

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

**Financial Statements as of
December 31, 2024
Together with
Independent Auditor's Report**

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INDEPENDENT AUDITOR'S REPORT

September 29, 2025

To the Trustees of the Protestant Episcopal Church
of the Diocese of 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, 2024, 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, 2024, and the changes in its 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.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

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 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

The financial statements of the Trustees as of and for the year ended December 31, 2023 were previously audited by Cover & Rossiter, PA, who merged with Bonadio & Co., LLP as of December 1, 2024, and whose report dated September 11, 2024 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of financial position and statement of activities and changes in net assets by fund as of and for the year ended December 31, 2024 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.

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

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2024

(With Comparative Totals for 2023)

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 923,762	\$ 924,934
Investments	38,309,426	35,325,227
Accounts receivable	39,453	10,955
Interest receivable	7,783	7,022
Prepaid insurance	750	1,075
Loans/mortgage receivable	550,803	559,567
Property and equipment, net of depreciation	2,275,689	2,360,573
Property held for sale	<u>569,736</u>	<u>700,000</u>
Total assets	<u>\$ 42,677,402</u>	<u>\$ 39,889,353</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 118,031	\$ 42,256
Contributions payable	<u>-</u>	<u>25,325</u>
Total liabilities	<u>118,031</u>	<u>67,581</u>
NET ASSETS		
Without donor restrictions -		
Undesignated	22,349,942	20,692,746
Board designated	<u>8,317,982</u>	<u>8,219,678</u>
Total net assets without donor restrictions	30,667,924	28,912,424
With donor restrictions	<u>11,891,447</u>	<u>10,909,348</u>
Total net assets	<u>42,559,371</u>	<u>39,821,772</u>
Total liabilities and net assets	<u>\$ 42,677,402</u>	<u>\$ 39,889,353</u>

The accompanying notes are an integral part of the statements.

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2024 (With Comparative Totals for 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
OPERATING REVENUE AND OTHER SUPPORT:				
Investment income	\$ 1,063,808	\$ 464,458	\$ 1,528,266	\$ 1,506,104
Unrealized gain, net	2,056,476	903,016	2,959,492	1,521,643
Realized gain, net	24	-	24	347
Administrative fee income	28,295	-	28,295	33,607
Trust income	5,000	20,000	25,000	26,130
Miscellaneous	-	-	-	1,002
Net assets released from restrictions	405,375	(405,375)	-	-
Total operating revenue and other support	3,558,978	982,099	4,541,077	3,088,833
EXPENSES:				
Program	1,375,912	-	1,375,912	1,241,664
Management and administrative	286,778	-	286,778	275,733
Total expenses	1,662,690	-	1,662,690	1,517,397
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	1,896,288	982,099	2,878,387	1,571,436
NON-OPERATING ACTIVITIES:				
Impairment loss	(130,264)	-	(130,264)	-
Transfers of property	-	-	-	700,000
Expenses on transferred property	(10,524)	-	(10,524)	(73,445)
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	(140,788)	-	(140,788)	626,555
CHANGE IN NET ASSETS	1,755,500	982,099	2,737,599	2,197,991
NET ASSETS - BEGINNING OF YEAR	28,912,424	10,909,348	39,821,772	37,623,781
NET ASSETS - ENDING OF YEAR	\$ 30,667,924	\$ 11,891,447	\$ 42,559,371	\$ 39,821,772

The accompanying notes are an integral part of the statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024**
(With Comparative Totals for 2023)

			<u>Total</u>	
	<u>Program</u>	<u>Management and Administrative</u>	<u>2024</u>	<u>2023</u>
Support for council	\$ 730,460	\$ 134,726	\$ 865,186	\$ 770,518
Support for parishes and grants	321,567	-	321,567	298,028
Missions	41,112	-	41,112	66,479
Education	20,187	-	20,187	18,692
Insurance	8,068	18,023	26,091	58,170
Professional fees	-	43,221	43,221	43,606
Office	11,711	12,447	24,158	15,299
Occupancy	10,018	3,339	13,357	17,193
Miscellaneous	53,823	-	53,823	23,115
Repairs and maintenance	115,303	53,801	169,104	121,413
Depreciation	63,663	21,221	84,884	84,884
	<u>\$ 1,375,912</u>	<u>\$ 286,778</u>	<u>\$ 1,662,690</u>	<u>\$ 1,517,397</u>

The accompanying notes are an integral part of the statements.

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024 (With Comparative Totals for 2023)

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,737,599	\$ 2,197,991
Adjustments to reconcile change in net assets to net cash flow from operating activities		
Realized and unrealized gain on investments, net	(2,959,492)	(1,521,643)
Depreciation	84,884	84,884
Impairment loss	130,264	-
Transfer of property	-	(700,000)
(Increase) decrease in assets:		
Accounts receivable	(28,498)	7,213
Interest receivable	(761)	(1,119)
Prepaid insurance	325	5,101
Loans/mortgage receivable	8,764	100,129
Increase (decrease) in liabilities:		
Accounts payable	75,775	28,487
Contributions payable	<u>(25,325)</u>	<u>(54,675)</u>
Net cash flows from operating activities	<u>23,535</u>	<u>146,368</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(33,068)	(241,220)
Proceeds from sale of investments	<u>8,361</u>	<u>8,361</u>
Net cash flows from investing activities	<u>(24,707)</u>	<u>(232,859)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of debt	<u>-</u>	<u>(12,500)</u>
Net cash flows from financing activities	<u>-</u>	<u>(12,500)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(1,172)	(98,991)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>924,934</u>	<u>1,023,925</u>
CASH AND CASH EQUIVALENTS - ENDING OF YEAR	<u>\$ 923,762</u>	<u>\$ 924,934</u>

The accompanying notes are an integral part of the statements.

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

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2024

1. NATURE OF ACTIVITIES

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. The Trustees also provide financial, custodial, trust, and investment services and advice for the Diocese and all of its institutions and by fulfilling such duties, are authorized and required by the Convention of the Diocese to aid, support, and maintain the Bishop of the Diocese, ministers, and missionaries of the Episcopal Church. In addition, the Trustees 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (GAAP). The Trustees' financial statements consist of the following funds:

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 Diocese.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Method of Accounting (Continued)

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 Diocese 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 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.

Advance and Development Funds

The Advance Fund represents resources available to provide loans to the churches and institutions of the Diocese. The amounts of the loans and the terms of repayment are determined by the Board on an individual case basis.

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

Property Fund

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are available for use in general operations and are not subject to donor restrictions.

Net Assets With Donor Restrictions are 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.

Revenues and other support are reported as increases in net assets without donor restriction, unless the use of the related assets is limited by donor-imposed restrictions. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from net assets with donor restriction to net assets without donor restriction. Expenses are reported as decreases in net assets without donor restriction. Restrictions on gifts of long-lived assets and cash restricted for the acquisition of long-lived assets, expire when the assets are placed in service. Gains and losses on investments are reported as increases or decreases within the net asset class to which they relate.

Investments

Investments owned are carried at fair value. The difference between cost and market value is reflected as unrealized appreciation (depreciation) on investments. Security transactions are recorded on the trade date. 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.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Hierarchy

GAAP 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 GAAP 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 are valuations that require inputs that are both significant to the fair value measurement and unobservable.

Income Taxes

The Trustees is exempt from income taxes under the provisions of section 501(c)(3) of the Internal Revenue code, but can be subject to tax on unrelated trade or business income. During the years ended December 31, 2024 and 2023, The Trustees did not realize any unrelated business income.

The Trustees is a public charity under section 509(a) and is not subject to private foundation excise tax on net investment income.

The Trustees policy is to expense all penalties and interest assessed by income taxing authorities, if any as incurred. No penalties and interest were recognized by the Trustees during the years ended December 31, 2024 and 2023.

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 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 have not experienced a loss and consider the possibility of incurring a loss remote.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Credit Losses

On January 1, 2023, the Trustees adopted Accounting Standards Update (ASU) 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance-sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases.

Loans/Mortgage Receivable

In furtherance of its mission, the Trustees offer loans to The Episcopal Diocese parishes at below market value interest rates for capital purchases or improvements. The loans are approved in a case-by-case basis and are secured by real property. The loans and mortgages are carried at amortized cost.

Revenue and Revenue Recognition

The Trustees 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.

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

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Generally, expenses that are allocated include insurance, occupancy, office, and repairs and maintenance expenses which are allocated on the basis of estimates of time and effort. Such allocations are determined by management on an equitable basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by the net assets class or functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Trustees' financial statements as of and for the year ended December 31, 2023 from which the summarized information was derived.

3. LIQUIDITY

As part of the Trustees liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due for a period of approximately three months.

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:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 923,762	\$ 924,934
Investments	38,309,426	35,325,227
Accounts and interest receivable	<u>47,236</u>	<u>17,977</u>
	39,280,424	36,268,138
Less: Net assets with board designations	(8,317,982)	(8,219,678)
Less: Net assets with donor restrictions	<u>(11,891,447)</u>	<u>(10,909,348)</u>
	<u>\$ 19,070,995</u>	<u>\$ 17,139,112</u>

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

4. LOANS/MORTGAGE RECEIVABLE

Loans receivable bear interest at rates ranging from 1.51% to 3.85% (rate based on specific circumstances of borrower, but not to exceed 80% of the true interest rate on 20-year U.S. Government bonds). Interest is payable semi-annually. Loan principal is amortized on a straight-line basis with terms up to 20 years, some with five-year balloon payments. Interest income is recognized over time as it is earned. Loans/mortgages receivable were as follows at December 31:

	<u>Due Date</u>	<u>2024</u>	<u>2023</u>
CHURCHES OF THE EPISCOPAL DIOCESE -			
Bethany Beach – St. Martha's Long-term	2025	\$ 9,970	\$ 29,970
Calvary Hillcrest	2027	5,516	7,652
Camden - St. Paul's	2033	37,000	57,000
Claymont – Church of the Ascension	2038	84,342	90,342
Dover - Christ Church	2042	78,000	82,125
Lewes - St. Peter's - Renovation	2043	89,725	97,000
Millcreek Hundred -			
St. Barnabas' – Building Expansion	2026	30,761	38,452
Milton – St. John the Baptist - Roofing	2040	59,036	62,936
Milton – St. John the Baptist - Renovation	2043	38,650	-
Newport – St. James - HVAC	2031	30,367	34,699
Newport – St. James - Renovation	2044	19,100	-
St. Thomas Parish	2044	16,580	-
		<u>499,047</u>	<u>500,176</u>
DIOCESAN COUNCIL, INC. -			
Diocesan Council, Inc. – Camp Arrowhead	2032	<u>41,325</u>	<u>45,600</u>
DIOCESAN ENTITIES ON BEHALF OF CLERGY -			
Immanuel – New Castle – C. Keene	2032	<u>10,431</u>	<u>13,791</u>
		<u>\$ 550,803</u>	<u>\$ 559,567</u>

5. PROPERTY AND EQUIPMENT

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

	<u>2024</u>	<u>2023</u>
Land	\$ 729,430	\$ 729,430
Buildings and improvements	2,608,489	2,608,489
Furniture and equipment	<u>39,632</u>	<u>39,632</u>
	3,377,551	3,377,551
Less: Accumulated depreciation	<u>(1,101,862)</u>	<u>(1,016,978)</u>
	<u>\$ 2,275,689</u>	<u>\$ 2,360,573</u>

6. PROPERTY HELD FOR SALE

During 2023, the Church of Nativity ("Nativity") closed. Nativity was a legal entity separate from the Trustees. Upon closure, ownership of Nativity's property was assumed by the Trustees. The property was appraised at \$700,000 and was valued at that amount as of December 31, 2023. The Trustees incurred expenses of \$10,524 and \$73,445 in 2024 and 2023, respectively, to maintain the former Nativity property.

During 2024, the Trustees elected to sell the Nativity property to an unrelated third party. At that time, the property was valued at \$569,736 based on the actual amount to be realized from the sale as of December 31, 2024.

Subsequent to December 31, 2024, the Trustees entered into an agreement to sell the Nativity property for \$569,736. As required by GAAP, the Trustees recognized an impairment loss of \$130,264 during the year ended December 31, 2024 related to the sale of the Nativity property.

7. INVESTMENTS

Investments were composed of the following as of December 31:

	<u>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money market accounts	\$ 14,976	\$ 14,976	\$ 5,645	\$ 5,645
Master Fund "A" units	<u>22,045,061</u>	<u>38,294,450</u>	<u>22,009,872</u>	<u>35,319,582</u>
	<u>\$ 22,060,037</u>	<u>\$ 38,309,426</u>	<u>\$ 22,015,517</u>	<u>\$ 35,325,227</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. Money market accounts are considered Level 1 investments in the fair value hierarchy.

8. NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	<u>2024</u>	<u>2023</u>
Endowments:		
Subject to Expenditure for Specified Purpose:		
Missionary work	\$ 894,620	\$ 826,884
Maintenance	1,101,836	1,061,118
Brandywine collaborative ministries	223,622	198,790
Clergy aid	2,456,319	2,230,060
St. Martha's Episcopal Church	4,568,066	4,216,073
Aid to individuals with hardships	1,637,691	1,457,627
Theology students	1,009,293	918,796
	<u>\$ 11,891,447</u>	<u>\$ 10,909,348</u>

The Trustees have designated net assets for the following purposes:

	<u>2024</u>	<u>2023</u>
Property and equipment	\$ 2,845,425	\$ 3,060,573
Operating	242,100	223,445
Urban ministries	754,739	696,583
Bishopstead maintenance	106,510	94,421
Bishops salary and transition	2,273,927	2,089,879
Loans and grants for parish and diocesan projects	2,095,281	2,054,777
	<u>\$ 8,317,982</u>	<u>\$ 8,219,678</u>

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

	<u>2024</u>	<u>2023</u>
Missionary work	\$ 35,715	\$ 34,864
Maintenance	113,717	78,879
Brandywine collaborative ministries	825	6,175
Clergy aid	50,242	20,096
St. Martha's Episcopal Church	182,152	179,276
Aid to individuals with hardships	1,968	34,299
Theology students	20,756	26,055
	<u>\$ 405,375</u>	<u>\$ 379,644</u>

9. 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 \$865,186 and \$770,518 during the years ending December 31, 2024 and 2023, respectively. \$76,908 and \$5,015 was payable to the Council at December 31, 2024 and 2023, respectively. In 2020 the Trustees pledged \$125,000 to the Council's Camp Arrowhead capital campaign. The contribution was payable \$25,000 per year through 2024. The contribution payable in the Trustees statement of financial position at December 31, 2024 and 2023 was \$0 and \$50,000, respectively.

10. CONTRIBUTED SERVICES

A substantial number of volunteers have donated significant amounts of their time to the Trustees; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services. Contributed services are not recognized as revenue, unless services received create or enhance the value of a non-financial asset or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by a volunteer.

11. 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 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.

11. ENDOWMENT ASSETS (CONTINUED)

The Trustees have interpreted Delaware's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the guidance provided by GAAP 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, 2024 and 2023.

Endowment net assets by type of fund at December 31, 2024 and 2023 and the change in endowment net assets for the years then ended were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets, January 1, 2023	\$ 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 gains	1,057,120	464,523	1,521,643
Appropriation of assets for expenditure, net	<u>(1,097,779)</u>	<u>(175,466)</u>	<u>(1,273,245)</u>
Endowment assets - December 31, 2023	24,415,879	10,909,348	35,325,227
Investment income, net of fees	1,063,808	464,458	1,528,266
Realized and unrealized losses	2,056,476	903,016	2,959,492
Appropriation of assets for expenditure, net	<u>(1,118,184)</u>	<u>(385,375)</u>	<u>(1,503,559)</u>
Endowment assets - December 31, 2024	<u>\$ 26,417,979</u>	<u>\$ 11,891,447</u>	<u>\$ 38,309,426</u>

12. SUBSEQUENT EVENTS

The Trustees have evaluated subsequent events through September 29, 2025, the date the financial statements were available to be issued.

On May 9, 2025, the Trustees settled on the sale of the Nativity property. The Nativity property sold for \$600,000 and the Trustees received \$569,736 in cash. The net proceeds on the sale were less than the carrying value. The Trustees recorded an impairment loss.

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

Schedule I

**STATEMENT OF FINANCIAL POSITION BY FUND
DECEMBER 31, 2024**

	Trustees' <u>Funds</u>	Advance and Development <u>Funds</u>	Property <u>Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 767,826	\$ 155,936	\$ -	\$ 923,762
Investments	36,931,331	1,378,095	-	38,309,426
Accounts receivable	36,789	2,664	-	39,453
Interest receivable	-	7,783	-	7,783
Prepaid insurance	750	-	-	750
Loans/mortgage receivable	-	550,803	-	550,803
Property and equipment; net of depreciation	-	-	2,275,689	2,275,689
Property held for sale	-	-	569,736	569,736
	<u>-</u>	<u>-</u>	<u>569,736</u>	<u>569,736</u>
Total assets	<u>\$ 37,736,696</u>	<u>\$ 2,095,281</u>	<u>\$ 2,845,425</u>	<u>\$ 42,677,402</u>
LIABILITIES				
Accounts payable	\$ 118,031	\$ -	\$ -	\$ 118,031
Contributions payable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>118,031</u>	<u>-</u>	<u>-</u>	<u>118,031</u>
NET ASSETS				
Without donor restrictions -				
Undesignated	22,349,942	-	-	22,349,942
Board designated	<u>3,377,276</u>	<u>2,095,281</u>	<u>2,845,425</u>	<u>8,317,982</u>
Total without donor restrictions	25,727,218	2,095,281	2,845,425	30,667,924
With donor restrictions	<u>11,891,447</u>	<u>-</u>	<u>-</u>	<u>11,891,447</u>
Total net assets	<u>37,618,665</u>	<u>2,095,281</u>	<u>2,845,425</u>	<u>42,559,371</u>
Total liabilities and net assets	<u>\$ 37,736,696</u>	<u>\$ 2,095,281</u>	<u>\$ 2,845,425</u>	<u>\$ 42,677,402</u>

See independent auditor's report.

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

Schedule II

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Trustees' <u>Funds</u>	Advance and Development <u>Funds</u>	Property <u>Fund</u>	<u>Total</u>
OPERATING REVENUE AND OTHER SUPPORT:				
Investment income	\$ 1,462,745	\$ 65,521	\$ -	\$ 1,528,266
Unrealized gain	2,853,303	106,189	-	2,959,492
Realized gain	24	-	-	24
Administrative fee income	28,295	-	-	28,295
Trust income	25,000	-	-	25,000
Total operating revenue and other support	<u>4,369,367</u>	<u>171,710</u>	<u>-</u>	<u>4,541,077</u>
EXPENSES:				
Program	1,234,769	77,480	63,663	1,375,912
Management and administrative	211,831	53,726	21,221	286,778
Total expenses	<u>1,446,600</u>	<u>131,206</u>	<u>84,884</u>	<u>1,662,690</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	2,922,767	40,504	(84,884)	2,878,387
NON-OPERATING ACTIVITIES:				
Impairment loss	-	-	(130,264)	(130,264)
Expenses on transferred property	(10,524)	-	-	(10,524)
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	<u>(10,524)</u>	<u>-</u>	<u>(130,264)</u>	<u>(140,788)</u>
CHANGE IN NET ASSETS	2,912,243	40,504	(215,148)	2,737,599
NET ASSETS - BEGINNING OF YEAR	<u>34,706,422</u>	<u>2,054,777</u>	<u>3,060,573</u>	<u>39,821,772</u>
NET ASSETS - ENDING OF YEAR	<u>\$ 37,618,665</u>	<u>\$ 2,095,281</u>	<u>\$ 2,845,425</u>	<u>\$ 42,559,371</u>

See independent auditor's report.