



THE PROTESTANT EPISCOPAL CHURCH  
IN THE DIOCESE OF LOS ANGELES

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Financial Statements  
December 31, 2021  
(With Summarized Comparative Information for 2020)

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Protestant Episcopal Church in the Diocese of Los Angeles

### Opinion

We have audited the accompanying financial statements of The Protestant Episcopal Church in the Diocese of Los Angeles (a California nonprofit religious corporation), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2021, and the related statements of revenue, expenses, and change in net assets – modified cash basis and functional expenses – modified cash basis 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 Protestant Episcopal Church in the Diocese of Los Angeles (the Corporation) as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances.

### Basis for Opinion

We conducted our audit in accordance with the modified cash basis of accounting. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation 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 the financial statements in accordance with the modified cash basis of accounting, 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 Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditors' 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 auditors' 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 the modified cash basis of accounting, 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 Corporation'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 Corporation'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 Protestant Episcopal Church in the Diocese of Los Angeles's December 31, 2020 financial statements, and we expressed an unmodified opinion in accordance with the modified cash basis of accounting on those audited financial statements in our report dated January 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Report on Supplemental Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of property and equipment on pages 23 and 24 is presented for purposes of additional analysis and is not a required part 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.



Long Beach, California  
October 11, 2022

**THE PROTESTANT EPISCOPAL CHURCH  
IN THE DIOCESE OF LOS ANGELES**

**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS -  
MODIFIED CASH BASIS  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)**

**ASSETS**

	December 31,	
	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,249,886	\$ 2,074,579
Pledges receivable	714,273	187,181
Other receivables	210,904	141,729
Investments	17,235,075	15,247,906
Loans receivable, net	5,514,943	756,087
Property and equipment	34,952,564	34,958,905
Due from related parties	526,991	2,432,699
<b>TOTAL ASSETS</b>	<b>\$ 60,404,636</b>	<b>\$ 55,799,086</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 120,878	\$ 323,207
Funds held for others	9,278,412	7,970,448
Notes payable	5,582,780	886,949
Paycheck Protection Program loan	-	3,313,000
<b>Total Liabilities</b>	<b>14,982,070</b>	<b>12,493,604</b>

**COMMITMENTS AND CONTINGENCIES (Note 14)**

<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	38,591,404	39,061,936
Board designated	1,770,705	737,335
	<b>40,362,109</b>	<b>39,799,271</b>
Restricted net assets:		
Restricted for specific purpose	4,662,324	3,108,078
Restricted in perpetuity endowment	398,133	398,133
	<b>5,060,457</b>	<b>3,506,211</b>
<b>Total Net Assets</b>	<b>45,422,566</b>	<b>43,305,482</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 60,404,636</b>	<b>\$ 55,799,086</b>

See Independent Auditors' Report

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

**THE PROTESTANT EPISCOPAL CHURCH  
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**STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -  
MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>				
Mission Share Fund pledges (MSF)	\$ -	\$ 4,503,378	\$ 4,503,378	\$ 4,131,400
Contributions	775,354	1,689,141	2,464,495	2,910,963
IRIS - refugee relocation	889,306	-	889,306	639,660
Program support	648,045	-	648,045	516,252
Forgiveness of Paycheck Protection Program loan	1,323,636	-	1,323,636	-
Rental income	8,635	-	8,635	50,731
Investment income, net of expense	905,320	70,222	975,542	587,253
Other receipts	82,569	-	82,569	24,002
Net assets released from restrictions	4,708,495	(4,708,495)	-	-
Total Revenue, Gains, and Other Support	9,341,360	1,554,246	10,895,606	8,860,261
<b>EXPENSES</b>				
Mission Share Fund (Note 12)	6,524,458	-	6,524,458	6,506,213
Cathedral Center	12,908	-	12,908	225,721
Episcopal residence	165,246	-	165,246	161,771
Unemployment insurance	318,979	-	318,979	602,977
Mission, parish and other grants	30,000	-	30,000	6,389
General church activities	442,873	-	442,873	665,001
Program contracts	806,868	-	806,868	585,779
Fund development	477,190	-	477,190	476,846
Total Expenses	8,778,522	-	8,778,522	9,230,697
<b>CHANGE IN NET ASSETS</b>	562,838	1,554,246	2,117,084	(370,436)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	39,799,271	3,506,211	43,305,482	43,675,918
<b>NET ASSETS AT END OF YEAR</b>	\$ 40,362,109	\$ 5,060,457	\$ 45,422,566	\$ 43,305,482

See Independent Auditors' Report

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**THE PROTESTANT EPISCOPAL CHURCH  
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**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)**

	Program Services and Grants	Property		Total Property	General Church Activities	Total Expense	
		Cathedral Center	Episcopal Residence			2021	2020
MSF Salaries and Benefits	\$ 1,373,929	\$ -	\$ -	\$ -	\$ 152,842	\$ 1,526,771	\$ 3,013,374
All other Salaries and Benefits	927,410	331,678	28,778	360,456	-	1,287,866	1,274,067
Personnel Costs	<u>2,301,339</u>	<u>331,678</u>	<u>28,778</u>	<u>360,456</u>	<u>152,842</u>	<u>2,814,637</u>	<u>4,287,441</u>
MSF expense	2,815,643	-	-	-	46,816	2,862,459	2,808,809
Grants and distributions	962,448	-	-	-	-	962,448	181,836
Professional services	44,350	122,577	-	122,577	-	166,927	631,253
Interest expense	2,940	-	16,324	16,324	-	19,264	19,583
Insurance	-	72,082	2,650	74,732	-	74,732	68,992
Property-related expenses	1,345	1,129,577	117,494	1,247,071	-	1,248,416	524,844
Office expense	248,988	61,672	-	61,672	-	310,660	104,962
Unemployment benefits	<u>318,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>318,979</u>	<u>602,977</u>
Subtotal Expenses	<u>4,394,693</u>	<u>1,385,908</u>	<u>136,468</u>	<u>1,522,376</u>	<u>46,816</u>	<u>5,963,885</u>	<u>4,943,256</u>
MSF CAM reimbursement	<u>900,000</u>	<u>(900,000)</u>	<u>-</u>	<u>(900,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Functional Expenses	<u>\$ 7,596,032</u>	<u>\$ 817,586</u>	<u>\$ 165,246</u>	<u>\$ 982,832</u>	<u>\$ 199,658</u>	<u>\$ 8,778,522</u>	<u>\$ 9,230,697</u>

See Independent Auditors' Report  
The accompanying notes are an integral part of these financial statements.

**THE PROTESTANT EPISCOPAL CHURCH  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 – Organization and Summary of Significant Accounting Policies**

***Organization***

The Protestant Episcopal Church in the Diocese of Los Angeles (the Corporation) is a nonprofit religious corporation supporting the needs and ministry of the Episcopal Diocese of Los Angeles (the Diocese) located in Santa Barbara, Ventura, Los Angeles, Orange, San Bernardino and Riverside counties. Missions and parishes contribute a percentage of their receipts to the Diocese which, through the Corporation, funds various grants and programs and contributes to The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America. The Corporation provides ministry services not carried out at the congregational level, social services within the Diocese, and certain administrative services for missions and parishes.

All mission church properties are reflected on the Corporation's accompanying financial statements or the financial statements of The Bishop of the Protestant Episcopal Church, a Corporation Sole (Corporation Sole). Certain parish properties are reflected on the financial statements of either entity. According to canon law and court precedent, all church properties are held in trust for the larger church. The church properties on the Corporation's accompanying financial statements are generally valued at original cost. The Corporation's financial statements exclude encumbrances to church properties, including the church properties reflected on the Corporation's financial statements since the mission church or the parish is the borrower. The accompanying financial statements do not include the operating activities of mission churches or parishes.

***Basis of Accounting***

The accounting policies of the Corporation conform to the modified cash basis of accounting. Consequently, certain revenue and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. In addition, the Corporation does not record depreciation on property and has not consolidated missions and parishes. Recognizing depreciation and consolidating controlled entities is necessary to conform to generally accepted accounting principles.



**THE PROTESTANT EPISCOPAL CHURCH  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)**

*Management Estimates*

Management uses estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

*Financial Statement Presentation*

The Corporation reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions.

*Net assets without donor restrictions:* Net assets without donor restrictions represent net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of the Corporation.

*Net assets with donor restrictions:* Net assets subject to donor-imposed restrictions that are temporary in nature and that will be met either by actions of the Corporation or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Other donor restrictions are perpetual in nature, where the donor stipulates that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Such income generally includes interest, dividends, and realized and unrealized earnings from the corpus.

*Cash and Cash Equivalents*

All highly liquid investments with initial maturities of three months or less are considered to be cash equivalents. As of December 31, 2021, and at various times during the year then ended, the Corporation had cash and cash equivalents in financial institutions in excess of federally insured limits.

**THE PROTESTANT EPISCOPAL CHURCH  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)**

*Pledges Receivable*

Pledges receivable are stated at the amount management expects to collect from outstanding balances and are all due within one year. Management provides for probable uncollectible amounts through a charge to uncollectible receivables expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. As of December 31, 2021, there is no reserve for uncollectible balances. The balance at December 31, 2021 is expected to be collected in full during the year ended December 31, 2022.

*Investments*

The Corporation's investments consist of share subscriptions of the Diocesan Investment Trust of the Diocese of Los Angeles (DIT). Investments are presented at fair value in the statements of assets, liabilities, and net assets – modified cash basis. Fair value is determined based on the quoted market prices of the underlying securities within the DIT, which represents the net asset value, a practical expedient to fair value, of the DIT shares held by the Corporation. Investment income, including unrealized gains or losses, is included in the statements of revenue, expenses, and change in net assets – modified cash basis.

Fair value is defined as 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 (exit price). US GAAP classifies the inputs used to measure fair value into the following hierarchy:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for the asset or liability.

The net asset value per DIT unit is based on the closing market prices and accruals of the securities in the DIT's portfolio, or total value of the DIT fund divided by the number of units currently issued and outstanding. These inputs are classified as level 2 inputs in the fair value hierarchy.

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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)**

***Loans Receivable***

Loans receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to loans receivable. Changes in the valuation allowance have not been material to the financial statements.

***Property and Equipment***

Property and equipment are recorded at cost if purchased, and at fair market value if donated. Major improvements are capitalized while maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. The Corporation does not provide for depreciation on its property and equipment.

***Funds Held for Others***

Funds held for others represent funds held by the Corporation on behalf of third parties, primarily other missions and churches within the Diocese, to be invested and administered on their behalf. Funds held for others at December 31, 2021, totaling \$9,278,412, are included in investments with a corresponding liability under funds held for others on the accompanying statement of assets, liabilities, and net assets – modified cash basis.

***Contributions***

Contributions received are recorded as net assets with or without donor restrictions, depending on the existence and nature of any donor restrictions. Contributions are recognized as support in the period received or pledged.

The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 revenue, expenses, and change in net assets – modified cash basis as net assets released from restrictions.

**THE PROTESTANT EPISCOPAL CHURCH  
IN THE DIOCESE OF LOS ANGELES**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 1 – Organization and Summary of Significant Accounting Policies (Continued)**

***IRIS – Refugee Relocation Program***

The Corporation receives funding from the US Department of State Bureau of Population, Refugees, and Migration. The funding is used for reception and placement of refugees approved for admission to the United States.

***Functional Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of revenue, expenses, and change in net assets – modified cash basis and the statement of functional expenses – modified cash basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Corporation allocates salary and offices expenses using a methodology-based time spent.

***Income Taxes***

The Corporation is a nonprofit corporation exempt under Internal Revenue Code Section 501(c)(3) and the related California code section. The Corporation recognizes the financial statement benefit of tax positions, such as its filing status as tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following examination. The Corporation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

***Reclassifications***

Certain reclassifications have been made to prior year balances in order to conform to the current year presentation.

***Subsequent Events***

The Corporation's management has evaluated subsequent events from the statement of financial position date through October 11, 2022, the date at which the financial statements were available to be issued, and except for the subsequent event described in Note 14, management has determined there are no other items to disclose.

**THE PROTESTANT EPISCOPAL CHURCH  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 2 – Liquidity and Availability**

The following reflects the Corporation’s financial assets as of the statement of assets, liabilities, and net assets – modified cash basis date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Financial assets:		
Cash and cash equivalents	\$ 1,249,866	\$ 2,074,579
Pledges receivable	714,273	187,181
Other receivables	210,904	141,729
Investments	17,235,075	15,247,906
Loan receivable, net	5,514,943	756,087
	24,925,081	18,407,482
Less those unavailable for general expenditure within one year due to:		
Funds held on behalf of other organizations	(9,278,412)	(7,970,448)
Long-term loans receivable	(5,353,212)	(693,775)
Contractual or donor-imposed restrictions:		
Restricted by donor for specific purpose	(4,662,324)	(3,108,078)
Restricted by donor with perpetual restrictions	(398,133)	(398,133)
Board designations:		
Board designated (Note 8)	(1,770,705)	(737,335)
	(21,462,786)	(12,907,769)
Financial assets available to meet cash needs for general expenditure within one year	\$ 3,462,295	\$ 5,499,713

The Corporation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**THE PROTESTANT EPISCOPAL CHURCH  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 3 – Investments**

Investments represents the Corporation’s respective beneficial ownership of a portfolio of various securities managed by the DIT. The DIT’s portfolio includes publicly traded US and international equities, fixed income securities, and other securities. As indicated in Note 1, inputs used to measure fair value are classified as level 2. The cost and fair value of the Corporation’s investments are as follows:

	<b>December 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
Diocesan Investment Trust Shares:	<u>\$ 9,982,660</u>	<u>\$ 17,235,075</u>	<u>\$ 9,052,685</u>	<u>\$ 15,247,906</u>

Investment income includes the realized gains and unrealized appreciation of investments during the period, net of trust expenses. The ratio of DIT investment management expenses to average net assets held by DIT approximates 0.19% and 0.38% for the years ended December 31, 2021 and 2020, respectively.

**NOTE 4 – Loans Receivable**

Loans receivable consists of various notes and promises to pay, bearing interest at rates ranging from 0% to 5.0% per annum, with various payment arrangements and due dates through March 2031.

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Loan receivable from St. John Rancho Santa Margarita to First Republic bank, secured by deed of trust on property, due in monthly installments including interest at 3.35% per annum through March 2031	\$ 4,796,041	\$ -
Loan receivable from St. John Baptist Corona to Episcopal Church Building Fund, unsecured, due in monthly installments including interest at 6.5% per annum through September 2028	400,277	437,462

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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 4 – Loans Receivable (Continued)**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Various loan receivables, secured by deed of trust on the various properties, due in monthly installments through September 2027 for Mission Expansion Fund	326,948	352,080
Charitable organizations – Camp Stevens Loan for construction commitments related to Berstorm Lodge due in monthly installments including interest at 5% per annum	318,625	318,625
	5,841,891	1,108,167
Allowance for doubtful collection	(326,948)	(352,080)
	<u>\$ 5,514,943</u>	<u>\$ 756,087</u>

**NOTE 5 – Property and Equipment**

Property and equipment consists of the following:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Saint Paul’s Commons	\$11,569,493	\$11,569,493
Parishes	6,457,688	6,457,688
Missions	13,570,521	13,570,521
Episcopal residence	1,703,243	1,703,243
Other property and equipment	1,651,619	1,657,960
Total property and equipment	<u>\$34,952,564</u>	<u>\$34,958,905</u>

**THE PROTESTANT EPISCOPAL CHURCH  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 6 – Notes Payable**

Notes payable were incurred for the benefit of missions and parishes in the Diocese. The missions and parishes have agreed to reimburse the Corporation for payments made or pay the obligations directly to the lenders. These agreements contain certain restrictions and financial covenants that must be maintained by the Corporation or missions and parishes. At December 31, 2021, the Corporation and missions and parishes were in compliance with such covenants. Notes payable consists of the following:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Note payable to First Republic bank, secured by deed of trust on property, due in monthly installments including interest at 3.35% per annum through March 2031 for St. John Rancho Santa Margarita	\$ 4,796,041	\$ -
Note payable to Episcopal Church Building Fund, unsecured, due in monthly installments including interest at 6.5% per annum through September 2028 for St. John Baptist Corona	\$ 400,277	\$ 437,462
Mortgage payable, secured by deed of trust on the Episcopal residence, due in monthly installments including interest at 4.00% per annum through September 2027	371,562	428,305
Automobile note payable, payable in monthly installments including interest at 3.25% per annum through March 2024	<u>14,900</u>	<u>21,182</u>
Total notes payable	<u>\$ 5,582,780</u>	<u>\$ 886,949</u>



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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 6 – Notes Payable (continued)**

Future maturities of notes payable are as follows:

<b><u>Year Ending December 31,</u></b>	
2022	\$ 202,177
2023	209,938
2024	212,322
2025	219,211
2026	227,677
Thereafter	<u>4,511,455</u>
	<u>\$ 5,582,780</u>

Interest expense totaled \$16,324 and \$18,658 for 2021 and 2020, respectively.

**NOTE 7 – Paycheck Protection Program Loan**

In March 2020, Congress passed the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act, authorizing loans to small businesses for use in paying employees that they continue to employ throughout the COVID-19 pandemic and for rent, utilities, and interest on mortgages. Loans obtained through the program are eligible to be forgiven as long as the proceeds are used for qualifying purposes and certain other conditions are met. On May 1, 2020, the Corporation and related missions and parishes received a loan in the amount of \$3,313,000 through the Paycheck Protection Program. The Corporation allocated \$1,989,364 of the Paycheck Protection Program loan to related missions and parishes which is included in Forgiveness of Paycheck Protection Program loan on statement of revenue, expenses, and change in net assets at December 31, 2021. In October 2021, the Corporation received notification from the SBA that the loan was forgiven in full. The Corporation has recognized the forgiveness as income in the amount of \$1,326,636 in the statement of revenue, expenses and change in net assets – modified cash basis for the year ended December 31, 2021.

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**NOTE 8 – Net Assets Without Donor Restrictions – Board Designated**

The Corporation is self-insured for unemployment benefits. Unrestricted net assets in the amount of \$1,770,705 and \$737,335 have been designated by the Board of Directors for unemployment benefits as of December 31, 2021 and 2020, respectively.

**NOTE 9 – Net Assets With Donor Restrictions – Restricted for Specific Purpose**

Restricted net assets for specific purposes are available for the following purposes:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
SCI Endowment for Camp Stevens	\$ 816,438	\$ 715,550
Neighborhood Youth Association	1,214,975	-
Episcopal Residence activities	1,347,074	1,281,401
White-Perkins small church activities	749,018	597,168
Wadleigh activities	76,350	55,977
Franklin Educational Fund	143,890	43,152
Episcopal Church activities	531,379	373,988
Camp Stevens Endowment Fund	51,277	40,842
Restricted for specific purpose net assets	\$ 4,662,324	\$ 3,108,078

**NOTE 10 – Net Assets With Donor Restrictions – Restricted in Perpetuity**

The income from net assets restricted in perpetuity is expendable to support the following as of December 31, 2021 and 2020:

Episcopate Endowment activities	\$ 229,753
Franklin Educational activities	139,573
Episcopal Residence activities	28,807
Restricted net assets for perpetuity	\$ 398,133

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**NOTE 11 – Endowment**

The Corporation's endowment consists of certain individual donor-designated funds to support a variety of purposes, including episcopate activities and Camp Stevens. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Corporation's management and investment of donor-restricted endowment funds is subject to the provisions of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). The Corporation has interpreted California's enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as net assets with donor restrictions in perpetuity endowment: (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity endowment is classified as net assets restricted for specific purpose until those amounts are appropriated for expenditure by the Corporation in a manner consistent with the standard of prudence prescribed by UPMIFA.

***Return Objectives and Risk Parameters***

The Corporation's endowment funds are invested and managed according to their investment and spending policies. These policies attempt to provide a consistent return on assets in order to achieve a stable stream of funding for programs supported by the Corporation's endowment while seeking to maintain the purchasing power of the endowment assets. As a result, the endowment assets are invested in a manner that is intended to produce results that, over the long-term, meet or exceed the spending policy rate plus the rate of inflation.

***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, the Corporation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Corporation employs a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. These objectives are to be achieved by investment in, but not limited to, a diversified portfolio of publicly traded U.S. and International equities, fixed income securities, and other securities. These investments may be held in commingled or mutual funds. The investments are managed by the DIT. (See Note 3.)

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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 11 – Endowment (Continued)**

*Spending Policy and the Related Investment Objectives*

The Corporation has a spending policy for appropriating for expenditure each year 5% of the endowment fund’s average fair value over the preceding 12 quarters or fund duration where funds have been held for less than three years. The spending policy is subject to maintaining certain minimum fund balances. The spending policy is consistent with the Corporation’s objectives to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return. In establishing this spending policy, the Corporation considered the long-term expected return on its endowment. Accordingly, over the long term, the Corporation expects the current spending policy to allow its endowment to grow sufficiently to preserve or increase the purchasing power of its endowments.

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Corporation to retain as a fund of perpetual duration. No such deficiencies existed as of December 31, 2021 and 2020.

Endowment net assets composition by type of fund is as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
SCI Endowment for Camp Stevens	\$ 765,269	\$ 715,550
Episcopal Endowment activities	229,753	229,753
Franklin Education activities	139,573	139,573
Episcopal Residence activities	28,807	28,807
Total endowment net assets	<b>\$ 1,163,402</b>	<b>\$ 1,113,683</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 11 – Endowment (Continued)**

Changes in endowment net assets for the year ended December 31, 2021 were as follows:

	<u>Restricted for Specific Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Beginning of year	\$ 715,550	\$ 398,133	\$ 1,113,683
Investment return:			
Net appreciation	<u>51,211</u>	<u>-</u>	<u>51,211</u>
Total investment return	<u>51,211</u>	<u>-</u>	<u>51,211</u>
Amounts appropriated for expenditure	<u>(1,492)</u>	<u>-</u>	<u>(1,492)</u>
End of year	<u>\$ 765,269</u>	<u>\$ 398,133</u>	<u>\$ 1,163,402</u>

Changes in endowment net assets for the year ended December 31, 2020 were as follows:

	<u>Restricted for Specific Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Beginning of year	\$ 675,755	\$ 398,133	\$ 1,073,888
Investment return:			
Net appreciation	<u>41,329</u>	<u>-</u>	<u>41,329</u>
Total investment return	<u>41,329</u>	<u>-</u>	<u>41,329</u>
Amounts appropriated for expenditure	<u>(1,534)</u>	<u>-</u>	<u>(1,534)</u>
End of year	<u>\$ 715,550</u>	<u>\$ 398,133</u>	<u>\$ 1,113,683</u>

**THE PROTESTANT EPISCOPAL CHURCH  
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**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 – Mission Share Fund**

Mission Share Fund expense is comprised of the following:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>MISSION SHARE FUND</b>		
Program services:		
The Episcopal Church - Assessment	\$ 575,000	\$ 575,600
Province assessment	12,192	13,300
Other World & National Mission	22,075	35,301
Missions and congregational development	1,231,599	1,145,836
Campus and young adult missions	91,250	222,949
Communications and public affairs	254,466	276,448
Multicultural ministry	2,132	4,402
Ministry formation and deployment	338,506	434,174
Christian formation and youth ministry	8,184	12,755
Stewardship and development	638	3,000
Social ministries	156,683	142,448
Other diocesan ministries	244,061	133,618
IRIS (Refugee and Immigration Ministries)	1,020,680	884,683
Bookstore	-	342
Retreat Center	96,230	103,311
	<u>4,053,696</u>	<u>3,988,167</u>
Support services:		
Diocesan operations ministries support	900,808	880,662
Bishops' office	1,019,623	1,067,951
Human resources and professional standards	347,138	364,003
Administration and finance	203,193	205,430
	<u>2,470,762</u>	<u>2,518,046</u>
	<u>\$ 6,524,458</u>	<u>\$ 6,506,213</u>

**THE PROTESTANT EPISCOPAL CHURCH  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 13 – Employee Benefit Programs**

The Corporation participates in defined benefit and defined contribution retirement plans administered by the Church Pension Fund (the Fund), which covers substantially all employees.

The Fund is a single corporate legal entity composed of approximately 8,000 fund participants, 6,000 retirees and 7,300 churches. In addition to the national scope of this organization, actuarial data is further obscured by the fact that most fund participants are employed by multiple churches over the life of their service. Accordingly, it is not practical for an actuary to compute accumulated and projected benefit obligations for individual fund participants on a church-by-church basis. The Corporation contributed approximately \$226,000 and \$276,000 (18% of eligible compensation) to the clergy defined benefit pension plan for the years ended December 31, 2021 and 2020, respectively.

The Corporation also funds defined benefit and defined contribution pension plans covering lay persons employed by the Corporation. The Corporation contributes 9% of eligible employee compensation. Contributions by the Corporation to the lay employee pension plans amounted to approximately \$176,000 and \$164,000 for the years ended December 31, 2021 and 2020, respectively.

**NOTE 14 – Commitments and Contingencies**

In March 2015, the Corporation entered into an agreement to act as the guarantor of a loan to St. George’s Episcopal Church of Laguna Hills. At December 31, 2021, the principal amount of the loan was approximately \$57,000 with a fixed interest rate of 4.375%, with a maturity date of March 2022. Subsequent to year-end, the loan was refinanced with the Corporation being the borrower of the loan. The new principal amount of the loan was approximately \$940,000 with a fixed interest rate of 4.70%, payable in equal monthly installments with a final balloon payment due on June 2032.

During August 11, 2022, the Episcopal Diocese of Los Angeles agreed to payment of \$1.2 million over a 7-year period in settlement of a lawsuit against the Diocese and several other parties. The first payment of \$137,500 was made on September 8, 2022 and subsequent \$150,000 payments will be made annually until 2029.

**THE PROTESTANT EPISCOPAL CHURCH  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 15 – Related-Party Transactions**

The Corporation is related to the Corporation Sole and affiliated parishes and missions within the Diocese. The Corporation Sole and affiliated parishes and missions provide the Corporation with funding for administrative operations. Facilities and administrative service expenses common to the Corporation and the Corporation Sole are shared under a formula which is reviewed annually. At December 31, 2021 and 2020, total due from Corporation Sole is \$526,991 and \$467,714, respectively.

Other organizations within the Protestant Episcopal Church in the Diocese of Los Angeles have deposited monies with the Corporation to hold and manage as investments. Investment income (expense) related to these monies is recorded as an increase (decrease) to this account. These funds are included in investments on the statement of assets, liabilities, and net assets – modified cash basis.



## **SUPPLEMENTAL INFORMATION**

**THE PROTESTANT EPISCOPAL CHURCH  
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**SCHEDULE OF PROPERTY AND EQUIPMENT  
DECEMBER 31, 2021**

Location	Description	Valuation Basis	Valuation Amount
<b>SAINT PAUL'S COMMONS</b>			
Building – 840 Echo Park Ave.	Building, furniture, and fixtures	C	\$ 9,918,729
Land – 840 Echo Park Ave.	Land	C	1,330,000
Land – 860 Echo Park Ave.	Land	C	<u>320,764</u>
Total Cathedral Center			<u>11,569,493</u>
<b>PARISHES</b>			
Los Angeles - St. Bede's	Land and house	C	22,345
	Land and church	C	223,036
San Juan Capistrano - St. Margaret's	Church and school	C	4,346,932
	Headmaster's House	C	1,540,000
Santa Clarita - St. Stephen's	Land	C	101,529
	Church and educational facility	C	<u>223,846</u>
Total Parishes			<u>6,457,688</u>
<b>MISSIONS</b>			
Agoura - Church of the Epiphany	Land and improvements	C	1,290,047
Big Bear - St. Columbia's	Land and church	C	108,426
Glendale - Magdalene	Church, parish hall, and Sunday school Office	A	356,069
	Office	A	40,059
Hesperia - St. Hillary's	Land and buildings	C	185,900
	Land and buildings	C	90,947
Irvine - St. Andrew's	Land	C	182,234
	Church and improvements	C	608,344
La Crescenta - St. Luke's-of-the-Mountains	Land and buildings	I	5,290,031
La Verne - St. John's	Land	C	25,407
	Parish hall	C	77,361
Lake Arrowhead - St. Richard's	Land	C	90,529
	Building	C	444,471
Laguna Hills, St. George's	Land and church	C	56,500
Rancho Santa Margarita - Saint John Chrysostom	Land and buildings	C	4,329,158

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**SCHEDULE OF PROPERTY AND EQUIPMENT  
DECEMBER 31, 2021  
(Continued)**

Location	Description	Valuation Basis	Valuation Amount
<b>MISSIONS (Continued)</b>			
San Bernardino - St. John's	Church and Parish Hall	A	353,281
	Residence	A	<u>41,757</u>
Total Missions			<u>13,570,521</u>
<b>EPISCOPAL RESIDENCE</b>			
Los Angeles	Land and buildings	C	<u>1,703,243</u>
Total Episcopal Residence			<u>1,703,243</u>
<b>OTHER PROPERTY AND EQUIPMENT</b>			
Camp Stevens, Julian, San Diego County	Land	C	698,350
	Land	C	214,928
	Land	C	163,800
	Land	C	119,250
	Land	C	52,500
	Banner Road property	C	81,000
	Mobile home	C	60,000
	Vicarage	C	20,262
Condo, Stanton	Condominium	A	209,501
Forest Lawn - Hollywood	Burial Plots - Korean Congregation	C	1
Kern County	Undivided 1/10th interest in mineral rights	C	52
Los Angeles	Evergreen Cemetery burial plot	C	2,100
Ventura County	Lots 3 and 4, Sec. T4N, R10W, 62.29 acres	C	450
Yucca Valley	Land (from Cath Corp, 5 acres)	A	15,686
2019 Subaru XV Crosstrek	Automobile	C	13,738
Renville County, North Dakota	Mineral interest	C	<u>1</u>
Total Other Property and Equipment			<u>1,651,619</u>
Total Property and Equipment			<u>\$ 34,952,564</u>

Valuation symbols: A - Appraisal C - Cost I - Insurance valuation