



THE PROTESTANT EPISCOPAL CHURCH
IN THE DIOCESE OF LOS ANGELES

Financial Statements
December 31, 2022
(With Summarized Comparative Information for 2021)

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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, 2022, 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, 2022, 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 2021 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 October 11, 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2023 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control over financial reporting and compliance.



Long Beach, California
September 27, 2023

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

**STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS -
MODIFIED CASH BASIS
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

ASSETS

	December 31,	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 4,864,922	\$ 1,249,886
Assessments receivable	404,195	714,273
Other receivables	296,197	210,904
Investments	13,786,997	17,235,075
Loans receivable, net	6,304,651	5,514,943
Property and equipment	34,946,224	34,952,564
Due from Corporation Sole	307,119	526,991
TOTAL ASSETS	\$ 60,910,305	\$ 60,404,636

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 304,489	\$ 120,878
Funds held for Corporation Sole	2,523,682	-
Funds held for others	6,792,664	9,278,412
Notes payable	6,306,914	5,582,780
Total Liabilities	15,927,749	14,982,070
COMMITMENTS AND CONTINGENCIES (Note 13)		
NET ASSETS		
Without donor restrictions		
Undesignated	37,855,183	38,591,404
Board designated	1,511,403	1,770,705
	39,366,586	40,362,109
Restricted net assets:		
Restricted for specific purpose	3,355,422	3,537,324
Restricted in perpetuity endowment	2,260,548	1,523,133
	5,615,970	5,060,457
Total Net Assets	44,982,556	45,422,566
TOTAL LIABILITIES AND NET ASSETS	\$ 60,910,305	\$ 60,404,636

See Independent Auditors' Report

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

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

**STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2022</u>	<u>2021</u>
REVENUE, GAINS, AND OTHER SUPPORT				
Parish assessments	\$ 4,373,087	\$ -	\$ 4,373,087	\$ 4,503,378
Contributions	1,826,238	1,106,608	2,932,846	2,085,048
IRIS - refugee relocation	2,276,447	-	2,276,447	889,306
Program support	1,379,375	-	1,379,375	1,027,492
Forgiveness of Paycheck Protection Program loan	-	-	-	1,323,636
Investment income/(loss), net	(835,303)	(345,351)	(1,180,654)	975,542
Other revenue	114,383	-	114,383	91,204
Net assets released from restrictions	205,744	(205,744)	-	-
Total Revenue, Gains, and Other Support	<u>9,339,971</u>	<u>555,513</u>	<u>9,895,484</u>	<u>10,895,606</u>
EXPENSES				
PROGRAM SERVICES				
Episcopal mission and congregational development	1,748,737		1,748,737	1,876,299
Clergy and ministries	1,118,184		1,118,184	966,548
Interfaith refugee and immigration service	2,129,249		2,129,249	1,022,026
Other programs	1,360,853		1,360,853	1,235,194
St. Paul's Commons	1,212,994		1,212,994	1,005,825
Bishop's office	830,337		830,337	1,019,623
Total program services	<u>8,400,354</u>		<u>8,400,354</u>	<u>7,125,515</u>
SUPPORTING SERVICES				
General and administrative	<u>1,935,140</u>		<u>1,935,140</u>	<u>1,653,007</u>
Total Expenses	<u>10,335,494</u>		<u>10,335,494</u>	<u>8,778,522</u>
CHANGE IN NET ASSETS	<u>(995,523)</u>	<u>555,513</u>	<u>(440,010)</u>	<u>2,117,084</u>
NET ASSETS AT BEGINNING OF YEAR	<u>40,362,109</u>	<u>5,060,457</u>	<u>45,422,566</u>	<u>43,305,482</u>
NET ASSETS AT END OF YEAR	<u>\$ 39,366,586</u>	<u>\$ 5,615,970</u>	<u>\$ 44,982,556</u>	<u>\$ 45,422,566</u>

See Independent Auditors' Report

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

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

**STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

	Episcopal Mission and Congregational Development	Clergy and Ministries	Interfaith Refugee and Immigration Service	Other Programs	St. Paul's Commons	Bishop's Office	General and Administrative	Total Expense	
								2022	2021
Salaries and benefits	\$ 45,347	\$ 709,137	\$ 1,313,779	\$ 959,558	\$ 424,947	\$ 761,338	\$ 463,582	\$ 4,677,688	\$ 4,209,575
Episcopal Church assessment	585,000	-	-	-	-	-	-	585,000	575,000
Grants and direct assistance	1,095,325	252,018	509,956	3,000	-	-	-	1,860,299	1,838,294
Unemployment program	-	-	-	-	-	-	335,946	335,946	318,979
Professional services	20,938	56,333	164,011	101,850	6,374	20,195	526,488	896,189	709,224
Conferences and travel	2,127	73,898	15,727	19,398	17,594	22,946	2,593	154,283	69,539
Rent and facilities	-	-	18,000	119,858	-	-	-	137,858	116,660
Insurance	-	-	2,030	2,440	3,765	-	51,163	59,398	84,931
Equipment	-	-	36,801	1,595	39,090	1,973	-	79,459	80,488
Repairs and maintenance	-	-	6,268	111,512	277,870	-	-	395,650	244,066
Utilities	-	-	34,949	6,220	205,072	-	-	246,241	190,064
Internet and web services	-	-	-	-	113,337	-	-	113,337	114,737
Software, printing and supplies	-	5,982	27,728	28,148	94,628	2,308	4,388	163,182	92,942
Bad debt expense	-	-	-	-	-	-	550,000	550,000	-
Other	-	20,816	-	7,274	30,317	21,577	980	80,964	134,023
Total Functional Expenses	\$ 1,748,737	\$ 1,118,184	\$ 2,129,249	\$ 1,360,853	\$ 1,212,994	\$ 830,337	\$ 1,935,140	\$ 10,335,494	\$ 8,778,522

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, 2022**

NOTE 1 – Organization and Summary of Significant Accounting Policies

Organization

The Protestant Episcopal Church in the Diocese of Los Angeles (the Corporation) is a California 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
IN THE DIOCESE OF LOS ANGELES**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 statement of revenue, expenses, and change in net assets – modified cash basis 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, 2022, 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
IN THE DIOCESE OF LOS ANGELES**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

Assessments Receivable

Assessments receivable represent non-interest bearing assessments due from parishes as required under the Diocesan canons. At the discretion of the Bishop, the time for payment may be extended by signing a note. During the year ended December 31, 2022, a provision for uncollectible assessments was made for \$550,000 as a reserve for past due assessments that management estimates may be uncollectable.

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 statement 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 is 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, 2022, totaling \$6,792,664, are included in cash and 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.

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, 2022**

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

IRIS – Refugee Relocation Program

The Corporation receives funding from the U.S. 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 of America.

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 office 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.

Subsequent Events

The Corporation's management has evaluated subsequent events from the statement of assets, liabilities, and net assets – modified cash basis date through September 27, 2023, the date at which the financial statements were available to be issued, and there are no other items to disclose.

Reclassification

Certain reclassifications have been made to the Corporations comparable December 31, 2021 financial statements to conform to the current year presentation. The Corporation's total assets, net assets and change in net assets is unaffected by these reclassifications.

**THE PROTESTANT EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 assets, liabilities, and net assets – modified cash basis date because of contractual or donor-imposed restrictions.

	December 31,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 4,864,922	\$ 1,249,886
Assessments receivable	404,195	714,273
Other receivables	296,197	210,904
Investments	13,786,997	17,235,075
Loans receivable, net	6,304,651	5,514,943
	<u>25,656,962</u>	<u>24,925,081</u>
Less those unavailable for general expenditure within one year due to:		
Funds held on behalf of other organizations	(9,316,346)	(9,278,412)
Long-term loans receivable	(6,051,855)	(5,353,212)
Contractual or donor-imposed restrictions:		
Restricted by donor for specific purpose	(3,355,422)	(3,537,324)
Restricted by donor with perpetual restrictions	(2,260,548)	(1,523,133)
Board designations:		
Board designated (Note 8)	(1,511,403)	(1,770,705)
	<u>(22,495,574)</u>	<u>(21,462,786)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 3,161,388</u>	<u>\$ 3,462,295</u>

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
IN THE DIOCESE OF LOS ANGELES**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 U.S. 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:

	December 31, 2022		December 31, 2021	
	Cost	Fair Value	Cost	Fair Value
Diocesan Investment				
Trust Shares:	<u>\$ 9,079,345</u>	<u>\$ 13,786,997</u>	<u>\$ 9,982,660</u>	<u>\$ 17,235,075</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 0.19% for the years ended December 31, 2022 and 2021, respectively.

NOTE 4 – Loans Receivable

Loans receivable consists of various notes and promises to pay, bearing interest at rates ranging from 0% to 6.5% per annum, with various payment arrangements and due dates through June 2032.

	December 31,	
	2022	2021
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	\$ 4,697,999	\$ 4,796,041
Loan receivable from St. George’s Episcopal Church, secured by deed of trust on property, due in monthly installments including interest at 4.375% per annum through June 2032	926,595	-

**THE PROTESTANT EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 – Loans Receivable (Continued)

	December 31,	
	2022	2021
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	\$ 361,432	\$ 400,277
Various loan receivables, secured by deed of trust on the various properties, due in monthly installments through September 2027 for Mission Expansion Fund	310,167	326,948
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
	6,614,818	5,841,891
Allowance for doubtful collection	(310,167)	(326,948)
	<u>\$ 6,304,651</u>	<u>\$ 5,514,943</u>

NOTE 5 – Property and Equipment

Property and equipment consist of the following:

	December 31,	
	2022	2021
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	1,645,279	1,651,619
Total property and equipment	<u>\$ 34,946,224</u>	<u>\$ 34,952,564</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022, the Corporation and missions and parishes were in compliance with such covenants. Notes payable consists of the following:

	December 31,	
	2022	2021
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	\$ 4,697,999	\$ 4,796,041
Note payable to Citizens Business bank, secured by deed of trust on property, due in monthly installments including interest at 4.45% per annum through January 2032 for St. George’s Episcopal Church	926,595	-
Note payable to Episcopal Church Building Fund, unsecured, due in monthly installments including interest at 4.65% per annum through July 2030 for St. John Baptist Corona	361,432	400,277
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	312,476	371,562
Automobile note payable, payable in monthly installments including interest at 3.25% per annum through March 2024	8,412	14,900
Total notes payable	\$ 6,306,914	\$ 5,582,780

**THE PROTESTANT EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 – Notes Payable (Continued)

Future maturities of notes payable are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 227,662
2024	233,078
2025	242,696
2026	252,229
2027	240,498
Thereafter	<u>5,110,751</u>
	<u>\$ 6,306,914</u>

Interest expense totaled \$13,981 and \$16,324 for 2022 and 2021, 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 PPP. The Corporation allocated \$1,989,364 of the PPP 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 – modified cash basis at December 31, 2021. In October 2021, the Corporation received notification from the Small Business Administration 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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**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 – Net Assets Without Donor Restrictions – Board Designated

The Corporation is self-insured for unemployment benefits. Unrestricted net assets have been designated by the Board of Directors for the following:

	December 31,	
	2022	2021
Unemployment benefits	\$ 679,947	\$ 768,507
Diocesan Operating Endowment	831,456	1,002,198
Board designated funds	\$ 1,511,403	\$ 1,770,705

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

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

	December 31,	
	2022	2021
SCI Endowment for Camp Stevens	\$ 702,490	\$ 765,269
Episcopal Residence activities	1,396,040	1,342,528
Annual appeal	259,683	-
Neighborhood Youth Association	-	89,975
White-Perkins small church activities	577,520	671,970
Wadleigh activities	22,674	50,782
Franklin Educational Fund	78,641	117,735
Episcopal Church activities	278,876	453,107
Camp Stevens Endowment Fund	39,498	45,958
Restricted for specific purpose net assets	\$ 3,355,422	\$ 3,537,324

**THE PROTESTANT EPISCOPAL CHURCH
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DECEMBER 31, 2022**

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, 2022:

Episcopate Endowment activities	\$ 229,753
Diocesan operations	612,415
Neighborhood Youth Association	1,125,000
Hispanic Ministry activities	125,000
Franklin Educational activities	139,573
Episcopal Residence activities	<u>28,807</u>
 Restricted net assets for perpetuity	 <u>\$ 2,260,548</u>

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.

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 11 – Endowment (Continued)

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.)

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.

**THE PROTESTANT EPISCOPAL CHURCH
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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 11 – Endowment (Continued)

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

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
SCI Endowment for Camp Stevens	\$ 702,490	\$ 765,269
Diocesan operations endowment	1,443,870	1,002,198
Neighborhood Youth Association	1,011,517	1,214,975
Hispanic Ministry activities	125,000	-
Episcopal Endowment activities	229,753	229,753
Franklin Education activities	139,573	139,573
Episcopal Residence activities	<u>28,807</u>	<u>28,807</u>
Total endowment net assets	<u>\$ 3,681,010</u>	<u>\$ 3,380,575</u>

Changes in endowment net assets for the year ended December 31, 2022 were as follows:

	<u>Board Designated</u>	<u>Restricted for Specific Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Beginning of year	\$ 1,002,198	\$ 855,244	\$ 1,523,133	\$ 3,380,575
Contributions	-	-	737,415	737,415
Investment loss	(130,742)	(214,609)	-	(345,351)
Amounts appropriated for expenditure	<u>(40,000)</u>	<u>(51,629)</u>	<u>-</u>	<u>(91,629)</u>
End of year	<u>\$ 831,456</u>	<u>\$ 589,006</u>	<u>\$ 2,260,548</u>	<u>\$ 3,681,010</u>

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 11 – Endowment (Continued)

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

	<u>Board Designated</u>	<u>Restricted for Specific Purpose</u>	<u>Restricted in Perpetuity</u>	<u>Total</u>
Beginning of year	\$ -	\$ 715,550	\$ 398,133	\$ 1,113,683
Contributions	913,919	-	1,125,000	2,038,919
Investment gain	88,279	141,186	-	229,465
Amounts appropriated for expenditure	<u>-</u>	<u>(1,492)</u>	<u>-</u>	<u>(1,492)</u>
End of year	<u>\$ 1,002,198</u>	<u>\$ 855,244</u>	<u>\$ 1,523,133</u>	<u>\$ 3,380,575</u>

NOTE 12 – 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 \$186,000 and \$226,000 (18% of eligible compensation) to the clergy defined benefit pension plan for the years ended December 31, 2022 and 2021, 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 \$241,000 and \$176,000 for the years ended December 31, 2022 and 2021, respectively.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 13 – Commitments and Contingencies

During August 11, 2022, the Episcopal Diocese of Los Angeles agreed to payment of \$1.2 million over a seven-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.

In September 2023, the Episcopal Diocese of Los Angeles agreed to a payment of \$600,000 in settlement of a lawsuit against the Diocese and other parties. The Diocese's insurer agreed to pay \$200,000 towards this settlement.

NOTE 14 – Related-Party Transactions with Corporation Sole

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, 2022 and 2021, total due from Corporation Sole is \$307,119 and \$526,991, respectively.

During the years ended December 31, 2022 and 2021, the Corporation received contributions from Corporation Sole of approximately \$1,619,000 and \$671,000

On June 7, 2022, Corporation Sole and NCRC Placentia LLC, a California Limited Liability corporation, executed a ground lease for property located at 1314 N Angelina Drive Placentia California in which NCRC Placentia LLC agreed to pay for the benefit of Landlord \$2,523,682 as the initial rent payment on this ground lease to be used toward the construction of the Santa Angelina Senior Community social hall and renovation of the existing church alongside a new residential apartment project. The Corporation received this payment on behalf of Corporation Sole during the year ended December 31, 2022, which is classified as funds held for Corporation Sole on the accompanying balance sheet. During 2023, the Diocese has reviewed all submitted payment requests by NCRC Placentia LLC's general contractor and, in consultation with NCRC Placentia LLC and the Church of the Blessed Sacrament-Placentia, has approved progress payments to be made in accordance with the schedule of values outlined the construction agreement.

SUPPLEMENTAL INFORMATION

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

**SCHEDULE OF PROPERTY AND EQUIPMENT
DECEMBER 31, 2022**

<u>Location</u>	<u>Description</u>	<u>Valuation Basis</u>	<u>Valuation Amount</u>
SAINT PAUL'S COMMONS			
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 Saint Paul's Commons			<u>11,569,493</u>
PARISHES			
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>
MISSIONS			
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

MISSIONS (Continued)

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**SCHEDULE OF PROPERTY AND EQUIPMENT
DECEMBER 31, 2022
(Continued)**

<u>Location</u>	<u>Description</u>	<u>Valuation Basis</u>	<u>Valuation Amount</u>
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>
EPISCOPAL RESIDENCE			
Los Angeles	Land and buildings	C	<u>1,703,243</u>
Total Episcopal Residence			<u>1,703,243</u>
OTHER PROPERTY AND EQUIPMENT			
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	7,398
Renville County, North Dakota	Mineral interest	C	<u>1</u>
Total Other Property and Equipment			<u>1,645,279</u>
Total Property and Equipment			<u>\$ 34,946,224</u>

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