

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

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**



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**ADMINISTRATIVE OFFICE OF
THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF LOS ANGELES
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YEAR ENDED DECEMBER 31, 2023**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Administrative Office of The Protestant Episcopal Church in The Diocese of Los Angeles
Los Angeles, California

Report on the Audit of the Financial Statements

Opinion

We were engaged to audit the accompanying financial statements of Administrative Office of The Protestant Episcopal Church in The Diocese of Los Angeles (the Administrative Office) (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2023, and the related statement 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 Administrative Office of The Protestant Episcopal Church in The Diocese of Los Angeles as of December 31, 2023, and the changes of its net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Administrative Office of The Protestant Episcopal Church in The Diocese of Los Angeles 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.

Emphasis of Matters – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

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 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, 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.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Administrative Office of The Protestant Episcopal Church in The Diocese of Los Angeles'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 Administrative Office of The Protestant Episcopal Church in The Diocese of Los Angeles'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.



CliftonLarsonAllen LLP

Pasadena, California
October 2, 2025

**ADMINISTRATIVE OFFICE OF
THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF LOS ANGELES
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS—MODIFIED CASH BASIS
DECEMBER 31, 2023**

ASSETS

Cash and Cash Equivalents	\$ 2,514,315
Assessments Receivable, Net	353,138
Other Receivables, Net	314,678
Investments	15,096,345
Loans Receivable, Net	5,482,038
Property and Equipment	13,501,583
Due from Corporation Sole	<u>221,984</u>
Total Assets	<u><u>\$ 37,484,081</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accrued Expenses	\$ 60,068
Funds Held for Corporation Sole	276,096
Funds Held for Others	7,777,269
Notes Payable	<u>5,754,910</u>
Total Liabilities	13,868,343

NET ASSETS

Without Donor Restrictions:	
Undesignated	14,296,593
Board-Designated	<u>3,063,386</u>
Total Without Donor Restrictions	17,359,979
Restricted Net Assets:	
Restricted for Specific Purpose	3,286,579
Restricted in Perpetuity Endowment	<u>2,969,180</u>
Total Restricted Net Assets	<u>6,255,759</u>
Total Net Assets	<u><u>23,615,738</u></u>
Total Liabilities and Net Assets	<u><u>\$ 37,484,081</u></u>

See accompanying Notes to Financial Statements.

**ADMINISTRATIVE OFFICE OF
THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF LOS ANGELES
STATEMENT OF REVENUE, EXPENSES, AND
CHANGE IN NET ASSETS—MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS, AND OTHER SUPPORT			
Parish Assessments	\$ 4,329,700	\$ -	\$ 4,329,700
Contributions	1,856,919	325,578	2,182,497
IRIS - Refugee Relocation	3,002,530	-	3,002,530
Program Support	452,766	-	452,766
Investment Income, Net	553,739	407,403	961,142
Rental Income	266,643		266,643
Other Revenue	200,473	-	200,473
Special Events	80,242		80,242
Net Assets Released from Restrictions	123,603	(123,603)	-
Total Revenue, Gains, and Other Support	10,866,615	609,378	11,475,993
EXPENSES			
Program Services:			
Episcopal Mission and Congregational Development	1,793,683	-	1,793,683
Clergy and Ministries	1,109,964	-	1,109,964
Interfaith Refugee and Immigration Service	3,136,373	-	3,136,373
Other Programs	1,222,518	-	1,222,518
St. Paul's Commons	878,393	-	878,393
Bishop's Office	751,976	-	751,976
Total Program Services	8,892,907	-	8,892,907
Supporting Services:			
General Administrative	2,511,604	-	2,511,604
Total Expenses	11,404,511	-	11,404,511
CHANGE IN NET ASSETS	(537,896)	609,378	71,482
Net Assets - Beginning of Year	17,897,875	5,646,381	23,544,256
NET ASSETS - END OF YEAR	<u>\$ 17,359,979</u>	<u>\$ 6,255,759</u>	<u>\$ 23,615,738</u>

See accompanying Notes to Financial Statements.

**ADMINISTRATIVE OFFICE OF
THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF LOS ANGELES
STATEMENT OF FUNCTIONAL EXPENSES—MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2023**

	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
Salaries and Benefits	\$ 21,949	\$ 615,090	\$ 1,674,237	\$ 869,128	\$ 278,917	\$ 673,261	\$ 688,233	\$ 4,820,815
Episcopal Church Assessment	784,107	-	-	-	-	-	-	784,107
Grants and Direct Assistance	960,164	346,443	1,046,178	-	-	-	-	2,352,785
Unemployment Program	-	-	-	-	-	-	315,606	315,606
Professional Services	6,962	34,561	177,537	18,113	12,153	18,212	844,092	1,111,630
Conferences and Travel	20,501	83,437	44,420	25,651	29,605	28,163	2,587	234,364
Rent and Facilities	-	-	39,000	129,179	-	-	-	168,179
Insurance	-	-	10,061	2,295	-	-	90,913	103,269
Equipment	-	-	64,948	17,685	36,746	5,713	-	125,092
Repairs and Maintenance	-	-	14,548	120,537	304,134	-	-	439,219
Utilities	-	-	24,249	-	159,890	-	-	184,139
Internet and Web Services	-	-	-	-	-	-	39,245	39,245
Software, Printing and Supplies	-	7,132	33,057	26,709	50,275	2,333	88,347	207,853
Bad Debt Expense	-	-	-	-	-	-	416,018	416,018
Other	-	23,301	8,138	13,221	6,673	24,294	26,563	102,190
Total Expenses by Function	<u>\$ 1,793,683</u>	<u>\$ 1,109,964</u>	<u>\$ 3,136,373</u>	<u>\$ 1,222,518</u>	<u>\$ 878,393</u>	<u>\$ 751,976</u>	<u>\$ 2,511,604</u>	<u>\$ 11,404,511</u>

See accompanying Notes to Financial Statements.

**ADMINISTRATIVE OFFICE OF
THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 PRINCIPAL ACTIVITY AND 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. The Administrative Office of The Protestant Episcopal Church in the Diocese of Los Angeles (the Administrative Office) reported in these financial statements includes the programs, other services and support offered at the Diocesan level.

These statements exclude the financial position and transactions of the parishes, missions and camps. These organizations may or may not be separate corporations under civil law; however, each is an operating entity distinct from the Administrative Office and maintains separate accounts and carries on its own services and programs. In the event of the dissolution of one of these entities, the Administrative Office may or may not be the beneficiary of remaining net assets at the discretion of the Bishop.

According to canon law and court precedent, all church properties are held in trust for the larger church. For financial accounting, only the operating properties of the Administrative Office are reported as assets in the Administrative Office's financial statements. The land, buildings, and equipment at the parishes, missions, and camps are not included.

Basis of Accounting

The accounting policies of the Administrative Office conform to the modified cash basis of accounting. Consequently, revenue is recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. Modification to a pure cash basis of accounting include recording assessments receivable from missions and parishes arising from cash transactions. In addition, the Administrative Office does not record depreciation on property, which may have been necessary to conform to generally accepted accounting principles.

**ADMINISTRATIVE OFFICE OF
THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Asset Classes

The Administrative Office 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.

Without Donor Restrictions – Net Assets without donor restrictions are resources available for use in general operations and not subject to donor (or certain grantor) restrictions, and net assets designated by the board of directors or management for specific purposes.

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 Administrative Office 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 restricts 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.

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.

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, 2023, and at various times during the year then ended, the Administrative Office had cash and cash equivalents in financial institutions in excess of federally insured limits.

Assessments Receivable

Assessments receivable represent noninterest bearing assessments due from parishes as required under the Diocesan canons. At the discretion of Diocesan Council, acting on behalf of Diocesan Convention, assessment receivables may be waived or deferred. As of December 31, 2023, a provision for uncollectible assessments was made for \$550,000 as a reserve for past due assessments that management estimates may be uncollectable. The Administrative Office uses historical loss information based on aging of receivables as the basis to determine expected credit losses for receivables, adjusted for reasonable expectations of future collection performance. A loss rate is developed for each risk category based on aging. Management believes the composition of receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly.

**ADMINISTRATIVE OFFICE OF
THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Administrative Office records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of assets, liabilities, and net assets – modified cash basis. Net investment gain (loss) is reported in the statement of revenue, expenses, and change in net assets – modified cash basis and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

The Administrative Office'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 Administrative Office. Investment income, including unrealized gains or losses, is included in the statement of revenue, expenses, and change in net assets—modified cash basis.

The Financial Accounting Standards Board (FASB) established a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring fair value. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 – Quoted market prices are available in active market for identical assets or liabilities as of the reporting date.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 – Pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

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.

**ADMINISTRATIVE OFFICE OF
THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 PRINCIPAL ACTIVITY AND 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, and historical loss information based on aging of receivables as the basis to determine expected credit losses for receivables, adjusted for reasonable expectations of future collection performance. A loss rate is developed for each risk category based on aging. Management believes the composition of receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. 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.

Other Receivables

Other receivables 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, and historical loss information based on aging of receivables as the basis to determine expected credit losses for receivables, adjusted for reasonable expectations of future collection performance. A loss rate is developed for each risk category based on aging. Management believes the composition of receivables at year-end is consistent with historical conditions as credit terms and practices and the customer base has not changed significantly. 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 other receivables. Changes in the valuation allowance have not been material to the financial statements. The change in the allowance for losses on other receivables for the year ended December 31, 2023 is as follows:

Allowance for Losses on Other Receivables	
Balance, Beginning of year	\$ -
Provision for Losses	77,181
Balance, End of Year	<u><u>\$ 77,181</u></u>

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 Administrative Office does not provide for depreciation on its property and equipment.

Funds Held for Others

Funds held for others represent funds held by the Administrative Office 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 as of December 31, 2023, totaling \$7,652,269 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.

**ADMINISTRATIVE OFFICE OF
THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Administrative Office 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.

IRIS - Refugee Relocation Program

The Administrative Office 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. When the 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.

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 Administrative Office allocates salary and office expenses using a methodology-based time spent.

Income Taxes

The Administrative Office is exempt under Internal Revenue Code Section 501(c)(3) and the related California code section. The Administrative Office 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 Administrative Office 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.

Change in Accounting Principle

The Administrative Office has adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The Administrative Office adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on The Administrative Office's financial statements but did change how the allowance for credit losses is determined.

**ADMINISTRATIVE OFFICE OF
THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

We have evaluated subsequent events through October 2, 2025, the date the financial statements were available to be issued. There were no subsequent events that would require adjustments or disclosures in these financial statements.

NOTE 2 LIQUIDITY AND AVAILABILITY

The following reflects the Administrative Office'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.

Financial Assets:

Cash and Cash Equivalents	\$ 2,514,315
Assessments Receivable, Net	353,138
Other Receivables, Net	314,678
Investments	15,096,345
Loans Receivable, Net	<u>5,482,038</u>
Total	<u>23,760,514</u>

Less Those Unavailable for General Expenditure

Within One Year Due to:

Funds Held on Behalf of Other Organizations	(7,777,269)
Long-Term Loans Receivable	(5,482,038)
Contractual or Donor-Imposed Restrictions:	
Restricted by Donor for Specific Purpose	(3,286,579)
Restricted by Donor with Perpetual Restrictions	(2,969,180)
Board Designations:	
Board-Designated	<u>(3,063,386)</u>
Total	<u>(22,578,452)</u>

Financial Assets Available to Meet Cash Needs for

General Expenditure Within One Year	<u><u>\$ 1,182,062</u></u>
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The Administrative Office maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**ADMINISTRATIVE OFFICE OF
THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 INVESTMENTS

Investments represents the Administrative Office'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 Administrative Office's investments are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Diocesan Investment Trust Shares	<u>\$ 8,702,804</u>	<u>\$ 15,096,345</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 0.40% for the year ended December 31, 2023.

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.

Loan receivable from St. John Rancho Santa Margarita to J.P. Morgan Chase, secured by deed of trust on property, due in monthly installments including interest at 3.35% per annum through March 2031	\$ 4,596,575
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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	905,675
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Various loan receivables, secured by deed of trust on the various properties, due in monthly installments through September 2027 for Mission Expansion Fund	279,097
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Charitable organizations - Camp Stevens Loan for construction commitments related to Berstorm Lodge due in monthly installments including interest at 5% per annum	<u>318,625</u>
Total loans receivable	6,099,972
Allowance for credit losses	<u>(617,934)</u>
Total	<u><u>\$ 5,482,038</u></u>

**ADMINISTRATIVE OFFICE OF
THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 LOANS RECEIVABLE (CONTINUED)

The change in the allowance for loan losses for the year ended December 31, 2023 is as follows:

Allowance for Loan Losses	
Balance, Beginning of year	\$ 310,167
Provision for Losses	338,837
Recoveries on Loans	(31,070)
Balance, End of Year	<u>\$ 617,934</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

Saint Paul's Commons	\$ 11,569,493
Episcopal Residence	1,703,243
Other Property and Equipment	228,847
Total	<u>\$ 13,501,583</u>

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 Administrative Office 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 Administrative Office or missions and parishes. At December 31, 2023, the Administrative Office and missions and parishes were in compliance with such covenants. Notes payable consists of the following:

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	\$ 4,596,575
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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	905,675
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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	250,951
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Automobile note payable, payable in monthly installments including interest at 3.25% per annum through March 2024	<u>1,709</u>
Total	<u>\$ 5,754,910</u>

**ADMINISTRATIVE OFFICE OF
THE PROTESTANT EPISCOPAL CHURCH IN THE DIOCESE OF LOS ANGELES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6 NOTES PAYABLE (CONTINUED)

Future maturities of notes payable are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 182,970
2025	198,027
2026	205,581
2027	191,783
2028	145,741
Thereafter	4,830,808
Total	<u>\$ 5,754,910</u>

Interest expense totaled \$11,541 for 2023.

NOTE 7 NET ASSETS WITHOUT DONOR RESTRICTIONS – BOARD-DESIGNATED

The Administrative Office is self-insured for unemployment benefits. Net assets without donor restrictions have been designated by the Board of Directors for the following:

Sinking Fund	\$ 910,661
Unemployment Benefits	764,767
Clergy Relief Fund	201,637
Commission on Schools	123,693
TOD Workers' Compensation	106,217
Diocesan Operating Endowment	956,411
Total Board-Designated Funds	<u>\$ 3,063,386</u>

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS - RESTRICTED FOR SPECIFIC PURPOSE

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

Episcopal Residence Activities	\$ 1,433,010
White-Perkins Small Church Activities	649,563
Episcopate Activities	342,326
Annual Appeal	291,169
SCI Endowment for Camp Stevens	250,376
Wadleigh Activities	143,310
Franklin Educational Fund	105,862
Camp Stevens Endowment Fund	44,425
Bessie Johnson Music Fund	26,538
Total Restricted for Specific Purpose Net Assets	<u>\$ 3,286,579</u>

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NOTE 9 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, 2023:

Episcopate Endowment Activities	\$ 229,753
SCI Endowment for Camp Stevens	500,000
Diocesan Operations	772,524
Neighborhood Youth Association	1,125,000
Neighborhood Youth Association Underwater Adjustment	(1,477)
Hispanic Ministry Activities	125,000
Franklin Educational Activities	139,573
Wadleigh Activities	50,000
Episcopal Residence Activities	28,807
Total Restricted Net Assets for Perpetuity	<u>\$ 2,969,180</u>

NOTE 10 ENDOWMENT

The Administrative Office'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 Administrative Office'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 Administrative Office 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 Administrative Office 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 Administrative Office in a manner consistent with the standard of prudence prescribed by UPMIFA.

Return Objectives and Risk Parameters

The Administrative Office'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 Administrative Office'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.

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NOTE 10 ENDOWMENT (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Administrative Office 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 Administrative Office 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 Administrative Office has a spending policy for appropriating for expenditure each year 3.5-4%, up to a maximum of 7% 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 Administrative Office'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 Administrative Office considered the long-term expected return on its endowment. Accordingly, over the long term, the Administrative Office expects the current spending policy to allow its endowment to grow sufficiently to preserve or increase the purchasing power of its endowments.

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

Neighborhood Youth Association	\$ 1,125,000
Neighborhood Youth Association Underwater Adjustment	(1,477)
Diocesan Operations Endowment Board Designated	956,411
Diocesan Operations Endowment Donor Designated	772,524
SCI Endowment for Camp Stevens	750,376
Episcopal Endowment Activities	572,079
Franklin Educational Activities	245,435
Wadleigh Activities	193,310
Hispanic Ministry Activities	125,000
Episcopal Residence Activities	38,332
Total Restricted Endowment Net Assets	<u>\$ 4,776,990</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the original gift amounts (underwater). When Underwater endowment funds exist, they are classified as a reduction of assets with donor restrictions. As of December 31, 2023, one fund was underwater by \$1,477.

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NOTE 10 ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2023 were as follows:

	Board- Designated	Restricted for Specific Purpose	Restricted in Perpetuity	Total
Endowment Net Assets -				
Beginning of Year	\$ 831,456	\$ 687,151	\$ 2,697,064	\$ 4,215,671
Contributions	-	-	160,109	160,109
Investment Gain	128,826	212,791	112,007	453,624
Amounts Appropriated for				-
Expenditures	(3,871)	(48,543)	-	(52,414)
Endowment Net Assets -				
End of Year	<u>\$ 956,411</u>	<u>\$ 851,399</u>	<u>\$ 2,969,180</u>	<u>\$ 4,776,990</u>

NOTE 11 EMPLOYEE BENEFIT PROGRAMS

The Administrative Office 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 Administrative Office contributed approximately \$202,000 (18% of eligible compensation) to the clergy defined benefit pension plan for the year ended December 31, 2023.

The Administrative Office also funds defined benefit and defined contribution pension plans covering lay persons employed by the Administrative Office. The Administrative Office contributes 9% of eligible employee compensation. Contributions by the Administrative Office to the lay employee pension plans amounted to approximately \$275,000 for the year ended December 31, 2023.

NOTE 12 COMMITMENTS AND CONTINGENCIES

In 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 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 paid \$200,000 towards this settlement and the Administrative Office paid for the remainder, which is included in the professional services expense in the accompanying statement of functional expenses – modified cash basis.

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NOTE 13 RELATED-PARTY TRANSACTIONS WITH CORPORATION SOLE

The Administrative Office is related to the Corporation Sole and affiliated parishes within the Diocese. The Corporation Sole and affiliated parishes provide the Administrative Office with funding for administrative operations. Facilities and administrative service expenses common to the Administrative Office and the Corporation Sole are shared under a formula which is reviewed annually. At December 31, 2023, total due from Corporation Sole is \$221,984.

During 2023, the Administrative Office received contributions from Corporation Sole of approximately \$810,000.

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 \$2,570,176 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 Administrative Office received this payment on behalf of Corporation Sole during 2022. The Administrative Office is acting as custodian of these funds, \$276,096 is recorded as funds held for Corporation Sole in 2023, and approves payment to be made to NCRC on the Corporation Sole's behalf.



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