22,015,517</u>	<u>\$ 35,325,227</u>	<u>\$ 21,789,521</u>	<u>\$ 33,570,725</u>

Master Fund “A” units are composed of shares in a fund owned with other unit-holders all of which have affiliation to the Episcopal Church. Master Fund “A” itself is composed of various publicly traded debt and equity securities. The 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 Trustees’ 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 since they are not valued on a daily basis.

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE F – LOANS PAYABLE

Loans payable were as follows as of December 31:

	2023	2022
Note payable, with semiannual principal payments of \$12,500 through March 2023.	\$ -	\$ 12,500
Total loans payable	\$ -	\$ 12,500

Interest expense was \$0 for the years ended December 31, 2023 and 2022.

In November 2013, the Trustees entered into an agreement with the Cathedral Choir School to purchase 2013 N. Market St. for \$250,000. Semiannual payments began in March 2014 and ceased in March 2023.

NOTE G – FINANCIAL INSTRUMENTS

Financial instruments that potentially subject the Trustees 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 Trustees' investment policies.

The Trustees maintain 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 Trustees consider the possibility of incurring a loss remote.

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE H – NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Endowments:		
Subject to Expenditure for Specified Purpose:		
Missionary work	\$ 826,884	\$ 791,863
Maintenance	1,061,118	1,028,671
Brandywine collaborative ministries	198,790	188,232
Clergy aid	2,230,060	2,068,533
St. Martha's Episcopal Church	4,216,073	4,034,345
Aid to individuals with hardships	1,457,627	1,370,726
Theology students	918,796	870,117
Total Endowments	<u>\$ 10,909,348</u>	<u>\$ 10,352,487</u>

The Trustees have designated net assets for the following purposes:

	<u>2023</u>	<u>2022</u>
Property and equipment	\$ 3,060,573	\$ 2,432,957
Operating	183,853	183,853
Urban ministries	666,557	666,557
Bishopstead maintenance	72,140	72,140
Bishops salary and transition	1,990,986	1,990,986
Loans and grants for parish and diocesan projects	2,054,777	1,993,982
Total Board Designated Net Assets	<u>\$ 8,028,886</u>	<u>\$ 7,340,475</u>

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

	<u>2023</u>	<u>2022</u>
Missionary work	\$ 34,864	\$ 34,796
Maintenance	78,879	54,071
Brandywine collaborative ministries	6,175	-
Clergy aid	20,096	27,870
St. Martha's Episcopal Church	179,276	187,904
Aid to individuals with hardships	34,299	41,605
Theology students	26,055	8,037
Total net assets released	<u>\$ 379,644</u>	<u>\$ 354,283</u>

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE I – RELATED PARTY TRANSACTIONS

The Trustees and Diocesan Council, Inc. (the “Council”) are related by shared mission and employees. The Trustees paid or committed to the Council \$770,518 and \$681,998 during the years ending December 31, 2023 and 2022, respectively. \$5,015 and \$27,790 was payable to the Council 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 contribution payable in the Trustees statement of financial position at December 31, 2023 and 2022 was \$25,000 and \$50,000, respectively.

NOTE J – CONTRIBUTED SERVICES

Many volunteers contribute their time to further the goals of the Trustees. 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.

NOTE K - ENDOWMENT ASSETS

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

The Trustees’ 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 type of asset in which they may be invested, provisions for professional investment managers approved by Trustees, an investment advisor, regular investment and manager review by an Investment Committee with the assistance of an outside professional advisor.

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE K - ENDOWMENT ASSETS (CONTINUED)

The Trustees have 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, the Trustees classify 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 Trustees consider 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 Trustees' 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 Trustees' other resources
7. The Trustees' investment policies

The level of appropriation is based on an analysis of Trustees' 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 Trustees have 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 and 2022.

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE K - 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:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets, January 1, 2022	\$ 28,801,433	\$ 12,508,529	\$ 41,309,962
Investment income, net of fees	1,102,159	472,919	1,575,078
Realized and unrealized gains	(5,414,346)	(2,349,397)	(7,763,743)
Appropriation of assets for expenditure, net	<u>(1,086,830)</u>	<u>(463,742)</u>	<u>(1,550,572)</u>
Endowment assets, December 31, 2022	\$ 23,402,416	\$ 10,168,309	\$ 33,570,725
Investment income, net of fees	1,054,122	451,982	1,506,104
Realized and unrealized losses	1,057,120	464,523	1,521,643
Appropriation of assets for expenditure, net	<u>(981,272)</u>	<u>(291,973)</u>	<u>(1,273,245)</u>
Endowment assets, December 31, 2023	<u>\$ 24,532,386</u>	<u>\$ 10,792,841</u>	<u>\$ 35,325,227</u>

NOTE L – RISKS 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 Trustees’ statement of financial position.

NOTE M – TRANSFER OF PROPERTY

During 2023, the Church of Nativity (“Nativity”) closed. Upon closure, the ownership of its property was assumed by the Trustees. The value of property was \$700,000. In addition, the Trustees incurred net expenses of \$73,445 to maintain of the former Nativity property. The Trustees have not finalized plans for disposition of the property.

SUPPLEMENTAL SCHEDULES

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

	Combining Information				
	Advance and Development Fund	Trustees' Funds	Property Fund	Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ 216,607	\$ 708,327	\$ -	\$ -	\$ 924,934
Investments	1,271,906	34,053,321	-	-	35,325,227
Accounts receivable	-	10,955	-	-	10,955
Interest receivable	7,022	-	-	-	7,022
Prepaid insurance	-	1,075	-	-	1,075
Loans/mortgage receivable	559,567	-	-	-	559,567
Property and equipment; net of depreciation	-	-	3,060,573	-	3,060,573
TOTAL ASSETS	\$ 2,055,102	\$ 34,773,678	\$ 3,060,573	\$ -	\$ 39,889,353
LIABILITIES					
Accounts payable	\$ -	\$ 42,256	\$ -	\$ -	\$ 42,256
Loans payable	-	-	-	-	-
Contributions payable	325	25,000	-	-	25,325
Total Liabilities	325	67,256	-	-	67,581
NET ASSETS					
Without Donor Restrictions					
Undesignated	-	20,883,538	-	-	20,883,538
Board designated	2,054,777	2,913,536	3,060,573	-	8,028,886
Total Without Donor Restrictions	2,054,777	23,797,074	3,060,573	-	28,912,424
With Donor Restrictions	-	10,909,348	-	-	10,909,348
Total Net Assets	2,054,777	34,706,422	3,060,573	-	39,821,772
TOTAL LIABILITIES AND NET ASSETS	\$ 2,055,102	\$ 34,773,678	\$ 3,060,573	\$ -	\$ 39,889,353

**THE TRUSTEES OF THE PROTESTANT EPISCOPAL CHURCH
OF THE DIOCESE OF DELAWARE
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2023**

	Combining Information				
	Advance and Development Fund	Trustees' Funds	Property Fund	Eliminations	Total
OPERATING REVENUE AND OTHER SUPPORT					
Investment income	\$ 67,044	\$ 1,439,060	\$ -	\$ -	\$ 1,506,104
Unrealized (loss)	54,824	1,466,819	-	-	1,521,643
Realized gain (loss)	-	347	-	-	347
Administrative fee income	-	33,607	-	-	33,607
Trust income	-	26,130	-	-	26,130
Miscellaneous	-	1,002	-	-	1,002
Total operating revenue and other support	<u>121,868</u>	<u>2,966,965</u>	<u>-</u>	<u>-</u>	<u>3,088,833</u>
EXPENSES					
Program	7,500	1,170,501	63,663	-	1,241,664
Management and General	53,573	200,939	21,221	-	275,733
Total expenses	<u>61,073</u>	<u>1,371,440</u>	<u>84,884</u>	<u>-</u>	<u>1,517,397</u>
Change in net assets from operating activities	60,795	1,595,525	(84,884)	-	1,571,436
NON-OPERATING					
Interfund transfer	-	(12,500)	12,500	-	-
Transfers of property	-	-	700,000	-	700,000
Expenses on transferred property	-	(73,445)	-	-	(73,445)
Change in net assets from non-operating activities	<u>-</u>	<u>(85,945)</u>	<u>712,500</u>	<u>-</u>	<u>626,555</u>
TOTAL CHANGE IN NET ASSETS	60,795	1,509,580	627,616	-	2,197,991
NET ASSETS - BEGINNING	<u>1,993,982</u>	<u>33,196,842</u>	<u>2,432,957</u>	<u>-</u>	<u>37,623,781</u>
NET ASSETS - ENDING	<u>\$ 2,054,777</u>	<u>\$ 34,706,422</u>	<u>\$ 3,060,573</u>	<u>\$ -</u>	<u>\$ 39,821,772</u>